

Report of the Auditors

TO
**THE MEMBERS OF
ICICI BANK LIMITED**

We have audited the attached Balance Sheet of the ICICI BANK LIMITED as at March 31, 2000 and also the annexed Profit and Loss Account of the Bank for the year ended on that date in which are incorporated the returns of sixty-two branches audited by us and unaudited returns of nineteen branches in respect of which exemption has been granted by the Central Government under Rule 4 (1) of the Companies (Branch Audit Exemption) Rules, 1961 from the provisions of sub-sections (1) and (3) of Section 228 of the Companies Act, 1956. These unaudited branches account for 0.43% of advances and 5.40% of deposits as at 31 March 2000; 0.14% of interest income and 4.53% of interest expense for the year. We report thereon as follows :

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
3. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
4. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches.
5. The Balance Sheet and the Profit and Loss Account dealt with by this Report are in agreement with the books of account and the Branch returns.
6. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this Report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2000 and
 - ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date.

For S. B. Billimoria & Company
Chartered Accountants

Place : Mumbai
Date : April 24, 2000

P. R. Ramesh
Partner

Balance Sheet as on March 31, 2000

(Rupees in thousands)

	Schedule	As on 31.3.2000	As on 31.3.1999
CAPITAL AND LIABILITIES			
Capital	1	196,81,89	165,00,07
Reserves and surplus	2	952,68,62	143,32,99
Deposits	3	9866,01,80	6072,94,38
Borrowings	4	491,46,84	199,88,84
Other liabilities and provisions	5	565,63,42	400,50,64
Total		12072,62,57	6981,66,92
ASSETS			
Cash and balance with Reserve Bank of India	6	721,88,97	465,80,82
Balances with banks and money at call and short notice	7	2693,27,23	1172,44,06
Investments	8	4416,67,79	2861,22,70
Advances	9	3657,34,39	2110,12,00
Fixed assets	10	222,12,22	199,62,83
Other assets	11	361,31,97	172,44,51
Total		12072,62,57	6981,66,92
Contingent liabilities	12	8989,71,84	5013,97,06
Bills for collection		761,43,63	438,46,13

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

 For **S. B. Billimoria & Company**
 Chartered Accountants

P. R. Ramesh
 Partner

 Place : Mumbai
 Date : April 24, 2000

G. Venkatakrisnan
 Chief Financial Officer

Bhashyam Seshan
 Company Secretary

For and on behalf of the Board of Directors

Lalita D. Gupte
 Director

K. V. Kamath
 Director

R. Rajamani
 Director

B.V. Bhargava
 Director

Satish C. Jha
 Director

Somesh R. Sathe
 Director

Uday M. Chitale
 Director

H. N. Sinor
 Managing Director and
 Chief Executive Officer

Profit and Loss Account for the year ended March 31, 2000

(Rupees in thousands)

	Schedule	Year ended 31.3.2000	Year ended 31.3.1999
I. INCOME			
Interest earned	13	852,87,13	544,05,21
Other income	14	194,05,16	89,03,42
Total		1046,92,29	633,08,63
II. EXPENDITURE			
Interest expended	15	666,94,62	425,51,87
Operating expenses [Refer Note 4]	16	153,31,26	82,96,97
Provisions and contingencies [Refer Note 1 (c)]		121,36,70	61,24,00
Total		941,62,58	569,72,84
III. PROFIT/LOSS			
Net profit/loss (-) for the year		105,29,71	63,35,79
Profit/loss (-) brought forward		13,49	39,21
Total		105,43,20	63,75,00
IV. APPROPRIATIONS			
Transfer to statutory reserve		25,00,00	20,00,00
Transfer to investment fluctuation reserve		—	4,83,50
Transfer to other reserves		52,82,00	17,00,00
Transfer to proposed dividend		24,75,01	19,80,01
Transfer to corporate dividend tax		2,72,25	1,98,00
Balance carried over to Balance Sheet		13,94	13,49
Total		105,43,20	63,75,00
Significant Accounting Policies and Notes to Accounts	17		

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our Report of even date

 For **S. B. Billimoria & Company**
Chartered Accountants

P. R. Ramesh
Partner

 Place : Mumbai
Date : April 24, 2000

G. Venkatakrishnan
Chief Financial Officer

Bhashyam Seshan
Company Secretary

For and on behalf of the Board of Directors

Lalita D. Gupte
Director

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Director

K. V. Kamath
Director

B.V. Bhargava
Director

Somesh R. Sathe
Director

H. N. Sinor
Managing Director and
Chief Executive Officer

Schedules forming part of the Balance Sheet

(Rupees in thousands)

SCHEDULE 1 - CAPITAL

Authorised Capital

30,00,00,000 equity shares of Rs. 10 each

300,00,00

300,00,00

Issued, Subscribed and Paid-up Capital

19,68,18,880 (previous year 16,50,00,700) equity shares of Rs. 10 each including 3,18,18,180 underlying equity shares consequent on USD 175 million ADS issue in March 2000

196,81,89

165,00,07

Less : Calls unpaid

—

—

Add : Forfeited shares

—

—

Total
196,81,89

165,00,07

SCHEDULE 2 - RESERVES AND SURPLUS

I. Statutory Reserves

Opening balance

78,86,00

58,86,00

Additions during the year

25,00,00

20,00,00

Deductions during the year

—

—

II. Capital Reserves

Opening balance

—

—

Additions during the year

—

—

Deductions during the year

—

—

III. Share Premium

Opening balance

37,50,00

37,50,00

Additions during the year

731,53,18

—

Deductions during the year

—

—

IV. Revenue and other Reserves

Opening balance

26,83,50

5,00,00

Additions during the year *

52,82,00

21,83,50

Deductions during the year

—

—

V. Balance in Profit and Loss Account

13,94

13,49

Total
952,68,62

143,32,99

* Includes Investment Fluctuation Reserve Rs. Nil (previous year Rs. 483.50 lakhs)

SCHEDULE 3 - DEPOSITS

A. I. Demand Deposits

i) from banks

85,45,31

7,39,90

ii) from others

1502,02,30

569,22,13

II. Savings Bank Deposits

533,25,80

227,11,90

III. Term Deposits

i) from banks

1553,57,30

1314,15,30

ii) from others

6191,71,09

3955,05,15

Total
9866,01,80

6072,94,38

B. I. Deposits of branches in India

9866,01,80

6072,94,38

II. Deposits of branches outside India

—

—

Total
9866,01,80

6072,94,38

Schedules forming part of the Balance Sheet

(Rupees in thousands)

SCHEDULE 4 - BORROWINGS

	As on 31.3.2000	As on 31.3.1999
I. Borrowings in India		
i) Reserve Bank of India	218,66,55	148,48,00
ii) other banks	192,18,48	41,77,29
iii) other institutions and agencies	80,61,81	9,63,55
II. Borrowings outside India	—	—
Total	491,46,84	199,88,84
Secured borrowings in I and II above Rs. 'Nil'		

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

I. Bills payable	142,20,09	112,18,86
II. Inter-office adjustments (net)	—	—
III. Interest accrued	33,52,39	23,49,11
IV. Unsecured Redeemable Debentures/Bonds (Subordinated for Tier II Capital)	168,00,00	168,00,00
V. Others (including provisions) *	221,90,94	96,82,67
Total	565,63,42	400,50,64

* Includes proposed dividend Rs. 2475.01 lakhs [Previous year Rs. 1980.01 lakhs]

**SCHEDULE 6 - CASH AND BALANCES WITH
RESERVE BANK OF INDIA**

I. Cash in hand (including foreign currency notes)	31,45,38	9,26,40
II. Balances with Reserve Bank of India		
i) in current accounts	690,43,59	456,54,42
ii) in other accounts	—	—
Total	721,88,97	465,80,82

**SCHEDULE 7 - BALANCES WITH BANKS AND
MONEY AT CALL AND SHORT NOTICE**

I. In India		
i) Balances with banks		
a) in current accounts	19,64,02	43,80,60
b) in other deposit accounts	298,35,50	198,16,50
ii) Money at call and short notice		
a) with banks	688,15,00	197,01,51
b) with other institutions	125,40,00	—
Total	1131,54,52	438,98,61
II. Outside India		
i) in current accounts	17,47,87	20,35,23
ii) in other deposit accounts	—	—
iii) Money at call and short notice	1544,24,84	713,10,22
Total	1561,72,71	733,45,45
Grand Total (I + II)	2693,27,23	1172,44,06

Schedules forming part of the Balance Sheet

(Rupees in thousands)

SCHEDULE 8 - INVESTMENTS

	As on 31.3.2000	As on 31.3.1999
I. Investments in India in		
i) Government securities	2814,93,99	1527,36,16
ii) other approved securities	—	—
iii) shares	160,94,54	138,00,30
iv) debentures and bonds	1137,21,86	666,61,39
v) subsidiaries and/or joint ventures	—	—
vi) others (CPs, Mutual Fund Units, etc.)	303,57,40	529,24,85
Total	4416,67,79	2861,22,70
II. Investments outside India	—	—
Grand Total	4416,67,79	2861,22,70

SCHEDULE 9 - ADVANCES

A. i) Bills purchased and discounted	701,29,45	454,95,91
ii) Cash credits, overdrafts and loans repayable on demand	2577,67,22	1383,50,50
iii) Term loans	378,37,72	271,65,59
Total	3657,34,39	2110,12,00
B. i) Secured by tangible assets	2806,06,11	1825,35,08
ii) Covered by Bank/Government Guarantees	98,24,27	57,61,46
iii) Unsecured	753,04,01	227,15,46
Total	3657,34,39	2110,12,00
C. I. Advances in India		
i) Priority Sector	497,36,84	477,81,55
ii) Public Sector	104,46,84	4,28,10
iii) Banks	15,46,25	—
iv) Others	3040,04,46	1628,02,35
Total	3657,34,39	2110,12,00
II. Advances outside India		
i) Due from banks	—	—
ii) Due from others		
a) Bills purchased and discounted	—	—
b) Syndicated loans	—	—
c) Others	—	—
Total	—	—
Grand Total (C. I + II)	3657,34,39	2110,12,00

Schedules forming part of the Balance Sheet

(Rupees in thousands)

SCHEDULE 10 - FIXED ASSETS

	As on 31.3.2000	As on 31.3.1999
I. Premises		
At cost as on 31st March of preceding year	130,21,20	106,62,05
Additions during the year	14,52,86	23,59,15
Deductions during the year	—	—
Depreciation to date	(16,73,88)	(8,60,67)
II. Other fixed assets (including furniture and fixtures)		
At cost as on 31st March of preceding year	70,31,78	49,79,77
Additions during the year	42,16,40	20,85,58
Deductions during the year	(24,40)	(33,57)
Depreciation to date	(43,46,77)	(28,96,93)
III. Assets on lease		
At cost as on 31st March of preceding year *	61,02,81	62,34,86
Additions during the year	—	3,48,75
Deductions during the year	(2,86,46)	(4,80,80)
Depreciation to date	(10,80,19)	(8,63,99)
Accumulated lease adjustment and provisions	(22,01,13)	(15,71,37)
Total	222,12,22	199,62,83
*Includes repossessed Leased Asset Rs. 960.00 lakhs (Previous year Rs. Nil)		

SCHEDULE 11 - OTHER ASSETS

I. Inter-office adjustments (net)	4,85,98	1,01
II. Interest accrued	114,73,93	66,15,04
III. Tax paid in advance/tax deducted at source (net)	36,75,84	2,23,50
IV. Stationery and stamps	9,80	2,26
V. Non-banking assets acquired in satisfaction of claims	—	—
VI. Others *	204,86,42	104,02,70
Total	361,31,97	172,44,51
* Includes advances for Capital Assets Rs. 517.95 lakhs (previous year Rs. 908.82 lakhs); Unamortised ADS issue expenses Rs. 1960.00 lakhs (Previous year Rs. Nil)		

SCHEDULE 12 - CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts	9,89	28,15
II. Liability for partly paid investments	—	3,75,00
III. Liability on account of outstanding forward exchange contracts	7354,97,15	3966,67,84
IV. Guarantees given on behalf of constituents		
a) in India	756,43,67	462,98,21
b) outside India	—	—
V. Acceptances, endorsements and other obligations	848,96,31	558,65,92
VI. Other items for which the Bank is contingently liable	29,24,82	21,61,94
Total	8989,71,84	5013,97,06

Schedules forming part of the Profit and Loss Account

(Rupees in thousands)

SCHEDULE 13 - INTEREST EARNED

	Year ended 31.3.2000	Year ended 31.3.1999
I. Interest/discount on advances/bills	347,91,02	225,95,40
II. Income on investments	409,70,97	208,49,51
III. Interest on balances with Reserve Bank of India and other inter-bank funds	94,61,62	109,41,10
IV. Others	63,52	19,20
Total	852,87,13	544,05,21

SCHEDULE 14 - OTHER INCOME

I. Commission, exchange and brokerage	67,07,50	37,41,15
II. Profit on sale of investments	101,13,93	12,43,69
Less : Loss on sale of investments	—	—
III. Profit on revaluation of investments	—	—
Less : Loss on revaluation of investments	—	—
IV. Profit on sale of land, buildings and other assets	(13,29)	(9,53)
V. Profit on exchange transactions	22,38,69	34,11,59
Less : Loss on exchange transactions	—	—
VI. Income earned by way of dividends, etc., from subsidiary companies and/or joint ventures abroad/in India	—	—
VII. Miscellaneous Income *	3,58,33	5,16,52
Total	194,05,16	89,03,42

* Includes Rs. 463.30 lakhs (Previous year Rs. 514.97 lakhs) being the amount of lease rental income after adjusting the net lease equalisation of Rs. 105.35 lakhs (previous year Rs. 476.97 lakhs)

SCHEDULE 15 - INTEREST EXPENDED

I. Interest on deposits	580,50,19	371,87,45
II. Interest on Reserve Bank of India/inter-bank borrowings	23,55,35	20,39,76
III. Others	62,89,08	33,24,66
Total	666,94,62	425,51,87

SCHEDULE 16 - OPERATING EXPENSES

I. Payments to and provisions for employees	36,37,22	18,18,81
II. Rent, taxes and lighting	18,01,35	11,37,00
III. Printing and stationery	8,23,24	3,24,02
IV. Advertisement and publicity	3,87,62	3,39,01
V. Depreciation on Bank's property	24,79,25	17,52,81
VI. Directors' fees, allowances and expenses	7,17	5,47
VII. Auditors' fees and expenses (including branch auditors)	14,45	12,81
VIII. Law charges	49,54	95,55
IX. Postages, telegrams, telephones, etc.	6,87,47	4,32,65
X. Repairs and maintenance	10,08,93	7,57,13
XI. Insurance	3,69,28	2,24,82
XII. Other expenditure *	40,65,74	13,96,89
Total	153,31,26	82,96,97

* Includes Rs. 989.86 lakhs amortisation of ADS issue expenses (Refer Note 4)

Significant Accounting Policies and Notes to Accounts

SCHEDULE 17

A. SIGNIFICANT ACCOUNTING POLICIES

1. Investments :

- a) All investments are categorised as per Reserve Bank of India (RBI) guidelines and classified as 'current'. They are valued at cost and/or market/fair value as at March 31, 2000 in accordance with guidelines issued by RBI.
- b) Depreciation/appreciation for each category is aggregated. Net appreciation, if any, for each category is ignored.
- c) Costs such as brokerage, commission, etc., pertaining to fixed income securities, paid at the time of acquisition, are charged to revenue.
- d) Broken period interest on debt instruments is treated as a revenue item.

2. Advances, Income Recognition and Provisioning :

- a) All credit exposures are classified as per the RBI guidelines into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets for income recognition and provisioning.
- b) Interest income is recognised in the Profit and Loss Account as it accrues except in the case of non-performing assets where it is credited to Interest Suspense Account and not reckoned as income in the accounts.
- c) Lease income is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period, as per the Guidance Note on Accounting for Leases (Revised) issued by the Institute of Chartered Accountants of India.
- d) Provision for non-performing assets is made in determined in accordance with the RBI guidelines.

3. Fixed assets and depreciation :

- a) Premises and other fixed assets are accounted for at historical cost. Fixed assets are depreciated using the 'written-down value' method except leased assets which are depreciated using the 'straight line' method.
- b) Depreciation on improvements (including fixtures/fittings) in leased premises is provided over the primary lease period. Depreciation on premises and other fixed assets is provided at the rates specified in Schedule XIV to the Companies Act, 1956.
- c) Depreciation on additions is provided on a *pro rata* basis for completed months. Additions to fixed assets after the 15th day of a month are not depreciated for that month.

4. Forex transactions :

- a) Monetary assets and liabilities are translated at closing exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI).
- b) Unrealised gains/losses on outstanding forward contracts as at the end of the year are taken as current income/expenses in accordance with the RBI/FEDAI guidelines. Premium/discount on hedge swaps is recognised as interest income/expenses and is amortised over the period of the transactions. Contingent Liabilities at the balance sheet date on account of foreign exchange contracts are reported at contracted rates.

5. Staff benefits :

- a) Contributions to Gratuity/Provident/Pension funds for staff are being accounted on accrual basis.
- b) Leave encashment liability is provided for as per the eligibility criteria of Bank's rules.

6. Share issue expenses

Expenses on issue of equity shares consequent on USD 175 million ADS Issue are amortised over a period of three years.

B. NOTES TO ACCOUNTS

1. Disclosure in terms of RBI circulars :

- a) Capital adequacy ratio is 19.64 per cent (previous year 11.06 per cent).
- b) Percentage of net non-performing assets (funded) to net advances is 1.53 per cent (previous year 2.88 per cent).
Percentage of net non-performing assets (funded and including credit-like instruments) to net advances (including credit-like instruments) is 1.14 per cent (Previous year 1.80 per cent).
- c) 'Provisions and Contingencies' as charged to the Profit and Loss Account for the period is in respect of :
 - (i) income tax Rs. 2,660.40 lakhs (previous year Rs. 3,000.00 lakhs);
 - (ii) interest tax Rs. 600.40 lakhs (previous year Rs. 375.00 lakhs);
 - (iii) wealth tax Rs. 42.20 lakhs (previous year Rs. 3.00 lakhs);
 - (iv) additional depreciation on investments Rs. 1283.70 lakhs (previous year write back of excess depreciation on investments Rs. 483.50 lakhs);

Significant Accounting Policies and Notes to Accounts

- (v) non-performing assets Rs. 7,550.00 lakhs (previous year Rs. 3,220.00 lakhs); and
 (vi) others Rs. Nil (previous year Rs. 9.50 lakhs).
- d) Bank has not raised any subordinated debt during the year (previous year Rs. 16,800.00 lakhs).
- e) Business ratios :

	For the year ended 31.3.2000	For the year ended 31.3.1999
(i) Capital Adequacy Ratio Tier I Capital (per cent)	17.42	7.32
(ii) Capital Adequacy Ratio Tier II Capital (per cent)	2.22	3.74
(iii) Interest income to working funds (per cent)	10.59	11.22
(iv) Non-interest income to working funds (per cent)	2.41	1.84
(v) Operating profit to working funds (per cent)	2.81	2.57
(vi) Return on assets (per cent)	0.87	0.91
(vii) Business (average deposits plus average advances) per employee (Rupees in lakhs)	5,94.99	5,13.91
(viii) Profit per employee (Rupees in lakhs)	7.83	7.11

- f) Investments :

	As on 31.3.2000	As on 31.3.1999
Gross value of Investments in India	44,43,95.43	28,75,66.64
Less : Provision for depreciation	27,27.64	14,43.94
Net value of investments in India	44,16,67.79	28,61,22.70

(Rupees in lakhs)

- g) Movement of Gross NPA (Funded) During the year is given below :

	Rs. in lakhs
As on 31st March, 1999	101,45.02
Add : Additions during the period	67,71.68
	169,16.70
Less : Reductions during the period	74,55.72
As on 31st March, 2000	94,60.98

Net NPA as on 31st March, 2000 is Rs. 55,92.00 lakhs (Previous year Rs. 60,82.00 lakhs)

- h) Maturity pattern of rupee denominated assets and liabilities (Rupees in lakhs)

Maturity Buckets	Loans and Advances	Investment Securities	Deposits	Borrowings
1 to 14 days	390.81	303.98	1314.78	15.96
15 to 28 days	121.92	652.89	895.64	Nil
29 days to 3 months	748.33	180.84	1851.57	299.29
3 to 6 months	104.03	296.79	892.04	Nil
6 months to 1 year	56.29	125.84	781.28	Nil
1 to 3 years	1824.59	1388.37	3648.86	Nil
3 to 5 years	106.72	706.60	25.37	Nil
Above 5 years	76.04	761.37	18.30	Nil
Total	3428.73	4416.68	9427.84	315.25

Significant Accounting Policies and Notes to Accounts

i) Maturity pattern of Forex denominated assets and liabilities

(Rupees in lakhs)

Maturity Buckets	Loan and Advances	Balances with banks and money at call and short notice	Deposits	Borrowings	Other assets	Other liabilities
1 to 14 days	19,75	1136,35	82,18	111,66	66,57	23,57
15 to 28 days	27,29	125,41	62,85	21,81	Nil	Nil
29 days to 3 months	42,68	104,87	46,58	20,94	Nil	Nil
3 to 6 months	57,56	182,11	48,26	8,72	Nil	Nil
6 months to 1 year	58,27	100,22	124,76	13,09	Nil	Nil
1 to 3 years	21,88	Nil	73,55	Nil	Nil	Nil
3 to 5 years	1,18	Nil	Nil	Nil	Nil	Nil
Above 5 years	Nil	Nil	Nil	Nil	Nil	Nil
Total	228,61	1648,96	438,18	176,22	66,57	23,57

Note :

- In compiling the information of maturity pattern (refer (h) and (i) above), certain estimates and assumptions have been made by the management which have been relied upon by the Auditors.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

j) Lending to sensitive sectors

(Rupees in lakhs)

Advances to capital market sector	48,16.00
Advances to real estate sector	33,44.00
Advances to commodities sector	46,57.00
Total	128,17.00

2. Improvements (including fixtures/fittings) to leased premises have been depreciated over the primary lease period instead of at rates specified in Schedule XIV to the Companies Act, 1956. As a result of this, the depreciation charge to the Profit and Loss Account during the year is higher by Rs. 336.13 lakhs.
3. At the Extraordinary General Meeting on 21 February, 2000, the shareholders approved an Employee Stock Option Scheme. Under the Scheme, upto 5 per cent of the issued equity shares, including the ADS issue, can be allocated to Employee Stock Options. In terms of the Scheme, as at March 31, 2000, option on 17,13,000 shares has been granted to eligible employees of both, the company and ICICI Limited, for issue to the employees on exercising the option.
4. Expenditure on USD 175 million ADS issue in March 2000 is Rs. 29,49.86 lakhs of which Rs. 9,89.86 lakhs has been charged to the Profit and Loss Account for the year (Schedule 16 under "Other expenditure"). The balance amount of Rs. 19,60.00 lakhs is included in Schedule 11 under "Others" to be amortised over the next two years.
5. Previous year's figures are regrouped and reclassified, where appropriate.

Signatures to Schedules 1 to 17

For and on behalf of the Board of Directors

Lalita D. Gupte
Director

K. V. Kamath
Director

R. Rajamani
Director

B.V. Bhargava
Director

G. Venkatakrishnan
Chief Financial Officer

Satish C. Jha
Director

Somesh R. Sathe
Director

Place : Mumbai
Date : April 24 , 2000

Bhashyam Seshan
Company Secretary

Uday M. Chitale
Director

H. N. Sinor
Managing Director and
Chief Executive Officer

Cash Flow Statement for the year ended March 31, 2000

(Rupees in thousands)

	Year ended 31.3.2000	Year ended 31.3.1999
Cash flow from operating activities		
Net profit before taxes	138,32,71	97,13,79
Adjustments for :		
Depreciation on fixed assets	24,79,25	17,52,81
Lease Equalisation	1,05,35	4,76,97
Net depreciation on investments	12,83,70	(4,83,50)
Provision in respect of non-performing assets	75,50,00	32,20,00
Provision for contingencies	—	9,50
Loss on sale of fixed assets	13,29	9,53
	252,64,30	146,99,10
Adjustments for :		
(Increase)/Decrease in Investments	(1568,28,79)	(1833,00,02)
(Increase)/Decrease in Advances	(1612,95,61)	(1008,90,34)
Increase/(Decrease) in Borrowings	291,58,00	7,66,33
Increase/(Decrease) in Deposits	3793,07,42	3443,91,99
(Increase)/Decrease in Other assets	(154,35,11)	(99,11,35)
Increase/(Decrease) in Other liabilities and provisions	157,42,35	40,81,68
	906,48,26	551,38,29
Direct taxes paid	(67,55,34)	(35,46,96)
Net cash flow from operating activities (A)	1091,57,22	662,90,43
Cash flow from investing activities		
Purchase of fixed assets	(56,14,19)	(47,82,18)
Proceeds from sale of fixed assets	11,10	12,73
Net cash used in investing activities (B)	(56,03,09)	(47,69,45)
Cash flow from financing activities		
Proceeds from issue of share capital	763,35,00	—
Proceeds from issue of subordinated debt	—	168,00,00
Dividend paid	(21,97,81)	(17,84,71)
Net cash generated from financing activities (C)	741,37,19	150,15,29
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	1776,91,32	765,36,27
Cash and cash equivalents as at April 1, 1999 and 1998 respectively	1638,24,88	872,88,61
Cash and cash equivalents as at March 31, 2000 and 1999 respectively	3415,16,20	1638,24,88

 Mumbai
 April 24, 2000

G. Venkatakrishnan
 Chief Financial Officer
Bhashyam Seshan
 Company Secretary

 For and on behalf of the Board of Directors
Lalita D. Gupte Director
R. Rajamani Director
Satish C. Jha Director
Uday M. Chitale Director
K. V. Kamath Director
B.V. Bhargava Director
Somesh R. Sathe Director
H. N. Sinor
 Managing Director and
 Chief Executive Officer

Auditors' Certificate

We have verified the attached Cash Flow Statement of the ICICI BANK LIMITED which has been compiled from and is based on the audited financial statements for the years ended March 31, 2000 and March 31, 1999. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to Clause 32 of the Listing Agreement with The Stock Exchange, Mumbai.

 For **S. B. Billimoria & Company**
 Chartered Accountants

 Place : Mumbai
 Date : April 24, 2000

P. R. Ramesh
 Partner

Independent Auditors' Report

To the board of directors and stockholders of ICICI Bank Limited

We have audited the accompanying balance sheets of ICICI Bank Limited as of March 31, 2000 and March 31, 1999 and the related statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended March 31, 2000. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICICI Bank Limited as of March 31, 2000 and 1999, and the result of the operations and its cash flows for each of the years in the three-year period ended March 31, 2000, in conformity with accounting principles generally accepted in United States.

The United States dollar amounts are presented in the accompanying financial statements solely for the convenience of the readers and are arithmetically correct on the basis disclosed in note 1.1.3.

KPMG

Mumbai, India
April 24, 2000

Balance Sheets as at March 31, 1999 and 2000
Prepared in accordance with US GAAP

 (in millions)
 At March 31,

	1999 Rs.	2000 Rs.	2000 USD
ASSETS			
Cash and cash equivalents	19,928	36,326	832
Trading account assets	15,822	28,228	647
Securities, available for sale	3,963	4,709	108
Loans, net	27,597	47,016	1,077
Acceptances	5,587	8,490	194
Property and equipment	1,761	2,097	48
Other assets	1,607	3,550	81
Total assets	76,265	130,416	2,987
LIABILITIES			
Interest bearing deposits	54,963	82,785	1,896
Non-interest bearing deposits	5,766	15,875	364
Total deposits	60,729	98,660	2,260
Trading account liabilities	418	1,922	44
Acceptances	5,587	8,490	194
Long-term debt	1,764	2,476	57
Other liabilities	4,937	7,481	171
Total liabilities	73,435	119,029	2,726
STOCKHOLDERS' EQUITY			
Common stock	1,650	1,968	45
Additional paid in capital	375	7,435	171
Deferred Compensation – Employee Stock Option Plan	–	(39)	(1)
Retained earnings	756	1,940	44
Accumulated comprehensive income	49	83	2
Total stockholders' equity	2,830	11,387	261
Total liabilities and stockholders' equity	76,265	130,416	2,987

See accompanying notes to the financial statements

Statements of Income for the years ended March 31, 1998, 1999 and 2000
Prepared in accordance with US GAAP

(in millions, except per share data)

Year ended March 31,

	1998 Rs.	1999 Rs.	2000 Rs.	2000 USD
INTEREST REVENUE				
Loans, including fees	1,499	2,707	4,437	102
Securities, including dividends	148	305	684	16
Trading account assets, including dividends	865	2,247	3,073	70
Other	67	131	240	5
Total interest revenue	2,579	5,390	8,434	193
INTEREST EXPENSE				
Deposits	1,618	3,707	5,789	133
Long term debt	16	155	244	6
Trading account liabilities	216	256	542	12
Other	4	126	81	2
Total interest expense	1,854	4,244	6,656	153
NET INTEREST REVENUE	725	1,146	1,778	40
Provision for credit losses	(360)	(540)	(427)	(10)
Net interest revenue after provision for credit losses	365	606	1,351	30
NON-INTEREST REVENUE, NET				
Fees and commissions	240	370	607	14
Trading account revenue	147	134	857	20
Securities transactions	32	21	75	2
Foreign exchange transactions	171	341	220	5
Other	1	-	-	-
Net revenue	956	1,472	3,110	71
NON-INTEREST EXPENSE				
Salaries	116	172	257	6
Employee benefits	21	32	59	1
Total employee expense	137	204	316	7
Premise and equipment expense	162	232	340	8
Administration and other expense	255	363	673	15
Total non-interest expense	554	799	1,329	30
Income before taxes	402	673	1,781	41
Income tax expense	104	170	379	9
Net income	298	503	1,402	32
EARNINGS PER SHARE				
Basic and diluted	1.84	3.05	8.49	0.19
Weighted average number of common shares (in millions) used for computing earnings per share				
- Basic	162.08	165.00	165.09	165.09
- Diluted	162.08	165.00	165.11	165.11

See accompanying notes to the financial statements

Statements of changes in stockholders' equity for the years ended March 31, 1998, 1999 and 2000
Prepared in accordance with US GAAP

(in millions)

Year ended March 31,

	1998 Rs.	1999 Rs.	2000 Rs.	2000 USD
COMMON STOCK				
Balance, beginning of year	1500	1,650	1,650	38
Common stock issued	150*	–	318	7
Balance, end of year	1,650	1,650	1,968	45
ADDITIONAL PAID IN CAPITAL				
Balance, beginning of year	–	375	375	9
Common stock issued	375*	–	7,020	161
Compensation related to stock option grants	–	–	40	1
Balance, end of year	375	375	7,435	171
DEFERRED COMPENSATION – EMPLOYEE STOCK OPTION PLAN				
Balance, beginning of year	–	–	–	–
Compensation related to stock option grants	–	–	(40)	(1)
Amortisation of compensation related to stock option grants	–	–	1	–
Balance, end of year	–	–	(39)	(1)
RETAINED EARNINGS				
Balance, beginning of year	283	431	756	17
Net income	298	503	1,402	32
Dividend declared on common stock	(150)	(178)	(218)	(5)
Balance, end of year	431	756	1,940	44
ACCUMULATED COMPREHENSIVE INCOME				
Balance, beginning of year	(33)	15	49	1
Unrealized gain/(loss) securities, net	48	34	34	1
Balance, end of year	15	49	83	2
TOTAL STOCKHOLDERS' EQUITY				
Balance, beginning of year	1,750	2,471	2,830	65
Common stock issued	525	–	7,338	168
Compensation amortised during the year	–	–	1	–
Net income	298	503	1,402	32
Dividend declared on common stock	(150)	(178)	(218)	(5)
Unrealized gain/(loss) on securities, net	48	34	34	1
Balance, end of year	2,471	2,830	11,387	261

* Common stock issued to parent company

Statements of changes in stockholders' equity for the years ended March 31, 1998, 1999 and 2000
Prepared in accordance with US GAAP

(in millions)

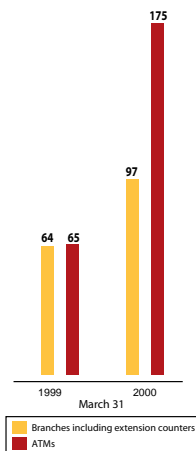
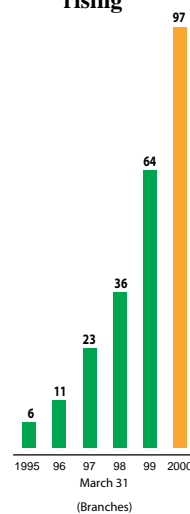
STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31,

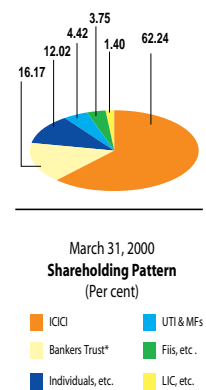
	1998 Rs.	1999 Rs.	2000 Rs.	2000 USD
NET INCOME	298	503	1,402	32
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Unrealized gain/(loss) on securities	48	34	34	1
Comprehensive income	346	537	1,436	33

See accompanying notes to the financial statements

For Cash Flow Statement, please see page 42

Branch and ATM Network widen

Number of branches* keep rising


* including extension counters

Shareholding pattern


* As depository for ADSs

Statements of cashflows for the years ended March 31, 1998, 1999 and 2000
Prepared in accordance with US GAAP

(in millions)

Year ended March 31,

	1998 Rs.	1999 Rs.	2000 Rs.	2000 USD
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	298	503	1,402	32
Adjustments to reconcile net income to net cash from operating activities :				
Provision for credit losses	360	540	427	10
Depreciation and amortization	148	163	374	9
Loss on sale of fixed assets	-	-	1	-
Provision for deferred taxes	(99)	(130)	113	3
Unrealized (gain)/loss on trading securities	127	(23)	79	2
Net gain on sale of securities, available for sale	(32)	(21)	(75)	(2)
Change in assets and liabilities				
Other assets	(301)	(914)	(1,977)	(45)
Other liabilities	1,787	2,278	2,361	54
Trading account assets	(7,511)	(8,412)	(12,509)	(287)
Trading account liabilities	952	(1,375)	1,504	34
Net cash used in operating activities	(4,271)	(7,391)	(8,300)	(190)
CASH FLOWS FROM INVESTING ACTIVITIES				
Securities, available for sale				
Purchases	(142)	(3,610)	(10,714)	(246)
Proceeds from sales	2,609	1,103	10,020	230
Net increase in loans	(4,751)	(15,373)	(19,843)	(455)
Capital expenditure on property and equipment	(985)	(487)	(528)	(12)
Proceeds from sale of property and equipment	1	1	2	-
Net cash used in investing activities	(3,268)	(18,366)	(21,063)	(483)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	12,813	34,439	37,931	869
Proceeds from issuance of long term debt	40	1,636	710	16
Maturity and redemption of long term debt	-	-	-	-
Proceeds from issuance of common stock	525*	-	7,338	168
Payment of dividend	(150)	(178)	(218)	(5)
Net cash from financing activities	13,228	35,897	45,761	1,048
Net increase in cash and cash equivalents	5,689	10,140	16,398	375
Cash and cash equivalents at beginning of period	4,099	9,788	19,928	457
Cash and cash equivalents at end of the period	9,788	19,928	36,326	832

* Proceeds from issuance of stock to parent company.
See accompanying notes to the financial statements.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000**Prepared in accordance with US GAAP****1. SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis of presentation**

- 1.1.1 ICICI Banking Corporation Limited, incorporated in Vadodara, India provides a wide range of banking and financial services including commercial lending, trade finance and treasury products. The name of ICICI Banking Corporation Limited was changed to ICICI Bank Limited ("ICICI Bank" or "the Bank") on September 10, 1999. ICICI Bank is a banking company governed by the Banking Regulations Act, 1949. ICICI Bank is a 62.24% owned subsidiary of ICICI Limited ("the parent company"), a leading financial institution in India. ICICI Bank does not have any majority owned subsidiaries or investments where its shareholding exceeds 20% of the voting stock of the investee.
- 1.1.2 The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements reflect industry practices and conform to generally accepted accounting principles in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.
- 1.1.3 The accompanying financial statements have been prepared in Indian rupees ("Rs"), the national currency of India. Solely for the convenience of the reader, the financial statement at and for the year ended March 31, 2000 has been translated into US dollars, at the noon buying rate in New York city at March 31, 2000 for the cable transfers in rupees, as certified for customs purposes by the Federal Reserve of New York of US\$1.00 = Rs. 43.65. No representation is made that the rupee amounts have been, could have been or could be converted into US dollars at such rate or any other rate on March 31, 2000 or at any other certain date.

1.2 Revenue recognition

- 1.2.1 Interest income is accounted on an accrual basis except in respect of impaired loans, where it is recognized on a cash basis.
- 1.2.2 Income from leasing operations is accrued in a manner to provide a fixed rate of return on outstanding investments.
- 1.2.3 Discount on bills is recognized on a straight line basis over the tenure of the bills.
- 1.2.4 Fees from non-fund based activities such as guarantees and letters of credit are amortized over the contractual period of the commitment.

1.3 Cash and cash equivalents

- 1.3.1 ICICI Bank considers all highly liquid investments, which are readily convertible into cash and have contractual maturities of three months or less from the date of purchase, to be cash equivalents. The carrying value of cash equivalents approximates fair value.

1.4 Securities and trading account activities

- 1.4.1 ICICI Bank has adopted the Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 requires that investments in debt and equity securities be reported at fair value, except for debt securities classified as held-to-maturity securities, which are reported at amortized cost. Equity securities and debt securities available for sale are carried at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity, net of applicable income taxes. Realized gains and losses on sale of securities are included in earnings on a weighted average cost basis.
- 1.4.2 Any "other than temporary diminution" in the value of held-to-maturity or securities, available for sale is charged to the income statement. "Other than temporary diminution" is identified based on management's evaluation.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

1.4.3 Trading account assets include securities held for the purpose of sale in the short term. These securities are valued at fair value, with the unrealized gains/losses being taken to trading account revenue. Trading account activities also include foreign exchange products. Foreign exchange trading positions are valued at prevailing market rates on the date of the balance sheet and the resulting gains/losses are included in foreign exchange revenue.

1.5 Loans

1.5.1 Loans are reported at the principal amount outstanding, inclusive of interest accrued and due pursuant to the contractual terms. Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the period of the loan. Interest is accrued on the unpaid principal balance and is included in interest income.

1.5.2 Loans are identified as impaired and placed on a non-accrual basis, when it is determined that payment of interest or principal is doubtful of collection or that interest or principal is past due beyond two payment periods (each payment period being 90 days). Such loans are classified as non-performing. Any interest accrued (and not received) on impaired loans is reversed and charged against current earnings, and interest is thereafter included in earnings only to the extent actually received in cash. Non-performing loans are returned to an accrual status when all contractual principal and interest amounts are reasonably assured of repayment and there is a sustained period of repayment performance in accordance with the contractual terms.

1.5.3 Non-performing loans are reported after considering the impact of "non-performance". Non-performance is measured by comparing the carrying amount of the loan with the present value of the expected future cash flows/fair value of the collateral, discounted at the effective rate of the loan. In cases of default wherein ICICI Bank does not have adequate security and/or the borrower is not traceable and legal recourse is not expected to result in recovery, ICICI Bank writes off all or part of the carrying value of the loan.

1.5.4 Loans include aggregate rentals on lease financing transactions and residual values, net of related unearned income and security deposit collected from the lessee. Substantially all of the lease financing transactions represent direct financing leases. Unearned income is amortized under a method which primarily results in an approximate level rate of return when related to the unrecovered lease investment. Income on non-performing leases is recognised on the same basis as non-performing loans.

1.5.5 Loans further include credit substitutes, such as privately placed/negotiated debt instruments and preferred shares, which are not readily marketable.

1.6 Aggregate allowance for credit losses

1.6.1 ICICI Bank evaluates its entire corporate credit portfolio on a periodic basis and grades its accounts considering both qualitative and quantitative criteria. This analysis includes an account by account analysis of the entire loan portfolio, and an allowance is made for any probable loss on each account. In evaluating its credit losses, management has estimated recovery of such loans at various stages of time to recovery and has discounted these using the effective interest rate of the loans. In estimating recovery, ICICI Bank considers its past credit loss experience and such other factors, which in its judgement, deserve recognition in estimating probable credit losses. Actual recovery may differ from estimates and consequently actual loss could differ from the estimated loss. The aggregate allowance for credit losses is increased by amounts charged to the provisions for credit losses, net of write-offs and releases of provisions as a result of cash collections.

1.6.2 Credit card receivables are collectively evaluated for impairment based on the profile of days past due, classified into various buckets. Provisions are based as a fixed percentage of pre-defined buckets. The Bank intends to review this policy annually based on the historical delinquency and credit loss experience.

1.7 Property and equipment

1.7.1 Property and equipment are stated at cost, less accumulated depreciation. The cost of additions, capital improvements and interest during the construction period are capitalized, while repairs and maintenance are charged to expenses when incurred.

1.7.2 Depreciation is provided over the estimated useful lives of the assets.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

- 1.7.3 The cost and accumulated depreciation for property and equipment sold, retired or otherwise disposed of are relieved from the accounts, and the resulting gains/losses are reflected in the income statement.
- 1.7.4 Property under construction and advances paid towards acquisition of property, plant and equipment are disclosed as capital work in progress.

1.8 Interest capitalization

- 1.8.1 The interest cost incurred for funding an asset during its construction period is capitalized based on the actual outstanding investment in the asset from the date of purchase/expenditure and the average cost of funds. The capitalized interest cost is included in the cost of the relevant asset and is depreciated over the asset's estimated useful life.

1.9 Income taxes

- 1.9.1 Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred tax assets are recognized subject to management's judgement that realization is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be received and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of change.

1.10 Retirement benefits

Gratuity

- 1.10.1 In accordance with Indian law, ICICI Bank provides for a gratuity to its employees in the form of a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement, on death while in employment or on termination of employment based on the respective employee's salary and the years of employment with ICICI Bank. The gratuity benefit conferred by ICICI Bank on its employees is equal to or greater than the statutory minimum.
- 1.10.2 ICICI Bank provides the gratuity benefit through annual contributions to a fund administered by trustees and managed by the Life Insurance Corporation of India. Under this scheme, the settlement obligation remains with the Bank although the Life Insurance Corporation of India administers the scheme and determines the contribution premium required to be paid by the bank. ICICI Bank contributed and expensed Rs. 3 million, Rs. 5 million and Rs. 6 million to the gratuity fund in fiscal 1998, 1999 and 2000 respectively. The impact of the scheme is not material or expected to become material to the Bank's financial condition or operations.

Superannuation

- 1.10.3 The permanent employees of ICICI Bank are entitled to receive retirement benefits under the superannuation fund operated by ICICI Bank. The Superannuation fund is a defined contribution plan under which ICICI Bank contributes annually a sum equivalent to 15% of the employee's eligible annual salary to Life Insurance Corporation of India, the manager of the fund, that undertakes to pay the lump sum and annuity payments pursuant to the scheme. ICICI Bank contributed Rs. 10 million, Rs. 12 million and Rs. 20 million to the superannuation plan in fiscal 1998, 1999 and 2000 respectively.

Provident fund

- 1.10.4 In accordance with Indian law, all employees of ICICI Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and ICICI Bank contribute monthly at a determined rate (currently 12% of employees' salary). These contributions are made to a fund set up by ICICI Bank and administered by a board of trustees. ICICI Bank contributed Rs. 7 million, Rs. 11 million and Rs. 16 million to the provident fund in fiscal 1998, 1999 and 2000 respectively. Further, in the event the return on the fund is lower than 12% (current guaranteed rate of return to the employees), such difference will be contributed by ICICI Bank and charged to income.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000**Leave encashment**

1.10.5 The liability for leave encashment on retirement or on termination of services of the employee of ICICI Bank is valued on the basis of the employee's last drawn salary and provided for. Accordingly ICICI Bank has made a provision of Rs. 1 million, Rs. 4 million and Rs. 6 million, for fiscal 1998, 1999 and 2000 respectively.

1.11 Foreign currency transactions

1.11.1 Revenue and expenses in foreign currency are accounted at the exchange rate on the date of the transaction. Foreign currency balances at year-end are translated at the year-end exchange rates and the revaluation gains/losses are adjusted through the income statement.

1.11.2 Speculative forward exchange contracts are revalued at year-end based on forward exchange rates for residual maturities and the contracted rates and the revaluation gain/loss is recognised in the income statement. Forward exchange contracts that are accounted for as hedges of foreign currency exposures, are revalued based on year-end spot rates and the spot rates at the inception of the contract. The revaluation gain/loss is recognised in the income statement. Premium or discount on such forward exchange contracts is recognised over the life of the contract.

1.12 Derivative instruments

1.12.1 ICICI Bank enters into currency swaps with its corporate clients which it hedges with the parent company. Such hedge contracts are structured to ensure that changes in their market values would fully offset the effect of a change in the fair value of the underlying contracts. Accordingly, these swap contracts are designated as hedge transactions and accounted for under accrual method.

1.12.2 ICICI Bank has entered into interest swap contracts for its own balance sheet management purposes as well as for taking trading positions. The contracts which have been entered into for its balance sheet management purposes have been designated as 'hedge transactions' and accounted for under the accrual method. The contracts entered into for trading purposes have been designated as 'Traded Contracts' and have been accounted at their fair value.

1.13 Debt issuance costs

1.13.1 Debt issuance costs are amortized over the tenure of the debt.

1.14 Dividends

1.14.1 Dividends on common stock and the related dividend tax are recorded as a liability at the point of their approval by the board of directors.

1.15 Earnings per share

1.15.1 Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by adjusting outstanding shares assuming conversion of all potentially dilutive stock options and other convertible securities.

1.16 Stock-based compensation

1.16.1 The Bank has introduced a stock option plan, wherein options were granted to certain employees and wholetime director of the Bank and employees of the parent company. The Bank accounts for employee stock options, granted to its employees and whole time director in accordance with Accounting Principles Board ("APB") No. 25, "Accounting for Stock issued to Employees" and furnishes the proforma disclosures required under SFAS No. 123, "Accounting for Stock-based compensation" in respect of these options.

1.16.2 Options granted to employees of the parent company are accounted for in accordance with SFAS No. 123. The Bank values the stock options issued, based upon an option-pricing model and recognizes this value as an expense over the period in which the options vest.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

1.17 Accounting for outward clearing

1.17.1 In fiscal 2000, the Bank decided to account for cheques deposited by customers and sent for clearing. Accordingly at March 31, 2000 Rs. 1,610 million has been accounted for as outward clearing suspense and included in cash and cash equivalents and other liabilities respectively. This change is not material to the financial position of the Bank and accordingly, the outward clearing balance as at March 31, 1999 amounting to Rs. 1,440 million has been included in the financial statements for the year ended March 31, 1999.

2. FINANCIAL INSTRUMENTS

2.1.1 ICICI Bank provides a wide variety of financial instruments as products to its customers, and it also uses these instruments in connection with its own activities. Following are explanatory notes regarding financial assets and liabilities, off-balance sheet financial instruments, concentration of credit risk and the estimated fair value of financial instruments.

2.1.2 Collateral requirements are assessed on a case-by-case evaluation of each customer and product, and may include cash, securities, receivables, property, plant and equipment and other assets.

2.2 Financial assets and liabilities

Cash and cash equivalents

2.2.1 Cash and cash equivalents at March 31, 2000 include a balance of Rs. 6,904 million (March 31, 1999 : Rs. 4,565 million) maintained with the Reserve Bank of India being the minimum daily stipulated amount to be maintained. This balance is subject to withdrawal and usage restrictions.

2.2.2 Cash and cash equivalents at March 31, 2000 also includes, interest-bearing deposits with banks aggregating Rs. 25,273 million (March 31, 1999 : Rs. 11,083 million) and outward clearing suspense of Rs 1,610 million (March 31, 1999 : Rs. 1,440 million)

Trading account assets

2.2.3 A listing of the trading account assets is set out below :

	(in millions)	
	At March 31,	
	1999	2000
	Rs.	Rs.
Government of India securities	14,449	26,903
Equity securities	198	90
Mutual fund units	-	779
Revaluation gains on derivative and foreign exchange contracts	425	309
Commercial paper/certificates of deposits	750	147
Total	15,822	28,228

2.2.4 In accordance with the Banking Regulation Act, 1949, ICICI Bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid unencumbered assets like cash, gold and approved securities. The amount of securities required to be maintained at March 31, 2000 was Rs. 20,570 million (March 31, 1999 : Rs. 12,875 million).

2.2.5 As at March 31, 2000, trading account assets included certain securities amounting to Rs. 72 million (March 31, 1999 : Rs. 18 million), which are pledged in favour of certain banks for the purposes of availing borrowing and funds transfer facilities.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000
Trading account revenue

2.2.6 A listing of trading account revenue is set out below :

	(in millions)		
	Year ended March 31,		
	1998	1999	2000
	Rs.	Rs.	Rs.
Gain on sale of trading securities	274	111	936
Revaluation gain/(loss) on trading securities	(127)	23	(79)
Total	147	134	857

Repurchase transactions

2.2.7 During the period under review, ICICI Bank has undertaken repurchase and reverse repurchase transactions in Government of India securities. The average level of repurchase outstandings during fiscal 1999 and 2000 was Rs. 417 million and Rs. 225 million, respectively. The average level of reverse repurchase transactions outstanding during fiscal 1999 and 2000 was Rs. 211 million and Rs. 203 million, respectively. At March 31, 2000 outstanding repurchase and outstanding reverse repurchase contracts amounts to Nil (March 31, 1999 : Nil) and Rs. 256 million (March 31, 1999 : Nil) respectively.

Securities, available for sale

2.2.8 The portfolio of securities, available for sale is set out below :

	(in Rs. millions)			
	At March 31, 1999			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair Value
Corporate debt securities	2,860	-	-	2,860
Government of India securities	775	50	-	825
Total debt securities	3,635	50	-	3,685
Mutual fund units	266	12	-	278
Total securities, available for sale	3,901	62	-	3,963

	(in Rs. millions)			
	At March 31, 2000			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair Value
Corporate debt securities	2,540	34	-	2,574
Government of India securities	914	89	-	1,003
Total debt securities	3,454	123	-	3,577
Mutual fund units	1,146	-	(14)	1,132
Total securities, available for sale	4,600	123	(14)	4,709

Income from securities, available for sale

2.2.9 A listing of interest and dividends on available for sale securities is set out below :

	(in millions)		
	Year ended March 31,		
	1998	1999	2000
	Rs.	Rs.	Rs.
Interest	129	248	358
Dividends	19	57	326
Total interest, including dividends	148	305	684

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

Maturity profile of debt securities

2.2.10 A listing of debt securities, available for sale at March 31, 1999 and March 31, 2000 by original contractual maturity is set out below :

	(in millions)			
	March 31,			
	1999 Rs.	Fair Value	2000 Rs.	Fair Value
Corporate Debt Securities				
Less than one year	266	266	399	403
One to five years	1,894	1,894	1,548	1,563
More than five years	700	700	593	608
Total	2,860	2,860	2,540	2,574

Loans

2.2.11 A listing of loans by category is set out below:

	(in millions)	
	1999 Rs.	2000 Rs.
Corporate		
Working capital finance	17,508	31,576
Term loans	2,731	3,798
Credit substitutes	6,762	10,532
Leasing and related activities	366	305
Retail loans	1,110	1,553
Gross loans	28,477	47,764
Aggregate allowance for credit losses	(880)	(748)
Net loans	27,597	47,016

2.2.12 Loans given to persons domiciled outside India at March 31, 2000 were Rs. 265 million (March 31, 1999 : Rs. 91 million).

2.2.13 Normally, the working capital advances are secured by a first lien on current assets, principally comprising inventory and receivables. Additionally, in certain cases ICICI Bank may obtain additional security through a first or second lien on property and equipment, a pledge of financial assets like marketable securities and corporate/ personal guarantees. The term loans are normally secured by a first lien on the property and equipment and other tangible assets of the borrower.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000
Net investment in leasing activities

2.2.14 Contractual maturities of ICICI Bank's net investment in leasing activities and its components, which are included in loans, are set out below :

		(in Rs. millions) At March 31,
		2000
Gross finance receivable for the year ended/ending March 31		
2001		178
2002		128
2003		47
2004		40
2005 beyond		26
		419
Less : Unearned income		(68)
Security deposits		(46)
Investment in leasing and other receivables		305
Less : Aggregate allowance for credit losses		(104)
Net investment in leasing and other receivables		201

Maturity profile of loans

2.2.15 A listing of each category of loans other than net investment in leases and other receivables by maturity is set out below:

				(in Rs. millions) March 31, 1999
	Upto 1 Year	1-5 years	More than 5 years	Total
Term loan	784	1,886	61	2,731
Working capital finance	15,240	2,268	-	17,508
Credit substitutes	-	5,744	1,018	6,762
Retail loans	1,110	-	-	1,110
Total	17,134	9,898	1,079	28,111

				(in Rs. millions) March 31, 2000
	Upto 1 Year	1-5 years	More than 5 years	Total
Term loan	1,402	2,302	94	3,798
Working capital finance	28,421	3,155	-	31,576
Credit substitutes	1,831	6,175	2,526	10,532
Retail loans and credit card receivables	1,553	-	-	1,553
Total	33,207	11,632	2,620	47,459

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

Interest and fees on loans

2.2.16 A listing of interest and fees on loans (net of unearned income) is set out below:

	(in millions)		
	Year ended March 31,		
	1998 Rs.	1999 Rs.	2000 Rs.
Working capital finance	1,136	1,755	2,666
Term loan	176	338	480
Credit substitutes	74	465	981
Leasing and related activities	38	21	14
Retail loans	75	128	296
Total	1,499	2,707	4,437

Non-performing loans

2.2.17 A listing of non-performing loans is set out below:

	(in millions)	
	At March 31,	
	1999 Rs.	2000 Rs.
Working capital finance	1,158	1,127
Term loan	236	61
Credit substitutes	75	45
Leasing and related activities	144	185
Total	1,613	1,418
Allowance for credit losses	(880)	(748)
Impaired loans net of valuation allowance	733	670
Loans without valuation allowance	466	163
Loans with valuation allowance	1,147	1,255
Total	1,613	1,418
Interest foregone on non-performing assets	93	124
Average non-performing loans .	1,343	1,432

Changes in the allowance for credit losses

2.2.18 A listing of the changes in allowance for credit losses is set out below :

	(in millions)		
	Year ended March 31,		
	1998 Rs.	1999 Rs.	2000 Rs.
Aggregate allowance for credit losses at beginning of the year	187	425	880
Additions			
Provisions for credit losses, net of release of provisions as a result of cash collections	360	540	427
Write offs	547 (122)	965 (85)	1,307 (559)
Aggregate allowance for credit losses at end of the year	425	880	748

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000
Troubled debt restructuring

2.2.19 Loans at March 31, 2000 include loans aggregating Rs. 43 million (March 31, 1999 : Rs. 38 million), which are currently under a scheme of debt restructuring and which have been identified as impaired loans. The gross recorded investment in these loans is Rs. 43 million (March 31, 1999 : Rs. 38 million) against which an allowance for credit losses aggregating Rs. 25 million (March 31, 1999 : Rs. 22 million) has been established. Income on restructured loans would have been Rs. 6.90 million and Rs. 7.70 million for fiscal 1999 and 2000 respectively, based on original terms, and was Rs. 6.87 million and Rs. 6.44 million for fiscal 1999 and 2000 respectively, based on the restructured terms.

2.2.20 There are no commitments to lend incremental funds to any borrower who is party to a troubled debt restructuring.

Concentration of credit risk

2.2.21 Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to ICICI Bank's total credit exposure. ICICI Bank's portfolio of financial instruments is broadly diversified along industry, product and geographic lines within the country.

2.2.22 A listing of the concentration of loan exposures by industry is set out below:

	1999		2000	
	(in Rs. millions)	%	(in Rs. millions)	%
Light manufacturing	2,800	9.83	4,895	10.25
Chemical, Paints and Pharmaceuticals	2,420	8.50	5,772	12.08
Finance	1,949	6.84	6,113	12.80
Transport	159	0.56	1,686	3.53
Electricity	1,488	5.23	2,784	5.83
Textiles	1,405	4.93	1,600	3.35
Metal and metal products	1,370	4.81	1,269	2.66
Automobile	1,006	3.53	1,680	3.52
Construction	740	2.60	882	1.85
Iron and steel	620	2.18	703	1.47
Cement	540	1.90	1,124	2.35
Software	460	1.62	823	1.72
Agriculture	675	2.37	1,520	3.18
Personal loans	1,110	3.90	1,553	3.25
Paper and paper products	373	1.30	745	1.56
Other industries	11,362	39.90	14,615	30.60
Total	28,477	100.00	47,764	100.00

Unearned income

2.2.23 A listing of unearned income is set out below :

	(in millions)	
	1999	2000
Unearned income on leasing and other receivable transactions	84	68
Unearned commission on guarantees	73	104
Unearned income on letters of credit	17	15
Unamortised loan origination fees	-	30

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

Deposits

2.2.24 Deposits include demand deposits, which are non-interest-bearing and savings and time deposits, which are interest-bearing. A listing of deposits is set out below :

	(in millions) At March 31,	
	1999 Rs.	2000 Rs.
Interest bearing		
Savings deposits	2,271	5,332
Time deposits	52,692	77,453
	54,963	82,785
Non-interest bearing		
Demand deposits	5,766	15,875
Total	60,729	98,660

2.2.25 At March 31, 2000, term deposits of Rs. 71,319 million (March 31, 1999 : Rs. 48,720 million) have a residual maturity of less than one year. The balance of the deposits mature between one to seven years.

Trading account liabilities

2.2.26 Trading account liabilities at March 31, 2000 include borrowings from banks in the inter-bank call money market of Rs. 1,922 million (March 31, 1999 : Rs. 418 million).

Long-term debt

2.2.27 Long-term debt represent debt with an original maturity of greater than one year. Long term debt bears interest at fixed contractual rates ranging from 12.5% to 17%. A listing of long-term debt by residual maturity is set out below :

	At March 31,			
	1999		2000	
	(in Rs. millions)	%	(in Rs. millions)	%
Residual maturity				
One year to five years	1,084	62	1,796	73
Five years to 10 years	680	38	680	27
Total	1,764	100	2,476	100

2.2.28 Long term debt at March 31, 2000 includes unsecured non-convertible subordinated debt of Rs. 1,680 million (March 31, 1999 : Rs. 1,680 million).

2.3 Off-balance sheet financial instruments

Foreign exchange and derivative contracts

2.3.1 ICICI Bank enters into foreign exchange forward contracts and currency swaps with interbank participants and customers. These transactions enable customers to transfer, modify or reduce their foreign exchange and interest rate risks.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

- 2.3.2 Forward foreign exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest in one currency against another currency and exchange of notional principal amount at maturity based on predetermined rates. Currency swaps offered to customers are hedged by opposite contracts with the parent company and are accounted for as hedge contracts.
- 2.3.3 The market and credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Market risk is the exposure created by movements in interest rates and exchange rates, during the currency of the transaction. The extent of market risk affecting such transactions depends on the type and nature of the transaction, value of the transaction and the extent to which the transaction is uncovered. Credit risk is the exposure to loss in the event of default by counterparties. The extent of loss on account of a counterparty default will depend on the replacement value of the contract at the ongoing market rates.
- 2.3.4 The following table presents the aggregate notional principal amounts of ICICI Bank's outstanding foreign exchange and derivative contracts at March 31, 2000 and March 31, 1999 together with the related balance sheet credit exposure.

	Notional principal amounts		Balance sheet credit exposure (Note 1)	
	At March 31,		(in Rs. millions) At March 31,	
	1999	2000	1999	2000
Interest rate agreements				
Swap agreements	–	900	–	–
	–	900	–	–
Foreign exchange products				
Forward contracts	36,705	62,892	425	309
Swap agreements	2,962	7,658	–	–
	39,667	70,550	425	309

Note 1: Balance sheet credit exposure denotes the mark-to-market impact of the derivative and foreign exchange products on the reporting date.

Loan commitments

- 2.3.5 ICICI Bank has outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 9,215 million and Rs. 11,643 million at March 31, 2000 and March 31, 1999 respectively. The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiry dates and may be contingent upon the borrowers ability to maintain specific credit standards.

Guarantees

- 2.3.6 As a part of its commercial banking activities, ICICI Bank has issued guarantees and letters of credit to enhance the credit standing of its customers. These generally represent irrevocable assurances that ICICI Bank will make payments in the event that the customer fails to fulfill his financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 18 months.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

2.3.7 The credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. Fees are recognised over the term of the facility.

2.3.8 Details of facilities outstanding are set out below :

	(in Rs. millions) At March 31,	
	1999	2000
Financial guarantees	2,733	4,270
Performance guarantees	1,897	3,295
Total	4,630	7,565

2.4 Estimated fair value of financial instruments

2.4.1 ICICI Bank's financial instruments include financial assets and liabilities recorded on the balance sheet, as well as off-balance sheet instruments such as foreign exchange and derivative contracts. A listing of the fair value of these financial instruments is set out below :

	(in Rs. millions)					
	Carrying value	Estimated fair value	Estimated fair value in excess of /(less than) carrying value	Carrying value	Estimated fair value	Estimated fair value in excess of /(less than) carrying value
	March 31, 1999			March 31, 2000		
Financial assets	76,265	76,182	(83)	130,416	130,163	(253)
Financial liabilities	73,435	73,837	402	119,029	119,554	525

2.4.2 Fair values vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perception of value and as existing assets and liabilities run off and new items are generated.

2.4.3 A listing of the fair values by category of financial assets and financial liabilities is set out below :

	(in Rs. millions)					
Particulars	Carrying value	Estimated fair value	Estimated fair value in excess of /(less than) carrying value	Carrying value	Estimated fair value	Estimated fair value in excess of /(less than) carrying value
	March 31, 1999			March 31, 2000		
Financial assets						
Securities	3,963	3,963	-	4,709	4,709	-
Trading assets	15,822	15,822	-	28,228	28,228	-
Loans (Note 1)	27,597	27,514	(83)	47,016	46,763	(253)
Other financial assets (Note 2)	28,883	28,883	-	50,463	50,463	-
Total	76,265	76,182	(83)	130,416	130,163	(253)
Financial liabilities						
Interest-bearing deposits	54,963	55,365	402	82,785	83,175	390
Non-interest-bearing deposits	5,766	5,766	-	15,875	15,875	-
Trading account liabilities	418	418	-	1,922	1,922	-
Long-term debt	1,764	1,764	-	2,476	2,611	135
Other financial liabilities (Note 3)	10,524	10,524	-	15,971	15,971	-
Total	73,435	73,837	402	119,029	119,554	525
Derivatives						
Currency swaps (Note 4)	-	-	12	-	-	51
Interest rate swaps	-	-	-	-	-	39
	-	-	-	-	-	90

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

Note 1 : The carrying value of loans is net of allowance for credit losses.

Note 2 : Includes cash, due from banks, deposits at interest with banks, short-term highly liquid securities, and customers acceptance liability for which the carrying value is a reasonable estimate of fair value.

Note 3 : Represents acceptances and other liabilities outstanding, for which the carrying value is a reasonable estimate of fair value.

Note 4 : All customer positions are hedged by opposite contracts with the parent company.

2.4.4 The above data represents management's best estimates based on a range of methodologies and assumptions. Quoted market prices are used for many securities. For performing loans, contractual cash flows are discounted at current market origination rates for loans with similar terms and risk characteristics. For impaired loans, the impairment is considered while arriving at the fair value. For liabilities, market borrowing rates of interest of similar instruments are used to discount contractual cash flows.

2.4.5 The estimated fair value of loans, interest-bearing deposits, and long term debt reflects changes in market rates since the loans were given, and deposits were taken.

3. PROPERTY AND EQUIPMENT

3.1.1 Property and equipment are stated at cost less accumulated depreciation. Generally, depreciation is computed over the estimated useful life of the asset.

3.1.2 A listing of property and equipment by asset category is set out below :

	(in millions) At March 31,	
	1999 Rs.	2000 Rs.
Land	121	126
Building	977	1,352
Equipment and furniture	738	1,151
Capital work in progress	308	52
Gross value of property and equipment	2,144	2,681
Less : Accumulated depreciation	(383)	(584)
Net value of property and equipment	1,761	2,097

3.1.3 Capital work in progress at March 31, 2000 include capital advances of Rs. 52 million (March 31, 1999 : Rs. 91 million). Interest capitalized for the year ended March 31, 2000 is Rs. 16 million (March 31, 1999 : Rs. 12 million).

3.1.4 Depreciation charge in fiscal 1998, 1999 and 2000 amounts to Rs. 131 million, Rs. 173 million and Rs. 201 million, respectively.

4. OTHER ASSETS

4.1.1 Other assets at March 31, 2000 include interest accrued of Rs. 1,147 million (March 31, 1999 : Rs. 662 million), deposits in leased premises of Rs. 185 million (March 31, 1999 : Rs. 157 million) and prepaid expenses of Rs. 3 million (March 31, 1999 : Rs. 18 million).

5. OTHER LIABILITIES

5.1.1 Other liabilities at March 31, 2000 include accounts payable of Rs. 1,422 million (March 31, 1999 : Rs. 1,121 million) and interest accrued but not due on deposits amounting to Rs. 335 million (March 31, 1999 : Rs. 235 million).

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

6. COMMON STOCK

6.1.1 At March 31, 2000 and March 31, 1999, the authorized common stock was 300 million shares with a par value of Rs. 10 per share. At March 31, 2000 the issued common stock was 196.80 million shares with paid-up value of Rs. 1,968 million. At March 31, 1999, the issued common stock was 165 million shares with paid-up values of Rs. 1,650 million.

7. RESTRICTED RETAINED EARNINGS

7.1.1 Retained earnings at March 31, 2000 computed as per generally accepted accounting principles of India include profits aggregating to Rs. 1,039 million (March 31, 1999 : Rs. 789 million) which are not distributable as dividends under the Banking Regulation Act, 1949. These relate to requirements regarding earmarking a part of the profits under banking laws. Utilization of these balances is subject to approval of the Board of Directors and needs to be reported to Reserve Bank of India. Statutes governing the operations of ICICI Bank mandate that dividends be declared out of distributable profits only after the transfer of atleast 20% of net income, computed in accordance with current banking regulations, to a statutory reserve. Additionally, the remittance of dividends outside India is governed by Indian statutes on foreign exchange transactions.

8. EMPLOYEE STOCK OPTION PLAN

8.1.1 In February 2000, the Bank introduced its employee stock option plan, wherein an aggregate of 1,788,000 options representing 1,788,000 shares were made available for grant to certain employees and directors of the Bank and certain employees of the parent company. These options vest over three years and have a maximum term of 10 years. Of these 994,250 options were granted to the employees and 75,000 options were granted to non-whole time directors of the bank at an exercise price of Rs. 171.90, which was equal to the quoted market value of the Bank's common stock on the date of grant. The awards to non-whole time directors of the bank were forfeited and such options have been retired from the plan. The Bank has computed and recognised compensation cost of Rs. 40 million for 718,750 options granted to the employees of the parent company. This amount will be expensed over the vesting period.

8.1.2 Had compensation costs of the Bank's stock based compensation plan been recognized based on the fair value on the grant date consistent with the method prescribed by SFAS No. 123, the Bank's net income and earnings per share for the year ended March 31, 2000 would have been impacted as indicated below:

(Rs. in millions, except per share data)

	For the year ended March 31, 2000
Net income	
As reported	1,402
Proforma under SFAS No. 123	1,401
Basic earnings per share:	
As reported	8.49
Proforma under SFAS No. 123	8.49
Diluted earnings per share	
As reported	8.49
Proforma under SFAS No. 123	8.49

8.1.3 The effects of applying SFAS No. 123, for disclosing compensation cost under such pronouncement may not be representative of the effects on reported net income for future years.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

- 8.1.4 The fair value of the stock option granted was estimated on the date of grant using the Black-Scholes option-pricing model, with the following assumptions :

	For the year ended March 31, 2000
Expected life in years	3
Risk free interest rate	10.35%
Volatility	30.0%
Dividend yield	0.7%

9. INCOME TAXES
9.1 Components of deferred tax balances

- 9.1.1 The tax effects of significant temporary differences are reflected through a deferred tax asset/liability, which is included in the balance sheet of ICICI Bank.
- 9.1.2 A listing of the temporary differences is set out below :

	(in millions) At March 31,	
	1999 Rs.	2000 Rs.
Deferred tax assets		
Provision for loan losses	309	303
Non-funded provision	-	6
Leave encashment	2	3
Loan processing fee amortization	-	12
Unrealized loss on securities, available for sale	21	-
Others	16	1
Total deferred tax asset	348	325
Valuation allowances	-	-
Net deferred tax asset	348	325
Deferred tax liabilities		
Property and equipment	(187)	(277)
Investments	(3)	-
Unrealized gains on securities, available for sale.	(11)	-
Amortization of software cost	(12)	(11)
Amortization of debt issue costs	(4)	(4)
Performance Bonus	-	(18)
Others	(1)	(3)
Total deferred tax liability	(218)	(313)
Net deferred tax asset/(liability)	130	12
Current	10	(14)
Non-current	120	26

- 9.1.3 Management is of the opinion that the realization of the recognized net deferred tax asset of Rs. 12 million at March 31, 2000 (March 31, 1999 : Rs. 130 million) is more likely than not based on expectations as to future taxable income.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

9.2 RECONCILIATION OF TAX RATES

9.2.1 The following is the reconciliation of estimated income taxes at Indian statutory income tax rate to income tax expense as reported.

(in millions)
Year ended March 31,

	1998 Rs.	1999 Rs.	2000 Rs.
Net income before taxes	402	673	1,781
Statutory tax rate	35%	35%	38.5%
Income tax expense at statutory tax rate	141	236	686
<i>Increase (reductions) in taxes on account of</i>			
Income exempt from taxes	(30)	(81)	(340)
Effect of change in statutory tax rate	(15)	–	6
Others	8	15	27
Reported income tax expenses	104	170	379

9.3 Components of income tax expense

9.3.1 The components of income tax expense are set out below :

(in millions)
Year ended March 31,

	1998 Rs.	1999 Rs.	2000 Rs.
Current	203	300	266
Deferred	(99)	(130)	113
Total income tax expense	104	170	379

10. EARNINGS PER SHARE

10.1. A listing of earnings per share is set out below :

(in Rupees millions except per share data)
Year ended March 31,

	1998		1999		2000	
	Basic	Fully Diluted	Basic	Fully Diluted	Basic	Fully Diluted
Earnings						
Net Income	298	298	503	503	1,402	1,402
Shares						
Weighted average common shares outstanding	162.08	162.08	165.00	165.00	165.09	165.09
Dilutive effect of stock options outstanding	–	–	–	–	–	0.02
Total	162.08	162.08	165.00	165.00	165.09	165.11
Earnings per share	1.84	1.84	3.05	3.05	8.49	8.49

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000
11. SEGMENTAL DISCLOSURES AND RELATED INFORMATION
11.1 Segmental disclosures

11.1.1 ICICI Bank's operations are solely in the financial services industry and consist of providing traditional banking services, primarily commercial lending activities, treasury operations and retail banking activities. ICICI Bank carries out these activities through offices in India. Operating decisions are made based upon reviews of the Bank's operations as a whole. As a result, ICICI Bank constitutes the only reportable segment.

11.2 Geographic distribution

11.2.1 The business operations of ICICI Bank are largely concentrated in India. Accordingly the entire revenue assets and net income are attributed to Indian operations.

Major customers

11.2.2 ICICI Bank provides banking and financial services to a wide base of customers. There is no major customer which contributes more than 10% of total revenues.

12. COMMITMENTS AND CONTINGENT LIABILITIES

12.1.1 ICICI Bank is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed. Estimated amounts of contracts remaining to be executed on capital account, aggregated to Rs. 6 million at March 31, 2000 (March 31, 1999 : Rs. 62 million).

Lease commitments

12.1.2 ICICI Bank has commitments under long-term operating leases principally for premises and Automated Teller Machines. Lease terms for premises generally cover periods of nine years. The following is a summary of future minimum lease rental commitments for non-cancelable leases.

	(in Rs. millions)
	March 31, 2000
2001	119
2002	131
2003	144
2004	158
2005	174
Thereafter	350
Total minimum lease commitments	1,076

12.1.3 Various tax-related legal proceedings are pending against ICICI Bank. Potential liabilities, if any, have been adequately provided for, and management does not estimate any incremental liability in respect of legal proceedings.

13. RELATED PARTY TRANSACTIONS

13.1.1 ICICI Bank has entered into transactions with the following related parties :

- The parent company;
- Affiliates of the Bank;
- Employees Provident Fund Trust; and
- Directors and employees of the group.

13.1.2 The related party transactions can be categorized as follows :

Banking services

13.1.3 ICICI Bank provides banking services to all the related parties on the same terms that are offered to other customers.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

13.1.4 The revenues earned from these related parties are set out below:

	(in millions)		
	Year ended March 31,		
	1998	1999	2000
	Rs.	Rs.	Rs.
Parent company	15	12	24
Affiliates ⁽¹⁾	5	4	6
Total	20	16	30

(1) Comprising ICICI Securities and Finance Company Limited, ICICI Brokerage Services Limited, ICICI Capital Services Limited, Prudential ICICI Asset Management Company Limited and ICICI Venture Funds Management Company Limited.

13.1.5 ICICI Bank has paid to the parent company interest on deposits and borrowings in call money markets amounting to Rs. 105 million, Rs. 125 million and Rs. 261 million in fiscal 1998, 1999 and 2000 respectively. Similarly, interest paid to affiliates on deposits and call money borrowings amount to Rs. 3 million, Rs. 20 million and Rs. 49 million in fiscal 1998, 1999 and 2000 respectively.

13.1.6 ICICI Bank paid brokerage to ICICI Brokerage Services Limited amounting to Rs. 1 million, Rs. 2 million and Rs. 3 million for fiscal 1998, 1999 and 2000 respectively.

Leasing of premises and infrastructural facilities

13.1.7 ICICI Bank has entered into lease agreements with the parent company for the lease of certain premises and infrastructural facilities to ICICI Bank. Total amount paid as rent for 1998, 1999 and 2000 is Rs. 20 million, Rs. 7 million and Rs. 36 million respectively. Similarly, during the fiscal 2000, ICICI Bank paid Rs. 5 million towards lease rentals on certain equipment leased from the parent company. ICICI Bank has also paid interest of Rs. 4 million to the parent company for capital advances made by the parent company for purchase of equipment.

Acquisition of premises

13.1.8 ICICI Bank purchased premises from the parent company for Rs. 532 million in fiscal 1998.

Derivative transactions

13.1.9 ICICI Bank enters into foreign exchange currency swaps and interest rate swaps with the parent company on a back to back basis. The outstanding contracts at March 31, 2000 are cross currency swaps amounting to Rs. 3,829 million and interest rate swaps amounting to Rs. 800 million.

Expenses for services rendered

13.1.10 ICICI Bank paid Rs. 1 million, Rs. 1 million and Rs. 2 million in fiscal 1998, 1999 and 2000 to the parent company for use of the parent company's employees. ICICI Bank also paid Rs. 10 million in the year ended March 31, 2000 to ICICI Infotech Services Limited for use of the employees of ICICI Infotech for information technology services.

Receipts for services rendered

13.1.11 ICICI Bank has received Rs. 6 million in fiscal 2000 from the parent company for use of its employees. The Bank has receivables of Rs. 11 million from ICICI PFS Limited, Rs. 1 million from Prudential ICICI Limited and Rs. 1 million from ICICI Capital Limited as reimbursement of expenditure upon the representatives of these affiliates.

Share transfer activities

13.1.12 ICICI Bank has paid Rs. 3 million, Rs. 6 million and Rs. 4 million in fiscal 1998, 1999 and 2000 respectively to ICICI Infotech Services Limited for share transfer services provided by them. The Bank has paid Rs. 6 million in fiscal 2000 for DEMAT services provided by the above affiliate.

Other transaction with related parties

13.1.13 ICICI Bank has advanced loans to employees, bearing interest ranging from 3.5 % to 6 %. These are housing, vehicle and general purpose loans. The tenure of these loans ranges from five to twenty years. Further, ICICI Bank has advanced loans at 16% to employees for purchase of its equity shares at the time of the public issues. The balance outstanding at March 31, 1999 and March 31, 2000 was Rs. 138 million and Rs. 221 million respectively.

Notes to Financial Statements for the years ended March 31, 1998, 1999 and 2000

- 13.1.14 During the year ended March 31, 2000 ICICI Bank entered into an agreement with ICICI Personal Financial Services Limited for availing telephone banking call centers services and for performing all the transaction processing services for the credit card related activities. The amount paid during fiscal 2000 for these services was Rs. 3 million and Rs. 28 million respectively.
- 13.1.15 ICICI Bank sold certain investments to Prudential ICICI Asset Management Company Limited and booked a gain of Rs. 3 million during the year ended March 31, 2000. As on March 31, 2000 ICICI Bank has investments in the mutual fund schemes of the above company amounting to Rs. 700 million.
- 13.1.16 The balances pertaining to receivables from and payable to related parties are as follows :

(in Rs. millions)

	Parent company	Affiliates ⁽¹⁾
At March 31, 1999		
Accounts payable	3,081	217
At March 31, 2000		
Accounts receivable	1	-
Accounts payable	3,503	1,514

(1) Comprises ICICI Securities and Finance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Infotech Services Limited, ICICI Brokerage Services Limited, ICICI Personal Financial Services Limited, ICICI Capital Services Limited, ICICI Venture Funds Management Company Limited, ICICI Properties Limited and ICICI Home Finance Company Limited.

14. CAPITAL ADEQUACY REQUIREMENTS

- 14.1.1 The Company is a banking company within the meaning of the Indian Banking Regulation Act, 1949, registered with and subject to examination by the Reserve Bank of India.
- 14.1.2 ICICI Bank is subject to the capital adequacy requirements set by the Reserve Bank of India, which stipulate a minimum ratio of capital to risk adjusted assets and off-balance sheet items, at least half of which must be Tier I capital. Effective March 31, 2000 the Reserve Bank of India has increased the minimum capital adequacy ratio to 9.0%. The capital adequacy ratio of the Bank calculated in accordance with the Reserve Bank of India guidelines at March 31, 2000 and March 31, 1999 was 19.64% and 11.06% respectively.

15. FUTURE IMPACT OF NEW ACCOUNTING STANDARDS

- 15.1.1 In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Standards ("SFAS") No. 133, "Accounting for derivative instruments and hedging activities" (SFAS No. 133). In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date of SFAS No. 133 to fiscal periods beginning after June 15, 2000. As the derivative activities of ICICI Bank are not significant, the future impact of SFAS No. 133 on the financial statements of ICICI Bank is unlikely to be material.

16. YEAR 2000

- 16.1.1 To date, ICICI Bank has not encountered any material Year 2000 issues concerning its respective computer programs. ICICI Bank's plan for the Year 2000 included replacing or updating existing systems (which were not Year 2000 compliant), assessing the Year 2000 preparedness of clients and counterparties and formulating a contingency plan to ensure business continuity in the event of unforeseen circumstances.

17. Previous year's figures are regrouped and reclassified, where appropriate.

For and on behalf of the Board of directors

G. Venkatakrishnan
Executive Vice President and
Chief Financial Officer

Uday M. Chitale
Director

H. N. Sinor
Managing Director and
Chief Executive Officer

Bhashyam Seshan
Company Secretary