

Index to Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders ICICI Bank Limited

We have audited the accompanying consolidated balance sheets of ICICI Bank Limited and subsidiaries as of March 31, 2002 and 2003, and the related consolidated statements of operations, stockholders' equity and other comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICICI Bank Limited and subsidiaries as of March 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective April 1, 2001, the Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets and SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. As discussed in Note 1 to the consolidated financial statements, effective October 1, 2002, the Company adopted the provisions of SFAS No. 147, Acquisitions of Certain Financial Institutions, retroactive to April 1, 2001, the adoption date of SFAS No. 142.

The United States dollar amounts are presented in the accompanying consolidated financial statements solely for the convenience of the readers and have been translated into United States dollar on the basis described in Note 1 to the consolidated financial statements.

Mumbai, India
June 28, 2003

KPMG

ICICI Bank Limited and subsidiaries

Consolidated balance sheets

In millions, except share data

	<u>As of March 31,</u>		<u>Convenience translation into US\$, As of March 31,</u>
	<u>2002 ⁽¹⁾</u>	<u>2003</u>	<u>2003 (unaudited)</u>
Assets			
Cash and cash equivalents.....	Rs. 41,476	Rs. 72,453	US\$ 1,524
Trading assets.....	42,376	39,634	834
Securities:			
Available for sale	47,857	267,499	5,626
Non-readily marketable equity securities.....	8,268	9,418	198
Venture capital investments.....	3,921	3,704	78
Investments in affiliates.....	10,086	2,615	55
Loans, net of allowance for loan losses, security deposits and unearned income.....	523,601	630,421	13,258
Customers' liability on acceptances	4,783	43,252	910
Property and equipment, net.....	12,577	21,215	446
Assets held for sale.....	2,029	2,306	48
Goodwill.....	2,250	4,787	101
Intangible assets, net.....	-	5,118	107
Deferred tax assets.....	7,295	6,423	135
Interest and fees receivable.....	9,482	12,472	262
Other assets.....	27,361	58,946	1,240
Total assets	Rs. 743,362	Rs. 1,180,263	US\$ 24,822
Liabilities			
Interest bearing deposits.....	Rs. 7,380	Rs. 456,051	US\$ 9,591
Non-interest bearing deposits.....	-	35,239	741
Trading liabilities.....	17,105	26,086	549
Short-term borrowings.....	70,804	42,095	885
Bank acceptances outstanding.....	4,783	43,252	910
Long-term debt.....	511,458	400,812	8,429
Redeemable preferred stock.....	772	853	18
Other borrowings.....	5,787	-	-
Taxes and dividends payable.....	11,050	16,880	355
Deferred tax liabilities.....	1,144	460	9
Other liabilities.....	41,471	66,198	1,392
Total liabilities	671,754	1,087,926	22,879
Commitments and contingencies (Note 29)			
Minority interest	260	124	3
Stockholders' equity:			
Common stock at Rs. 10 par value: 800,000,000 and 1,550,000,000 shares authorized as of March 31, 2002 and 2003; Issued and outstanding 392,672,724 and 613,034,404 shares as of March 31, 2002 and 2003, respectively.....	3,922	6,127	129
Additional paid-in capital.....	42,036	64,863	1,364
Retained earnings.....	26,229	18,246	384
Deferred compensation.....	(7)	-	-
Accumulated other comprehensive income.....	(832)	2,977	63
Total stockholders' equity	71,348	92,213	1,940
Total liabilities and stockholders' equity	Rs. 743,362	Rs. 1,180,263	US\$ 24,822

See accompanying notes to the consolidated financial statements.

¹⁾ As restated for reverse acquisition and adoption of SFAS No. 147

ICICI Bank Limited and subsidiaries

Consolidated statements of operations

In millions, except share data

	Year ended March 31,			Convenience translation into US\$
	2001 ⁽¹⁾	2002 ⁽²⁾	2003	Year ended March 31, 2003 (unaudited)
Interest and dividend income				
Interest and fees on loans.....	Rs. 75,272	Rs. 75,237	Rs. 75,080	US\$ 1,579
Interest and dividends on securities	499	1,447	17,022	358
Interest and dividends on trading assets	2,837	1,715	2,754	58
Interest on balances and deposits with banks.....	910	368	1,151	24
Other interest income.....	586	100	2,096	44
Total interest and dividend income.....	80,104	78,867	98,103	2,063
Interest expense				
Interest on deposits.....	490	744	26,033	547
Interest on long-term debt.....	56,830	59,798	48,163	1,013
Interest on short-term borrowings.....	9,123	7,717	3,829	81
Interest on trading liabilities.....	1,446	911	3,114	65
Other interest expense	4	350	2,069	44
Total interest expense.....	67,893	69,520	83,208	1,750
Net interest income.....	12,211	9,347	14,895	313
Provision for loan losses.....	9,892	9,743	19,649	413
Net interest income/ (loss) after provision for loan losses.....	2,319	(396)	(4,754)	(100)
Non-interest income				
Fees, commission and brokerage.....	5,317	4,703	5,722	120
Net gain on trading activities.....	847	2,442	3,075	65
Net gain/(loss) on venture capital investments.....	62	(316)	(1,278)	(27)
Net gain/(loss) on other securities.....	(1,776)	(3,256)	956	20
Net gain on sale of loans and credit substitutes.....	705	1,979	2,795	59
Foreign exchange income/(loss).....	(108)	78	92	2
Software development and services.....	701	1,493	1,062	22
Gain on sale of stock of subsidiaries/affiliates.....	2,507	165	-	-
Gain/(loss) on sale of property and equipment.....	(31)	29	16	-
Rent.....	413	310	117	2
Other non-interest income.....	606	521	696	15
Total non-interest income.....	9,243	8,148	13,253	278
Non-interest expense				
Salaries and employee benefits.....	1,877	2,980	5,383	113
General and administrative expenses.....	3,342	4,616	12,581	264
Amortization of goodwill and intangible assets.....	260	-	645	13
Total non-interest expense.....	5,479	7,596	18,609	390
Income/(loss) before equity in earning/(loss) of affiliates, minority interest, income taxes and cumulative effect of accounting changes	6,083	156	(10,110)	(212)
Equity in earning/(loss) of affiliates.....	735	294	(958)	(20)
Minority interest.....	1	83	24	-
Income/(loss) before income taxes and cumulative effect of accounting changes.....	6,819	533	(11,044)	(232)
Income tax (expense)/benefit.....	(189)	(251)	3,061	64
Income/(loss) before cumulative effect of accounting changes.....	6,630	282	(7,983)	(168)
Cumulative effect of accounting changes, net of tax.....	-	1,265	-	-
Net income/(loss).....	Rs. 6,630	Rs. 1,547	Rs. (7,983)	US\$ (168)

ICICI Bank Limited and subsidiaries

Consolidated statements of operations

In millions, except share data

	<u>Year ended March 31,</u>			<u>Convenience</u>
	<u>2001⁽¹⁾</u>	<u>2002⁽²⁾</u>	<u>2003</u>	<u>translation into US\$</u>
				<u>Year ended March 31,</u>
				<u>2003</u>
				(unaudited)
Earnings per equity share: Basic (Rs.)				
Net income/ (loss) before cumulative effect of accounting changes.....	Rs. 16.88	Rs. 0.72	Rs. (14.18)	US\$ (0.30)
Cumulative effect of accounting changes.....	<u>-</u>	<u>3.22</u>	<u>-</u>	<u>-</u>
Net income/ (loss).....	16.88	3.94	(14.18)	(0.30)
Earnings per equity share: Diluted (Rs.)				
Net income/ (loss) before cumulative effect of accounting changes.....	Rs. 16.81	Rs. 0.72	Rs. (14.18)	US\$ (0.30)
Cumulative effect of accounting changes.....	<u>-</u>	<u>3.22</u>	<u>-</u>	<u>-</u>
Net income/(loss).....	16.81	3.94	(14.18)	(0.30)
Weighted average number of equity shares used in computing earnings per equity share (millions)				
Basic.....	393	393	563	563
Diluted	393	393	563	563

See accompanying notes to the consolidated financial statements.

¹⁾ Restated for reverse acquisition.

²⁾ Restated for reverse acquisition and adoption of SFAS No. 147.

ICICI Bank Limited and subsidiaries

Consolidated statements of stockholders' equity and other comprehensive income

In millions, except share data

	Common stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income, Net of Tax	Total Stockholders' s Equity
	No. of shares ⁽¹⁾	Amount	No. of shares	Amount					
Balance as of March 31, 2000	392,655,774	Rs. 7,832	Rs. -	Rs. -	Rs. 37,347	Rs. 28,338	Rs. (70)	Rs. (2,539)	Rs. 70,908
Effect of reverse acquisition on capital structure	-	(3,926)	-	-	3,926	-	-	-	-
Common stock issued on exercise of stock options	16,250	-	-	-	3	-	-	-	3
Amortization of compensation	-	-	-	-	-	-	37	-	37
Increase in carrying value on direct issuance of stock by subsidiary	-	-	-	-	1,242	-	-	-	1,242
Tax effect of increase in carrying value on direct issuance of stock by subsidiary	-	-	-	-	(605)	-	-	-	(605)
Comprehensive income									
Net income	-	-	-	-	-	6,630	-	-	6,630
Net unrealized gain/(loss) on securities, net of realization	-	-	-	-	-	-	-	(1,674)	(1,674)
Translation adjustments	-	-	-	-	-	-	-	14	14
Comprehensive income/ (loss)	-	-	-	-	-	-	-	-	4,970
Cash dividends declared (Rs. 1 per common share)	-	-	-	-	-	(772)	-	-	(772)
Other	-	16	-	-	123	-	-	-	139
Balance as of March 31, 2001	392,672,024	Rs. 3,922	-	-	Rs. 42,036	Rs. 34,196	Rs. (33)	Rs. (4,199)	Rs. 75,922
Common stock issued on exercise of stock options	700	-	-	-	-	-	-	-	-
Amortization of compensation	-	-	-	-	-	-	26	-	26
Comprehensive income									
Net income	-	-	-	-	-	1,547	-	-	1,547
Net unrealized gain/(loss) on securities, net of realization	-	-	-	-	-	-	-	3,283	3,283
Translation adjustments	-	-	-	-	-	-	-	84	84
Comprehensive income/(loss)	-	-	-	-	-	-	-	-	4,914
Cash dividends declared (Rs. 11 per common share)	-	-	-	-	-	(9,514)	-	-	(9,514)
Balance as of March 31, 2002⁽²⁾	392,672,724	Rs. 3,922	-	-	Rs. 42,036	Rs. 26,229	Rs. (7)	Rs. (832)	Rs. 71,348
Common stock issued on reverse acquisition	118,962,731	1,190	-	-	10,838	-	-	-	12,028
Fair value of stock options assumed on reverse acquisition	-	-	-	-	409	-	-	-	409
Treasury stock arising due to reverse acquisition	101,395,949	-	(101,395,949)	(8,204)	8,204	-	-	-	-
Sale of treasury stock	-	1,015	101,395,949	8,204	3,336	-	-	-	12,555
Common stock issued on exercise of stock options	3,000	-	-	-	-	-	-	-	-
Increase in carrying value on direct issuance of stock by subsidiary	-	-	-	-	40	-	-	-	40
Amortization of compensation	-	-	-	-	-	-	7	-	7
Comprehensive income									
Net income/ (loss)	-	-	-	-	-	(7,983)	-	-	(7,983)
Net unrealized gain/(loss) on securities, net of realization	-	-	-	-	-	-	-	3,731	3,731
Translation adjustments	-	-	-	-	-	-	-	78	78
Comprehensive income/ (loss)	-	-	-	-	-	-	-	-	(4,174)
Balance as of March 31, 2003	613,034,404	Rs. 6,127	Rs. -	Rs. -	Rs. 64,863	Rs. 18,246	Rs. -	Rs. 2,977	Rs. 92,213
Balance as of March 31, 2003 (US\$) (unaudited)		129	-	-	1,364	384	-	63	1,940

See accompanying notes to the consolidated financial statements.

¹⁾ Restated for reverse acquisition.

²⁾ Restated for reverse acquisition and adoption of SFAS No. 147.

ICICI Bank Limited and subsidiaries

Consolidated statements of cash flows

In millions, except share data

	<u>Year ended March 31,</u>			<u>Convenience</u>
	<u>2001</u>	<u>2002⁽¹⁾</u>	<u>2003</u>	<u>translation into US\$</u>
				<u>Year ended March 31,</u>
				<u>2003</u>
				<u>(unaudited)</u>
Operating activities				
Net income/(loss).....	Rs. 6,630	Rs. 1,547	Rs. (7,983)	US\$ (168)
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:				
Provision for loan and other credit losses.....	9,892	10,532	19,649	413
Depreciation.....	663	786	2,438	51
Amortization.....	1,180	1,193	5,815	122
Deferral of discounts and expenses on borrowings.....	1,213	1,307	607	13
Deferred income tax.....	(4,339)	(3,245)	(4,348)	(91)
Unrealized loss/(gain) on trading securities.....	136	(80)	(117)	(2)
Unrealized loss on venture capital investments.....	-	300	1,278	27
Other than temporary decline in value of other securities.....	1,835	3,480	2,098	44
Unrealized loss/ (gain) on derivative transactions.....	-	190	(1,009)	(21)
Undistributed equity in earning/(loss) of affiliates	(735)	(9)	958	20
Minority interest.....	(1)	(83)	(24)	(1)
(Gain)/loss on sale of property and equipment, net....	31	(29)	(16)	-
(Gain)/loss on sale of securities available for sale....	(121)	(349)	(956)	(20)
Gain on sale of subsidiary's stock.....	(2,507)	(165)	-	-
Gain on sale of loans.....	(705)	(1979)	(2,795)	(59)
Cumulative effect of accounting changes, net of tax..	-	(1,265)	-	-
Change in assets and liabilities				
Trading account assets.....	10,153	(23,421)	29,944	630
Interest and fees receivable.....	(107)	3,583	(2,990)	(63)
Other assets.....	(2,389)	(12,783)	(34,295)	(721)
Trading account liabilities.....	(4,857)	4,352	(13,656)	(287)
Taxes payable.....	(1,302)	552	5,830	122
Other liabilities.....	879	14,422	4,663	98
Net cash provided by operating activities	15,549	(1,164)	5,091	107
Investing activities				
Purchase of held to maturity securities.....	(861)	-	-	-
Purchase of available for sale securities	(5,230)	(68,043)	(717,765)	(15,095)
Purchase of venture capital investments.....	(4,094)	(504)	(1,268)	(27)
Purchase of non-readily marketable equity securities...	-	(2,015)	(1,150)	(24)
Proceeds from sale of held to maturity securities.....	-	640	-	-
Proceeds from sale of available for sale securities	1,756	28,512	684,769	14,401
Proceeds from sale of venture capital investments.....	-	53	207	4
Proceeds from sale of non-readily marketable equity securities.....	148	183	-	-
Proceeds from sale of subsidiary's stock.....	4,075	302	-	-
Origination of loans, net.....	(97,868)	69,439	(56,243)	(1,183)
Purchase of property and equipment.....	(3,785)	(1,701)	(6,943)	(146)
Proceeds from sale of property and equipment.....	145	128	504	11
Investments in affiliates.....	(1,161)	(1,159)	(1,691)	(36)
Payment for business acquisition, net of cash acquired..	(1,950)	(143)	98,487	2,071
Net cash (used in)/provided by investing activities..	(108,825)	25,692	(1,093)	(24)

ICICI Bank Limited and subsidiaries

Consolidated statements of cash flows

In millions, except share data

	Year ended March 31,			Convenience translation into US\$
	2001	2002 ⁽¹⁾	2003	Year ended March 31, 2003 (unaudited)
Financing activities				
Increase in deposits, net.....	Rs. 8,050	Rs. 1,308	Rs. 158,290	US\$ 3,329
Proceeds/ Repayment from short-term borrowings, net.....	21,204	(28,852)	(30,118)	(633)
Proceeds from other borrowings.....	-	5,787	-	-
Proceeds from issuances of long-term debt.....	182,015	158,905	10,631	224
Repayment of long-term debt.....	(112,047)	(142,019)	(124,979)	(2,628)
Redemption of redeemable preferred stock.....	(9,577)	-	-	-
Proceeds from issuance of common stock.....	142	-	13,155	277
Proceeds from issuance of common stock by subsidiary.....	465	390	-	-
Cash dividends paid.....	(775)	(9,514)	-	-
Net cash provided by/(used in) financing activities	89,477	(13,995)	26,979	569
Effect of de-consolidation of subsidiary on cash and cash equivalents.....	(36,361)	-	-	-
Effect of exchange rate on cash and cash equivalents	(14)	(14)	-	-
Net increase/(decrease) in cash and cash equivalents	(40,174)	10,519	30,977	652
Cash and cash equivalents at the beginning of the year.....	71,131	30,957	41,476	872
Cash and cash equivalents at the end of the year..	Rs. 30,957	Rs. 41,476	Rs. 72,453	US\$ 1,524
Supplementary information:				
Cash paid for:				
Interest.....	Rs. 57,144	Rs. 66,587	Rs. 86,143	US\$ 1,812
Taxes.....	2,919	4,505	1,027	22
Non-cash items:				
Foreclosed assets.....	2,024	1,188	673	14
Conversion of loan to equity shares.....	1,982	1,586	4,495	95
Transfer of securities from held to maturity category to available for sale category.....	-	866	-	-
Change in unrealized gain/(loss) on securities available for sale, net.....	(1,674)	3,283	5,205	109
<i>Acquisitions</i>				
Fair value of net assets acquired, excluding cash and cash equivalents.....	-	-	(37,948)	798
Shares issued.....	-	-	118,965,731	-
Treasury stock.....	-	-	8,204	173

See accompanying notes to the consolidated financial statements.

¹⁾ Restated for reverse acquisition and adoption of SFAS No. 147

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

1. Significant accounting policies

Overview

ICICI Bank Limited (ICICI Bank) together with its subsidiaries and affiliates (collectively, the Company) is a diversified financial services group providing a variety of banking and financial services including project and corporate finance, working capital finance, venture capital finance, investment banking, treasury products and services, retail banking, broking and insurance. Further, the Company has an interest in the software development and services business. The Company is headquartered in Mumbai, India.

Effective April 1, 2002, ICICI Bank (which for periods prior to April 1, 2002 is referred to as the 'acquiree') and ICICI Limited (ICICI) consummated a transaction whereby shareholders of ICICI were issued shares of the acquiree in the ratio of 1:2. The transaction has been treated as a reverse acquisition for financial reporting purposes with ICICI (the 'acquirer') as the accounting acquirer and is further discussed in Note 3.

The consolidated balance sheet as of March 31, 2002, and the consolidated statements of operations, cash flows and stockholders' equity and other comprehensive income for the year ended March 31, 2001 and 2002, presented herein, are those of the acquirer, even though the acquiree is the surviving legal entity subsequent to the reverse acquisition. As such, as further described in Note 2, they include the acquirer's less than majority ownership interest in the acquiree accounted for by the equity method.

Principles of consolidation

The consolidated financial statements include the accounts of ICICI Bank and all of its subsidiaries, which are more than 50% owned and controlled. All significant inter company accounts and transactions are eliminated on consolidation. The Company accounts for investments in common stock of affiliates by the equity method where its investment in the voting stock gives it the ability to exercise significant influence over the investee.

The consolidation of the Company's majority ownership interest in two insurance companies acquired in each of fiscal 2001 and 2002 has now been deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees are no longer consolidated but are accounted for by the equity method. Prior period financial statements have been restated with no resultant impact on net income or stockholders' equity.

Basis of preparation

The accounting and reporting policies of the Company used in the preparation of these consolidated financial statements reflect general industry practices and conform to generally accepted accounting principles in the United States (US GAAP).

The preparation of consolidated financial statements in conformity with US GAAP requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported income and expense for the reporting period. The Company makes estimates for valuation of derivatives and securities, where no ready market exists, determining the level of allowance for loan losses and assessing recoverability of goodwill, intangible assets and deferred tax assets. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. The actual results could differ from these estimates.

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

Foreign currencies

The consolidated financial statements are reported in Indian rupees (Rs.), the national currency of India. The functional currency of each entity within the Company is its respective local currency.

The assets and liabilities of the Company's foreign operations are translated into Indian rupees at current exchange rates, and revenues and expenses are translated at average exchange rates for the year. Resulting translation adjustments are reflected as a component of accumulated other comprehensive income.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2003, have been translated into United States dollar at the noon buying rate in New York City on March 28, 2003, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve of New York of US\$ 1 = Rs. 47.55. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other certain rate on March 31, 2003, or at any other certain date.

Revenue recognition

Interest income is accounted on an accrual basis except in respect of impaired loans, where it is recognized on a cash basis. Income from leasing and hire purchase operations is accrued in a manner to provide a fixed rate of return on outstanding investments.

Fees from activities such as investment banking, loan syndication and financial advisory services are accrued based on milestones specified in the customer contracts. Fees for guarantees and letters of credit are amortized over the contracted period of the commitment.

Revenues from software development and services comprise income from time-and-material and fixed-price contracts. Revenue with respect to time-and-material contracts is recognized as related services are performed. Revenue with respect to fixed-price contracts is recognized in accordance with the percentage of completion method of accounting. Provisions for estimated losses on contracts-in-progress are recorded in the period in which such losses become probable based on the current contract estimates.

Cash equivalents

The Company 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.

Securities and trading activities

The Company classifies investments in debt and readily marketable equity securities, other than investments held by certain venture capital subsidiaries, into two categories based upon management's intention at the time of purchase: trading securities and securities available for sale. Realized gains and losses on the sale of securities are recorded at the time of sale. For computing realized gains and losses on securities, the cost is ascertained using the First-In-First-Out Method.

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

As more fully explained in Note 6, the Company no longer classifies investments in debt securities as held to maturity, due to sale of certain held to maturity securities during the year ended March 31, 2002.

Trading assets, primarily debt securities and foreign exchange products, are recorded at fair value with realized and unrealized gains and losses included in non-interest income. Interest on trading securities is recorded in interest income. The fair value of trading assets is based upon quoted market prices or, if quoted market prices are not available, estimates using similar securities or pricing models.

Securities not classified as trading securities are classified as available for sale. These include securities used as part of the Company's asset liability management strategy, which may be sold in response to changes in interest rates, prepayment risk, liquidity needs and similar factors. Securities available for sale are recorded at fair value with unrealized gains and losses recorded, net of tax, as a component of accumulated other comprehensive income.

Equity securities, which are traded on a securities exchange within six months of the balance sheet date are considered as publicly traded. The last quoted price of such securities is taken as their fair value. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost.

Securities on which there is an unrealized loss that is deemed to be other than temporary are written down to fair value with the loss recorded in non-interest income as a loss on other securities. Other than temporary decline is identified by management based on an evaluation of all significant factors including the length of time and the extent to which the fair value has been less than the cost, the financial condition and prospects of the issuer and the extent and ability of the Company to retain the investment for a period of time sufficient to allow for any probable recovery in fair value.

Securities acquired through conversion of loans in a troubled debt restructuring are recorded at the fair value on the date of conversion and subsequently accounted for as if acquired for cash.

The Company's venture capital subsidiaries carry their investments at fair value, with changes in fair value recognized in gain/loss on venture capital investments. The fair values of publicly traded venture capital investments are generally based upon quoted market prices. In certain situations, including thinly traded securities, large-block holdings, restricted shares or other special situations, the quoted market price is adjusted to produce an estimate of the attainable fair value for the securities. For securities that are not publicly traded, fair value is determined in good faith pursuant to procedures established by the Board of Directors of the venture capital subsidiaries. In determining the fair value of these securities, consideration is given to the financial conditions, operating results and prospects of the underlying companies, and any other factors deemed relevant. Generally, these investments are carried at cost during the first year, unless a significant event occurs that affects the long-term value of the investment. Because of the inherent uncertainty of the valuations, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed.

Trading liabilities represent borrowings from banks in the inter-bank call money market, borrowings from banks and corporates in the course of trading operations and balances arising from repurchase transactions.

ICICI Bank Limited and subsidiaries

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Loans

Loans are reported at the principal amount outstanding, inclusive of interest accrued and due per the contractual terms, except for certain non-readily marketable privately placed debt instruments, which are considered credit substitutes and are, therefore classified as loans but accounted for as debt securities. Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan. Interest is accrued on the unpaid principal balance and is included in interest income.

Loans include aggregate rentals on lease financing transactions and residual values, net of security deposits and unearned income. Lease financing transactions substantially represent direct financing leases. Loans also include the aggregate value of purchased securitized receivables, net of unearned income.

The Company identifies a commercial loan as impaired and places it on non-accrual status when it is probable that it will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. A commercial loan is also considered to be impaired and placed on a non-accrual basis if interest or principal is greater than 180 days overdue. Delays or shortfalls in loan payments are evaluated along with other factors to determine if a loan should be classified as impaired. The decision to classify a loan as impaired is also based on an evaluation of the borrower's financial condition, collateral, liquidation value and other factors that affect the borrower's ability to pay.

The Company classifies a loan as a restructured loan where it has made concessionary modifications, that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. Such loans are placed on non-accrual status.

Generally, at the time a loan is placed on non-accrual status, interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on non-accrual loans is recognized as interest income only to the extent that cash is received. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which the Company classified as non-accrual, the loan is returned to accrual status. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period.

Consumer loans are generally identified as impaired not later than a predetermined number of days overdue on a contractual basis. The number of days is set at an appropriate level by loan product. The policy for suspending accruals of interest and impairment on consumer loans varies depending on the terms, security and loan loss experience characteristics of each product.

Allowance for loan losses

The allowance for loan losses represents management's estimate of probable losses inherent in the portfolio. Larger balance, non-homogenous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources and payment record and the realizable value of any collateral. Within the allowance of loan losses, a valuation allowance is maintained for larger-balance, non-homogenous loans that have been individually determined to be impaired. This estimate considers all available evidence including the present value of the expected future cash flows discounted at the loan's contractual effective rate and the fair value of collateral.

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Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans, is individually evaluated for impairment. The allowance for loan losses attributed to these loans is established via a process that includes an estimate of probable losses inherent in the portfolio, based upon various statistical analysis. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with an analysis that reflects current trends and conditions.

While determining the adequacy of the allowance for loan losses, management also considers overall portfolio indicators including historical credit losses, delinquent and non-performing loans, and trends in volumes and terms of loans; an evaluation of overall credit quality and the credit process, including lending policies and procedures; consideration of economic, geographical, product, and other environmental factors.

The Company also includes in the allowances provision for credit losses on its performing portfolio based on the estimated probable losses inherent in the portfolio. The allowances on the performing portfolio are established after considering historical and projected default rates and loss severities, internal risk rating and geographic, industry and other environmental factors; and model imprecision.

The company evaluates its impaired loan portfolio at the end of every period and loan balances which are deemed irrecoverable are charged off against related allowances for credit losses.

Transfers and servicing of financial assets

In September 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of SFAS No. 125. The provisions of SFAS No. 140 relating to transfers and servicing of financial assets are effective for transactions after March 31, 2001. The Company transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognized and gains/losses are recorded only if the transfer qualifies as a sale under SFAS No. 140. Recourse and servicing obligations and put options written are recorded as proceeds of the sale. Retained beneficial interests in the loans and servicing rights are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization. The fair values are determined using either financial models, quoted market prices or sales of similar assets.

Loans held-for-sale

Loans originated for sale are classified as loans held-for-sale and are accounted for at the lower of cost or fair value. Such loans are reported as other assets. Market value of such loans are determined at rates applicable to similar loans.

Derivatives instruments and hedging activities

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Certain Hedging Activities. In June 2000, the FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS No. 133. SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000. On April 1, 2001, the Company adopted SFAS No. 133 and SFAS No. 138 on a prospective basis.

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Under SFAS No. 133, the Company may designate a derivative as either a hedge of the fair value of a recognized fixed rate asset or liability or an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of future cash flows of a floating rate asset or liability (cash flow hedge) or a foreign-currency fair value or cash flow hedge (foreign currency hedge). All derivatives are recorded as assets or liabilities on the balance sheet at their respective fair values with unrealized gains and losses recorded either in accumulated other comprehensive income or in the statement of income, depending on the purpose for which the derivative is held. Derivatives that do not meet the criteria for designation as a hedge under SFAS No. 133 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the statement of income.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in the statement of income as other non-interest income. To the extent of the effectiveness of a hedge, changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, are recorded in accumulated other comprehensive income, net of tax. For all hedge relationships, ineffectiveness resulting from differences between the changes in fair value or cash flows of the hedged item and changes in the fair value of the derivative are recognized in the statement of income as other non-interest income.

At the inception of a hedge transaction, the Company formally documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for measuring effectiveness. In addition, the Company assesses, both at the inception of the hedge and on an ongoing quarterly basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective.

The Company discontinues hedge accounting prospectively when either it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flow or forecasted transaction is still expected to occur, gains and losses that were accumulated in other comprehensive income are amortized or accreted into the statement of income. Gains and losses are recognized in the statement of income immediately if the cash flow hedge was discontinued because a forecasted transaction did not occur.

The Company may occasionally enter into a contract (host contract) that contains a derivative that is embedded in the financial instrument. If applicable, an embedded derivative is separated from the host contract and can be designated as a hedge; otherwise, the derivative is recorded as a freestanding derivative.

Prior to the adoption of SFAS No. 133, derivatives used for interest rate risk management were not recorded at fair value. Rather, the net interest settlement on designated derivatives that either effectively altered the interest rate characteristics of assets and liabilities or hedged exposures to risk was treated as an adjustment to the interest income or interest expense of the related assets or liabilities. The effect of adopting SFAS No. 133 at April 1, 2001 did not result in any impact on the statement of operations.

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Variable interest entities

In January 2003, the FASB issued FASB Interpretation No. (FIN) 46, Consolidation of Variable Interest Entities. FIN 46 changes the method of determining whether certain entities, including securitization entities, should be included in the Company's consolidated financial statements. An entity is subject to FIN 46 and is called a variable interest entity (VIE) if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, (2) equity investors that cannot make significant decisions about the entity's operations, or (3) equity that does not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that has a majority of the expected losses or a majority of the expected residual returns or both. The provisions of FIN 46 are to be applied immediately to VIEs created after January 31, 2003, and to VIEs in which an enterprise obtains an interest after that date. For VIEs in which an enterprise holds a variable interest that it acquired before February 1, 2003, FIN 46 applies in the first fiscal period beginning after June 15, 2003. For any VIEs that must be consolidated under FIN 46 that were created before February 1, 2003, the assets, liabilities and non-controlling interest of the VIE would be initially measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously unrecognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46 first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. FIN 46 also mandates new disclosures about VIEs, some of which are required to be presented in financial statements issued after January 31, 2003.

There are no VIEs that require disclosure under FIN 46. Further, there are no VIEs created after January 31, 2003 that are required to be consolidated under FIN 46.

Guarantees and indemnifications

In November 2002, the FASB issued FIN 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002. Accordingly, the required disclosures are included in Note 29 to the consolidated financial statements of the Company. The recognition and measurement provisions of FIN 45 were adopted effective January 1, 2003 and did not have a material impact on the consolidated financial statements of the Company.

Property and equipment

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 maintenance and repairs are charged to expense when incurred. Property and equipment held to be disposed off are reported as assets held for sale at the lower of carrying amount or fair value, less cost to sell.

Depreciation is provided over the estimated useful lives of the assets or lease term whichever is shorter.

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Property under construction and advances paid towards acquisition of property and equipment are disclosed as capital work in progress. The interest costs incurred for funding an asset during its construction period are capitalized based on the average outstanding investment in the asset and the average cost of funds. The capitalized interest cost is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

Capitalized costs of computer software obtained for internal use represent costs incurred to purchase computer software from third parties and direct costs of materials and services incurred on internally developed software. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software.

Impairment of long-lived assets

Long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Business combinations

In June 2001, the FASB issued SFAS No. 141, Business Combinations, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted separately.

As of April 1, 2001, the Company had an unamortized deferred credit of Rs. 1,265 million related to an excess of the fair value of assets acquired over the cost of an acquisition. As required by SFAS No. 141, in conjunction with the early adoption of SFAS No. 142, the unamortized deferred credit as of April 1, 2001, has been written-off and recognized as the effect of a change in accounting principle.

Goodwill and intangible assets

On April 1, 2001, the Company early-adopted SFAS No. 142, Goodwill and Other Intangible Assets. As required by SFAS No. 142, the Company reclassified existing goodwill and intangible assets to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. This resulted in reclassification of previously recorded intangible assets of Rs. 115 million as goodwill and a reclassification of previously recorded goodwill of Rs. 373 million as a separate unidentifiable intangible asset.

As required by SFAS No. 142, the Company identified its reporting units and assigned assets and liabilities, including goodwill to the reporting units on the date of adoption. Subsequently, the Company compared the fair value of each reporting unit to its carrying value, to determine whether goodwill is impaired at the date of adoption. This transitional impairment evaluation did not indicate an impairment loss.

Subsequent to the adoption of SFAS No. 142, the Company does not amortize goodwill but instead tests goodwill for impairment at least annually. The annual impairment test under SFAS No. 142 did not indicate an impairment loss.

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Notes to the consolidated financial statements

Net income and basic and diluted earnings per share excluding the impact of amortization of goodwill, for all periods presented would have been as follows:

	Year ended March 31,		
	2001 ⁽¹⁾	2002 ⁽²⁾	2003
Net income/(loss) (in millions)			
As reported.....	Rs. 6,630	Rs. 1,547	Rs. (7,983)
Add: Amortization of goodwill	145	-	-
Pro forma net income/ (loss).....	6,775	1,547	(7,983)
Earnings/ (Loss) per share: Basic (in Rs.)			
As reported.....	16.88	3.94	(14.18)
Add: Amortization of goodwill	0.37	-	-
Pro forma.....	17.25	3.94	(14.18)
Earnings/ (Loss) per share: Diluted (in Rs.)			
As reported.....	16.81	3.94	(14.18)
Add: Amortization of goodwill	0.37	-	-
Pro forma.....	17.18	3.94	(14.18)

¹⁾ Restated for reverse acquisition.

²⁾ Restated for reverse acquisition and adoption of SFAS No. 147

Intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period.

The useful life of other intangible assets is as follow:

	No. of years
Marketing-related intangibles.....	5
Customer-related intangibles.....	3-10

In October 2002, the FASB issued SFAS No. 147, Acquisitions of Certain Financial Institutions. SFAS No. 147 requires that business combinations involving financial institutions within its scope, be accounted for under SFAS No. 141. Previously, generally accepted accounting principles for acquisitions of financial institutions provided for recognition of the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. Under SFAS No. 147, such excess is accounted for as goodwill. Adoption of SFAS No. 147 resulted in a reclassification of previously recorded unidentifiable intangible asset of Rs. 373 million to goodwill with effect from April 1, 2001. Further, as required by SFAS No. 147, the Company reversed the amortization expense of Rs. 290 million and the related income tax benefit of Rs. 103 million, by restating the results for the year ended March 31, 2002.

Income taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the amount for financial reporting and tax basis of assets and liabilities, using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of

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enactment. Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether realization is considered more likely than not.

Issue of shares by subsidiary/affiliate

An issuance of shares by a subsidiary/affiliate to third parties reduces the proportionate ownership interest of the Company in the investee. A change in the carrying value of the investment in a subsidiary/affiliate due to such direct sale of unissued shares by the investee is accounted for as a capital transaction, and is recognized in stockholders' equity when the transaction occurs.

Trading assets and liabilities

Trading assets and liabilities include securities and derivatives and are recorded either at market value or where, market prices are not readily available, fair value, which is determined under an alternative approach. The determination of market or fair value considers various factors including stock exchange quotations, time value and volatility factors underlying derivatives, counterparty credit quality and derivative transaction cash maintenance during that period.

Derivatives in a net receivable position are reported as trading assets. Similarly derivatives in a net payable position are reported as trading liabilities.

Employee benefit plans

The Company provides a variety of benefit plans to eligible employees. Contributions to defined contribution plans are charged to income in the period in which they accrue. Current service costs for defined benefit plans are accrued in the period to which they relate. Prior service costs, if any, resulting from amendments to the plans are recognized and amortized over the remaining period of service of the employees.

Stock-based compensation

The Company uses the intrinsic value based method of Accounting Principle Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, to account for its employee stock-based compensation plans. Compensation cost for fixed and variable stock based awards is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. Compensation cost for fixed awards is measured at the grant date, while compensation cost for variable awards is estimated until the number of shares an individual is entitled to receive and the exercise price are known (measurement date).

In December 2002, FASB issued SFAS No. 148 Accounting for Stock Based Compensation-transition and disclosures, an amendment of FASB No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are applicable for fiscal periods beginning after December 15, 2002

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Had compensation cost been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and earnings per share as reported would have changed to the amounts indicated below:

	Year ended March 31,		
	2001⁽¹⁾	2002⁽²⁾	2003
Net income/(loss) (in millions)			
As reported.....	Rs. 6,630	Rs. 1,547	Rs. (7,983)
Add: Stock based employee compensation expense included in reported net income, net of tax effects.....	37	26	7
Less : Stock based employee compensation expense determined under fair value based method, net of tax effects.....	(128)	(58)	(358)
Pro forma net income/ (loss).....	<u>6,539</u>	<u>1,515</u>	<u>(8,334)</u>
Earnings/ (loss) per share: Basic (in Rs.)			
As reported.....	16.88	3.94	(14.18)
Pro forma.....	16.65	3.86	(14.80)
Earnings/ loss) per share: Diluted (in Rs.)			
As reported.....	16.81	3.94	(14.18)
Pro forma.....	16.59	3.86	(14.80)

¹⁾ Restated for reverse acquisition.

²⁾ Restated for reverse acquisition and adoption of SFAS No. 147.

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	2001	2002	2003
Dividend yield.....	5.9%	5.5%	1.7%
Expected life.....	10 years	10 years	10 years
Risk free interest rate.....	10.4%	7.4%	8.9%
Volatility.....	30%	55%	54%

Dividends

Dividends on common stock and the related dividend tax are recognized on approval by the Board of Directors.

Earnings/ (Loss) per share

Basic earnings/ (loss) per share is computed by dividing net income/ (loss) by the weighted average number of common stock outstanding during the period. Diluted earnings/ (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted.

Reclassifications

Certain other reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year. These changes had no impact on previously reported results of operations or stockholders' equity.

2. Dilution of ownership interest in the acquiree

Until March 2000, the Company held a 74.2% controlling interest in the acquiree. In March 2000, the acquiree issued 15.9 million American Depository Shares (ADS) to third parties. As a result of the issuance, the proportionate ownership interest of the Company in the acquiree reduced from 74.2% to 62.2%.

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The offering price per share exceeded the Company's carrying amount per share in the acquiree, resulting in an increase in the carrying value of the Company's investment in the acquiree by Rs. 4,114 million. This change in the carrying value was recognized in the statement of stockholders' equity as a capital transaction.

In March 2001, the acquiree acquired Bank of Madura Limited, a banking company, through issuance of stock. The acquisition was recorded by the purchase method. As a result of the issuance, the ownership interest of the Company in the acquiree was reduced from 62.2% to 55.6%. The issuance price exceeded the Company's carrying amount per share in the acquiree resulting in an increase in the carrying value of the Company's investment in the acquiree by Rs. 1,242 million. This change in the carrying value, net of the related tax effect of Rs. 140 million, has been recognized in the statement of stockholders' equity as a capital transaction.

Subsequently, during March 2001, the Company sold a 9.2% interest in the acquiree to institutional investors for a consideration of Rs. 3,499 million. The gain on sale of Rs. 1,996 million is included in the statement of income. This reduced the Company's interest in the acquiree to 46.4%.

In view of the Company's ownership interest in the acquiree having been reduced to below majority level, the Company determined that consolidation of the acquiree was not appropriate and accounted for its ownership interest under the equity method beginning April 1, 2000, the beginning of the fiscal year in which the ownership interest was less than majority.

During the year ended March 31, 2002, the Company further reduced its ownership interest to 46%. This resulted in a gain of Rs. 57 million, which is included in the statement of income.

3. Acquisitions

Reverse acquisition

Effective April 1, 2002, the acquiree and the Company consummated a transaction whereby shareholders of the Company were issued shares of the acquiree in the ratio of 1:2. The transaction has been treated as a reverse acquisition, with the acquiree as the surviving legal entity but the Company as the accounting acquirer.

On the acquisition date, the Company held a 46% ownership interest in the acquiree. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step-acquisition. The operations of the acquiree have been consolidated in the Company's financial statements effective April 1, 2002.

As a result of the acquisition, the Company became a universal banking company offering the entire spectrum of financial services. The acquisition is expected to reduce the cost of funds for the Company through access to the extensive branch network and deposit base of the acquiree. Further, the acquisition is expected to benefit the Company through greater opportunities to generate fee-based income, participation in the payment networks and ability to provide transaction banking services. Subsequent to the acquisition, the operations of the Company will be governed by the Banking Regulation Act, 1949.

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Notes to the consolidated financial statements

The components of the purchase price and allocation are as follows:

	(in millions)
Fair value of common stock issued on reverse acquisition.....	Rs. 12,028
Direct acquisition costs.....	1,627
Fair value of stock options assumed on reverse acquisition.....	409
Total.....	Rs. 14,064

The fair value of common stock issued on reverse acquisition was based on the average prices of the equity shares for the two trading days before and after October 25, 2002, the date, the terms of the acquisition were agreed to and announced.

The total purchase price has been allocated to the acquired assets and assumed liabilities as of the date of acquisition based on management's estimates and independent appraisals as follows:

	(in millions)
<i>Assets</i>	
Cash and cash equivalents.....	Rs. 53,183
Investments.....	113,725
Loans.....	39,102
Property and equipment.....	2,609
Intangible assets.....	5,470
Other assets.....	11,093
Total assets acquired.....	Rs. 225,182
<i>Liabilities</i>	
Deposits.....	Rs. 176,018
Borrowings.....	16,174
Other liabilities.....	19,745
Total liabilities assumed.....	Rs. 211,937
Net tangible and intangible assets.....	Rs. 13,245
Goodwill.....	819
Total.....	Rs. 14,064

The goodwill recognized above is not deductible for tax purposes.

The intangible assets relate to customer and deposit relationships and would be amortized over a period of 10 years.

Consequent to the acquisition, the 46% ownership interest held by the Company in the acquiree was recorded as treasury stock at its historical carrying value. In September 2002, the treasury stock was sold to institutional investors for Rs. 13,154 million. The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million, was recognized in the statement of stockholders equity as a capital transaction.

Step-acquisition of Tricolour Infotech Services Limited

In September 2002, the Company acquired the remaining 50% ownership interest in Tricolor Infotech International Inc., Mauritius for a cash consideration of Rs. 110 million. The total purchase price has been allocated to the acquired assets and assumed liabilities based on management estimates as follows:

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	(in millions)	
Net tangible assets.....	Rs.	16
Marketing-related intangibles.....		76
Goodwill.....		18
Total.....	Rs.	110

The goodwill recognized above is not deductible for tax purposes.

Acquisition of Customer Asset India Private Limited

In April 2002, the Company acquired a 100% ownership interest in Customer Asset India Private Limited, a company engaged in the business of providing contact center services through its offshore contact center at Bangalore, for a cash consideration aggregating Rs. 959 million. The acquisition would enable the Company to enter the IT enabled services market. The total purchase price has been allocated to the acquired assets and assumed liabilities based on management estimates as follows:

	(in millions)	
Net tangible assets.....	Rs.	177
Customer-related intangibles.....		165
Goodwill.....		617
Total.....	Rs.	959

The goodwill recognized above is not deductible for tax purposes.

Pro forma information (unaudited)

Unaudited pro forma results of the operations for the years ended March 31, 2002 and 2003 as if the acquisitions had been made at the beginning of the periods is given below. The pro forma results include estimates and assumptions which management believes are reasonable. However, these do not reflect any benefits from economies or synergies, which might be achieved from combining the operations. The pro forma consolidated results of operations include adjustments to give effect to amortization of acquired intangible assets other than goodwill. The pro forma information is not necessarily indicative of the operating results that would have occurred had the purchase been made at the beginning of the periods presented.

	<u>Year ended March 31,</u>	
	<u>2002</u>	<u>2003</u>
Revenues (in millions)	87,274	111,421
Net income/(loss) (in millions).....	1,231	(8,017)
EPS (Basic and Diluted) (in Rs.)	3.13	(14.24)

4. Sale of stock of ICICI Infotech Services Limited

During the year ended March 31, 2001, the Company diluted its interest in ICICI Infotech Services Limited to 92% through sale of an 8% interest to a strategic investor for a consideration of Rs. 576 million. The gain on sale of Rs. 511 million is included in the statement of operations.

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5. Cash and cash equivalents

Cash and cash equivalents as of March 31, 2003, includes deposits with Reserve Bank of India of Rs. 45,506 million (2002: Nil) (including Rs. 39,805 million (2002: Nil) in accordance with the guidelines governing minimum cash reserve requirements) and interest-bearing deposits with other banks of Rs. 6,919 million (2002: Rs. 35,508 million). The balance maintained with the Reserve Bank of India towards cash reserve requirements are subject to withdrawal and usage restrictions.

6. Trading assets

A listing of the trading assets is set out below:

	As of March 31	
	2002	2003
	(in millions)	
Government of India securities	Rs. 15,602	Rs. 26,658
Securities purchased under agreements to resell.....	21,399	5,399
Corporate debt securities.....	4,627	6,704
Equity securities.....	742	187
Fair value of derivative and foreign exchange contracts.....	6	686
Total.....	Rs. 42,376	Rs. 39,634

As of March 31, 2003, trading assets include Government of India (GOI) securities amounting to Rs. 8,050 million (2002: Rs. 11,866 million), which are pledged for the purpose of collateralizing short-term borrowings.

7. Securities

The portfolio of securities is set out below:

	As of March 31, 2002				As of March 31, 2003			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)							
<i>Available for sale</i>								
Corporate debt securities	Rs. 4,446	Rs. 502	Rs. (513)	Rs. 4,435	Rs. 10,636	Rs. 389	Rs. (79)	Rs. 10,946
GOI securities.....	26,662	438	-	27,100	240,187	4,403	(459)	244,131
Total debt securities.....	31,108	940	(513)	31,535	250,823	4,792	(538)	255,077
Equity securities.....	19,181	365	(3,223)	16,322	13,609	745	(1,932)	12,422
Total securities available for sale.....	Rs. 50,289	Rs. 1,305	Rs. (3,736)	Rs. 47,857	Rs. 264,432	Rs. 5,537	Rs. (2,470)	Rs. 267,499
Non-readily marketable equity securities⁽¹⁾.....	Rs. 8,268				Rs. 9,418			
Venture capital investments⁽²⁾.....				Rs. 3,921				Rs. 3,704

⁽¹⁾ Primarily represents securities acquired as a part of project financing activities or conversion of loans in debt restructurings.

⁽²⁾ Represents venture capital investments held by venture capital subsidiaries of the Company.

During the year ended March 31, 2003, as part of its ongoing evaluation of its securities portfolio, the Company recorded an impairment charge of Rs. 2,098 million (2002: Rs. 3,480 million, 2001: Rs. 1,835 million) for other than temporary decline in value of available for sale and non-readily marketable equity securities.

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

Privately placed corporate debt securities reported as loans (credit substitutes)

The portfolio of credit substitutes is set out below:

	As of March 31, 2002				As of March 31, 2003			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available for sale.....	Rs. 59,707	Rs. 1,077	Rs. (502)	Rs. 60,282	Rs. 61,295	Rs. 2,539	Rs. (1,118)	Rs. 62,716

(in millions)

During the year ended March 31, 2002, the Company sold debt securities classified as held to maturity. The debt securities were sold for Rs. 640 million resulting in a realized gain of Rs. 102 million. As the securities were sold for reasons other than those specified in SFAS No. 115, all remaining held to maturity securities were reclassified as available for sale. Subsequent to the sale, the Company no longer classifies debt securities as held to maturity.

Income from securities available for sale

A listing of income from securities available for sale is set out below:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Interest.....	Rs. 123	Rs. 1,027	Rs. 16,633
Dividends	345	267	389
Total	Rs. 468	Rs. 1,294	Rs. 17,022
Gross realized gain.....	Rs. 474	Rs. 1,238	6,845
Gross realized loss.....	(348)	(7)	(5,022)
Total	Rs. 126	Rs. 1,231	Rs. 1,823

Income from credit substitutes available for sale

A listing of income from credit substitutes available for sale is set out below:

	Year ended March 31,	
	2002	2003
	(in millions)	
Interest.....	Rs. 2,872	Rs. 8,406
Dividends	45	381
Total	Rs. 2,917	Rs. 8,787
Gross realized gain.....	Rs. 282	Rs. 1,200
Gross realized loss.....	-	(75)
Total	Rs. 282	Rs. 1,125

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

Maturity profile of debt securities

A listing of each category of available for sale debt securities as of March 31, 2003, by maturity is set out below:

	Available for sale	
	Amortized Cost	Fair value
	(in millions)	
Corporate debt securities		
Less than one year.....	Rs. 285	Rs. 267
One to five years.....	8,436	8,719
Five to ten years.....	1,862	1,900
Greater than ten years.....	53	60
Total Corporate debt securities	Rs. 10,636	Rs. 10,946
GOI securities		
Less than one year.....	76,238	76,216
One to five years.....	54,976	55,922
Five to ten years.....	54,170	54,614
Greater than ten years.....	54,803	57,379
Total GOI securities	Rs. 240,187	Rs. 244,131
Total debt securities.....	Rs. 250,893	Rs. 255,077
Credit substitutes		
Less than one year.....	14,584	14,618
One to five years.....	32,984	34,683
Five to ten years.....	12,760	12,448
Greater than ten years.....	967	967
Total credit substitutes.....	Rs. 61,295	Rs. 62,716

8. Repurchase transactions

The Company has undertaken repurchase and reverse repurchase transactions in GOI securities. The average level of repurchase transactions outstanding during the year ended March 31, 2003, was Rs. 7002 million (2002: Rs. 1,743 million). The average level of reverse repurchase transactions outstanding during the year ended March 31, 2003, was Rs. 4,483 million (2002: Rs. 1,347 million). As of March 31, 2003, outstanding repurchase and reverse repurchase transactions were Rs. 3,000 million (2002: Rs. 595 million) and Rs. 5,399 million (2002: Rs. 21,399 million) respectively.

9. Investments in affiliates

The acquiree

For the year ended March 31, 2002, the Company accounted for its 46% (2001: 46.4%) interest in the acquiree using the equity method. The carrying value of the investment in the acquiree as of March 31, 2002, was Rs. 8,204 million (2001: Rs. 7,562 million). The Company's equity in the income of the acquiree for the year ended March 31, 2002 was Rs. 929 million (2001: Rs. 811 million). During the year ended March 31, 2002, the Company received dividends of Rs. 403 million (2001: Rs. 184 million) from the acquiree.

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

The summarized balance sheets and statements of income of the acquiree are set out below:

Balance sheet	As of March 31,	
	2001	2002
	(in millions)	
Cash and cash equivalents	Rs. 47,306	Rs. 89,371
Trading assets	18,725	26,075
Securities	35,731	180,052
Loans	93,030	72,474
Other assets	25,746	36,833
Total assets	Rs. 220,538	Rs. 404,805
Deposits	Rs. 164,254	325,221
Trading liabilities	5,958	1,237
Long-term debt	2,421	5,740
Other liabilities	31,598	54,457
Stockholders' equity	16,307	18,150
Total liabilities and stockholders' equity	Rs. 220,538	Rs. 404,805

Statement of income	Year ended March 31,	
	2001	2002
	(in millions)	
Interest income	Rs. 12,406	Rs. 20,837
Interest expense	(8,408)	(15,116)
Net interest income	3,998	5,721
Provision for loan losses	(1,082)	(1,722)
Non-interest income	1,754	5,213
Non-interest expense	(3,104)	(6,260)
Income taxes	(258)	(931)
Cumulative effect of accounting change	-	16
Net income	Rs. 1,308	Rs. 2,037

Insurance companies

The Company accounts for its 74% ownership interest in ICICI Prudential Life Insurance Limited ('Prulife') and ICICI Lombard General Insurance Company Limited ('Lombard') by the equity method of accounting because of substantive participative rights held by the minority shareholders.

The carrying value of the investment in these companies as of March 31, 2003, was Rs. 2,230 million (2002: Rs. 1,496 million). The Company's equity in the loss of these affiliates for the year ended March 31, 2003 was Rs. 971 million (2002: Rs. 681 million, 2001: Rs. 118 million).

ICICI Bank Limited and subsidiaries

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The summarized balance-sheets and statements of operations of these entities as of and for the year ended March 31, 2002 is set out below:

Balance sheet	As of March 31, 2002	
	Prulife	Lombard
	(in millions)	
Cash and cash equivalents	Rs. 108	Rs. 186
Securities	1,924	1,088
Other assets	757	296
Total assets	Rs. 2,789	Rs. 1,570
Liabilities	Rs. 1,776	Rs. 561
Stockholders' equity	1,013	1,009
Total liabilities and stockholders' equity	Rs. 2,789	Rs. 1,570

Statement of income	Year ended March 31, 2002	
	Prulife	Lombard
	(in millions)	
Interest income	Rs. 124	Rs. 56
Interest expense	-	-
Net interest income	124	56
Non-interest income	1,291	55
Non-interest expense	(2,238)	(227)
Income tax (expense)/ benefit	(11)	30
Net income/(loss)	Rs. (834)	Rs. (86)

Others

The other affiliates of the Company are Prudential ICICI Asset Management Company Limited (Pru-ICICI), Prudential ICICI Trust Limited (Pru-Trust), TCW/ICICI Investment Partners LLC (TCW) and Semantik Solutions GmbH, Germany. The carrying value of the investment in such affiliates as of March 31, 2003, was Rs. 385 million (2002: Rs. 386 million). The Company's equity in the income of such affiliates for the year ended March 31, 2003, was Rs. 13 million (2002: Rs. 46 million, 2001: Rs. 42 million).

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

10. Loans

A listing of loans by category is set out below:

	As of March 31,	
	2002	2003
	(in millions)	
Project and corporate finance ^{(1) (2)}	Rs. 416,386	Rs. 387,870
Working capital finance (including working capital term loans)	42,225	74,422
Lease financing	49,865	26,927
Consumer loans and credit card receivables	73,013	188,286
Other	10,346	18,959
Gross loans	591,835	696,464
Unearned income	(20,013)	(8,902)
Security deposits	(11,574)	(2,922)
Loans, net of unearned income and security deposits	560,248	684,640
Allowances for loan losses	(36,647)	(54,219)
Loans, net	Rs. 523,601	Rs. 630,421

¹⁾ Non-readily marketable privately placed debt instruments are classified as loans to reflect the substance of such transactions as substitutes for direct lending (credit substitutes).

²⁾ Includes Rs. 62,716 million (2002: Rs. 60,282 million) of credit substitutes classified as loans.

Project and corporate finance loans are generally secured by property, plant and equipment and other tangible assets. Generally, the working capital loans are secured by a first lien on current assets, principally comprising inventory and receivables. Additionally, in certain cases the Company may obtain additional security for working capital loans through a first or second lien on property and equipment, pledge of financial assets like marketable securities and corporate/personal guarantees.

Lease financing

Contractual maturities of the Company's investment in lease financing and its components, which are included in loans are set out below:

	As of March 31,
	2003
	(in millions)
Gross finance receivables for the year ending March 31,	
2004	Rs. 5,900
2005	4,159
2006	3,531
2007	2,925
2008	2,793
Thereafter	7,619
	26,927
Unearned income	(6,213)
Security deposits	(2,852)
Investment in lease financing	Rs. 17,862

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

Maturity profile of loans

A maturity profile of gross loans, other than investment in lease financing is set out below:

	As of March 31,	
	2002	2003
	(in millions)	
Less than one year	Rs. 143,309	Rs. 147,707
One to five years.....	237,025	328,692
Greater than five years.....	161,636	193,138
Total.....	Rs. 541,970	Rs. 669,537

Interest and fees on loans

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

	As of March 31,		
	2001	2002	2003
	(in millions)		
Project and corporate finance	Rs. 60,900	Rs. 56,032	Rs. 45,307
Working capital finance (including working capital term loans).....	5,892	6,418	8,241
Lease financing.....	4,948	4,977	2,484
Consumer loans and credit card receivables.....	2,088	6,593	15,372
Other.....	1,444	1,217	3,676
Total.....	Rs. 75,272	Rs. 75,237	Rs. 75,080

Restructured loans

The Company classifies a loan as a restructured loan where it has made concessionary modifications, that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. As of March 31, 2003, the Company had committed to lend Rs. 2,822 million (2002: Rs. 18,616 million), to borrowers who are parties to troubled debt restructurings.

Impaired loans, including restructured loans

A listing of restructured loans is set out below:

	As of March 31,	
	2002	2003
	(in millions)	
Project and corporate finance.....	Rs. 84,048	Rs. 135,421
Working capital finance (including working capital term loans).....	5,283	11,084
Other.....	5,757	886
Restructured loans.....	95,088	147,391
Allowance for loan losses	(17,722)	(24,732)
Restructured loans, net.....	Rs. 77,366	Rs. 1,22,659
Restructured loans:		
With a valuation allowance.....	Rs. 95,088	Rs. 147,391
Without a valuation allowance	-	-
Restructured loans.....	Rs. 95,088	Rs. 1,47,391

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

A listing of other impaired loans is set out below:

	As of March 31,	
	2002	2003
	(in millions)	
Project and corporate finance.....	Rs. 48,093	Rs. 67,906
Working capital finance (including working capital term loans).....	1,699	11,907
Lease financing	731	1,550
Consumer loans and credit card receivables.....	190	1,752
Other.....	41	41
Other impaired loans	50,754	83,156
Allowance for loan losses	(17,567)	(27,837)
Other impaired loans, net	Rs. 33,187	Rs. 55,319
Other impaired loans:		
With a valuation allowance.....	50,754	83,087
Without a valuation allowance	-	69
Other impaired loans	Rs. 50,754	Rs. 83,156

During the year ended March 31, 2003, interest income of Rs. 2,358 million (2002: Rs. 3,257 million, 2001: Rs. 1,989 million) was recognized on impaired loans on a cash basis. Gross impaired loans (including restructured loans) averaged Rs. 188,195 million during the year ended March 31, 2003 (2002: Rs. 115,543 million).

Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified along industry, product and geographic lines within India.

11. Allowance for loan losses

Changes in the allowance for loan losses

Movements in the allowance for loan losses are set out below:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Allowance for loan losses at the beginning of the year	Rs. 34,085	Rs. 33,035	Rs. 36,647
Effect of reverse acquisition on allowance for loan losses.....	-	-	1,297
Effect of de-consolidation of subsidiary on allowance for loan losses	(747)	-	-
Provisions for loan losses, net of releases of provisions as a result of cash collections	9,892	9,743	Rs. 19,649
	43,230	42,778	57,593
Loans charged-off.....	(10,195)	(6,131)	(3,374)
Allowance for loan losses at the end of the year	Rs. 33,035	Rs. 36,647	Rs. 54,219

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

12. Securitization activity

The Company primarily securitizes commercial loans through 'pass-through' securitizations. After the securitization, the Company generally continues to maintain customer account relationships and services loans transferred to the securitization trust. Generally, the securitizations are with or without recourse and the Company does not provide any credit enhancement. In a few cases, the Company may enter into derivative transactions such as written put options and interest rate swaps with the transferees. Generally, the Company does not retain any beneficial interests in the assets sold.

During the year ended March 31, 2003, the Company securitized loans and credit substitutes with a carrying value of Rs. 51,780 million (2002: Rs. 40,851 million), which resulted in gains of Rs. 2,070 million (2002: Rs. 1,079 million, 2001: Rs. 434 million). The gains are reported as a component of gain on sale of loans and credit substitutes.

Transfers that do not meet the criteria for a sale under SFAS No. 140, are recorded as secured borrowings with a pledge of collateral. As of March 31, 2003, the Company recorded secured borrowings of Nil (2002: Rs. 5,787 million) that arise on securitization transaction involving trusts that are not considered as qualifying special purpose entities under the guidance provided by SFAS No. 140. Such secured borrowings are reported as a component of other borrowings.

As discussed above, the Company has written put options, which require the Company to purchase, upon request of the holders, securities issued in certain securitization transactions. The put options seek to provide liquidity to holders of such instruments. If exercised, the Company will be obligated to purchase the securities at the predetermined exercise price.

As of March 31, 2003, the Company sold loans and credit substitutes with an aggregate put option exercise price of Rs. 24,404 million (2002 : Rs. 13,108 million). Subsequent to their initial issuance, such options are recorded at fair values with changes reported in the statement of operations.

13. Derivative instruments and hedging activities

The Company manages its exposures to market rate movements by modifying its mix of assets and liabilities, either directly or through the use of derivative financial products including interest rate swaps, cross currency swaps, equity index futures, equity index options and forward exchange contracts.

All such freestanding derivatives, whether held for trading or non-trading purposes, are carried at their fair value as either assets or liabilities and related gains and losses are included in other non-interest income. The Company has not identified any significant derivative features embedded in other contracts that are not clearly and closely related to the host contract and meet the definition of a derivative.

Fair values for derivatives are based on quoted market prices, which take into account current market and contractual prices of the underlying instrument as well as time value underlying the positions.

All the designated hedges entered into by the Company qualify as fair value hedges under SFAS No. 133. There are no cash flow hedges or hedges of net investments in foreign operations. For fair value hedges, changes in the fair value of the hedged asset or liability due to the risk being hedged are recognized in the statement of operations along with changes in the fair value of the derivative. The Company assesses the effectiveness of the hedge instrument at inception and continually on a quarterly basis. The ineffectiveness, to the extent to which offsetting gains or loss are not achieved, is recorded through the statement of operations.

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

The table below summarizes certain information relating to the Company's hedging activities:

	<u>As of March 31, 2002</u>	<u>As of March 31, 2003</u>
	(in millions)	
Fair value hedges.....	Rs. 1,161	Rs. 1,836
Hedge ineffectiveness recognized in earnings.....	77	128

14. Property and equipment

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

	<u>As of March 31,</u>	
	<u>2002</u>	<u>2003</u>
	(in millions)	
Land.....	Rs. 1,336	Rs. 1,535
Buildings.....	7,208	11,194
Equipment and furniture.....	5,304	4,068
Capital work-in-progress.....	469	1,077
Others.....	423	8,593
Gross value of property and equipment.....	14,740	26,467
Accumulated depreciation.....	(2,163)	(5,252)
Property and equipment, net.....	Rs. 12,577	Rs. 21,215

As of March 31, 2003, land and buildings include certain assets of Rs. 622 million (2002: Rs. 397 million), which have not yet been registered in the Company's name pending regulatory transfer approvals.

15. Assets held for sale

As of March 31, 2003, assets held for sale represent certain assets of Rs. 2,306 million (2002: Rs 2,029 million) acquired through foreclosure of loans.

16. Goodwill and intangible assets, net

A listing of goodwill and intangible assets by category is set out below:

	<u>As of March 31,</u>	
	<u>2002</u>	<u>2003</u>
	(in millions)	
Goodwill.....	Rs. 2,304	Rs. 4,841
Accumulated amortization.....	(54)	(54)
Goodwill, net	2,250	4,787
Customer-related intangibles.....		5,635
Accumulated amortization.....	-	(590)
Customer related intangibles, net.....		5,045
Other intangibles.....	-	76
Accumulated amortization.....	-	(3)
Other intangibles, net.....	-	73
Goodwill and intangible assets, net.....	Rs. 2,250	Rs. 9,905

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The following table presents the changes in goodwill during the year ended March 31, 2003.

	(in millions)
Balance as of March 31, 2002.....	Rs. 2,250
Goodwill relating to acquisitions consummated during the period.....	1,454
Equity method goodwill reclassified on reverse acquisition of acquiree.....	1,083
Balance as of March 31, 2003.....	Rs. 4,787

No goodwill impairment loss has been recorded during the year ended March 31, 2002 and March 31, 2003.

Goodwill as of March 31, 2003 has been allocated to the following segments:

Segment	(in millions)
Commercial Banking.....	Rs. 2,275
ICICI Infotech.....	1,895
ICICI OneSource.....	617
	Rs. 4,787

Amortization of intangible assets

The estimated amortization schedule for intangible assets, on a straight line basis, for the next five years is set out below:

<u>Year ended March 31,</u>	(in millions)
2004.....	Rs. 630
2005.....	617
2006.....	574
2007.....	562
2008.....	562
Total.....	Rs. 2,945

17. Other assets

Other assets consist of the following:

	<u>As of March 31,</u>	
	<u>2002</u>	<u>2003</u>
	(in millions)	
Debtors.....	Rs. 1,398	Rs. 4,748
Staff advances.....	948	2,273
Advance taxes.....	16,566	28,273
Security deposits.....	1,004	2,789
Advance for purchases of securities.....	3,339	15,415
Prepaid expenses.....	164	522
Derivatives.....	896	-
Recoverable from Indian Government ⁽¹⁾	1,111	-
Others ⁽²⁾	1,935	4,926
Total.....	Rs. 27,361	Rs. 58,946

(1) Recoverable from Indian Government represents foreign exchange fluctuations on specific foreign currency long-term debt, guaranteed by and recoverable from the Indian Government.

(2) Others include loans held for sale of Rs. 1,387 million (2002: Rs. Nil).

ICICI Bank Limited and subsidiaries

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18. Deposits

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:

	As of March 31,	
	2002	2003
	(in millions)	
Interest bearing		
Savings deposits.....	Rs. -	Rs. 37,932
Time deposits.....	7,380	418,119
	7,380	456,051
Non-interest bearing		
Demand deposits.....	-	35,239
Total	Rs. 7,380	Rs. 491,290

Contractual maturities of deposits as of March 31, 2003 are set out below:

	(in millions)
Deposits maturing during the year ending March 31,	
2004.....	Rs. 334,351
2005.....	37,410
2006.....	25,055
2007.....	6,697
2008.....	6,798
Thereafter	7,808
Total deposits	Rs. 418,119

As of March 31, 2003, the aggregate of deposits with individual balances greater than Rs. 5 million was Rs. 267,297 million (2002: Rs. 1,922 million).

19. Short term borrowings

Short term borrowings represent non-trading borrowings with an original maturity of one year or less.

20. Long-term debt and redeemable preferred stock

Long-term debt

Long-term debt represents debt with an original maturity of greater than one year. Maturity distribution is based on contractual maturities or earlier dates at which the debt is callable at the option of the holder. A significant portion of the long-term debt bears a fixed rate of interest. Interest rates on floating-rate debt are generally linked to the London Inter-Bank Offer Rate or similar money market rates. The segregation between fixed-rate and floating-rate obligations is based on the contractual terms.

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A listing of long-term debt as of March 31, 2003, by maturity and interest rate profile is set out below:

	<u>Fixed-rate obligations</u>	<u>Floating-rate obligations</u>	<u>Total</u>
	(in millions)		
Long-term debt maturing during the year ending March 31,			
2004.....	Rs. 77,994	Rs. 8,269	Rs. 86,263
2005.....	67,022	2,977	69,999
2006.....	85,660	6,200	91,860
2007.....	20,190	5,143	25,333
2008.....	26,136	1,907	28,043
Thereafter.....	88,020	13,126	101,146
Total.....	Rs. 365,022	Rs. 37,622	Rs. 402,644
Less: Unamortized debt issue cost.....			1,832
Total.....			Rs. 400,812

All long-term debt is unsecured. Debt aggregating Rs. 35,151 million 2002: Rs. 40,439 million) is guaranteed by the Government of India (GOI).

Long-term debt is denominated in various currencies. As of March 31, 2003, long-term debt comprises Indian rupee debt of Rs. 350,633 million (2002: Rs. 438,529 million) and foreign currency debt of Rs. 50,179 million (2002: Rs. 72,894 million).

Indian rupee debt

A listing of major category of Indian rupee debt is set out below:

Category	<u>As of March 31,</u>							
	<u>2002</u>				<u>2003</u>			
	<u>Amount</u>	<u>Weighted average interest rate</u>	<u>Range</u>	<u>Average Residual maturity</u>	<u>Amount</u>	<u>Weighted average interest rate</u>	<u>Range</u>	<u>Average residual maturity</u>
(In millions)								
Bonds issued to institutional /individual investors ⁽¹⁾	Rs. 413,388	11.9%	8.4-16.5%	3.4 years	Rs. 309,488	11.71%	7-16.40%	3.26 years
Bonds eligible for statutory reserve requirements ⁽²⁾	18,240	11.3%	7.8-12%	6.8 years	14,815	11.87%	11.50-12%	7.22 years
Borrowings from GOI ⁽³⁾	6,936	10.3%	11-16%	4.9 years	6,137	10.13%	11-13%	4.44 years
Refinance from financial institutions.....					20,193	7.35%	6.5-17%	3.64 years
Total.....	Rs. 438,564	11.9%		3.5 years	Rs. 350,633	11.28%		3.46 years

¹⁾ Includes application money received on bonds outstanding at the end of the year.

²⁾ Banks in India are required to mandatorily maintain a specified percentage of certain liabilities as cash or in approved securities. These bonds issued by the Company are approved securities under the rules.

³⁾ Includes interest-free borrowing from the GOI aggregating Rs. 296 million (2002: Rs. 255 million). The borrowing was initially recorded at its fair value of Rs. 100 million based on the prevailing interest rate of 16% for borrowings of a similar term and risk. Interest is being imputed for each reporting period using this rate.

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Foreign currency debt

A listing of major category of foreign currency debt is set out below:

Category	As of March 31,							
	2002				2003			
	Amount	Weighted average interest rate	Range	Average residual maturity (In millions)	Amount	Weighted average interest rate	Range	Average Residual Maturity
Borrowings from international development agencies ^{(1) (2)(3)}	Rs. 25,224	3.0%	0-6.8%	13.6 years	Rs. 25,417	4.14%	0-8.5%	9.50 years
Other borrowings from international markets.....	47,670	3.8%	2-9.1%	2.1 years	24,762	3.37%	0-9.15%	2.52 years
Total.....	Rs. 72,894	3.5%		6.08 years	Rs. 50,179	3.69%		6.05 years

¹⁾ These borrowings have been raised under specific lines of credit from international development agencies. The borrowings have lender-imposed restrictions that limit the use of the funds for specified purposes, which include lending to specified sectors.

²⁾ As of March 31, 2003, under these lines of credit, the Company has an unutilized option to borrow Rs. 6,265 million (2002: Rs. 5,349 million) as per an agreed schedule over a period of 5 years at various interest rates.

³⁾ Exchange rate fluctuations on certain borrowings are guaranteed by the GOI.

Redeemable preferred stock

The Company issued preferred stock with a face value of Rs. 3,500 million during the year ended March 31, 1998 under the scheme of business combination with ITC Classic Finance Limited. This preferred stock bears a dividend yield of 0.001% and is redeemable at face value after 20 years. The preferred stock was initially recorded at its fair value of Rs. 466 million. Subsequently, interest is being imputed for each reporting period. The imputed interest rate of 10.6% was determined based on the then prevailing interest rate for securities of similar maturity. The carrying amount of this redeemable preferred stock as of March 31, 2003 is Rs. 853 million (2002: Rs. 772 million).

Banks in India are not allowed to issue preferred stock. However, the Company has been currently exempted from the restriction, which prohibits issue of preference shares by banks.

21. Other liabilities

Interest accrued

Other liabilities as of March 31, 2003, include Rs. 16,276 million (2002: Rs. 21,435 million) of interest accrued but not due on interest bearing liabilities.

Borrowings from Kreditanstalt fur Wiederaufbau

The Company has borrowings from Kreditanstalt fur Wiederaufbau (KfW), an international development agency, under specific lines of credit. The terms of the borrowings provide for limitations on usage, whereby funds can be used only for specified purposes. The borrowings are guaranteed by the GOI.

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With respect to certain borrowings, the terms of the borrowing agreement provide that a portion of the interest payable on the borrowing shall be paid to the GOI instead of the lender. KfW and the GOI have entered into an agreement whereby the interest paid to the GOI is repaid to the Company either in the form of a grant or a loan. While the loan is repayable as per a specified schedule, the grants do not have a repayment schedule. The interest amounts received from the GOI bear limitations on usage and are required to be advanced as loans/contributions for specified purposes. Similarly, with respect to certain other borrowings from KfW, the terms of the borrowing agreement provide that a portion of the interest payable on the borrowings shall be retained by the Company and used to be advanced as loans/contributions for specified purposes.

The Company periodically advances loans/contributions for specified purposes out of these funds and reports such utilizations to the GOI/KfW. However, no time schedule has been specified for the usage of the funds. In the event that the funds are not utilized for specified purposes, the GOI/KfW have the right to require repayment of the grant/retained interest. Additionally, KfW can modify the scope of the specified purposes. The Company retains the income derived from the loans made out of the funds. Similarly, it bears the risks of default on the loans.

The interest repaid by the GOI in the form of grants and the interest retained under the agreement with KfW do not represent contributions as they specify donor-imposed conditions, the breach of which, would enable the donor to demand repayment of the grants/retained interest. Accordingly, the grants/retained interest have been reported as liabilities.

Other liabilities as of March 31, 2003, include grants of Rs. 2,052 million (2002: Rs. 2,689 million) and retained interest of Rs. 496 million (2002: Rs. 439 million).

22. Common stock

The Company presently has only one class of common stock. In the event of liquidation of the affairs of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company, after such discharge, shall be distributed to the holders of common stock in proportion to the common stock held by shareholders.

The Company has issued American Depository Shares (ADS) representing underlying common stock. The common stock represented by the ADS is similar to other common stock, except for voting rights. While every holder of common stock, as reflected in the records of the Company, has one vote in respect of each share held, the ADS holders have no voting rights due to a condition contained in the approval of the offering from the Ministry of Finance of India. Under the depository agreement, the depository of the ADS will vote as directed by the Board of Directors of the Company.

As discussed in Note 3, the Company consummated the reverse acquisition with the acquiree effective April 1, 2002, whereby shareholders of the Company were issued common shares of the acquiree in the ratio of 1:2. The effect of the reverse acquisition on the capital structure (including outstanding stock options) of the Company has been retroactively adjusted in the financial statements. On consummation of the reverse acquisition, adjustments were made to the value of the common stock and the additional paid in capital.

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23. Retained earnings and dividends

Retained earnings at March 31, 2003 computed as per generally accepted accounting principles of India include profits aggregating to Rs. 5,514 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 in India. 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 the Company mandate that dividends be declared out of distributable profits only after the transfer of at least 25% of net income each year, 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.

Retained earnings as of March 31, 2002, include profits aggregating to Rs. 12,153 million (2001: Rs. 11,875 million), which are not distributable as dividends under Indian company law. These relate to profits on redemption of preferred stock and requirements regarding earmarking a part of profits under banking laws.

Retained earnings as of March 31, 2003, include reserves of Rs. 10,940 million (2002: Rs. 10,866 million) earmarked under Indian tax laws to avail tax benefits and which are not distributable as dividends. Any transfer of balances from such earmarked reserves would result in withdrawal of the tax exemption on the transferred amounts.

24. Earnings per share

A computation of the earnings per share is set out below:

	Year ended March 31,					
	2001		2002		2003	
	(in millions, except earnings per share data)					
	Basic	Fully Diluted	Basic	Fully diluted	Basic	Fully diluted
<i>Earnings</i>						
Net income before extraordinary items and cumulative effect of accounting change (before dilutive impact)...	Rs. 6,630	Rs. 6,630	Rs. 282	Rs. 282	Rs. (7,983)	Rs. (7,983)
Contingent issuances of subsidiaries/affiliates.....	-	(25)	-	-	-	-
Net income before cumulative effect of accounting change (adjusted for full dilution).....	6,630	6,605	282	282	(7,983)	(7,983)
Cumulative effect of accounting change, net of tax.....	-	-	1,265	1,265	-	-
Net income available to common stockholders (adjusted for full dilution).....	6,630	6,605	1,547	1,547	(7,983)	(7,983)
<i>Common stock</i>						
Weighted-average common stock outstanding.....	393	393	393	393	563	563
Dilutive effect of convertible debt instruments.....	-	-	-	-	-	-
Dilutive effect of employee stock options.....	-	-	-	-	-	-
Total.....	393	393	393	393	563	563
<i>Earnings per share</i>						
Net income before extraordinary items and cumulative effect of accounting change	16.88	16.81	0.72	0.72	(14.18)	(14.18)
Cumulative effect of accounting change	-	-	3.22	3.22	-	-
Net income.....	Rs. 16.88	Rs. 16.81	Rs. 3.94	Rs. 3.94	Rs. (14.18)	Rs. (14.18)

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Options to purchase 7,015,800 equity shares and 12,610,275 equity shares granted to employees at a weighted average exercise price of Rs. 81.30 and Rs. 154.70 were outstanding during the year ended March 31, 2002 and 2003, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period. During the year ended March 31, 2003, the Company has reported a net loss and accordingly all outstanding options are anti-dilutive.

25. Segmental disclosures and related information

Segmental disclosures

SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information, establishes standards for the reporting of information about operating segments. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance. As discussed in Note 3, the Company consummated the reverse acquisition with the acquiree effective April 1, 2002. Subsequent to the reverse acquisition, the Company changed the structure of its internal organisation, which changed the composition of its operating segments. The Company's operations have been classified into the following segments: Commercial Banking segment, Investment Banking segment and Others. Segment data for previous periods have been reclassified on a comparable basis.

The Commercial Banking segment provides medium-term and long-term project and infrastructure financing, securitization, factoring, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The Investment Banking segment deals in the debt, equity and money markets and provides corporate advisory products such as mergers and acquisition advice, loan syndication advice and issue management services.

Others consist of various operating segments that do not meet the requirements to be reported as on individual reportable segment as defined in SFAS No. 131.

The CODM evaluates the Company's performance and allocates resources based on performance indicators (components of profit and loss) of each of the segments. Further, the CODM specifically reviews assets of the personal financial services division, which is a part of commercial banking segment.

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The profit and loss of reportable segments is set out below:

	<u>Commercial Banking</u>			<u>Investment Banking</u>		
	<u>Year ended March 31,</u>			<u>Year ended March 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions)			(in millions)		
Income from external customers						
Interest income	Rs. 85,169	Rs. 91,445	Rs. 76,498	Rs. 7,328	Rs. 8,239	Rs. 21,595
Non - interest income.....	8,401	9,747	4,771	1,824	1,826	6,792
Income from other operating segments						
Interest income	1,413	3,796	8,533	8,823	11,007	189
Non - interest income.....	658	1,040	384	236	219	251
Total income	95,641	106,028	90,186	18,211	21,291	28,827
Interest expense.....	72,111	81,867	69,462	14,327	17,454	23,916
Depreciation	948	1,244	2,008	67	89	231
Provision for loan losses.....	10,962	11,458	19,645	13	8	4
Other expenses.....	6,731	10,321	10,343	1,240	1,781	2,921
Income/ (loss) before taxes	4,889	1,138	(11,272)	2,564	1,959	1,755
Income tax (expense)/ benefit.....	(347)	(728)	3,420	24	(659)	(529)
Cumulative effect of accounting changes, net of tax.....	-	1,281	-	-	-	-
Net income/ (loss)	Rs. 4,542	Rs. 1,691	Rs. (7,852)	Rs. 2,588	Rs. 1,300	Rs. 1,226

A listing of certain assets of reportable segments is set out below:

	<u>Commercial Banking</u>		<u>Investment Banking</u>		<u>Others</u>		<u>Eliminations of the</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
As of March 31,	(in millions)									
Property and equipment.....	Rs.13,157	Rs. 16,048	Rs.2,152	Rs. 2,754	Rs. 2,099	Rs. 2,413	Rs.(4,831)	-	Rs. 12,577	Rs. 21,215
Investment in equity affiliates..	15	-	-	252	1,867	2,363	-	-	1,882	2,615

Inter segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis. Corporate overheads and assets have also been allocated to segments on a systematic basis.

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A reconciliation between the segment income and consolidated totals of the Company is set out below:

	<u>Total income</u>			<u>Income/ (loss) before taxes and accounting changes</u>			<u>Net income/ (loss)</u>		
	<u>Year ended March 31,</u>			<u>Year ended March 31,</u>			<u>Year ended March 31,</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions)								
Commercial banking....	Rs. 95,641	Rs.106,028	Rs. 90,186	Rs. 4,889	Rs. 1,138	Rs. (11,272)	Rs. 4,542	Rs. 1,691	Rs. (7,852)
Investment banking.....	18,211	21,291	28,827	2,564	1,959	1,755	2,588	1,300	1,226
Others.....	1,659	2,789	2,874	116	(549)	(1,527)	(7)	(343)	(1,357)
Eliminations of the acquiree.....	(15,219)	(29,308)	-	(750)	(2,015)	-	(493)	(1,101)	
Other reconciling adjustments.....	(10,945)	(13,785)	(10,531)	-	-	-	-	-	
Consolidated total.....	Rs. 89,347	Rs. 87,015	Rs.111,681	Rs. 6,819	Rs. 533	Rs.(11,044)	Rs. 6,630	Rs. 1,547	Rs.(7,983)

A reconciliation between the segments and consolidated total assets of the Company is set out below:

	<u>As of March 31</u>	
	<u>2002</u>	<u>2003</u>
	(in millions)	
Commercial Banking ⁽¹⁾	Rs. 858,039	Rs. 767,343
Investment Banking.....	268,726	398,574
Others.....	7,418	9,850
Total segment assets.....	1,134,183	1,175,767
Unallocable assets.....	15,397	16,826
Eliminations.....	(406,218)	(12,330)
Consolidated total assets.....	743,362	1,180,263

¹⁾ Commercial banking includes retail assets of Personal financial services division of Rs. 172,208 million (March 2002: Rs. 75,072 million), which are reviewed separately by the CODM.

Geographic distribution

The business operations of the Company are largely concentrated in India. Activities outside India are restricted to resource mobilization in the international markets and operations of certain software development and services subsidiaries in the United States.

Major customers

The Company provides banking and financial services to a wide base of customers. There is no major customer, which contributes more than 10% of total income.

ICICI Bank Limited and subsidiaries

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26. Employee benefits

Gratuity

In accordance with Indian regulations, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company. The gratuity benefit provided by the Company to its employees is equal to or greater than the statutory minimum.

In respect of the parent company, the gratuity benefit is provided to the employee either through a fund administered by a Board of Trustees and managed by Life Insurance Corporation of India (LIC) or through a fund administered and managed by a Board of Trustees. The Company is responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

In respect of the remaining entities within the group, the gratuity benefit is provided through annual contributions to a fund administered and managed by the LIC. Under this scheme, the settlement obligation remains with the Company, although the LIC administers the scheme and determines the contribution premium required to be paid by the Company.

The following table sets forth the funded status of the plans and the amounts recognized in the financial statements:

	As of March 31,	
	2002	2003
	(in millions)	
<i>Change in benefit obligations</i>		
Projected benefit obligations at beginning of the year.....	Rs. 207	Rs. 263
Divestitures.....	-	-
Obligations assumed on acquisition.....	-	393
Service cost.....	29	69
Interest cost.....	25	64
Expected benefits payments.....	(14)	(18)
Unrecognized prior service cost.....	-	59
Actuarial (gain)/loss on obligations.....	17	63
Projected benefit obligations at the end of the year.....	264	893
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of the year.....	213	248
Fair value of plan assets acquired on acquisition.....	-	402
Expected return on plan assets.....	26	70
Employer contributions.....	29	163
Actual benefits paid.....	(16)	(32)
Actuarial (gain)/loss.....	(5)	22
Plan assets at the end of the year.....	247	873
<i>Funded status</i>	(17)	(20)
Unrecognized actuarial loss.....	86	136
Unrecognized transitional obligation.....	(19)	(17)
Unrecognized prior service cost.....	9	-
Net prepaid gratuity cost.....	Rs. 59	Rs. 99

ICICI Bank Limited and subsidiaries

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The components of the net gratuity cost are set out below:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Service cost.....	Rs. 12	Rs. 29	Rs. 69
Interest cost.....	16	25	64
Expected return on assets.....	(16)	(29)	(70)
Amortization of transition asset/liability.....	(1)	(1)	1
Amortization of prior service cost.....	1	1	1
Actuarial (gain)/loss.....	-	2	2
Net gratuity cost.....	Rs. 12	Rs. 27	Rs. 67

The actuarial assumptions used in accounting for the gratuity plan are given below:

	As of March 31,	
	2002	2003
Discount rate.....	10%	8%
Rate of increase in the compensation levels.....	9%	7%
Rate of return on plan assets.....	9.5%	7.5%

As of March 31, 2003, of the total plan assets, Rs. 46 million (2002: Rs. 3 million) has been invested in debt securities of the Company.

Pension

The Company provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Company. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan is the continuation of the acquiree's plan and hence there are no comparatives for the current year.

The pension plan is funded through periodic contributions to a fund set-up by the Company and administrated by a Board of Trustees. Such contributions are actuarially determined.

The following table sets forth the funded status of the plan and the amounts recognized in the financial statements.

	As of March 31, 2003 (in millions)
<i>Change in benefit obligations</i>	
Projected benefit obligations at beginning of the year.....	Rs. 913
Service cost.....	22
Interest cost.....	89
Expected benefits payments.....	(42)
Actuarial (gain)/loss on obligations.....	(129)
Projected benefit obligations at the end of the year.....	853
<i>Change in plan assets</i>	
Fair value of plan assets at beginning of the year.....	914
Expected return on plan assets.....	86
Employer contributions.....	16
(Gain)/loss on plan assets.....	166
Benefits paid.....	(26)
Plan assets at the end of the year.....	1,156
Net prepaid benefit.....	Rs. 303

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

The components of the net pension cost are set out below:

	<u>Year ended March 31, 2003</u>
	<u>(in millions)</u>
Service cost.....	Rs. 22
Interest cost.....	89
Expected return on assets.....	(86)
Actuarial (gain)/loss.....	-
Net pension cost	Rs. 25

The assumptions used in accounting for the pension plan are given below:

	<u>As of March 31, 2003</u>
Discount rate.....	8%
Rate of increase in the compensation levels	7%
Rate of return on plan assets.....	7.5%

Superannuation

The permanent employees of the Company are entitled to receive retirement benefits under the superannuation scheme operated by the Company. Superannuation is a defined contribution plan under which the Company contributes annually a sum equivalent to 15% of the employee's eligible annual salary to LIC, the manager of the fund, which undertakes to pay the lump sum and annuity payments pursuant to the scheme. The Company contributed Rs. 51 million, Rs. 50 million and Rs. 97 million to the employees superannuation plan for the year ended March 31, 2001, 2002 and 2003 respectively.

Provident fund

In accordance with Indian regulations, employees of the Company (excluding those covered under the pension scheme) are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a fund set up by the Company and administered by a Board of Trustees. Further, in the event the return on the fund is lower than 9.5% (current guaranteed rate of return to the employees), such difference is contributed by the Company and charged to income. The contribution to the employees provident fund amounted to Rs 55 million, Rs. 89 million and Rs. 106 million in year ended March 31, 2001, 2002 and 2003 respectively.

27. Employee Stock Option Plan

In August 1999, the Company approved an Employee Stock Option Plan (ICICI Plan). Under the ICICI Plan, the Company is authorized to issue up to 39.27 million equity shares to eligible employees. Eligible employees are granted an option to purchase shares subject to vesting. The options vest in a graded manner over 3 years with 20%, 30% and 50% of the options vesting at the end of each year. The options can be exercised within 10 years from the date of the grant. Compensation expense under the ICICI Plan for the year ended March 31, 2003 is Rs. 7 million (2002: Rs.26 million, 2001: Rs. 37 million).

As a result of the reverse acquisition, all outstanding options of the Company were exchanged for options of the acquiree in the ratio of 1:2 with an adjustment to the exercise price in the same ratio. This transaction is similar to an equity restructuring. In accordance with FIN 44, Accounting for Certain Transactions involving Stock Compensation, the above transaction had no accounting consequence.

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Under the terms of the reverse acquisition, the Company assumed the employee options outstanding under the acquiree's option plan. As the intrinsic value of all the assumed options was negative on the date of consummation, no amount has been allocated to deferred compensation under FIN 44.

Stock option activity

Stock option activity under the above stock option plans is set out below:

Year ended March 31, 2001				
	ICICI Bank Limited			
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year.....	1,161,875	Rs. 171.0	Rs. 171.0	112
Granted during the year.....	1,461,250	266.8	266.8	108
Forfeited during the year.....	(60,200)	171.0	171.0	-
Exercised during the year.....	(16,250)	171.0	171.0	-
Outstanding at the end of the year.....	2,546,675	Rs. 171.0-266.8	Rs. 226.0	109
Exercisable at the end of the year.....	231,175	Rs. 171.0	Rs. 171.0	-

Year ended March 31, 2002				
	ICICI Bank Limited			
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year.....	2,546,675	Rs. 171.0 – 266.8	Rs. 226.0	109
Granted during the year.....	4,887,500	105.0 – 164.0	134.4	116
Forfeited during the year.....	(417,675)	164.0 – 266.8	218.4	-
Exercised during the year.....	(700)	171.0	171.0	-
Outstanding at the end of the year.....	7,015,800	Rs. 105.0-266.8	Rs. 162.6	114
Exercisable at the end of the year.....	74,300	Rs. 171.0 – 266.8	Rs. 205.6	-

Year ended March 31, 2003				
	ICICI Bank Limited			
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year.....	7,015,800	Rs. 105.0-266.8	Rs. 162.6	114
Acquisitions	6,327,825	120.4- 171.9	146.0	110
Forfeited during the year.....	(730,350)	120.4 –266.8	154.6	-
Exercised during the year.....	(3,000)	105.0	105.0	-
Outstanding at the end of the year.....	12,610,275	Rs. 105.0- 266.8	Rs. 154.7	98
Exercisable at the end of the year.....	5,222,317	Rs. 52.5- 266.8	Rs. 169.9	-

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Notes to the consolidated financial statements

ICICI Infotech

In April 2000, ICICI Infotech approved an Employee Stock Option Plan (Infotech Plan). Under the Infotech Plan, ICICI Infotech is authorized to issue up to 12 million equity shares to its employees and employees of the parent company. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over 3 years with 20%, 30% and 50% of the options vesting at the end of each year. The options can be exercised within 10 years from the date of the grant.

During the year ended March 31, 2001, 2002 and 2003, the Company has not recorded any compensation cost as the exercise price was equal to the fair value of the underlying equity shares on the grant date. As shares of ICICI Infotech are not quoted on exchanges, the fair value represents management's best estimates considering all available factors.

Stock option activity under the above stock option plan is set out below:

	Year ended March 31, 2001			
	ICICI Infotech			Weighted average remaining contractual life (months)
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the year.....	-	Rs. -	Rs. -	-
Granted during the year.....	2,344,800	37.5	37.5	108
Forfeited during the year.....	(103,400)	37.5	-	-
Exercised during the year.....	-	-	-	-
Outstanding at the end of the year.....	2,241,400	Rs. 37.5	Rs. 37.5	108
Exercisable at the end of the year.....	-	-	-	-

	Year ended March 31, 2002			
	ICICI Infotech			Weighted average remaining contractual life (months)
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the year.....	2,241,400	Rs. 37.5	Rs. 37.5	108
Granted during the year.....	1,974,800	68.0	68.0	99
Forfeited during the year.....	(342,960)	37.5 - 68.0	42.0	-
Exercised during the year.....	(10,220)	37.5	37.5	-
Outstanding at the end of the year.....	3,863,020	Rs. 37.5-68.0	Rs. 52.7	104
Exercisable at the end of the year.....	369,448	Rs. 37.5	Rs. 37.5	-

	Year ended March 31, 2003			
	ICICI Infotech			Weighted average remaining contractual life (months)
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	
Outstanding at the beginning of the year	3,863,020	Rs. 37.5- 68.0	Rs. 52.7	104
Granted during the year.....	783,500	68.0-100.0	97.1	108
Forfeited during the year.....	(435,360)	37.5-100.0	59.1	-
Exercised during the year.....	(10,200)	37.5-68.0	55.7	-
Outstanding at the end of the year.....	4,200,960	Rs. 37.5-100.0	Rs. 60.3	75
Exercisable at the end of the year.....	1,235,070	Rs. 37.5-100.0	Rs. 46.2	87

ICICI Bank Limited and subsidiaries

Notes to the consolidated financial statements

ICICI Venture

In July 2000, ICICI Venture, a consolidated subsidiary, approved an Employee Stock Option Plan (Venture Plan). As of March 31, 2001, 78,900 options with an exercise price of Rs. 835 per share were outstanding. The Company did not record compensation cost, as the exercise price was equal to the fair value of the underlying equity shares on the grant date. During the year ended March 31, 2002, the Venture Plan was discontinued and all the options outstanding were voluntarily forfeited by the employees. The Company does not intend to replace such cancelled options.

ICICI OneSource Limited

In September 2002, ICICI OneSource, a consolidated subsidiary, approved an Employee Stock Options Plan (OneSource plan). Under the OneSource Plan, ICICI OneSource is authorized to issue equity shares up to 10% of the share capital to the employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over 4 years with 25% at the end of the first year and 12.5% of the options vesting at the end of each subsequent six month period. The options can be exercised within 10 years from the date of the grant.

Stock option activity under the above stock option plan is set out below:

	Year ended March 31, 2003			
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average exercise price and grant date fair values	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year..	-	-	-	-
Granted during the year.....	4,250,000	Rs. 11.3	Rs. 11.3	113
Forfeited during the year.....	(395,000)	11.3	11.3	-
Exercised during the year.....	-	-	-	-
Outstanding at the end of the year.....	3,855,000	Rs. 11.3	Rs. 11.3	113
Exercisable at the end of the year.....	-	-	-	-

The Company has not recorded any compensation cost, as the exercise price was equal to the fair value of the underlying equity shares on the grant date. As shares of ICICI OneSource Limited are not quoted on exchanges, the fair value represents management's best estimates considering all available factors.

28. Income taxes

Components of deferred tax balances

The tax effects of temporary differences are reflected through a deferred tax asset/liability, which is included in the balance sheet of the Company.

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The components of the deferred tax balances are set out below:

	As of March 31,	
	2002	2003
	(in millions)	
Deferred tax assets		
Allowance for loan losses.....	Rs. 12,263	Rs. 16,228
Available for sale securities.....	2,141	1,044
Investments in trading securities.....	176	62
Unearned income.....	1,264	693
Capital loss carry forward.....	31	23
Business loss carry forward.....	175	219
Deposits.....	-	94
Other.....	676	574
	16,726	18,937
Valuation allowance.....	(226)	(524)
Total deferred tax asset.....	Rs. 16,500	Rs. 18,413
Deferred tax liabilities		
Property and equipment.....	(9,416)	(9,216)
Undistributed earnings of subsidiary and affiliates.....	(875)	(294)
Intangibles.....	-	(1,857)
Investment in trading securities.....	-	(39)
Long term debt.....	-	(666)
Available for sale securities.....	-	(20)
Others.....	(58)	(358)
Total deferred tax liability.....	(10,349)	(12,450)
Net deferred tax asset.....	Rs. 6,151	Rs. 5,963

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax asset is dependent on the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Company will realize the benefits of those deductible differences. The amount of deferred tax assets considered realizable, however could be reduced in the near term if estimates of future taxable income are reduced.

The Company would require taxable income of Rs. 21,266 million in the future periods to be able to fully realize the benefit of net deferred asset recognized in these consolidated financial statements.

The company had a valuation allowance of Rs. 97 million as at April 1, 2001. The net change in the total valuation allowance for the year ended March 31, 2002 and March 31, 2003 was an increase of Rs. 129 and Rs. 298 million respectively. The majority of the valuation allowance as of March 31, 2002 related to business loss carried forward and capital loss carried forward. As at March 31, 2003, included in the above, the Company has recorded a valuation allowance of Rs. 280 million pertaining to an excess of the amount for financial reporting over the tax basis carried forward pertaining to investment in equity affiliates.

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As at March 31, 2003, the Company has business loss carry forward of Rs. 505 million, with expiration dates as follows: March 31, 2009 – Rs. 108 million, March 31, 2010 – Rs. 43 million. Further, business loss carry forward pertaining to the Company's US subsidiary was Rs. 321 million which expires in 2022 and Australian subsidiary was Rs. 33 million which has no expiration date. The Company's capital loss carried forward of Rs. 110 million expires in March 31, 2006.

Reconciliation of tax rates

The Indian statutory tax rate is 35% plus a surcharge. During each of the years presented, legislation was enacted in the first few months of the fiscal year that changed the amount of the surcharge for that fiscal year and future years. The surcharge was changed to 13%, 2% and 5% during the years ended March 31, 2001, 2002 and 2003, respectively, and resulted in a total statutory tax rate of 39.55%, 35.70% and 36.75% for the years ended March 31, 2001 2002 and 2003, respectively.

The following is the reconciliation of expected income taxes at statutory income tax rate to income tax expense /benefit as reported:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Income/(loss) before income taxes	Rs. 6,819	Rs. 533	Rs.(11,044)
Statutory tax rate	39.55%	35.70%	36.75%
Income tax expense/(benefit) at the statutory tax rate	2,697	190	(4,059)
<i>Increases/(reductions) in taxes on account of:</i>			
Special tax deductions available to financial institutions	(542)	(333)	(38)
Exempt interest and dividend income	(525)	(800)	(558)
Income charged at rates other than statutory tax rate	(927)	280	916
Changes in the statutory tax rate	(192)	360	(109)
Expenses disallowed for tax purposes	179	109	486
Tax on undistributed earnings of subsidiary	227	234	62
Change in valuation allowance	97	129	298
Tax adjustments in respect of prior year tax assessments	-	175	(31)
Tax adjustment on account of change in tax status of subsidiary	-	-	(97)
Other	(825)	(93)	69
Income tax expense/(benefit) reported	Rs. 189	Rs. 251	Rs. (3,061)

Components of income tax expense from continuing operations

The components of income tax expense/(benefit) from continuing operations are set out below:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Current	Rs. 4,458	Rs. 3,474	Rs. 1,287
Deferred	(4,269)	(3,223)	(4,348)
Income tax expense/(benefit) reported	Rs. 189	Rs. 251	Rs. (3,061)

Only an insignificant amount of the Company's income/(loss) before income taxes and income tax expense/(benefit) was from outside India.

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Notes to the consolidated financial statements

Allocation of income taxes

The total income tax expense/(benefit) was recorded as follows:

	Year ended March 31,		
	2001	2002	2003
	(in millions)		
Income/(loss) from continuing operations.....	Rs. 189	Rs. 251	Rs. (3,061)
Unrealized gain/(loss) on securities available for sale.....	(481)	890	1,461
Additional paid in capital.....	605	-	599
Income tax expense/(benefit) reported	Rs. 313	Rs. 1,141	Rs. (1,001)

29. Commitments and contingencies

Loan commitments

The Company has outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 48,759 million as of March 31, 2003 (2002: Rs. 68,217 million). The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

Guarantees

As a part of its project financing and commercial banking activities, the Company has issued guarantees to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Company will make payments in the event that the customer fails to fulfill its 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 10 years.

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

The current carrying amount of the liability for the Company's obligations under the guarantee amounted to Rs. 346 million (2002: Nil)

Details of guarantees outstanding are set out below:

Nature of guarantee	Maximum potential amount of future payments under guarantee				Total
	Less than 1 year	1-3 year	3-5 year	Over 5 year	
	(in millions)				
Financial guarantees.....	Rs. 9,413	Rs. 19,223	Rs. 4,361	Rs. 36,079	Rs. 69,076
Performance guarantees.....	8,309	8,835	3,965	16,293	37,402
Total.....	Rs. 17,722	Rs. 28,058	Rs. 8,326	Rs. 52,372	Rs. 106,478

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Capital commitments

The Company is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 264 million as of March 31, 2003 (2002: Rs. 756 million).

Tax contingencies

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

Litigation

Various litigation and claims against the Company and its subsidiaries are in process and pending. Based upon a review of open matters with legal counsel, management believes that the outcome of such matters will not have a material effect upon the Company's consolidated financial position, results of operations or cashflows.

Operating lease commitments

The Company has commitments under long-term operating leases principally for premises and automated teller machines. The following is a summary of future minimum lease rental commitments as of March 31, 2003, for non-cancelable leases:

	(in millions)
Lease rental commitments for the year ending March 31,	
2004.....	Rs. 237
2005.....	231
2006.....	223
2007.....	208
2008.....	174
Thereafter.....	320
Total minimum lease commitments.....	Rs. 1,393

30. Related party transactions

The Company has transactions with its affiliates and directors/employees. The following represent the significant transactions between the Company and such related parties:

Insurance services

During the year ended March 31, 2003 the Company paid insurance premium to Lombard amounting to Rs. 224 million (2002: Rs 26 million, 2001:Nil).

Lease of premises and facilities

During the year ended March 31, 2003, the Company received for lease of premises, facilities and other administrative costs from Prulife, Rs. 84 million (2002: Rs. 54 million, 2001:Rs. 22 million), from Pru-ICICI, Rs. 6 million (2002: Rs. 5 million, 2001: Rs. 3 million) and from Lombard, Rs. 82 million (2002: Rs. 50 million, 2001: Nil).

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During the year ended March 31, 2002, the Company received rentals for lease of premises, facilities and other equipment from the acquiree, Rs. 256 million (2001: Rs. 193 million). Similarly, during the year ended March 31, 2002, the Company paid rentals to the acquiree for lease of premises, Rs. 11 million (2001: Nil).

Secondment of employees

During the year ended March 31, 2003, the Company received from Prulife for seconded employees, Rs. 3 million (2002: Nil, 2001: Nil) and from Lombard, Rs. 10 million (2002: Rs. 5 million, 2001: Nil).

During the year ended March 31, 2002, the Company received from the acquiree for seconded employees, Rs. 55 million (2001: Rs. 4 million) during the year ended March 31, 2002, Similarly, the Company paid to the acquiree for employees seconded to the Company, Rs. 8 million (2001: Rs. 5 million).

Asset management services

During the year ended March 31, 2003, the Company provided asset management services to TCW and earned fees of Rs. 24 million (2002: Rs. 21 million, 2001: Rs. 31 million).

Deposits and borrowings

During the year ended March 31, 2003, the Company paid interest on bonds/deposits/call borrowings to its affiliated companies, Rs. 12 million (2002: Rs. 268 million, 2001: Rs. 202 million).

Banking services

The Company utilized banking services of the acquiree. During the year ended March 31, 2002, non-interest expense of the Company relating to such services, amounted to Rs. 32 million (2001: Rs. 72 million).

Derivative transactions

During the year ended March 31, 2002, the Company entered into interest rate swap contracts and cross currency swap contracts with the acquiree aggregating Rs. 10,310 million and Rs. Nil (2001: Rs. 3,350 million and Rs. 1,331 million) respectively. Contracts aggregating Rs. 8,760 million and Rs. 2,272 million (2001: Rs. 2,900 million and Rs. 4,352 million) were outstanding as of March 31, 2002, for interest rate swaps and currency swaps respectively. Net interest income in respect of these swaps amounted to Rs. 275 million (2001: Rs. 189 million) during the year ended March 31, 2002.

Similarly, the Company entered into forward foreign exchange contracts with the acquiree aggregating Rs 22,466 million (2001: Rs. 47,863 million) during the year ended March 31, 2002. Contracts aggregating Rs. 251 million (2001: Rs. 2,262 million) were outstanding as of March 31, 2002.

Reverse repurchase transactions

During the year ended March 31, 2002, the Company has entered into reverse repurchase transactions with the acquiree amounting to Rs. 52,792 million (2001: Rs. Nil). As of March 31, 2002, the Company had reverse repurchase transactions outstanding with the acquiree of Rs. 21,399 million (2001:Rs. Nil).

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Software development services

During the year ended March 31, 2002, the Company provided software development services to Tricolor and Pru-ICICI and earned fees of Rs. 19 million (2001: Rs. 8 million).

During the year ended March 31, 2002, the Company developed software and provided software and hardware support services to the acquiree, and earned fees of Rs. 124 million (2001: Rs. 73 million).

Back-office support services

During the year ended March 31, 2002, the Company set up a common technology infrastructure platform and the acquiree was charged towards communication expenses, backbone infrastructure expenses and data centre costs, Rs. 182 million (2001: Rs. 94 million).

During the year ended March 31, 2002, the Company provided telephone banking call-centre services and transaction processing services for the credit card operations of the acquiree, and earned fees of Rs. 149 million (2001: Rs. 99 million).

Transfer of financial assets

During the year ended March 31, 2002, the Company transferred loans in pass-through securitization transactions, where the beneficial interests were purchased by the acquiree, of Rs. 11,152 million (2001: Rs. 438 million). Gains of Rs. 98 million (2001: Rs. 50 million) was recorded on the sale. Subsequently, due to a change in the status of the qualifying special purpose entity used in the transactions, the Company regained control of the assets sold. As at March 31, 2002, obligations of Rs. 3,526 million (2001: Rs. Nil) relating to such repurchases are reflected as a component of the other borrowings.

Share transfer activities

During the year ended March 31, 2002, the Company provided share transfer services and dematerialization services to the acquiree and earned fees of Rs. 3 million (2001: Rs. 8 million).

Other transactions

During the year ended March 31, 2002, the Company undertook a corporate brand advertising campaign, out of which an amount of Rs. 29 million (2001: Rs. 15 million) has been recovered from the acquiree.

Employee loans

The Company has advanced housing, vehicle and general purpose loans to employees, bearing interest ranging from 2.5% to 6%. The tenure of these loans range from 5 years to 25 years. The loans are generally secured by the assets acquired by the employees. Employee loan balances outstanding as of March 31, 2003, of Rs. 2,273 million (2002: Rs. 949 million) are included in other assets.

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Related party balances

The following balances payable to/receivable from related parties are included in the balance sheet:

	As of March 31,	
	2002	2003
	(in millions)	
Cash and cash equivalents.....	Rs. 4,360	Rs. -
Loans.....	209	22
Other assets.....	1,269	2,549
Deposits.....	-	440
Other liabilities.....	24	3

31. Estimated fair value of financial instruments

The Company'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.

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instruments.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Disclosure of fair values is not required for certain items such as investment accounted for under the equity method of accounting, obligations for pension and other post-retirement benefits, income tax assets and liabilities, property and equipment, prepaid expenses, core deposit intangibles and the value of customer relationships associated with certain types of consumer loans, particularly the credit card portfolio, and other intangible assets. Accordingly, the aggregate fair value amount presented do not purport to represent, and should not be considered representative of, the underlying market or franchise value of the Company. In addition, because of differences in methodologies and assumptions used to estimate fair values, the Company's fair values should not be compared to those of other financial institutions.

The following describes the methods and assumptions used by the Company in estimating the fair values of financial instruments.

Cash and cash equivalents

The carrying amounts reported in the balance sheet approximate fair values because maturities are less than three months.

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Trading assets and liabilities

Trading account assets and liabilities are carried at fair value in the balance sheet. Values for trading securities are generally based on quoted, or other independent, market prices. Values for interest rate and foreign exchange products are based on quoted, or other independent, market prices, or are estimated using pricing models or discounted cash flows.

Securities

Fair values are based primarily on quoted, or other independent, market prices. For certain debt and equity investments that do not trade on established exchanges, and for which markets do not exist, estimates of fair value are based upon management's review of the investee's financial results, condition and prospects.

Loans

The fair values of certain commercial and consumer loans are estimated by discounting the contractual cash flows using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The carrying value of certain other loans approximates fair value due to the short-term and/or repricing characteristics of these loans. For impaired loans, the impairment is considered while arriving at the fair value.

Deposits

The carrying amount of deposits with no stated maturity is considered to be equal to their fair value. Fair value of fixed-rate time deposits is estimated by discounting contractual cash flows using interest rates currently offered on the deposit products. Fair value for variable-rate time deposits approximates their carrying value. Fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of alternative forms of funding (core deposit intangibles).

Long-term debt, short-term borrowings and redeemable preferred stock

The fair value of the Company's debt, including short-term borrowings, is estimated based on quoted market prices for the issues for which there is a market, or by discounting cash flows based on current rate available to the Company for similar types of borrowing arrangements.

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

	<u>As of March 31, 2002</u>		<u>As of March 31, 2003</u>	
	<u>Carrying Value</u>	<u>Estimated fair value</u>	<u>Carrying Value</u>	<u>Estimated fair value</u>
	(in millions)			
Financial assets				
Trading account assets	Rs. 42,376	Rs. 42,376	Rs. 39,634	Rs. 39,634
Securities (Note 1).....	60,046	60,046	280,621	280,621
Loans (Note 2)	523,601	527,167	630,421	641,048
Other financial assets (Note 3).....	46,259	46,259	115,705	115,705
Total	Rs. 672,282	Rs. 675,848	Rs. 1,066,381	Rs. 1,077,008
Financial liabilities				
Interest-bearing deposits.....	Rs. 7,380	Rs. 7,609	Rs. 456,051	Rs. 454,251
Non-interest-bearing deposits.....	-	-	35,239	35,239
Trading account liabilities.....	17,105	17,105	26,086	26,086
Short-term borrowings	70,804	70,954	42,095	42,017
Long-term debt.....	511,458	540,649	400,812	426,928
Redeemable preferred stock	772	980	853	1,035
Other financial liabilities (Note 4)	4,783	4,783	43,252	43,252
Total	Rs. 612,302	Rs. 642,080	Rs. 1,004,388	Rs. 1,028,808

Note 1: Includes non-readily marketable equity securities of Rs. 9,418 million (2002: Rs. 8,268 million) for which there are no readily determinable fair values.

Note 2: The carrying value of loans is net of the allowance for loan losses, security deposits and unearned income.

Note 3: Includes cash and cash equivalents and customers acceptance liability for which the carrying value is a reasonable estimate of fair value.

Note 4: Represents acceptances outstanding, for which the carrying value is a reasonable estimate of fair value.

32. Regulatory matters

Subsequent to the reverse acquisition of the acquiree, 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.

Statutory liquidity requirements

In accordance with the Banking Regulation Act, 1949, the Company 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, 2003 was Rs. 230,644 million (2002: Rs. Nil)

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Capital adequacy requirements

The Company 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 of 9% to be maintained. The capital adequacy ratio of the Company calculated in accordance with the Reserve Bank of India guidelines at March 31, 2003, was 11.10%.

For and on behalf of the Board

K.V. KAMATH
Managing Director &
Chief Executive Officer

KALPANA MORPARIA
Executive Director

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer & Treasurer

G. VENKATAKRISHNAN
General Manager
Corporate Accounts & Taxation

BALAJI SWAMINATHAN
Senior General Manager