ICICI Bank UK Limited

Directors' report and financial statements

31 March 2006

Registered number 4663024

Contents

Directors' report

The Directors of ICICI Bank UK Limited ("the Company") take pleasure in presenting their third annual report, together with the financial statements and auditors' report, for the year ended 31 March 2006.

Principal activities

ICICI Bank UK Limited is a full service United Kingdom (UK) incorporated bank offering both retail and commercial banking services and is authorised and regulated by the Financial Services Authority (FSA). The Company is a member of the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000 and is a wholly owned subsidiary of ICICI Bank Ltd. ICICI Bank Ltd. has an asset base of over USD 47 billion as at 31 December 2005, and is India's largest bank in terms of market capitalization. The Company has a high standing among the Asian retail and business community in the UK and focuses on three key business areas which include retail and private banking, corporate and investment banking and trade finance in support of the trade flow between the UK and India. ICICI Bank UK Limited's retail banking portfolio covers a full product suite including current accounts, savings accounts, internet banking, debit and credit cards. The Company is also a full service corporate bank offering loans, overdrafts, working capital facilities, investment banking and advisory services and has strongly focused on cross-border merger and acquisition deals.

Business review

Retail banking is a key element of the Company's growth strategy in the UK, with retail liabilities having grown from USD 387 million to USD 1,054 million over the year. The Company launched its two-pronged retail strategy this year. The first was a focus on direct banking through a low cost operating platform, allowing the offering of a competitive rate in the market place, while the second was a branch driven offering for the Asian community in the UK. The direct banking initiative was launched through the introduction of an internet savings account which contributed to rapid retail liability growth. This offering will be augmented through an on-line personal loan offering this year as well as a full suite of internet based liability savings products. The focus on the Asian community was further enhanced through the opening of new branches in the key Asian regions of Leicester, Manchester, Southall and Wembley. The Company has built a strong brand image and substantially increased its customer base across all segments in the UK. It is well placed to continue the further expansion of its product portfolio in the marketplace.

The corporate and investment banking business saw continued growth in income levels both from higher net interest income and associated fee income. The most significant achievement of the year was to establish the Company's investment banking business in the area of acquisition advisory services and financing of cross-border India-UK deals and also grow the business to a level where it is one of the largest contributors to the Bank's income. In addition to developing a strong fee source for the Bank in the UK, this also established the ICICI Bank Group as a serious player in the cross-border mergers and acquisitions business. The Company has also been a key player in financing the trade flows between UK and India. This expansion in activity is set to continue with the opening of a branch in Antwerp, Belgium during early May of 2006.

Private banking activities have commenced during the year and the Company has been successful in capturing a large segment of the Asian high net-worth community through the offering of India-linked products in the areas of real estate and private equity. This activity will be a key revenue driver and an integral component of the Company's diversification during the coming year. The principal focus areas will include a greater emphasis on onshore products, coupled with expansion of the existing sales structure, as well as the development of alternative distribution channels.

Treasury activity during the year has continued to focus principally upon efficient liquidity management and increasing and diversifying the availability of lines of credit. The Company has also

Directors' report *(continued)*

gradually increased trading activity during the year, driven by a growth in client based transactions, accompanied by a continually enhanced risk management control and reporting framework.

Financial instruments

Financial instruments are used by the Company for proprietary trading purposes and for hedging its structural balance sheet positions. The risk management of the Company includes operating a policy for hedge accounting of financial instruments entered into for hedging purposes. Guidelines for monitoring credit, interest rate, market and liquidity risks associated with financial instruments are stipulated as a part of the credit and treasury policies of the Company. The risk management framework and the Company's exposure to major risks have been covered in the notes to accounts (see note 23).

Financial results

The financial statements for the reporting year ended 31 March 2006 are shown on pages 7 to 33. The profit after taxation and before dividend payments for the year amounts to USD 14,525,000 (2005 – profit of USD 2,270,000).

The Directors declared and paid an interim preference dividend of USD 4,125,000 during the year on preference share capital of USD 50,000,000 (2005: Nil).

Directors and Company Secretary

The names of the Directors and Company Secretary as at the date of this report and those who served during the year are as follows:

Mr KV Kamath	(Chairman of the Board)
Mr S Chatterjee	(Managing Director and CEO)
Mrs L Gupte	
Mr WMT Fowle	
Mr RMJ Orgill	
Dr M Kaul	
Mr B Dasgupta	
Mr MR Errington	(Director and Company Secretary)

There were no appointments or resignations during the year.

Directors' interests

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company at that date.

Share capital

On 12 December 2005, the Company issued 15,000,000 ordinary shares of USD1 each and on 29 March 2006, the Company issued 20,000,000 ordinary shares of USD 1 each. As at the reporting date, the issued Share Capital, fully paid, amounted to USD 185,000,000 and £2.

Directors' report *(continued)*

Political and charitable contributions

The Company made charitable contributions of USD 25,000 during the year (2005: USD 36,000). Of this amount, approximately USD 21,000 was paid to educational trusts. The Company made no political contributions during the year (2005: Nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re- appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MR Errington
Company Secretary
20 April 2006

Registered address
21 Knightsbridge
London SW1X 7LY

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG Audit Plc

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Independent auditors' report to the members of ICICI Bank UK Limited

We have audited the financial statements of ICICI Bank UK Ltd for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movement in Shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants
Registered Auditor
20 April 2006

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Profit and loss account

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Interest receivable:			
Interest receivable and similar income arising on debt securities		12,811	3,569
Other interest receivable and similar income		50,469	10,932
Interest payable		(47,839)	(9,447)
Net interest income		15,441	5,054
Fees and commissions receivable	*2*	22,112	6,602
Dealing profits	*3*	2,486	357
Other operating income	*4*	2,523	1,453
Operating income		42,562	13,466
Administrative expenses	*5*	(15,922)	(9,038)
Depreciation		(908)	(508)
Provisions for bad and doubtful debts:			
General provisions	*12*	(996)	(1,080)
Profit /(loss) on sale of debt securities		(3,441)	-
Profit on ordinary activities before tax		21,295	2,840
Tax on profit on ordinary activities	*7*	(6,770)	(570)
Profit on ordinary activities after tax		14,525	2,270
Preference dividend paid during the year		(4,125)	-
Profit on ordinary activities after tax and dividend		10,400	2,270

There are no recognised gains and losses other than the profit for the year as reported above.

There is no difference between the retained profit for the year and the retained profit on an historical cost basis.

The result for the year is derived entirely from continuing activities.

The notes on pages 10 to 33 form part of these financial statements.

Balance sheet
at 31 March 2006

	Note	31 March 2006 USD 000s	31 March 2005 USD 000s
Assets			
Cash		395	87
Treasury bills and other eligible bills	*9*	186,926	-
Loans and advances to banks	*10*	587,391	435,962
Loans and advances to customers	*11*	726,097	399,946
Debt securities	*13*	513,888	168,380
Tangible fixed assets	*14*	3,891	2,119
Other assets	*15*	3,016	1,585
Prepayments and accrued income		17,612	10,682
Total assets		2,039,216	1,018,761
Liabilities			
Deposits by banks	*16*	747,418	469,412
Customer accounts	*17*	1,053,622	387,073
Other liabilities	*18*	24,146	5,888
Accruals and deferred income		18,607	6,365
Shareholders' funds:			
Equity share capital	*19*	135,000	100,000
Non equity share capital	*19*	50,000	50,000
Profit and loss account		10,423	23
		195,423	150,023
Total liabilities		2,039,216	1,018,761

		USD 000s	USD 000s
Memorandum items			
Contingent liabilities:			
Guarantees	*21*	7,680	-
Commitments:			
Other commitments	*21*	71,818	81,564
		79,498	81,564

These financial statements were approved by the board of directors on 20 April 2006 and were signed on its behalf by:

MR Errington
Director

The notes on pages 10 to 33 form part of these financial statements.

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2006

	Issued Share Capital USD 000s	P&L Account USD 000s	31 March 2006 Total USD 000s
As at 1 April 2005	150,000	23	150,023
Ordinary shares issued during the year	35,000	-	35,000
Preference shares issued during the year	-	-	-
Profit on ordinary activities after tax	-	14,525	14,525
Preference dividend paid during the year	-	(4,125)	(4,125)
Closing shareholders' funds	185,000	10,423	195,423

The notes on pages 10 to 33 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements wherever required:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 relating to banking companies, applicable accounting standards and the British Bankers' Association Statements of Recommended Accounting Practice (SORPs) relating to:

- Advances
- Securities
- Derivatives
- Contingent liabilities and commitments

(b) New accounting standards

In these financial statements the following new standards have been adopted for the first time:

- FRS 17 'Retirement Benefits';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure';
- FRS 28 'Corresponding amounts'.

FRS 28 'Corresponding amounts' has had no effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

There are no impacts arising from the adoption of FRS 17, FRS 21 and FRS 25 on the current year's result which need separate disclosure.

(c) Cash flow statement

As a wholly owned subsidiary whose parent produces publicly available accounts (see note 27), the Company has taken advantage of the exemption available within FRS 1 (revised), "Cash Flow Statements", and does not produce a cash flow statement.

(d) Loans and advances

Loans and advances are stated at cost after deduction of amounts which in the opinion of the directors are required as specific or general provisions. Where loans have been acquired at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of acquisition to the date of maturity on a straight line basis.

Notes
(forming part of the financial statements)

Loans are designated as non-performing as soon as management has doubts as to the ultimate collectibility of the principal or interest. Loans are also considered to be non-performing if principal or interest is 90 days overdue. When a loan is designated as non-performing, interest will be suspended and a specific provision raised, if required.

Specific provisions

Specific provisions represent the quantification of the actual or expected losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case by case basis. The amount of specific provision raised is the Company's conservative estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value.

General provisions

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The general provision is determined by taking into account the structure and risk of the Company's loan portfolio. General provisions are deducted from loans and advances in the balance sheet.

(e) Treasury bills and debt securities

Where dated investment securities intended to be held on a continuous basis have been purchased at a premium or discount, these premiums and discounts are amortised on an effective interest rate basis through the profit and loss account over the period to maturity. If the maturity is at the borrowers' option within a specified range of years, the maturity date which gives the more conservative result is adopted. These securities are included in the balance sheet at cost less provision for impairment in value and adjusted for the amortisation of premiums and discounts arising on acquisition. The amortisation of premiums and discounts is included in interest income. Any profit or loss on realisation of these securities is recognised in the profit and loss account as it arises and included in 'Profit/ (loss) on sale of debt securities'.

Other treasury bills and debt securities are included in the balance sheet at market value. Changes in the market value of such assets and liabilities are recognised in the profit and loss account as dealing profits as they arise. For liquid portfolios, securities are valued by reference to bid or offer prices as appropriate.

(f) Foreign currencies

The financial statements are prepared in US Dollars, which represents the currency of the primary economic environment in which the Company operates since a significant proportion of the banking assets and liabilities, revenues and expenses are transacted in US Dollars.

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into US Dollars at the rate of exchange ruling at the date of the transaction. Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the year.

Notes
(forming part of the financial statements)

(g) Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

Leasehold improvements	Over the lease period
Office equipment	6 – 7 years
Furniture, fixtures and fittings	6 – 7 years
Computer hardware and software	3 – 4 years

(h) Derivatives

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps, futures, forward rate agreements, currency swaps, options and similar instruments, for trading and non-trading purposes.

Derivatives may be used to hedge interest rate and exchange rate risks arising on transactions entered into in the normal course of business. Instruments used for hedging purposes include interest rate and currency swaps. Derivatives entered into for trading purposes include swaps, futures and options.

Derivatives classified as trading are held for portfolio management purposes within the Company's trading book. Trading book activity is the buying and selling of financial instruments in order to take advantage of short term changes in market prices. Trading book derivatives are carried at fair value in the balance sheet within 'Other assets' and 'Other liabilities'. Positive and negative fair values of trading derivatives are offset where contracts have been entered into under master netting agreements or other arrangements that represent a legally enforceable right of set-off which will survive the liquidation of either party. Gains and losses are taken directly to the profit and loss account and reported within 'Dealing profits'.

Off-balance sheet financial derivatives are entered into by the Company for hedging purposes to reduce the risks arising on transactions entered into in the normal course of business. The income and expense arising from off-balance sheet financial derivatives entered into for hedging purposes is recognised in the accounts in accordance with the accounting treatment of the underlying transactions or transactions being hedged. All off-balance sheet financial derivatives are held for the period in which the underlying hedge matures. To qualify as a hedge, a derivative must effectively reduce the price or interest rate risk of the asset, liability or anticipated transaction to which it is linked and be designated as a hedge at inception of the derivative contract. Accordingly, changes in the market value of the derivative must be highly correlated with changes in the market value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

(i) Interest receivable and payable

Interest receivable and payable is accrued over the period of the related loans, securities and deposits.

(j) Fees and commissions receivable

Fees and commissions are taken to income once the related service has been provided and the right to receive the associated fees has been established.

(k) Fees and commissions payable on borrowing

Fees paid on borrowings are amortised over the period of borrowing on an effective interest rate basis and are included in interest expense.

Notes

(forming part of the financial statements)

(l) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax". Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(m) Pension costs

The Company operates a stakeholder defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account when paid (see note 20).

(n) Related party transactions

The Company has taken advantage, under FRS 8, "Related Party Disclosures", of the exemption not to disclose related party transactions with group companies, as it is a wholly owned subsidiary of ICICI Bank Limited (see note 27).

(o) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Fees and commissions receivable

This amount principally consists of non-refundable arrangement, advisory and other fees earned by the Company on credit facilities granted during the year. In accordance with the accounting policy, these fees have been recognised up-front.

3 Dealing profits

Dealing profits mainly consist of net profits or losses on transactions in securities which are not held as investment securities, net profit or loss on exchange rate activities, and net profits or losses on other dealing operations involving financial instruments. Dealing profits are analysed below:

Instruments	**Year ended 31 March 2006** **USD 000s**	Year ended 31 March 2005 USD 000s
Treasury bills and other eligible bills	**20**	-
Debt securities	**69**	-
Exchange rate contracts	**2,111**	357
Interest rate contracts	**286**	-
Total	**2,486**	357

Debt securities include bonds, certificates of deposit and credit linked notes. Exchange rate contracts include currency spots, forwards and options and interest rate contracts include swaps and futures.

Notes
(forming part of the financial statements)

4 Other operating income

Other operating income principally consists of amounts receivable from the parent company in respect of a revenue sharing agreement on remittances originated by the Company or through an alliance with a third party, amounts receivable in respect of relationship management services, and amounts receivable in respect of private banking services.

5 Administrative expenses

	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Staff costs (including directors' emoluments):		
Wages and salaries	7,155	4,383
Social security costs	607	404
Other administrative expenses	8,160	4,251
Total	15,922	9,038

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	Year ended 31 March 2006 Number of employees	Year ended 31 March 2005 Number of employees
Management	6	6
Non Management	100	45
Total	106	51

6 Profit on ordinary activities before tax

(a) is stated after charging

	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Auditors' remuneration:		
Audit	142	126
Other services – fees paid to the auditor and its associates	32	21

Notes
(forming part of the financial statements)

Depreciation on tangible fixed assets	908	508
Operating lease rental in respect of leasehold premises	460	213

(b) Segmental reporting

The Company has one class of business and all other services provided are ancillary to this. All business is conducted from the United Kingdom.

7 Taxation

(a) Analysis of charge in the year	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Current tax:		
UK Corporation tax at 30% (2005: 30%) on the taxable profits for the year	6,770	570
Tax on profits on ordinary activities	6,770	570

(b) Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK (30% (2005: 30%)). The differences are explained below.

	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Current tax reconciliation		
Profits on ordinary activities before tax	21,295	2,840
Current tax at 30%	6,388	852
Add/ (less) effects of:		
Expenses not deductible for tax purposes	63	63
Losses utilised	-	(632)
Timing difference on movement of general provision for bad and doubtful debts	299	324
Other timing differences	20	(37)
Total current tax charge (see 7 (a) above)	6,770	570

As at 31 March 2006, there were net deferred tax assets of USD 570,000 in respect of general provision for bad and doubtful debts (2005: USD 287,000 in respect of general provision for bad and doubtful debts). The Directors have considered it prudent not to recognise these assets given the relatively short time the Company has been operating.

Notes
(forming part of the financial statements)

(c) Factors that may affect future tax charges

The directors of the Company are not aware of any factors which will have a material effect upon future tax charges.

8 Emoluments of directors

	Year ended 31 March 2006 USD 000s	Year ended 31 March 2005 USD 000s
Directors' fees and emoluments (including pension and other benefits)	699	640

The emoluments of the highest paid director were USD 372,884 (2005: USD 304,612). Contributions on behalf of directors under a money purchase pension scheme amounted to USD 13,728 (2005: USD 7,555). The number of directors to whom retirement benefits accrue under a defined contribution pension scheme is 2 (2005: 1).

9 Treasury bills and other eligible bills

	31 March 2006 USD 000s	31 March 2005 USD 000s
Analysed by issuer:		
Issued by public bodies		
Government (non trading)-UK	100,641	-
Government (trading)-UK	86,285	-
	186,926	-

Of the total treasury and other eligible bills, USD 100,641,000 (2005: Nil) are non trading book investment securities. These comprise UK Treasury bills which are short term in nature and analysed below:

	31 March 2006			31 March 2005
	USD 000s Nominal	USD 000s Net discount	USD 000s Net book value	USD 000s Net book value
Opening balance	-	-	-	-
Purchases	100,786	(260)	100,526	-
Accretion	-	115	115	-
Closing balance	100,786	(145)	100,641	-

Notes

(forming part of the financial statements)

10 Loans and advances to banks

(a) Residual maturity

	31 March 2006 USD 000s	31 March 2005 USD 000s
Banks		
Repayable on demand	2,431	788
Other loans and advances		
Remaining maturity:		
5 years or less but over 1 year	83,900	50,024
1 year or less but over 3 months	71,496	63,562
3 months or less	418,475	316,017
	576,302	430,391
Parent company		
Repayable on demand	1,089	157
Other loans and advances		
Remaining maturity:		
1 year or less but over 3 months	6,425	2,938
3 months or less	3,575	2,476
	11,089	5,571
Total	587,391	435,962

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to banks:

	31 March 2006 USD 000s	31 March 2005 USD 000s
Total gross advances to banks located in:		
Europe and North America	530,818	288,982
India	3,678	38,927
Rest of the World	52,895	108,053
Total	587,391	435,962

Notes

(forming part of the financial statements)

11 Loans and advances to customers

(a) Residual maturity

	31 March 2006 USD 000s	31 March 2005 USD 000s
Repayable on demand or at short notice	40,538	10,509
Other loans and advances		
Remaining maturity:		
Over 5 years	54,926	10,000
5 years or less but over 1 year	317,307	140,000
1 year or less but over 3 months	115,904	115,000
3 months or less	199,555	125,574
Sub-total	728,230	401,083
Bad and doubtful debt provision – general (note 12)	(2,133)	(1,137)
Total	726,097	399,946

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to customers:

	31 March 2006 USD 000s	31 March 2005 USD 000s
Total gross advances to customers located in:		
Europe and North America	343,743	100,850
India	317,297	207,869
Rest of the World	67,190	92,364
Total	728,230	401,083

12 Provisions for bad and doubtful debts

Movements on provisions for bad and doubtful debts:

	31 March 2006			31 March 2005		
	Specific	General	Total	Specific	General	Total
	USD 000s	USD 000s	USD 000s	USD 000s	USD 000s	USD 000s
Opening balance	-	1,137	1,137	-	57	57
New provisions	-	996	996	-	1,080	1,080
Closing balance	-	2,133	2,133	-	1,137	1,137

Notes
(forming part of the financial statements)

13 Debt securities

	31 March 2006 USD 000s	31 March 2005 USD 000s
Analysed by issuer:		
Non trading book		
Issued by public bodies	50,215	-
Issued by other issuers	357,027	121,483
Bank certificates of deposit	24,236	48,888
Trading book		
Issued by public bodies	1,000	-
Issued by other issuers	82,602	-
	515,080	170,371
Less: Unamortised discounts	(1,192)	(1,991)
Total	513,888	168,380
Analysed by listing status:		
Non trading book		
Unlisted	169,745	170,371
Listed	261,733	-
Trading book		
Unlisted	2,491	-
Listed	81,111	-
Total	515,080	170,371
Analysed by maturity:		
Due within 1 year	24,236	61,888
Due 1 year and over	490,844	108,483
Total	515,080	170,371

Movement of debt securities (non trading book):

	31 March 2006			31 March 2005
	USD 000s Nominal	USD 000s Net discount	USD 000s Net book value	USD 000s Net book value
Opening balance	170,371	(1,991)	168,380	-
Purchases	625,622	(1,481)	624,141	389,376
Maturities	(145,832)	-	(145,832)	(173,271)
Sales	(118,805)	126	(118,679)	(12,778)
Redemptions	(98,500)	-	(98,500)	(35,000)
Accretion (Amortisation)	-	776	776	53
Closing balance	432,856	(2,570)	430,286	168,380

Notes

(forming part of the financial statements)

14 Tangible fixed assets

	Leasehold improvements USD 000s	Other assets USD 000s	Total USD 000s
Cost			
At 1 April 2005	585	2,258	2,843
Additions	1,771	909	2,680
At 31 March 2006	2,356	3,167	5,523
Depreciation			
At 1 April 2005	69	655	724
Charge for year	193	715	908
At 31 March 2006	262	1,370	1,632
Net book value			
At 31 March 2006	**2,094**	**1,797**	**3,891**
At 31 March 2005	516	1,603	2,119

15 Other assets

	31 March 2006 USD 000s	31 March 2005 USD 000s
Cheques in clearing	1,490	289
Deposits receivable	1,173	45
Forward foreign exchange contracts	-	266
Other debtors	353	985
Total	3,016	1,585

Notes

(forming part of the financial statements)

16 Deposits by banks

	31 March 2006 USD 000s	31 March 2005 USD 000s
With agreed maturity dates or periods of notice, by remaining maturity:		
Banks		
5 years or less but over 1 year	380,000	75,000
1 year or less but over 3 months	75,000	81,000
3 months or less but not repayable on demand	127,418	120,500
	582,418	276,500
Parent and group companies		
5 years or less but over 1 year	35,000	18,812
1 year or less but over 3 months	-	152,000
3 months or less but not repayable on demand	130,000	22,000
	165,000	192,812
Repayable on demand	-	100
	165,000	192,912
Total	747,418	469,412

17 Customer accounts

	31 March 2006 USD 000s	31 March 2005 USD 000s
With agreed maturity dates or periods of notice, by remaining maturity:		
5 years or less but over 1 year	74,887	127,847
1 year or less but over 3 months	150,221	105,300
3 months or less but not repayable on demand	279,208	139,328
	504,316	372,475
Repayable on demand	549,306	14,598
Total	1,053,622	387,073

Notes
(forming part of the financial statements)

18 Other liabilities

	31 March 2006 USD 000s	31 March 2005 USD 000s
Amounts in clearing	5,793	4,335
Corporation tax payable	4,116	570
Forward foreign exchange contracts	2,147	-
Other creditors	3,098	983
Unsettled securities	8,992	-
Total	24,146	5,888

19 Called up share capital

	31 March 2006	31 March 2005
Authorised		
Ordinary shares of £1 each (equity)	100,000,000	100,000,000
Ordinary shares of USD1 each (equity)	450,000,000	450,000,000
Ordinary shares of EUR1 each (equity)	500,000,000	500,000,000
Non-cumulative perpetual callable preference shares of USD 1 each (non equity)	50,000,000	50,000,000
Allotted, called up and fully paid		
135 million ordinary shares of USD1 each (equity)	135,000,000	100,000,000
50 million non-cumulative perpetual callable preference shares of USD1 each (non equity)	50,000,000	50,000,000
2 ordinary shares of £1 each (equity)	2	2

During the year, the Company allotted 35,000,000 ordinary shares of USD 1 each for a cash consideration of USD 35,000,000.

20 Pension scheme

During the year, the Company made a contribution of USD 78,033 (2005: USD 66,377) to the pension scheme. Out of this amount, USD 4,727 was accrued at the year end (2005: USD 9,303).

21 Contingent liabilities and commitments

(a) Other commitments

	31 March 2006 USD 000s	31 March 2005 USD 000s
Contingent liabilities		
Guarantees	7,680	-

Notes
(forming part of the financial statements)

Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:		
Less than 1 year	71,818	81,564

(Assets of USD 16 million (2005: USD 30 million) have been lodged as security against the above commitments)

(b) Significant concentrations of contingent liabilities and commitments

Approximately 67% (2005: 32%) of total contingent liabilities and commitments relate to counterparties in India.

(c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding foreign exchange contracts for purchases of USD 416,852,000 (2005: USD 42,865,336) and sales of USD 416,852,000 (2005: USD 42,865,336).

22 *Operating lease commitments*

As at 31 March 2006, the Company has the following non cancellable annual operating lease commitments:

	31 March 2006 USD 000s Land and buildings	31 March 2005 USD 000s Land and buildings
Operating leases which expire:		
Between 1 and 5 years	144	79
More than 5 years	518	242
Total	662	321

23 Risk Management Framework

Through its banking services the Company is exposed to a range of risks. The Company's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise and that the Company adheres to the policies and procedures which are established to address these issues. As a Bank, the Company is primarily exposed to credit risk, interest rate risk, market risk, liquidity risk, foreign exchange risk and operational risk. Committees of the Board of Directors have been constituted to oversee risk management. Additionally, the Board of Directors has delegated authority to the Chief Executive Officer, who is assisted by executive management committees and a risk function which is independent from the Company's business operations. In turn, this is supplemented by internal audit.

Notes
(forming part of the financial statements)

Major risks

Credit risk

Credit risk arises principally on the lending activities of the Company. Credit risk policies are applied by the Executive Credit Committee which operates within the authority granted to it by the Board Risk and Credit Committee. Country and counterparty limits are established and monitored on a daily basis, with a detailed review at least once a year. Management receives regular reports on the utilisation of these limits.

Interest rate risk

Interest rate risk primarily arises on the mismatching of the Company's assets with its funding. This is monitored daily and is managed by the Asset and Liability Committee.

Price risk (Trading book)

The Company undertakes proprietary trading activities to enhance earnings. The Trading Book Policy statement provides direction to the trading activities of the Bank and covers all positions in financial instruments held by the Company for the purposes of trading.

The impact of an increase in interest rates on the trading book fixed income (fixed and floating rate) investments as at 31 March 2006 assuming a parallel shift in yield curve has been set out in the following table:

USD 000s

Particulars	Portfolio size	Increase in interest rates (in bps)	
		100	200
Impact on value of Trading book fixed income investments	169,887	(269)	(538)

Interest rate risk (impact on interest earnings)

Volatility in interest rates has an impact on an entity's interest earnings. The impact of an increase in interest rates on the Bank's net interest income as at 31 March 2006 assuming a parallel shift in the yield curve has been set out in the following table:

USD 000s

Particulars	Increase in interest rates (in bps)	
	100	200
Impact on Net Interest Income over a one year horizon	2,002	4,003

The positive impact as a result of an increase in interest rates is due to positive near term Balance Sheet re-pricing gaps (the interest rate re-pricing schedules as at 31 March 2006 and 31 March 2005 have been set out in the following tables).

The combined impact of the price risk associated with an increase of 100 bps in interest rates on the trading book assets, coupled with the impact on the net interest income viewed over a one year horizon is measured against a limit of 10% of the unimpaired Tier I & II capital base of the Bank as at the end of the immediately preceding financial year.

Short term debtors and creditors have been included in all of the following disclosures, when applicable.

Notes
(forming part of the financial statements)

Interest rate re-pricing schedule

The interest rate re-pricing schedule as at 31 March 2006 is set out below:

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Trading book	Total
Assets								
Cash	-	-	-	-	-	395	-	395
Treasury bills and other eligible bills	100,641	-	-	-	-	-	86,285	186,926
Loans and advances to banks	553,290	20,489	10,092	-	-	3,520	-	587,391
Loans and advances to customers	598,917	123,180	4,000	-	-	-	-	726,097
Debt securities	345,007	53,442	-	28,624	3,213	-	83,602	513,888
Tangible fixed assets	-	-	-	-	-	3,891	-	3,891
Other assets	-	-	-	-	-	3,016	-	3,016
Prepayments and accrued income	-	-	-	-	-	17,612	-	17,612
Total assets	1,597,855	197,111	14,092	28,624	3,213	28,434	169,887	2,039,216
Liabilities								
Deposits by banks	722,418	25,000	-	-	-	-	-	747,418
Customer accounts	777,908	94,255	55,966	73,917	-	51,576	-	1,053,622
Other liabilities	11,531	-	-	-	-	12,615	-	24,146
Accruals and deferred income	-	-	-	-	-	18,607	-	18,607

Notes
(forming part of the financial statements)

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Trading book	Total
Shareholders' funds	-	-	-	-	-	195,423	-	195,423
Total liabilities	1,511,857	119,255	55,966	73,917	-	278,221	-	2,039,216
Derivatives								
IRS	(45,993)	5,000	-	43,993	(3,000)	-	-	-
Gap	40,005	82,856	(41,874)	(1,300)	213	(249,787)	169,887	-
Cumulative	40,005	122,861	80,987	79,687	79,900	(169,887)	-	-

The figures above do not demonstrate the exposure of the Company to particular interest rates as the assets and liabilities have been consolidated across all currencies.

The interest rate re-pricing schedule as at 31 March 2005 is set out below:

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Total
Assets							
Cash	-	-	-	-	-	87	87
Loans and advances to banks	372,521	52,903	10,306	232	-	-	435,962
Loans and advances to customers	269,938	69,393	57,786	2,829	-	-	399,946
Debt securities	136,380	32,000	-	-	-	-	168,380

Notes
(forming part of the financial statements)

	Less than 3 *months*	More than 3 *months* but not more than 6 months	More than 6 *months* but not more than one year	More than one year *but not* more than 5 years	More than 5 *years*	Non interest *bearing*	Total
Tangible fixed assets	-	-	-	-	-	2,119	2,119
Other assets	-	-	-	-	-	1,585	1,585
Prepayments and accrued income	-	-	-	-	-	10,682	10,682
Total assets	778,839	154,296	68,092	3,061	-	14,473	1,018,761
Liabilities							
Deposits by banks	167,600	233,812	68,000	-	-	-	469,412
Customer accounts	146,900	25,067	74,857	127,847		12,402	387,073
Other liabilities	-	-	-	-	-	5,888	5,888
Accruals and deferred income	-	-	-	-	-	6,365	6,365
Shareholders' *funds*	-	-	-	-	-	150,023	150,023
Total liabilities	314,500	258,879	142,857	127,847	-	174,678	1,018,761
Derivatives							
IRS	(109,960)	50,000	30,000	29,960	-	-	-
FRA	-	20,000	(20,000)	-	-	-	-
Gap	354,379	(34,583)	(64,765)	(94,826)	-	(160,205)	-
Cumulative	354,379	319,796	255,031	160,205	160,205	-	-

Notes
(forming part of the financial statements)

The figures above do not demonstrate the exposure of the Company to particular interest rates as the assets and liabilities have been consolidated across all currencies.

Market risk

The Company uses a value at risk ('VAR') measure as the primary mechanism for controlling market risk. Market risk arises mainly from uncertainty about future prices of financial and other instruments used in the Bank's business. It represents the potential loss the Bank might suffer through adverse changes in interest rates and foreign exchange rates. The Bank's trading activities principally comprise trading in foreign exchange derivative financial instruments which include forwards, swaps and options. Positions in such instruments are reported at fair value.

VAR is the potential loss in value of the Company's trading positions, which might arise due to adverse movements in markets over a defined time horizon with a specified confidence level.

The Company's VAR, is calculated using a parametric approach at a 99% confidence level over a one day holding period.

The VAR for the Company's trading book as at 31 March 2006 was USD 73,000 (2005: USD 8,000) and the average, highest and lowest VARs during the year from 1 April 2005 to 31 March 2006 were USD 60,000 (2005: USD 9,000), USD 134,000 (2005: USD 15,000) and USD 10,000 (2005: USD 4,000) respectively. These figures are purely indicative as they are simply based on a month-end time series.

The modelling of the risk characteristics of the Company's trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no uniform industry method for estimating VAR and different assumptions and/or approximations could produce materially different VAR estimates. The VAR figures disclosed above, for example, have the following main limitations:

The Company uses data for the last year to estimate its VAR and, given this reliance on historical data, VAR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VAR is that past changes in market risk factors may not produce accurate predictions of future market risk.

The VAR estimates the risk for a one-day time horizon. It does not capture the market risk of positions over a longer holding period.

Focusing on the maximum loss that is expected to be incurred 99% of the time says little about the size of the losses in excess of the VAR that are expected to be incurred 1% of the time.

The VAR calculation is based on certain assumptions (log-normal distribution) on the distribution of market price movements that might not hold in practice.

The assumption of correlation or independence between risk types may be incorrect and therefore result in VAR not fully capturing market risk.

VAR is calculated at the close of business with intra-day exposures not being subject to intra-day VAR calculations.

Liquidity risk

Liquidity risk arises on the mis-matching of the residual maturity of the Company's assets and funding. This is also monitored daily, and is managed by the Asset and Liability Committee.

Foreign exchange risk

Foreign exchange risk is managed within the Treasury function. Policies and procedures are detailed in an operational procedures manual. This incorporates FSA agreed limits where necessary, and

Notes

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other regulatory bodies requirements and best practices. It is subject to periodic review by Internal Audit, and is approved by the Board. Senior management also regularly monitors the positions taken on a daily basis.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. The Company's operational risk framework is subject to procedural policies and best practice standards, with senior management being responsible for their implementation and maintenance. Adherence to these policies is also subject to periodic review by Internal Audit.

24 Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all of the Company's trading and non trading financial assets and financial liabilities as at 31 March 2006:

	2006 Fair value USD 000s	2006 Book value USD 000s	2005 Fair value USD 000s	2005 Book value USD 000s
Non trading book financial assets and liabilities				
Assets:				
Cash	395	395	87	87
Treasury bills and other eligible bills	100,661	100,641	-	-
Loans & advances to banks	587,391	587,391	435,962	435,962
Loans & advances to customers	726,097	726,097	399,946	399,946
Debt securities	425,487	430,286	167,998	168,380
Liabilities:				
Deposits by banks & customer accounts	1,801,040	1,801,040	856,485	856,485
Trading book financial assets and liabilities				
Treasury bills and other eligible bills	86,285	86,285	-	-
Debt securities	83,602	83,602	-	-

Market values have been used to determine the fair values of all treasury bills and debt securities (other than credit linked notes). The fair values of credit linked notes have been calculated by discounting expected future cash flows at prevailing interest rates. The fair value of loans is assumed to be the same as book value because the interest rates on a significant portion of the portfolio are floating in nature, with interest rates reset not extending beyond a three month period. The fair value of liabilities is assumed to be the same as book value because the interest rates on a significant portion are floating in nature, with interest rates not extending beyond a three month period.

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(forming part of the financial statements)

25 Derivative financial instruments

The Company enters into various financial instruments for proprietary trading and for hedging its interest rate and foreign exchange risks.

Interest related contracts include swaps, futures and forward rate agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Forward rate agreements are contracts under which two counterparties agree on the interest to be paid on a notional deposit of a specified maturity at a specific future settlement date; there is no exchange of principal.

Exchange rate related contracts include spot, currency swaps, options and forward transactions. The Company's currency swap transactions generally involve an exchange of currencies and an agreement to re-exchange the currency at a future date where the swaps relate to assets and liabilities denominated in different currencies.

The Company enters into over-the-counter Credit Default Swaps for portfolio management purposes and enhancing returns.

The contract or notional principal amounts of these instruments are not indicative of the amounts at risk which are smaller amounts payable under the terms of these instruments and upon the basis of the contract or notional principal amount. Derivatives contracts in the non-trading book are used for hedging purposes only and are accounted for on this basis and are executed with bank counterparties for whom volume and settlement limits have been approved. Group limits are approved for connected exposures.

At 31 March 2006, the principal amounts of the instruments were:

Instruments	Non Trading	Trading		
	Notional Principal	Notional Principal	Gross positive fair values	Gross negative fair values
	USD 000s	USD 000s	USD 000s	USD 000s
Exchange rate contracts	325,149	91,703	841	(831)
Interest rate contracts	261,450	60,127	285	(43)
Credit Derivatives	5,000	-	-	-

At 31 March 2005, the principal amounts of the instruments were:

Instruments	Non Trading	Trading		
	Notional Principal	Notional Principal	Gross positive fair values	Gross negative fair values
	USD 000s	USD 000s	USD 000s	USD 000s
Exchange rate contracts	42,865	-	-	-
Interest rate contracts	134,860	-	-	-

Notes
(forming part of the financial statements)

Credit Risk Disclosure:

Residual maturity of fair value of derivatives:

The residual maturity and the location of all exposures arising from over the counter (OTC) and non margined exchange traded derivative contracts is set out below.

At 31 March 2006, residual maturities of the net fair values of derivatives were:

Instruments	1 year or less	More than one year but not more than 5	More than 5 years	Total
	USD 000s	USD 000s	USD 000s	USD 000s
Non trading book				
Financial Institutions	1,430	465	461	2,356
Trading book				
Financial Institutions	(27)	55	-	28
Other	229	(5)	-	224

At 31 March 2005, residual maturities of the net fair values of derivatives were:

Instruments	1 year or less	More than one year but not more than 5	More than 5 years	Total
	USD 000s	USD 000s	USD 000s	USD 000s
Non trading book				
Financial Institutions	737	(153)	-	584

Risk weighted amounts:

The risk weighted amounts and positive fair values have been calculated based on the Financial Services Authority's requirements. The positive fair values represent the claims that the Company would have if all the counterparties to which it was exposed defaulted at once and the Company were to replace the contracts.

Notes

(forming part of the financial statements)

At 31 March 2006, the risk weighted amounts and positive fair values of derivatives were:

Counterparty locations	Notional Amounts	Risk weighted amounts	Positive fair values
	USD 000s	USD 000s	USD 000s
Financial Institutions			
Europe and North America	466,671	2,475	2,293
India	88,814	275	225
Singapore	117,572	100	77
Other			
Europe and North America	70,372	279	234

At 31 March 2005, the risk weighted amounts and positive fair values of derivatives were:

Counterparty locations	Notional Amounts	Risk weighted amounts	Positive fair values
	USD 000s	USD 000s	USD 000s
Financial Institutions			
Europe and North America	42,865	319	1,173
Singapore	134,860	142	-

26 Assets and liabilities denominated in foreign currency

	31 March 2006 USD 000s	31 March 2005 USD 000s
Denominated in US Dollars	1,109,505	789,218
Denominated in Sterling	669,608	82,517
Denominated in other currencies	260,103	147,026
Total assets	**2,039,216**	**1,018,761**
Denominated in US Dollars	1,117,937	780,980
Denominated in Sterling	663,701	104,687
Denominated in other currencies	257,578	133,094
Total liabilities	**2,039,216**	**1,018,761**

Notes

(forming part of the financial statements)

The above should not be considered to demonstrate the Company's exposure to foreign exchange risk due to the existence of compensating exchange rate contracts as discussed in Note 25 which are held for hedging purposes.

27 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary of ICICI Bank Limited. The parent company is incorporated in India. Copies of the group accounts for ICICI Bank Limited can be obtained from the Secretarial Department, ICICI Bank Limited, ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India.