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ICICI BANK LTD
Form 20-F
September 29, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

- Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2003
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 001-15002

ICICI BANK LIMITED
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Vadodara, Gujarat, India
(Jurisdiction of incorporation or organization)

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051, India
(Address of principal executive offices)

Securities registered or to be registered pursuant
to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
None	Not Applicable

Securities registered pursuant to Section 12(g) of the Act.

American Depositary Share
each represented by 2 Equity Shares, par value Rs. 10 per share.
(Title of Class)

Securities for which there is a reporting obligation pursuant to
Section 15(d) of the Act.
Not Applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report - 613,031,404 Equity Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 month (or for such shorter period that the

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registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes.....x..... No.....

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17..... Item 18.....x.....

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CROSS REFERENCE SHEET

Form 20-F	Item Number and Caption	Location

Part - I		

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1	Identity of Directors, Senior Management and Advisers	Not applicable
2	Offer Statistics and Expected Timetable	Not applicable
3	Key Information	Selected Consolidated Financial and Operating Exchange Rates..... Risk Factors.....
4	Information on the Company	Business..... Operating and Financial Review and Prospect Expenditures..... Operating and Financial Review and Prospect Other Acquisitions..... Operating and Financial Review and Prospect Revenues and Assets..... Overview of the Indian Financial Sector.... Supervision and Regulation.....
5	Operating and Financial Review and Prospects	Operating and Financial Review and Prospect Business--Risk Management.....
6	Directors, Senior Management and Employees	Management..... Business--Employees.....
7	Major Shareholders and Related Party Transactions	Business--Shareholding Structure and Relati Government of India..... Operating and Financial Review and Prospect Party Transactions..... Management--Interest of Management in Certa Management--Compensation and Benefits to Di Officers--Loans..... Market Price Information..... Note 30 in Notes to Consolidated Financial
8	Financial Information	Report of Independent Auditors on Consolida Financial Statements..... Consolidated Financial Statements and the n thereto..... Operating and Financial Review and Prospect Significant Changes..... Business--Legal and Regulatory Proceedings. Dividends.....
9	The Offer and Listing	Market Price Information..... Restriction on Foreign Ownership of Indian Securities.....
10	Additional Information	Additional Information..... Exchange Controls..... Taxation..... Restriction on Foreign Ownership of Indian Securities..... Dividends.....

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11	Quantitative and Qualitative Disclosures About Market Risk	Business--Quantitative and Qualitative Disclosures About Market Risk.....
12	Description of Securities Other than Equity Securities	Not applicable
Part - II		
13	Defaults, Dividend Arrearages and Delinquencies	Not applicable
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable
15	Controls and Procedures	Business - Risk Management.....
16	[Reserved]	Not applicable
16A	Audit Committee Financial Expert	Not applicable
16B	Code of Ethics	Not applicable
16C	Principal Accountant Fees and Services	Not applicable
16D	Exemptions from the Listing Standards for Audit Committees	Not applicable
Part - III		
17	Financial Statements	See Item 18
18	Financial Statements	Report of Independent Auditors on Consolidated Financial Statements..... Consolidated Financial Statements and the notes thereto.....
19	Exhibits	Exhibit index and attached exhibits.....

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CERTAIN DEFINITIONS

ICICI Limited, ICICI Personal Financial Services Limited and ICICI Capital Services Limited amalgamated with and into ICICI Bank Limited, effective April 1, 2002 for accounting purposes under US GAAP. In this annual report, all references to "we", "our" and "us" are, as the context requires, to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities subsequent to the amalgamation or to specific subsidiaries or other consolidated entities of ICICI Bank Limited. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular company. References to "ICICI Bank" are, as the context requires, to ICICI Bank Limited on an unconsolidated basis subsequent to the amalgamation, to ICICI Bank Limited on an unconsolidated basis prior to the amalgamation, or to both. References to "ICICI" are to ICICI Limited and its consolidated subsidiaries and other consolidated entities prior to the amalgamation. References to "ICICI Personal Financial Services" are to ICICI Personal Financial Services Limited. References to "ICICI Capital

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Services" are to ICICI Capital Services Limited. References to the "amalgamation" are to the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank. References to "the Scheme of Amalgamation" are to the Scheme of Amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with ICICI Bank sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002 and approved by the Reserve Bank of India on April 26, 2002.

Statement on Financial Accounting Standards No. 141 on "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements contained in this annual report for fiscal 2003, as it was consummated in April 2002. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. Accordingly, the financial statements and other financial information contained in this annual report for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI.

In the financial statements contained in this annual report and the notes thereto, all references to "the Company" are to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities subsequent to the amalgamation, all references to the "acquiree" are to ICICI Bank Limited prior to the amalgamation and all references to the "acquirer" are to ICICI Limited and its consolidated subsidiaries and other consolidated entities prior to the amalgamation.

Under Indian GAAP, the amalgamation was accounted for on March 30, 2002, the Appointed Date specified in the Scheme of Amalgamation, with ICICI Bank recognized as the accounting acquirer.

As ICICI Bank is the surviving legal entity in the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank.

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FORWARD-LOOKING STATEMENTS

We have included statements in this annual report which contain words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our ability to integrate recent or future mergers or acquisitions into our operations, future levels of impaired loans, our growth and expansion, the adequacy of our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend

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policy, the impact of Indian banking regulations on us, which includes the assets and liabilities of ICICI, a former financial institution not subject to Indian banking regulations, our ability to roll over our short-term funding sources, our exposure to market risks and the market acceptance of and demand for Internet banking services. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report include, but are not limited to general economic and political conditions in India, southeast Asia, and the other countries which have an impact on our business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India, the United States or elsewhere, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country or any other acts of terrorism world-wide, the monetary and interest rate policies of India, political or financial instability in India or any other country caused by tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of Internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "Risk Factors" contained in this annual report.

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EXCHANGE RATES

Fluctuations in the exchange rate between the Indian rupee and the US dollar will affect the US dollar equivalent of the Indian rupee price of the equity shares on the Indian stock exchanges and, as a result, will affect the market price of the ADSs in the United States. These fluctuations will also affect the conversion into US dollars by the depository of any cash dividends paid in Indian rupees on the equity shares represented by ADSs.

On an average annual basis, the Indian rupee has consistently declined against the dollar since 1980. In early July 1991, the government adjusted the Indian rupee downward by an aggregate of approximately 20.0% against the dollar. The adjustment was effected as part of an economic package designed to overcome economic and foreign exchange problems. Since the Indian rupee was made convertible on the current account in March 1993, it has steadily depreciated on an average annual basis at a rate of approximately 5-6%. The rupee has, however, shown a trend of appreciation against the US dollar during the recent past. After reaching Rs. 49.06 per US\$ 1.00 on May 31, 2002, it gradually strengthened against the US dollar to Rs. 47.53 per US\$ 1.00 on March 31, 2003 and Rs. 45.77 per US\$ 1.00 on September 23, 2003. Reflecting the improving structure of India's current account and the weakening of the US dollar, the Indian rupee appreciated by about 3.7% against the US dollar between April-September (through September 23), 2003.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian rupees and US dollars based on the noon buying rate:

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Fiscal Year	Period End(1)	Average(1) (2)
1999.....	42.50	42.27
2000.....	43.65	43.46
2001	46.85	45.88
2002.....	48.83	47.80
2003	47.53	48.43
2004 (through September 23, 2003)	45.77	46.57
<hr/>		
Month	High	Low
<hr/>		
March 2003.....	47.85	47.53
April 2003.....	47.46	47.34
May 2003.....	47.35	46.85
June 2003	47.15	46.40
July 2003.....	46.49	46.06
August 2003	46.18	45.80
September 2003 (through September 23, 2003)..	45.98	45.72

- (1) The noon buying rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.
- (2) Represents the average of the noon buying rate on the last day of each month during the period.

Although certain rupee amounts in this annual report have been translated into dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into dollars at any particular rate, the rates stated below, or at all. Except in the section on "Market Price Information", all translations from rupees to dollars are based on the noon buying rate in the City of New York for cable transfers in rupees at March 28, 2003. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate on March 28, 2003 was Rs. 47.55 per US\$ 1.00 and on September 23, 2003 was Rs. 45.77 per US\$ 1.00.

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RISK FACTORS

You should carefully consider the following risk factors as well as the other information contained in this annual report in evaluating us and our business.

Risks Relating to India

A slowdown in economic growth in India could cause our business to suffer.

The Indian economy has shown sustained growth over the last few years with real GDP growing at 4.3% in fiscal 2003, 5.6% in fiscal 2002 and 4.4% in fiscal 2001. However, growth in industrial production in India has been variable. The Index of Industrial Production grew at 5.8% in fiscal 2003 compared to 2.7% in fiscal 2002 and 5.0% in fiscal 2001. Any slowdown in the Indian economy or future volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. With the increasing importance of retail loans to our business, any slowdown in the growth of sectors like housing and automobiles could adversely impact our performance. Further, with the increasing importance of

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the agricultural sector in our business, any slowdown in the growth of the agricultural sector could also adversely impact our performance. Any such slowdown could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and our ADSs.

A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business.

India imports approximately 75.0% of its requirements of crude oil. The sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the Reserve Bank of India. Crude oil prices declined in fiscal 2002 due to weaker demand. During fiscal 2003, crude oil prices initially rose as a result of Middle-East tensions and in particular the US-led military action in Iraq before declining on account of the relatively short duration of the war. Conditions, however, remain volatile in the Middle-East where most of the world's oil production facilities are located. Continuing or further tensions or hostilities could lead to increases in oil prices or higher volatility in oil prices. Any significant increase in oil prices could affect the Indian economy and the Indian banking and financial system. This could adversely affect our business including our ability to grow, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and our ADSs.

A significant change in the Indian government's economic liberalization and deregulation policies could disrupt our business and cause the price of our equity shares and our ADSs to go down.

Our assets and customers are predominantly located in India. The Indian government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including our equity shares and our ADSs.

Since 1996, the government of India has changed four times. The most recent parliamentary elections were completed in October 1999. The next parliamentary elections are scheduled for 2004. Following the parliamentary elections in 1999, a coalition government led by the Bharatiya Janata Party was formed with Mr. A.B. Vajpayee as the prime minister of India. Although the Vajpayee government has continued India's current economic liberalization and deregulation policies, a

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significant change in the government's policies could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

Financial instability in other countries, particularly emerging market countries, could disrupt our business and cause the price of our equity shares and our ADSs to go down.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the

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world in the past years has affected the Indian economy even though India was relatively unaffected by the financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector, including us. Any financial disruption could have an adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business could suffer and the price of our equity shares and our ADSs could go down.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In recent years, there have been military confrontations between India and Pakistan in the Kashmir region and present relations between India and Pakistan continue to be tense on the issues of terrorism, armament and Kashmir. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs. For example, the terrorist attacks in the United States on September 11, 2001 and subsequent military action in Afghanistan and Iraq affected the markets all over the world. The United States' continuing battle against terrorism could lengthen these regional hostilities and tensions. Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability it could have an adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs.

Trade deficits could cause our business to suffer and the price of our equity shares and our ADSs to go down.

India's trade relationships with other countries can also influence Indian economic conditions. In fiscal 2003, India experienced a trade deficit of Rs. 371.7 billion (US\$ 7.8 billion), an increase of Rs. 42.6 billion (US \$ 0.9 billion) from fiscal 2002. If trade deficits increase or are no longer manageable, the Indian economy, and therefore our business, our financial performance, our stockholders' equity and the price of our equity shares and our ADSs, could be adversely affected.

A significant change in the composition of the Indian economy may affect our business.

The Indian economy has experienced significant structural change over the last few years. The share of the services sector of total GDP has risen while that of the agricultural sector has declined. Provisional estimates indicate that the share of the services sector of total GDP has increased to 56.1% in fiscal 2003 from 49.9% in fiscal 1997 and the share of the agricultural sector in total GDP has declined to 22.1% in fiscal 2003 from 28.0% in fiscal 1997. It is difficult to gauge the long-term

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impact of such fundamental economic changes on our business. We cannot be certain that these changes will not have a material adverse effect on our business.

Natural calamities could have a negative impact on the Indian economy and could cause our business to suffer and the price of our equity shares and our ADSs to go down.

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In fiscal 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in the economy during fiscal 2003, the Index of Agricultural Production declined by 12.6%. Further prolonged spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting our business and causing the price of our equity shares and our ADSs to go down.

Financial difficulty and other problems in certain long-term lending institutions and investment institutions in India could cause our business to suffer and the price of our equity shares and our ADSs to go down.

Unit Trust of India, a large investment institution in India with substantial exposure to equity investments, faced problems from fiscal 2001 due to a significant decline in the market value of its securities portfolio caused by depressed equity capital markets. In response, Unit Trust of India was restructured under a package of reform measures announced by the government. IFCI Limited, a long-term lending institution in India, is also facing financial difficulty due to inadequate capitalization, asset-liability mismatch and deteriorating asset quality. Several co-operative banks have also faced serious financial and liquidity crises. In April 2003, unsubstantiated rumours, believed to have originated in Gujarat, alleged that we were facing liquidity problems, although our liquidity position was sound. We witnessed higher than normal deposit withdrawals during the period April 11 to 13, 2003, on account of these unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise in future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position. These and other similar developments could create adverse market perception about financial institutions and banks, which in turn could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

The Indian regulatory framework for the prevention of money laundering is still evolving and any failure of this framework to effectively prevent money laundering could adversely impact us.

The Indian Parliament passed the Prevention of Money Laundering Act in fiscal 2003 to implement the Political Declaration adopted by the special session of the United Nations General Assembly held from June 8 to June 10, 1998 and the Global Programme of Action annexed to Resolution S-17/2 adopted by the United Nations General Assembly on February 23, 1990. However, the provisions of this Act are yet to be declared effective by the Indian government. Any failure or delay in the bringing into effect of this legislation or any failure of this legislation to effectively prevent money laundering could create an adverse perception about the Indian financial system in general and Indian banks in particular, which in turn could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs. See also "Supervision and Regulation - Regulations relating to Knowing the Customer and Anti-Money Laundering".

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A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact us.

India's foreign exchange reserves increased 38.3% during fiscal 2003 and 16.8% during fiscal 2004 (through September 5, 2003) to US\$ 87.4 billion. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. The redemption of Resurgent India

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Bonds issued by the State Bank of India in 1998, due in October 2003, is expected to result in an outflow of approximately US\$ 5.5 billion. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs. See also "- Risks Relating to Our Business".

Any down-grading of India's debt rating by an international rating agency could cause our business to suffer and the price of our equity shares and our ADSs to go down.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

Risks Relating to Our Business

We are likely to classify and reserve against impaired loans significantly later than our counterparts in more developed countries, such as the US.

We identify a commercial loan as a "troubled debt restructuring" or an "other impaired loan" (collectively referred to as an impaired loan) and place it on a non-accrual basis (that is, we do not recognize interest accrued or due unless and until payments are actually received) when it is probable that we will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. Until year-end fiscal 2003, a commercial loan was also considered to be impaired and placed on a non-accrual basis when interest or principal was greater than 180 days overdue. This time period of 180 days was substantially longer than in more developed countries, like the US, where loans are generally placed on a non-accrual basis when any payment, including any periodic principal payment, is not made for a 90 day period. In India, payments on most loans are generally on a quarterly basis unlike in more developed countries, like the United States, where payments on most loans are on a monthly basis. Pursuant to revised guidelines issued by the Reserve Bank of India, with effect from fiscal 2004, a commercial loan will be considered to be impaired and placed on a non-accrual basis, when interest or principal is overdue continuously for more than 90 days. This may impact the classification of, and reserving against, impaired loans. For a discussion of impaired loans under Indian GAAP, see "Supervision and Regulation--Loan Loss Provisions and Impaired Assets".

A large proportion of ICICI's loans comprised project finance assistance, a substantial portion of which was particularly vulnerable to completion risk.

Long-term project finance assistance was a significant proportion of ICICI's asset portfolio. Although over the last year, retail loans have significantly increased in our balance sheet, long-term project finance continues to be a significant proportion of our loan portfolio. The viability

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of these projects depends upon a number of factors, including completion risk, market demand, government policies and the overall economic environment in India and international markets. We cannot be sure that these projects will perform as anticipated. Over the last several years, ICICI experienced a high level of impaired loans in its project finance loan portfolio to manufacturing companies as a result of the downturn in certain global commodity markets and increased competition in India. In addition, a significant portion of infrastructure projects financed by us are still under implementation and present risks, including delays in the commencement of operations and breach of contractual obligations by counterparties, that could impact the project's ability to generate revenues. We have provided project assistance to a large private sector power generation project in the state of Maharashtra. On account of a dispute between the power project and the purchaser, the state electricity board, the project implementation is currently suspended. The matter is currently pending before the Indian courts, while parallel efforts are continuing for an out of court settlement, including re-negotiation of the relevant power tariff. The principal sponsor of the project has filed for bankruptcy in the United States. The assets of the project are in the possession of a receiver appointed by the High Court of

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Judicature at Bombay on a plea by the lenders to the project, including us. Efforts are continuing for sale of the project to new sponsors. We cannot assure you that future credit losses on account of this assistance and such other assistances would not have a materially adverse effect on our profitability. Our infrastructure project finance loans are largely recent loans and, as a result, asset quality problems may not appear until the future. If a substantial portion of these loans were to become impaired, the quality of our loan portfolio could be adversely affected.

We have high concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become impaired, the quality of our loan portfolio could be adversely affected.

At year-end fiscal 2003, our 20 largest borrowers, based on gross outstanding balances, totaled approximately Rs. 145.3 billion (US\$ 3.1 billion), which represented approximately 21.2% of our total gross loans outstanding. Our largest single borrower by outstanding at that date was approximately Rs. 15.3 billion (US\$ 322 million), which represented approximately 2.2% of our total gross loans outstanding. The largest group of companies under the same management control accounted for approximately 4.9% of our total gross loans outstanding. Credit losses on these large single borrower and group exposures could adversely affect our financial performance, our stockholders' equity and the prices of our equity shares and our ADSs.

At year-end fiscal 2003, we had extended loans to several industrial sectors in India. At that date, approximately 53.0% of our gross restructured loan portfolio was concentrated in three sectors: iron and steel (35.5%), textiles (10.6%) and cement (6.9%). At that date, approximately 39.9% of our gross other impaired loan portfolio was concentrated in three sectors: power (21.3%), iron and steel (10.2%) and metal products (8.4%). Our total loan portfolio also had a significant concentration of loans in these sectors. These sectors have been adversely affected by economic conditions over the last few years in varying degrees. Although our loan portfolio contains loans to a wide variety of businesses, financial difficulties in these sectors could increase our level of impaired loans and adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

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If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer. A significant increase in the level of restructured loans forming part of impaired loans in our portfolio could affect our business.

Our gross restructured loans represented 21.5% of our gross loan portfolio at year-end fiscal 2003. At year-end fiscal 2002, ICICI's gross restructured loans represented 17.0% of its gross loan portfolio and ICICI Bank's gross restructured loans represented 1.0% of its gross loan portfolio. Our gross other impaired loans represented 12.1% of our gross loan portfolio at year-end fiscal 2003. At year-end fiscal 2002, ICICI's gross other impaired loans represented 9.1% of its gross loan portfolio and ICICI Bank's gross other impaired loans represented 6.2% of its gross loan portfolio. Our net restructured loans represented 19.5% of our net loans at year-end fiscal 2003. At year-end fiscal 2002, ICICI's net restructured loans represented 14.8% of its net loans and ICICI Bank's net restructured loans represented 0.8% of its net loans. Our net other impaired loans represented 8.8% of our net loans at year-end fiscal 2003. At year-end fiscal 2002, ICICI's net other impaired loans represented 6.3% of its net loans and ICICI Bank's net other impaired loans represented 2.9% of its net loans.

Although we believe that our allowance for loan losses is adequate to cover all known losses in our portfolio of assets, the level of our impaired loans was significantly higher than the average percentage of impaired loans in the portfolios of banks in more developed countries. In addition, in absolute terms, our gross impaired loans grew by 52.4% in fiscal 2003 over the total combined gross impaired loans of ICICI and ICICI Bank at year-end fiscal 2002. ICICI's gross impaired loans grew by 70.7% in fiscal 2002 and 23.6% in fiscal 2001. ICICI Bank's gross impaired loans grew by 2.3% in fiscal 2002 and 276.1% in fiscal 2001. In fiscal 2001, impaired loans aggregating Rs. 2.2 billion

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(US\$ 46 million) were added to ICICI Bank's portfolio consequent to ICICI Bank's acquisition of Bank of Madura.

The growth in our impaired loans can be attributed to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, which reduced profitability for certain of our borrowers, and the resultant restructuring of certain Indian companies in sectors such as iron and steel, textiles and cement. As a result, the level of restructured loans and other impaired loans in our portfolio increased substantially in fiscal 2003. It is expected that this restructuring process will continue in fiscal 2004.

Further, ICICI Bank's and ICICI's growth-oriented strategy involved a significant increase in their loan portfolio, including retail loans, over the past few years. We cannot assure you that there will be no additional impaired loans in our portfolio on account of these new loans.

The directed lending norms of the Reserve Bank of India require that every bank should extend 40.0% of its net bank credit to certain eligible sectors, which are categorized as "priority sectors". Priority sectors are specific sectors such as agriculture and small-scale industries, and also include housing finance loans up to certain limits. Considering that the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending, the Reserve Bank of India directed us to

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maintain an additional 10.0% over and above the requirement of 40.0%, i.e., a total of 50.0% of our net bank credit on the residual portion of our advances (i.e. the portion of our total advances excluding advances of ICICI at year-end fiscal 2002) in the form of priority sector loans. This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. As a result, we may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, since economic difficulties are likely to affect those borrowers more severely and we would be less able to control the quality of this portfolio.

A number of factors will affect our ability to control and reduce impaired loans. Some of these, including developments in the Indian economy, movements in global commodity markets, global competition, interest rates and exchange rates, are not within our control. Although we are increasing our efforts to improve collections and to foreclose on existing impaired loans, we cannot assure you that we will be successful in our efforts or that the overall quality of our loan portfolio will not deteriorate in the future. If we are not able to control and reduce our impaired loans, or if there is a further significant increase in our restructured loans, our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs could be adversely affected.

If there is a further deterioration in our impaired loan portfolio and we are not able to improve our allowance for loan losses as a percentage of impaired loans, the price of our equity shares and our ADSs could go down.

At year-end fiscal 2003, our allowance for loan losses on restructured loans represented 16.8% of gross restructured loans and our allowance for loan losses on other impaired loans represented 33.5% of gross other impaired loans. At year-end fiscal 2002, ICICI's allowance for loan losses on restructured loans represented 18.6% of gross restructured loans and ICICI's allowance for loan losses on other impaired loans represented 34.6% of gross other impaired loans. At year-end fiscal 2002, ICICI Bank's allowance for loan losses on restructured loans represented 21.9% of gross restructured loans and ICICI Bank's allowance for loan losses on other impaired loans represented 55.7% of gross other impaired loans.

Although we believe that our allowances for loan losses will be adequate to cover all known losses in our asset portfolio, we cannot assure you that there will be no further deterioration in the allowance for loan losses as a percentage of gross impaired loans or otherwise or that the percentage

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of impaired loans that we will be able to recover will be similar to ICICI's and ICICI Bank's past experience of recoveries of impaired loans. In the event of any further deterioration in our impaired loan portfolio, there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

We may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss.

A substantial portion of our loans to corporate customers, primarily comprising loans made by ICICI, is secured by real assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien on

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inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. A substantial portion of our loans to retail customers is also secured by the assets financed, predominantly property and vehicles. Although in general our loans are over-collateralized, an economic downturn could have resulted for ICICI and could in future result for us, in a fall in relevant collateral values.

In India, foreclosure on collateral generally requires a written petition to an Indian court. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. In the event a corporate borrower makes a reference to a specialized quasi-judicial authority called the Board for Industrial and Financial Reconstruction, foreclosure and enforceability of collateral is stayed. We cannot guarantee that we will be able to realize the full value on our collateral, as a result of, among other factors, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, has strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues from corporate borrowers. Petitions challenging the constitutional validity of this legislation are currently pending before the Indian Supreme Court. There can be no assurance that the legislation in its current form will be upheld by the Indian Supreme Court or that it will have a favorable impact on our efforts to resolve non-performing assets. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts Due to Banks."

We face greater credit risks than banks in developed countries.

Our principal business is providing financing to our clients, a predominant number of whom are based in India. In the past, ICICI focused its activities on financing large-scale projects. Increasingly, we are focusing on large corporate customers, many of whom have strong credit ratings, as well as on select small and middle market companies, and individuals. Our loans to middle market companies can be expected to be more severely affected by adverse developments in the Indian economy than loans to large corporations. In all of these cases, we are subject to the credit risk that our borrowers may not pay in a timely fashion or may not pay at all. The credit risk of all our borrowers is higher than in more developed countries due to the higher uncertainty in the Indian regulatory, political, economic and industrial environment and difficulties that many of our borrowers face in adapting to instability in world markets and technological advances taking place across the world. Increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a

large number of projects contracted their borrowings reduced the profitability of certain of our borrowers.

There was substantial growth in our retail loans in fiscal 2003 and in

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the retail loans of ICICI in fiscal 2002. Our retail loans were Rs. 188.3 billion (US\$ 4.0 billion) or 27.5% of our gross loans outstanding at year-end fiscal 2003. ICICI's retail loans were Rs. 73.0 billion (US\$ 1.5 billion) or 13.0% of its gross loans outstanding at year-end fiscal 2002. ICICI Bank's retail loans were Rs. 7,150 million (US\$ 150 million) or 9.4% of its gross loans outstanding at year-end fiscal 2002. Our retail loans are relatively new and we cannot assure you that there will be no additional impairment on account of these loans and that such impairment will not have a materially adverse impact on the quality of our loan portfolio.

The directed lending norms of the Reserve Bank of India require that every bank should extend 40.0% of its net bank credit to certain eligible sectors, such as agriculture, small-scale industries and housing finance loans up to certain limits, which are categorized as "priority sectors". Considering that the directed lending norms were not applicable to ICICI, the Reserve Bank of India directed us to maintain 50.0% of our net bank credit on the residual portion of our advances (i.e. the portion of our total advances excluding advances of ICICI at year-end fiscal 2002) in the form of priority sector loans until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. As a result, we may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, since economic difficulties are likely to affect those borrowers more severely and we would be less able to control the quality of this portfolio.

Higher credit risk may expose us to a potential loss, which would adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

Our business is particularly vulnerable to volatility in interest rates caused by deregulation of the financial sector in India.

Over the last few years, the Indian government and the Reserve Bank of India have substantially deregulated interest rates. As a result, interest rates are now primarily determined by the market. This has increased the interest rate risk exposure of all banks and financial institutions, including us.

Our results of operations are substantially dependent upon the level of our net interest income. Interest rates are highly sensitive to many factors beyond our control, including deregulation of the financial sector in India, the Reserve Bank of India's monetary policies, domestic and international economic and political conditions and other factors. Changes in interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income leading to a reduction in our net interest income. Based on our asset-liability position at year-end fiscal 2003, an increase in interest rates would result in an increase in our interest expense relative to our interest income leading to a reduction in our net interest income.

Income from treasury operations is particularly vulnerable to interest rate volatility. Following the amalgamation, the liabilities of ICICI became subject to the statutory liquidity ratio requirement, which requires that an amount equal to a specified percentage, currently 25.0%, of a bank's demand and time liabilities be invested in government of India securities. This has increased our interest rate risk exposure. An increasing interest rate environment is likely to adversely affect the income from treasury operations of banks in India, such as us. The estimated negative impact of a 1.0% rise in interest rates on the value of our trading portfolio (including the trading portfolio of ICICI Securities, ICICI Bank's investment banking subsidiary) at year-end fiscal 2003 would have been Rs. 1,824 million (US\$ 38 million).

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Declines in the value of our trading portfolio in such an environment will adversely affect our income. In addition, the value of government of India securities, held for meeting

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the statutory liquidity ratio requirement, and classified as available for sale securities would be adversely impacted by any increase in interest rates.

Interest rates in India, including yields on government of India securities, have declined significantly during fiscal 2002 and fiscal 2003, reflecting the liquidity in the system. The rate of interest on government small savings and public provident fund schemes was lowered by 100 basis points in the government of India's budget for fiscal 2004. The Reserve Bank of India subsequently reduced the rate of interest on savings deposits taken by banks by 50 basis points. However, no assurance can be given as to the likely trend of interest rates in the future.

Volatility in interest rates could adversely affect our business, our future financial performance and the price of our equity shares and our ADSs.

If we are not able to succeed in our retail products and services, we may not be able to meet our projected earnings and growth targets.

We see retail products and services as the primary driver of our growth. Retail products and services are a critical component of our projections of earnings. However, we recognize that retail products and services are substantially different from corporate products and services and require very different personnel, skills and infrastructure. We cannot assure you that we have accurately estimated the relevant demand for our new banking products. Retail products and services could expose us to the risk of financial irregularities by various intermediaries and customers. We cannot assure you that we will be able to master and deliver the skills and management information systems necessary to successfully manage these retail products and services.

Our retail loans were Rs. 188.3 billion (US\$ 4.0 billion) or 27.5% of our gross loans outstanding at year-end fiscal 2003. ICICI's retail loans were Rs. 73.0 billion (US\$ 1.5 billion) or 13.0% of its gross loans outstanding at year-end fiscal 2002. ICICI Bank's retail loans were Rs. 7,150 million (US\$ 150 million) or 9.4% of its gross loans outstanding at year-end fiscal 2002. Our retail loans are relatively new and we cannot assure you that there will be no additional impairment on account of these loans and that such impairment will not have a materially adverse impact on the quality of our loan portfolio. Our inability to grow or succeed in retail products and services business may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

If we are not able to succeed in our new business areas, we may not be able to meet our projected earnings and growth targets.

We are continuing to look at business opportunities in certain sectors of the economy with which we have not traditionally been involved, including governments, the public sector and the agriculture sector. ICICI entered the life insurance business in fiscal 2001 and the non-life insurance business in fiscal 2002 through its subsidiaries, which are now subsidiaries of ICICI Bank. We are also seeking to expand internationally by leveraging on our home country links and technology competencies in financial services. We are a new entrant in international business and the skills required for this business could be different from those for our domestic businesses. The life insurance and

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non-life insurance businesses and the international business are expected to require substantial capital in the initial period. We cannot be certain that these new businesses will perform as anticipated. Our inability to grow or succeed in new business areas may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

A determination against us in respect of disputed tax assessments may adversely impact our financial performance.

At year-end fiscal 2003, we had been assessed an aggregate of Rs. 20.4 billion (US\$ 429 million) in excess of the provision made in our accounts, in income tax, interest tax, wealth tax and sales tax demands by the government of India's tax authorities. We have appealed each of these tax demands.

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While we expect that no additional liability will arise out of these disputed demands, there can be no assurance that these matters will be settled in our favor, and that no further liability will arise out of these demands. Of the Rs. 20.4 billion (US\$ 429 million) aggregate tax assessments in excess of the provision made in our accounts, a major portion relates to the treatment of depreciation claim on leased assets. In respect of depreciation claimed by us for fiscal 1993 on two sale and lease back transactions, the Income Tax Appellate Tribunal, Mumbai held in August 2003 that no depreciation is allowable to us. The additional tax impact of this decision is Rs. 189 million (US\$ 4 million). We intend to appeal against this decision before the High Court and believe that we will receive a favorable decision in the matter. As the Income Tax Appellate Tribunal's decision is based on the facts of two specific transactions, we believe that the Income Tax Appellate Tribunal's decision will not have an adverse tax impact on other sale and lease back transactions entered into by us. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us. Any additional tax liability may adversely impact our financial performance and the price of our equity shares and our ADSs.

The success of our Internet-related strategy will depend, in part, on the development of adequate infrastructure for the Internet in India.

We offer several Internet-based products for our retail and corporate customers. There can be no assurance that the Internet infrastructure will be able to support the demands of our anticipated growth. Inadequate infrastructure could result in slower response times and adversely affect usage of the Internet generally. If the infrastructure for the Internet does not effectively support growth that may occur, we will not be able to execute our growth strategy for our Internet-related businesses. Our inability to grow in this business area may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

Our business is very competitive and our growth strategy depends on our ability to compete effectively.

Interest rate deregulation and other liberalization measures affecting the financial sector have increased our exposure to competition. The liberalization process has led to increased access for our customers to alternative sources of funds, such as domestic and foreign commercial banks and the domestic and international capital markets. We will continue to face competition from Indian and foreign commercial banks in our corporate products and services. Over the last couple of years, almost all Indian banks have

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increased their focus on retail loans. We will face competition from Indian and foreign commercial banks and non-bank finance companies in our retail products and services. In addition, as we raise our funds from market sources and individual depositors, we will face increasing competition for such funds. The Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions, some of which may have greater resources than us. Our future success will depend upon our ability to compete effectively. Due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services at reasonable returns and this may adversely impact our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

If we are not able to integrate recent acquisitions or if we are not able to integrate any future acquisitions, our business could be disrupted and the price of our equity shares and ADSs could go down.

In July 2003, ICICI OneSource Limited, an entity consolidated in our US GAAP financial statements, acquired First Ring, a business process outsourcing company based in India. In May 2003, we acquired Transamerica Apple Distribution Finance Private Limited (subsequently renamed ICICI Distribution Finance Private Limited), a non-bank finance company based in India. In September 2002, ICICI Infotech, an entity consolidated in our US GAAP financial statements, acquired the remaining 50.0% ownership interest in Tricolor Infotech International Inc., Mauritius. In May 2002, ICICI OneSource Limited acquired CustomerAsset, a contact center services company based in India.

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In fiscal 2002, ICICI Infotech acquired Insyst Technologies Limited, a software development company based in India. The challenges in integration of some or all of these recent acquisitions could adversely affect our business, our financial performance and the price of our equity shares and our ADSs.

We have no understanding, commitment or agreement with respect to any material future acquisition or investment, though we may seek opportunities for growth through future acquisitions. Any future acquisition may involve a number of risks, including deterioration of asset quality, diversion of attention of our management, attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, some or all of which could have an adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

The businesses formerly conducted by ICICI are, after the amalgamation, subject to a number of banking regulations under Indian law, which may impact our profitability.

The businesses of ICICI conducted by us after the amalgamation, are now subject to a number of banking regulations under Indian law, including maintenance of statutory liquidity and cash reserve ratios and directed lending requirements. Compliance with these regulations may impact the profitability of our combined businesses in our initial years. We have a different mix of assets and funding sources than ICICI and ICICI Bank as independent and separate entities. The impact of the statutory liquidity ratio, which requires that a significant portion of an Indian bank's liabilities be held in Indian government securities, has increased our market risk exposure and reduced our interest income. Our income, profitability and market risk profile may therefore be adversely affected by the impact of these regulatory requirements. This may result in lower income in the initial years after the amalgamation. The directed lending norms of the Reserve Bank of India require that every bank

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should extend 40.0% of its net bank credit to certain eligible sectors, such as agriculture, small-scale industries and housing finance up to certain limits, which are categorized as "priority sectors". Considering that the directed lending norms were not applicable to ICICI, the Reserve Bank of India directed us to maintain 50.0% of our net bank credit on the residual portion of our advances (i.e. the portion of our total advances excluding advances of ICICI at year-end fiscal 2002) in the form of priority sector loans until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. We may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, since economic difficulties are likely to affect those borrowers more severely and we would be less able to control the quality of this portfolio. We may not be able to maintain the business, growth and financial performance of ICICI and ICICI Bank and any failure to do so could adversely affect our stockholder's equity and the price of our equity shares and our ADSs.

Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity our business could be adversely affected.

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI, have medium or long-term maturities, creating a potential for funding mismatches. Our customer deposits are generally of less than one year maturity. If a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position could be adversely affected. The failure to obtain rollover of customer deposits upon maturity or to replace them with fresh deposits could have a material adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs.

In April 2003, unsubstantiated rumours believed to have originated in Gujarat, alleged that we were facing liquidity problems, although our liquidity position was sound. We witnessed higher than normal deposit withdrawals during the period April 11 to 13, 2003, on account of these

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unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise in future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position.

Material changes in the regulations which govern us could cause our business to suffer and the price of our equity shares and our ADSs to go down.

Banks in India operate in a highly regulated environment. The Reserve Bank of India extensively supervises and regulates banks. In addition, these banks are subject generally to changes in Indian law, as well as to changes in regulation and government policies, income tax laws and accounting principles. The laws and regulations governing the banking sector could change in the future and any such changes could adversely affect our business, our future financial performance and the price of our equity shares and our ADSs.

Significant security breaches could adversely impact our business.

We seek to protect our computer systems and network infrastructure from

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physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs.

Our business operations are transaction-oriented. Although we take adequate measures to safeguard against fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by significant fraud committed by employees, customers or outsiders.

System failures could adversely impact our business.

Given the increasing share of retail products and services and transaction banking services in our total business, the importance of systems technology to our business has increased significantly. Our principal delivery channels include ATMs, call centers and the Internet. Any failure in our systems, particularly for retail products and services and transaction banking, could significantly affect our operations and the quality of customer service and could result in business and financial losses.

If we are unable to adapt to rapid technological changes, our business could suffer.

Our success will depend, in part, on our ability to respond to technological advances and emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies effectively or adapt our transaction-processing systems to customer requirements or emerging industry standards. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business and our future financial performance could be materially affected.

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If we are required to change our accounting policies with respect to the expensing of stock options, our earnings could be adversely affected.

We currently deduct the expense of employee stock option grants from our income based on the intrinsic value method and not on the fair value method. The Financial Accounting Standards Board and the International Accounting Standards Board are considering requiring companies to change their accounting policies to account for stock options issued to employees based on the fair value method. Many companies have or are in the process of voluntarily changing their accounting policies to expense the cost of stock options based on the fair value method. Stock options are an important part of our employee compensation package. If we change our accounting policy with respect to the treatment of stock options, our earnings could be adversely affected. We have adopted the pro forma disclosure provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Had compensation cost for our stock-based compensation plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, our net loss in fiscal 2003 as reported

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would have been increased to the pro forma amount of Rs. 8,334 million (US\$ 175 million) and ICICI's net income as reported would have been reduced to the pro forma amounts of Rs. 1,515 million (US\$ 32 million) and Rs. 6,539 million (US\$ 138 million) in fiscal 2002 and fiscal 2001 respectively.

Risks Relating to the ADSs and Equity Shares

You will not be able to vote your ADSs.

ADS holders have no voting rights unlike holders of the equity shares who have voting rights. The depositary will exercise its right to vote on the equity shares represented by the ADSs as directed by ICICI Bank's board of directors. If you wish, you may withdraw the equity shares underlying the ADSs and seek to vote the equity shares you obtain from the withdrawal. However, for foreign investors, this withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depositary facility upon surrender of ADSs, see "Restriction on Foreign Ownership of Indian Securities".

US investors will be subject to special tax and interest charges if ICICI Bank is considered to be a passive foreign investment company.

Based upon certain proposed Treasury Regulations which are proposed to be effective for taxable years beginning after December 31, 1994 and upon certain management estimates, ICICI Bank does not expect to be a Passive Foreign Investment Company (PFIC). ICICI Bank has based the expectation that it is currently not a PFIC on, among other things, provisions in the proposed Treasury Regulations that provide that certain restricted reserves (including cash and securities) of banks are assets used in connection with banking activities and are not passive assets, as well as the composition of ICICI Bank's income and ICICI Bank's assets from time to time. Since there can be no assurance that such proposed Treasury Regulations will be finalized in their current form or not at all, and since the composition of income and assets of ICICI Bank will vary over time, there can be no assurance that ICICI Bank will not be considered a PFIC for any taxable year. If ICICI Bank is a PFIC for any taxable year during which a US holder holds equity shares or ADSs of ICICI Bank, the US holder would be treated in a manner comparable to that described under "Taxation - United States Tax - Passive Foreign Investment Company Rules".

Your ability to withdraw equity shares from the depositary facility is uncertain and may be subject to delays.

India's restrictions on foreign ownership of Indian companies limit the number of shares that may be owned by foreign investors and generally require government approval for foreign ownership. Investors who withdraw equity shares from the depositary facility will be subject to Indian regulatory restrictions on foreign ownership upon withdrawal. It is possible that this withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of equity shares

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from the depositary facility upon surrender of ADSs, see "Restriction on Foreign Ownership of Indian Securities".

Your ability to sell in India any equity shares withdrawn from the depositary facility may be subject to delays if specific approval of the Reserve Bank of India is required.

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ADS holders seeking to sell in India any equity shares withdrawn upon surrender of an ADS will require Reserve Bank of India approval for each such transaction unless the sale of such equity shares is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. We cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in equity shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Restrictions on withdrawal of ADSs from the depositary facility and redeposit of equity shares in the depositary facility could adversely affect the price of our ADSs.

An ADS holder who surrenders an ADS and withdraws equity shares may be able to redeposit those equity shares in the depositary facility in exchange for ADSs. In addition, an investor who has purchased equity shares in the Indian market may be able to deposit them in the ADS program. However, in either case, the deposit or redeposit of equity shares may be limited by securities law restrictions and will be restricted so that the cumulative aggregate number of equity shares that can be deposited or redeposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. An investor who has purchased equity shares in the Indian market could, therefore, face restrictions in depositing them in the ADS program. This increases the risk that the market price of the ADSs will be below that of the equity shares. For a discussion of the legal restrictions triggered by withdrawal of ADSs from the depositary facility and redeposit of equity shares in the depositary facility, see "Restriction on Foreign Ownership of Indian Securities".

There may be restrictions on resales in the United States or to US persons of ICICI Bank shares or ADSs by affiliates of ICICI and/or ICICI Bank.

The equity shares and ADSs of ICICI Bank issued pursuant to the amalgamation were not registered under the US Securities Act of 1933, as amended (the Securities Act) in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of the Securities Act. ICICI Bank received a "no-action letter" from the staff of the United States Securities and Exchange Commission (SEC) stating that it would not recommend that the SEC take enforcement action if ICICI Bank shares were issued to ICICI shareholders pursuant to the amalgamation without compliance with the registration requirements of the Securities Act in reliance on the exemption from registration contained in Section 3(a)(10) thereof. As a result, in the hands of most holders, the shares and ADSs issued pursuant to the amalgamation will not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and may be resold by former holders of ICICI shares (except affiliates as described below) without regard to Rules 144 or 145(c) and (d) under the Securities Act.

Persons who received the shares or ADSs pursuant to the amalgamation and who were affiliates of ICICI before the amalgamation but are not affiliates of ICICI Bank after the amalgamation, or are affiliates of ICICI Bank after the amalgamation, are permitted to resell these shares or ADSs in the United States in the manner permitted by Rule 144(d) under the Securities Act, in each case without regard to the holding period requirement (one year) of Rule 144(d) under the Securities Act. Persons who may be deemed to be affiliates of ICICI include individuals who, or entities that, directly or indirectly controlled, or were controlled by, or were under common control with ICICI and would include certain officers and directors of ICICI and would likely include principal shareholders as well. Persons who may be deemed to be affiliates of ICICI Bank include individuals who, or entities that,

directly or indirectly control, or are controlled by, or are under common control with ICICI Bank and would include certain officers and directors of ICICI Bank and would likely include principal shareholders as well. The persons referred to above in addition to reselling the shares or ADSs received pursuant to the amalgamation in the United States in the manner permitted by Rule 145(d) under the Securities Act may also sell such securities pursuant to any other available exemption under the Securities Act. Former ICICI shareholders or ADS holders who believe they may be affiliates for the purposes of the Securities Act, should consult their own legal advisers in the event they plan to sell such shares or ADSs to a United States person or in the United States.

Certain shareholders own a large percentage of our equity shares. Their actions could adversely affect the price of our equity shares and our ADSs.

Our principal shareholders include the Life Insurance Corporation of India, the General Insurance Corporation of India, government-owned general insurance companies and the Unit Trust of India, each of which is directly or indirectly controlled by the Indian government. At August 29, 2003, government-controlled entities owned approximately 17.8% of our outstanding equity shares. As a result of such share ownership, the Indian government will continue to have the ability to exercise influence over most matters requiring approval of our shareholders, including the election and removal of directors and significant corporate actions. Our other large shareholders include Orcasia Limited, Government of Singapore and Bajaj Auto Limited. Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and our ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. The Stock Exchange, Mumbai, or the BSE, was closed for three days in March 1995 following a default by a broker. In March 2001, the BSE dropped 667 points or 15.6% and there were also rumors of insider trading in the BSE leading to the resignation of the BSE president and several other members of the governing board. In the same month, the Kolkata Stock Exchange, formerly known as the Calcutta Stock Exchange, suffered a payment crisis when several brokers defaulted and the exchange invoked guarantees provided by various Indian banks. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment. In recent years, there have been changes in laws and regulations for the taxation of dividend income, which have impacted the Indian equity capital markets. See "Dividends". Similar problems or changes could occur in the future and, if they did, they could affect the market price and liquidity of our equity shares and our ADSs.

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Settlement of trades of equity shares on Indian stock exchanges may be subject to delays.

The equity shares represented by the ADSs are currently listed on the Chennai, Delhi, Kolkata, Vadodara Stock Exchanges, the BSE and the National Stock Exchange of India. Settlement on those stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depository facility upon surrender of ADSs may not be able to settle trades on such stock exchanges in

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a timely manner. We have also received shareholder approval in our Annual General Meeting held on August 25, 2003 for the delisting of our equity shares from the Chennai, Delhi, Kolkata and Vadodara stock exchanges.

As a result of Indian government regulation of foreign ownership, the price of our ADSs could go down.

Foreign ownership of Indian securities is heavily regulated and is generally restricted. ADSs issued by companies in certain emerging markets, including India, may trade at a discount or premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares.

Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our equity shares and ADSs.

There is a risk that growth in our business, including in our international operations and our insurance business, could require us to fund this growth through additional equity offerings. In addition, up to 5.0% of ICICI Bank's issued equity shares following the amalgamation, was permitted to be issued in accordance with ICICI Bank's employee stock option scheme to eligible employees of ICICI Bank and its subsidiaries. At August 31, 2003, ICICI Bank had granted a total of 21,396,475 stock options, of which 193,545 had been exercised, 6,585,758 had vested but had not been exercised and 1,506,775 had lapsed or been forfeited. The total stock options granted, less options lapsed or forfeited, were 3.2% of ICICI Bank's issued equity shares.

Any future issuance of equity shares would dilute the positions of investors in the ADSs and equity shares, and could adversely affect the market price of our equity shares and our ADSs.

You may be unable to exercise preemptive rights available to other shareholders.

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company's shareholders present and voting at a shareholders' general meeting. US investors in ADSs may be unable to exercise preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration statement as well as the perceived benefits of enabling US investors in ADSs to exercise their preemptive rights

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and any other factors we consider appropriate at the time. We do not commit that we would file a registration statement under these circumstances. If ICICI Bank issues any such securities in the future, such securities may be issued to the depository, which may sell such securities in the securities markets in India for the benefit of the investors in the ADSs. There can be no assurance as to the value, if any, the depository would receive upon the sale of these securities. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional interests in ICICI Bank would be reduced.

Because the equity shares underlying the ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of rupee proceeds into foreign currency.

Investors that purchase ADSs are required to pay for the ADSs in US dollars. Investors are subject to currency fluctuation risk and convertibility risks since the equity shares are quoted in rupees on the Indian stock exchanges on which they are listed. Dividends on the equity shares will also be paid in rupees, and then converted into US dollars for distribution to ADS investors. Investors that seek to convert the rupee proceeds of a sale of equity shares withdrawn upon surrender of ADSs into

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foreign currency and export the foreign currency will need to obtain the approval of the Reserve Bank of India for each such transaction. In addition, investors that seek to sell equity shares withdrawn from the depository facility will have to obtain approval from the Reserve Bank of India, unless the sale is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. Holders of rupees in India may also generally not purchase foreign currency without general or special approval from the Reserve Bank of India. However, dividends received by the depository in rupees and, subject to approval by the Reserve Bank of India, rupee proceeds arising from the sale on an Indian stock exchange of equity shares, which have been withdrawn from the depository facility, may be converted into US dollars at the market rate.

On an average annual basis, the rupee has declined against the US dollar since 1980. As measured by the Reserve Bank of India's reference rate, the rupee lost approximately 15.3% of its value against the US dollar from September 1998 to May 2002, depreciating from Rs. 42.52 per US\$ 1.00 on September 1, 1998 to Rs. 49.03 per US\$ 1.00 on May 31, 2002 before appreciating to Rs. 45.78 per US\$ 1.00 on September 12, 2003. In addition, in the past, the Indian economy has experienced severe foreign exchange shortages.

You may be subject to Indian taxes arising out of capital gains.

Generally, capital gains, whether short-term or long-term, arising on the sale of the underlying equity shares in India are subject to Indian capital gains tax. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the National Stock Exchange on the date the depository advises the custodian to redeem receipts in exchange for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by the depository to the custodian. Investors are advised to consult their own tax advisers and to consider carefully the potential tax consequences of an investment in the ADSs.

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There may be less company information available in Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed countries. The Securities and Exchange Board of India is responsible for improving disclosure and other regulatory standards for the Indian securities markets. The Securities and Exchange Board of India has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries.

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BUSINESS

Overview

We offer a wide range of banking products and services to corporate and retail customers through a variety of delivery channels. In fiscal 2003, we made a net loss of Rs. 7.98 billion (US\$ 168 million) compared to a net income of Rs. 1.55 billion (US\$ 33 million) in fiscal 2002. We made a loss primarily due to the high level of provision for loan losses, which was Rs. 19.65 billion (US\$ 413 million) in fiscal 2003 as a result of large additions to restructured and other impaired loans during the year. At year-end fiscal 2003, we had assets of Rs. 1,180.3 billion (US\$ 24.8 billion) and stockholders' equity of Rs. 92.2 billion (US\$ 1.9 billion).

ICICI Bank was organized under the laws of India in 1994 as a private sector commercial bank. ICICI Bank was an affiliate company of ICICI. ICICI was organized under the laws of India in 1955 and together with its subsidiaries and affiliates was a diversified financial services group. In April 2002, ICICI and two of its subsidiaries, ICICI Personal Financial Services and ICICI Capital Services merged with and into ICICI Bank in an all-stock amalgamation. Pursuant to the amalgamation, the shareholders of ICICI were issued ICICI Bank equity shares in the ratio of one fully paid-up equity share, par value Rs. 10 per share, of ICICI Bank for every two fully paid-up equity shares, par value Rs. 10 per share, of ICICI. As there were five ICICI equity shares underlying each ICICI ADS and two ICICI Bank equity shares underlying each ICICI Bank ADS, holders of ICICI ADSs were issued five ICICI Bank ADSs for every four ICICI ADSs.

Statement on Financial Accounting Standards No. 141 on "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements for fiscal 2003 contained in this annual report, as it was consummated in April 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. Accordingly, the financial statements and other financial information contained in this annual

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report for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI.

Under Indian GAAP, the amalgamation was accounted for on March 30, 2002, the Appointed Date specified in the Scheme of Amalgamation, with ICICI Bank recognized as the accounting acquirer.

As we are the surviving legal entity in the amalgamation, the other subsidiaries and affiliates of ICICI have become our subsidiaries and affiliates. Consequently, the products and services offered by ICICI and its subsidiaries and affiliates are now offered by us. These include project and corporate finance and a wide range of retail credit products such as home loans, automobile loans and other consumer finance products and services, as well as a number of advisory, investment and other financial activities, venture capital, life insurance and non-life insurance.

During fiscal 2003, we offered products and services in the areas of commercial banking to corporate and retail customers, both domestic and international, investment banking and other products like insurance.

Our commercial banking operations for corporate customers include a range of products and services for India's leading corporations and growth-oriented middle market companies. Our products and services for corporate customers include loan products and fee and commission-based products and services. Our loan products consist of project finance, corporate finance and working capital loans, including cash credit facilities and bill discounting, and agricultural financing. Fee and commission-based products and services include documentary credits, standby letters of credit, project finance guarantees, cash management services, trust and retention accounts, cross-border trade

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services, payment services, custodial services and loan syndication. Most of these fee and commission-based products and services provide recurring fees from customers. We also take rupee or foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit taking products include certificates of deposit, checking accounts and time deposits.

Our commercial banking products and services for retail customers include both retail loans and retail liability products and services. We offer a wide range of retail credit products including home loans, automobile loans, commercial vehicle loans, two wheeler loans, consumer durable loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares. We also offer loans and fee-based services to small enterprises, which include suppliers and dealers of large corporations, and clusters of small enterprises that have a homogeneous profile. We take rupee and foreign currency deposits from customers in India as well as non-resident Indians. Our deposit products include checking accounts and time deposits, with specific products for customers in various segments, like student accounts, payroll accounts, accounts for small businesses and non-resident Indian accounts. We also offer retail bond products. Our other retail products and services include private banking, debit cards, fund transfer facilities and utility bill payment services. We also distribute third party investment products, including government of India Relief Bonds, mutual funds and life insurance policies issued by our joint venture, ICICI Prudential Life Insurance Company.

Our investment banking business includes ICICI Bank's treasury operations. ICICI Bank's treasury operations include maintenance and management of regulatory reserves, proprietary trading in equity and fixed income, a range

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of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services. Through its treasury operations, ICICI Bank manages its balance sheet including the maintenance of required regulatory reserves and seeks to optimize profits from its trading portfolio by taking advantage of market opportunities. There is no restriction on active management of ICICI Bank's regulatory portfolio through sales and purchases of securities. Our investment banking business also includes corporate advisory services, including advice on financing and strategic transactions, underwriting and placement of equity offerings and broking, and fixed income operations, including primary dealership in government securities and proprietary operations in various money market instruments, all of which are undertaken by ICICI Securities, our investment banking subsidiary. We also provide venture capital funding to start-up companies, as well as private equity to a range of companies, through funds managed by our subsidiary ICICI Venture Funds Management Company Limited.

Our other businesses include life insurance and non-life insurance. ICICI Prudential Life Insurance Company, our joint venture with Prudential plc, offers a range of life insurance products to individuals in India. ICICI Lombard General Insurance Company, our joint venture with Lombard Canada Limited, offers property and other non-life insurance products to companies and individuals in India.

We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. Our strategy for growth in international markets is based on leveraging home country links for international expansion by capturing market share in select international markets. We have identified North America, the United Kingdom, the Middle-East and South-East Asia as the key regions for establishing our international presence. We established a wholly-owned subsidiary, ICICI Bank UK Limited, in the United Kingdom and received approval for undertaking banking business in the United Kingdom from the Financial Services Authority in August 2003. We also established a branch in Singapore in August 2003. We have a representative office in New York and have received regulatory approvals for setting up a subsidiary in Canada and representative offices in the United Arab Emirates and China.

We offer our customers a choice of delivery channels including physical branches, ATMs, telephone banking call centers and the Internet. In recent years, we have expanded our physical delivery channels, including bank branches and ATMs, to cover a total of approximately 1,695 locations in 269 centers throughout India at year-end fiscal 2003.

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We have consistently used technology to differentiate our products and services from those of our competitors. For example, we were among the first banks in India to offer Internet banking. Our technology-driven products also include cash management services, mobile phone banking services and electronic commerce-based business-to-business and business-to-consumer banking solutions. To support our technology initiatives, we have set up online real time transaction processing systems. We remain focused on changes in customer needs and technological advances and seek to remain at the forefront of electronic banking in India.

Our legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. We were incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India, our telephone number is +91 22 2653 1414 and

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our web site address is www.icicibank.com. Our agent for service of process in the United States is CT Corporation System and their address is 111 Eighth Avenue, New York, New York, 10011.

History

ICICI Bank was formed in 1994 as a part of the ICICI group of companies. ICICI Bank's initial equity capital was contributed 75.0% by ICICI and 25.0% by SCICI Limited, a diversified finance and shipping finance lender of which ICICI owned 19.9% at December 1996. In December 1996, SCICI was merged into ICICI, and as a result, ICICI Bank became a wholly-owned subsidiary of ICICI. In May 1994, when ICICI obtained its commercial banking license to establish ICICI Bank, the Reserve Bank of India imposed a condition regarding dilution of holdings in commercial banks by promoters. This condition required ICICI to reduce its shareholding in ICICI Bank in stages, first to not more than 75.0% of its equity share capital and ultimately to not more than 40.0% of its equity share capital. In fiscal 1998, ICICI reduced its shareholding in ICICI Bank to just below 75.0% of its equity share capital as required, through a public offering of shares in India. In March 2000, ICICI Bank completed an equity offering in the form of ADRs listed on the NYSE for an amount of US\$ 175 million. After this offering, ICICI's shareholding in ICICI Bank was approximately 62.2% of ICICI Bank's equity share capital.

Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank, in an all stock merger which was approved by ICICI Bank's shareholders at an extraordinary general meeting held on January 19, 2001. ICICI Bank issued two of its equity shares, par value Rs. 10 per share, for every equity share, par value Rs. 10 per share, of Bank of Madura. The market value of the shares issued by ICICI Bank was Rs 3.7 billion (US\$ 78 million). The fair value of the net assets acquired by ICICI Bank was Rs. 1.3 billion (US\$ 27 million) and the fair value of the liabilities assumed by ICICI Bank was Rs. 39.1 billion (US\$ 822 million). This acquisition gave ICICI Bank a larger balance sheet and extensive geographic reach. This acquisition was accounted for under the purchase method of accounting. The assets acquired and liabilities assumed were recorded at estimated fair values as determined by ICICI Bank's management based on information then available and on assumptions made at that time as to future operations. ICICI's shareholding in ICICI Bank was reduced to approximately 55.6% after this merger.

In further compliance with the bank licensing condition stipulated by the Reserve Bank of India regarding dilution of holdings in commercial banks by promoters, ICICI divested, through sales in the Indian secondary markets to institutional investors, 8.8% of ICICI Bank's equity shares during March 2001. At year-end fiscal 2001, ICICI held 46.4% of ICICI Bank's equity shares. During the first five months (April to August) of fiscal 2002, ICICI sold additional equity shares of ICICI Bank in the Indian secondary markets to institutional investors. Consequently, ICICI's holding in ICICI Bank was reduced to 46.0% of ICICI Bank's equity share capital. In accordance with Section 4 of the Indian Companies Act, ICICI Bank ceased to be a subsidiary of ICICI as of March 22, 2001 and was accounted for under the equity method of accounting from April 1, 2000.

ICICI was formed in 1955 at the initiative of the World Bank, the government of India and representatives of Indian industry. The principal objective was to create a development financial

institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on

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project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and affiliates, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients. ICICI set up independent operations through the incorporation of subsidiaries and affiliates in the areas of venture capital funding (1988), asset management (1993), investment banking (1993), commercial banking (1994), brokering and marketing (1994), personal finance (1997), Internet stock trading (1999), home finance (1999) and insurance (2000).

ICICI Bank offered products and services which largely complemented the products and services offered by ICICI and its other subsidiaries and affiliates. ICICI Bank sought to take advantage of the customer relationships of ICICI and its other subsidiaries and affiliates. These relationships were particularly effective in helping ICICI Bank gain access to the larger corporations, as ICICI Bank's balance sheet on a stand-alone basis would not have permitted it to take the large exposures that might be undertaken by ICICI given its large balance sheet capabilities. ICICI Bank also sought to benefit from ICICI's corporate relationships in growing its retail business. ICICI Bank sold retail products to the employees of the ICICI group's corporate customers, including offering corporate customers its payroll deposit scheme for their employees. ICICI's retail bondholders also presented ICICI Bank with an opportunity for cross selling a variety of products, including bank accounts, credit cards, depositary share accounts and, to a limited extent, retail loans.

The issue of universal banking, which in the Indian context means conversion of long-term lending institutions into commercial banks, has been discussed at length over the past few years. The Reserve Bank of India in its Mid-Term Review of Monetary and Credit Policy for fiscal 2000 and its circular on Approach to Universal Banking issued on April 28, 2001, announced that it would consider proposals from long-term lending institutions (like ICICI) wishing to transform themselves into banks on a case-by-case basis. In its Mid-Term Review of Monetary and Credit Policy for fiscal 2002, the Reserve Bank of India encouraged financial institutions to submit proposals for their transformation into banks. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Universal Banking Guidelines" for a discussion of the key regulatory provisions governing the transformation of financial institutions into banks.

Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI explored various corporate structuring alternatives for its transformation into a universal bank. ICICI also held discussions with the Reserve Bank of India on an appropriate transition path and compliance with regulatory requirements. ICICI Bank also considered various strategic alternatives, in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. The strategic alternatives examined by ICICI and ICICI Bank included an amalgamation of the two entities, in view of ICICI's significant shareholding in ICICI Bank, and the existing strong business synergies between the two entities. ICICI also considered the reorganization of its subsidiary companies.

Following this strategizing on the various alternatives including an amalgamation of ICICI and ICICI Bank, the senior managements of ICICI and ICICI

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Bank commenced a program of in-depth confidential discussions on the various strategic alternatives in July 2001. These discussions were held on various dates during July-August 2001. Based on these discussions, the managements of ICICI and ICICI Bank formed the view that the amalgamation of ICICI with ICICI Bank would be the

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optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking strategy. The managements of ICICI and ICICI Bank accordingly decided to prepare, for submission to their respective boards of directors, a proposal for the amalgamation of ICICI, ICICI Capital Services and ICICI Personal Financial Services, with ICICI Bank. ICICI Capital Services was a wholly-owned subsidiary of ICICI, and was one of the largest distributors of financial and investment products in India. It also provided front-office services to the retail and semi-retail investors of ICICI, and undertook the management of the various ICICI centers, which were low-cost stand-alone offices acting as marketing and service centers, set up by ICICI. ICICI Personal Financial Services was also a wholly-owned subsidiary of ICICI, and was engaged in the distribution and servicing of various retail credit products and other services offered by ICICI and ICICI Bank.

The amalgamation was approved by each of the boards of directors of ICICI, ICICI Personal Financial Services, ICICI Capital Services and ICICI Bank at their respective meetings held on October 25, 2001. The amalgamation was approved by the shareholders of ICICI Bank and ICICI at their extraordinary general meetings held on January 25, 2002 and January 30, 2002, respectively. The amalgamation was sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002. The amalgamation was approved by the Reserve Bank of India on April 26, 2002.

Shareholding of ICICI in ICICI Bank

At year-end fiscal 2002, ICICI held 101,395,949 shares of ICICI Bank, representing 46.0% of the equity share capital of ICICI Bank. Pursuant to the provisions of the Scheme of Amalgamation, ICICI transferred all of the ICICI Bank shares held by it to the ICICI Bank Shares Trust with Western India Trustee & Executor Company Limited as the Trustee, to hold such ICICI Bank shares in trust exclusively for the benefit of ICICI and its successors. These shares constituted 16.5% of ICICI Bank's equity share capital. The Scheme of Amalgamation provided that the Trustees were to divest or otherwise dispose of the shares within 24 months of the amalgamation becoming effective and remit the proceeds of divestment to ICICI Bank. On September 26, 2002, these shares were sold by the Trust through the stock exchange, primarily to foreign strategic and institutional investors, at an average sale price of approximately Rs. 130 per equity share.

Shareholding Structure and Relationship with the Government of India

We operate as an autonomous and commercial enterprise, making decisions and pursuing strategies that are designed to maximize shareholder value, and the Indian government has never directly held any of our shares. Reflecting the dominant role of the Indian government in the Indian economy and ICICI's status as a public financial institution named in the Indian Companies Act, ICICI's principal shareholders were government-controlled. They included the Life Insurance Corporation of India, the General Insurance Corporation of India, government-owned general insurance companies and the Unit Trust of India. Consequent to the amalgamation of ICICI with ICICI Bank, these government-controlled shareholders have received shares of ICICI Bank in

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exchange for their shareholding in ICICI. There is no shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. ICICI Bank is the surviving legal entity in the amalgamation. Accordingly, ICICI Bank is not a public financial institution. See "Supervision and Regulation - Public Financial Institution Status" for a discussion of ICICI's public financial institution status and the implications of the absence of such status for us.

The following table sets forth, at August 29, 2003, certain information regarding the ownership of ICICI Bank's equity shares.

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Government-controlled shareholders:	
Life Insurance Corporation of India.....	
General Insurance Corporation of India and government-owned general insurance	
companies.....	
Unit Trust of India.....	
Other government-controlled institutions, corporations and banks.....	

Total government-controlled shareholders	

Other Indian investors:	
Individual domestic investors (1) (2).....	
Bajaj Auto Limited	
Indian corporates and others (excluding Bajaj Auto Limited).....	
Mutual funds and banks (other than government-controlled banks).....	

Total other Indian investors.....	

Total Indian investors.....	

Foreign investors:	
Deutsche Bank Trust Company Americas, as depositary.....	
Orcasia Limited.....	
Government of Singapore.....	
Foreign institutional investors, foreign banks, overseas corporate bodies and	
non-resident Indians (excluding Orcasia Limited and Government of Singapore).....	

Total foreign investors.....	

Total	
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- (1) Executive officers and directors as a group held less than 0.1% of the equity shares as of this date.
 - (2) No single shareholder in this group owned 5.0% or more of ICICI Bank's equity shares as of this date.

The government of India has guaranteed certain of our domestic and multilateral borrowings. Under the terms of these loan and guarantee facilities provided by the government of India to us, the government of India is entitled to appoint and has appointed one representative to the board of ICICI Bank. ICICI had traditionally invited a representative each of the government-controlled insurance companies that are among our principal domestic institutional shareholders, General Insurance Corporation of India and Life Insurance Corporation of India, generally their respective Chairman, on its board. ICICI Bank had, effective May 3, 2002, appointed the then Chairman of General Insurance Corporation of India, Mr. D. Sengupta, to its board. He resigned from the board effective June 30, 2002, upon completion of his tenure as Chairman of General Insurance Corporation of India. Mr. P.C. Ghosh, the current Chairman of the General Insurance Corporation of India has been appointed as a Director effective January 31, 2003. We expect to appoint the Chairman of Life Insurance Corporation of India, to the board of ICICI Bank. See "Management--Directors and Executive Officers" for a discussion of the composition of ICICI Bank's board of directors.

ICICI raised US\$ 315 million through an offering of 32.14 million ADSs in September 1999. ICICI Bank raised US\$ 175 million through an offering of 15.91 million ADSs in March 2000. Pursuant to the amalgamation of ICICI with ICICI Bank, holders of ADSs in ICICI were issued ADSs in ICICI Bank. Deutsche Bank Trust Company Americas holds the equity shares represented by 79.94 million ADSs outstanding as depository on behalf of the holders of the ADSs. The ADSs are listed on the New York Stock Exchange. The depository has the right to vote on the equity shares represented by the ADSs as directed by ICICI Bank's board of directors. Under the Indian Banking Regulation Act, no person holding shares in a banking company can exercise more than 10.0% of the total voting

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power. This means that Deutsche Bank Trust Company Americas (as depository), which owned approximately 26.1% of ICICI Bank's equity shares as of August 29, 2003, could only vote 10.0% of ICICI Bank's equity shares in accordance with the directions of the board of directors. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". ICICI Bank does not have any agreement with its government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. Except as stated above, no shareholder has differential voting rights.

The holding of foreign investors increased to 66.7% as at August 29, 2003 from 48.8% for ICICI at year-end fiscal 2002, primarily due to the sale of 101,395,949 shares constituting 16.5% of ICICI Bank's equity share capital subsequent to the amalgamation, held by Western India Trustee & Executor Company Limited (ICICI Bank Shares Trust) to primarily foreign strategic and institutional investors in September 2002, at an average price of approximately Rs. 130 per share.

The holding of government-controlled shareholders is 17.8% as at August 29, 2003 against 32.3% for ICICI at year-end fiscal 2002, primarily due to the issuance of one share in ICICI Bank for every two shares in ICICI pursuant to the amalgamation and the low shareholding (3.7%) of government-controlled

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shareholders in ICICI Bank prior to the amalgamation. The holding of Life Insurance Corporation of India is 8.0% as at August 29, 2003 against 12.3% for ICICI at year-end fiscal 2002 primarily due to the issuance of one share in ICICI Bank for every two shares in ICICI pursuant to the amalgamation. The holding of other Indian investors is 15.6% as at August 29, 2003, as against 18.9% for ICICI at year-end fiscal 2002.

Strategy

Our objective is to enhance our position as a premier provider of banking and other financial services in India.

The key elements of our business strategy are to:

- o leverage on the synergies of the amalgamation of ICICI with ICICI Bank;
- o focus on profitable, quality growth opportunities by:
 - maintaining and enhancing our strong retail franchise;
 - maintaining and enhancing our strong corporate franchise;
 - building an international presence; and
 - enhancing our strengths in the insurance business.
- o emphasize conservative risk management practices and enhance asset quality;
- o use technology for competitive advantages; and
- o attract and retain talented professionals.

Leverage on the Synergies of the Amalgamation of ICICI with ICICI Bank

As a result of the acquisition of Bank of Madura, we became and continue to be the largest private sector bank in India and as a result of the amalgamation, we became and continue to be the second largest among all banks in India, in terms of total assets. The amalgamation has increased our capital base and expanded the scope of our business operations. We aim to continue to leverage on our increased capital base, comprehensive suite of products and services, extensive corporate and retail customer relationships, technology-enabled distribution architecture, strong brand franchise and vast talent pool. We aim to continue to take advantage of the combination of ICICI's large capital base with ICICI Bank's strong deposit raising capabilities to develop and increase our market share in profitable business lines.

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Focus on Profitable, Quality Growth Opportunities by:

Maintaining and Enhancing our Strong Retail Franchise

We believe that the Indian retail financial services market is likely to continue to experience sustained growth. With upward migration of household income levels, increasing affordability of retail finance and acceptance of use of credit to finance purchases, retail credit has emerged as a rapidly growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. We have capitalized on the growing retail opportunity

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in India and believe that we have emerged, on an incremental basis, as a market leader in retail credit. The key dimensions of our retail strategy are innovative products, parity pricing, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. Cross selling of the entire range of credit and investment products and banking services to our customers is a critical aspect of our retail strategy.

Our retail credit products include home loans, automobile loans, commercial vehicle loans, two wheeler loans, consumer durable loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares. Our retail loans increased significantly during fiscal 2003, as a result of our focus on retail products and services. Retail credit forms an integral part of our portfolio diversification strategy. We believe that we have emerged, on an incremental basis, to be among the market leaders in retail credit, based on publicly available data and our own market estimates. We will continue to build on our leadership position in retail credit.

We have integrated our strategy with regard to small enterprises with our strategy for retail products and services. We are focusing on offering working capital loans and other banking products and services to suppliers or dealers of large corporations, and clusters of small enterprises that have a homogeneous profile.

We have over the years achieved significant growth in our retail liability base. We offer a wide range of products and services to our retail liability customers, including deposits, debit cards, fund transfer facilities and utility bill payment services. We aim to continue to attract customers through innovative products such as "Salary Account", our direct deposit product that allows our corporate customers' employee salaries to be directly credited to special savings accounts.

We earn fee income from our commercial banking services to retail customers, including retail loan processing fees, credit card and debit card fees, and retail transaction fees. Our ATM acquiring business also generates fee income when customers of other banks execute transactions at our ATMs. We have also entered the credit card acquiring business, in which we earn income on transactions executed at merchant point of sale terminals owned by us. We also offer our customers depository share accounts and direct sales of third party mutual funds and government of India Relief Bonds, for which we earn fee income. Our Internet banking services include Money2India, an online remittance facility for non-resident Indians, which generates fee income. ICICI Web Trade Limited, an entity consolidated in our US GAAP financial statements, offers online share trading services to our retail customers.

All of our retail products are marketed under the "ICICI Bank" brand. To enhance our brand equity, we undertake comprehensive brand building and advertising campaigns with advertisements in print and television. Studies undertaken periodically by independent market research agencies commissioned by us have shown that our brand is among the top two financial services brands in India.

Maintaining and Enhancing our Strong Corporate Franchise

Our commercial banking operations for corporate customers include a range of products and services for India's leading corporations and growth-oriented middle market companies. Our key

commercial banking products and services to corporate customers include loan

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products and fee and commission-based products and services.

Our corporate loan products consist principally of project and corporate finance and working capital finance. Our fee and commission-based products and services include documentary credits and standby letters of credit/ guarantees, forward contracts, interest and currency swaps, cash management services, escrow and trust and retention accounts, cross-border trade services, payment services, custodial services, investment banking advisory services, loan syndication and corporate risk management services. We have developed countrywide collection and payment mechanisms for rural and cooperative banks with limited geographic presence.

In fiscal 2003, we have increased focus on technology-driven enhancement of delivery capabilities to offer improved service levels to clients. We have set up centralized processing facilities for back office operations where technology is leveraged to benefit from economies of scale arising out of large transaction volumes.

In project finance, we focus on structuring and syndication of financing for large projects, by leveraging our expertise in project financing. In the manufacturing sector, our focus is on projects sponsored by entities that have proven ability to commit the required financial resources and implement projects successfully within planned time-frames.

Our commercial banking services to corporate customers will continue to focus on leveraging our strong corporate relationships and increased capital base to increase our market share in non-fund based working capital products and fee-based services. Our corporate lending activities will continue to focus on structured finance, corporate finance and working capital lending to highly rated corporations. We will also focus on achieving directed lending obligations to the agricultural sector through carefully structured credit products. In project finance, we will continue to focus on structuring and syndication of financing for large projects by leveraging our expertise in project financing, and on actively managing our project finance portfolio to reduce portfolio concentration and to manage portfolio risk. We view ourselves not only as a provider of project finance but also as an arranger and facilitator, creating appropriate financing structures that may serve as financing and investment vehicles for a wider range of market participants. Our goal is to provide a comprehensive and integrated service to corporate treasurers through our solution managers. We aim to increase the cross selling of our products and services and maximize the value of our corporate relationships through the effective use of technology, speedy response times, quality service and the provision of products and services designed to meet specific customer needs. We will continue to actively manage our asset portfolio through securitization of assets as well as through acquisition of credit portfolios from other institutions and banks, to diversify the portfolio, reduce long-term balance sheet exposures and maximize risk-adjusted returns.

Building an International Presence

We believe that the international markets present a major growth opportunity and have therefore expanded the range of our commercial banking products in international markets. Our initial strategy for growth in international markets is based on leveraging home country links for international expansion by capturing market share in select international markets. The initial focus areas are supporting Indian companies in raising corporate and project finance for their investments abroad, trade finance, personal financial services for non-resident Indians and international alliances to support domestic businesses. ICICI Bank had over the last few years built a large network of correspondent relationships across all major countries. Most of these countries have significant trade and other

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relationships with India.

We have identified North America, the United Kingdom, the Middle-East and South-East Asia as the key regions for establishing our international presence. We established a wholly-owned subsidiary, ICICI Bank UK Limited, in the United Kingdom and received approval for commencement of banking business from the Financial Services Authority in August 2003. We also

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established a branch in Singapore in August 2003. We have a representative office in New York and have received regulatory approvals for setting up a subsidiary in Canada and representative offices in the United Arab Emirates and China.

Enhancing Our Strengths in the Insurance Business

Following the deregulation of the insurance sector in India, private sector companies have been allowed to enter the insurance business. We have a joint venture partnership with Prudential plc of UK for the life insurance business. We have a 74.0% interest in this joint venture. This joint venture company, ICICI Prudential Life Insurance Company Limited, obtained the license to conduct life insurance business in November 2000 and commenced business operations in December 2000. ICICI Prudential Life Insurance sold about 244,000 policies in fiscal 2003. There is a Memorandum of Understanding between ICICI Bank and ICICI Prudential Life Insurance Company for distribution of life insurance policies issued by ICICI Prudential Life Insurance Company through ICICI Bank's branch network.

In the non-life insurance sector, ICICI had entered into a joint venture partnership with Lombard Canada Limited in fiscal 2001. We have a 74.0% interest in this joint venture. The joint venture company, ICICI Lombard General Insurance Company Limited, obtained the license to conduct general insurance business in August 2001 and subsequently has commenced operations. In fiscal 2003, ICICI Lombard General Insurance Company had written 98,293 policies and achieved financial breakeven. ICICI Lombard General Insurance Company offers general insurance products to our corporate customers and seeks to capitalize on our corporate relationships.

The key dimensions of our strategy for growth in the insurance business are innovative products, wide distribution network, prudent portfolio mix and sound risk management practices. In addition, we are focussed on leveraging on our corporate and retail customer base for cross selling insurance products.

Emphasize Conservative Risk Management Practices and Enhance Asset Quality

We believe that conservative risk management policies, processes and controls are critical for long-term sustainable competitive advantages in our business. ICICI Bank's Risk, Compliance and Audit Group is an independent, centralized group responsible for establishing and implementing company-wide risk management policies, with an increasing focus on enhancing asset quality. We continue to build on our credit risk management procedures, credit evaluation and rating methodology, credit risk pricing models, proprietary analytics and monitoring and control mechanisms. We expect to enter new product markets only after conducting detailed risk analysis and pilot testing programs.

To reduce risk, we are in the process of diversifying our loan portfolio towards retail lending and shorter-term working capital, while continuing to focus on corporate lending to highly-rated corporate customers and structured

finance. In addition, we seek to lower the credit risk profile of the project and corporate loan portfolio through the increased use of financing structures based on a security interest in the cash flows generated from the business of the borrower and increased collateral, including additional security in the form of liquid assets, such as investment securities and readily marketable real property. We are also trying to mitigate project risk through the allocation of risk to various project counterparties, such as construction contractors, operations and maintenance contractors and raw material and fuel suppliers, by entering into rigorous project contracts with those counterparties. We seek to control credit risk in the retail loan portfolio, the small enterprises loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection and recovery systems. We have placed emphasis on recruiting experienced retail credit professionals to staff our retail credit approval function. We have also established standards and investigative verification procedures for selection of our marketing and processing agents. While our lending to the agricultural sector and small scale industries to comply with the priority sector lending norms of the Reserve Bank of India may result in higher credit risk,

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we are seeking to develop appropriate credit approval criteria and credit delivery structures to mitigate this risk.

Management has placed great emphasis on asset quality and this focus has been institutionalized across the organization. We believe we are the market driver in India in achieving early settlements with troubled borrowers, thus maximizing our cash flows from these loans. Our Special Asset Management Group has the responsibility for managing large impaired loans and accounts under watch.

Use Technology for Competitive Advantages

We seek to be at the forefront of technology usage in the financial services sector. Information technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organization. All of our technology initiatives are aimed at enhancing value, offering customer convenience and improved service while optimizing costs.

We expect to continue with our policy of making investments in technology to achieve a significant competitive advantage. The key objectives behind our information technology strategy continue to be:

- o building a cost-efficient distribution network to accelerate the development of our retail franchise;
- o enhancing cross selling and client segmenting capability by using analytical tools and efficient data storage and retrieval systems;
- o improving credit risk and market risk management; and
- o improving product and client profitability analysis.

Attract and Retain Talented Professionals

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals with relevant

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experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Recruitment is a key management activity and we continue to attract graduates from the premier Indian business schools.

Our management team is committed to enhancing shareholder value and all of our performance targets seek to meet this primary objective. We believe we have created the right balance of performance bonus, stock option and other economic incentives for our employees so that they will be challenged to develop business, achieve profitability targets and control risk. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

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Overview of ICICI Bank's Products and Services

We offer products and services in the areas of commercial banking to corporate and retail customers, both domestic and international, investment banking and other products like insurance.

Commercial Banking

Commercial Banking Products and Services for Corporate Customers

General

We provide a range of commercial banking products and services to India's leading corporations and growth-oriented middle market companies. Our key commercial banking products and services to corporate customers include loan products and fee and commission-based products and services. Our loan products include project and corporate finance, working capital finance including cash credit facilities (a revolving floating rate asset-backed overdraft facility) and bill discounting (a type of receivables financing), and agricultural financing. Our fee and commission-based products and services include documentary credits, standby letters of credit, financial and performance guarantees, cash management services, trust and retention accounts, cross border trade services, payment services, securities processing services and loan syndication. Most of these fee and commission-based products and services provide recurring fees from customers. We also take rupee or foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit taking products include certificates of deposit, checking accounts and time deposits. We deliver our commercial banking products and services to our corporate customers through a combination of physical branches, correspondent banking networks, telephone banking and the Internet.

Corporate Loan Portfolio

Our corporate loan portfolio primarily consists of term loans for project and corporate finance, and working capital credit facilities. For details on our loan portfolio, see "- Loan Portfolio".

Project and Corporate Finance

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Our Manufacturing Projects Group and Infrastructure Projects Group offer project finance to the manufacturing sector and structured finance to the infrastructure sector respectively. Our project finance business consists principally of extending medium-term and long-term rupee loans to our clients although we do provide financing in foreign currencies. We also provide guarantees to foreign lenders and export credit agencies, on behalf of our clients, typically for large projects in the infrastructure sector.

Our manufacturing sector financing includes project-based lending to companies in traditional manufacturing sectors, including iron, steel and metal products, textiles, machinery and capital goods, cement and paper. As a result of structural changes to the Indian economy, trade liberalization and the downturn in prices of several major market commodities, many of these industry segments have gone through a period of stress over the last few years. In view of the prevailing environment, there have been restricted opportunities for lending to new projects in the manufacturing sector.

Project and corporate finance is provided generally through term loans that amortize over a period of typically between one and ten years. Our term credits include rupee loans, foreign currency loans, lease financing and subscription to preferred stock. These products also include marketable instruments such as fixed rate and floating rate debentures. In the case of rupee and foreign currency loans, and debentures, we generally have a security interest and first lien on the fixed assets of the borrower. The security interest typically includes property, plant and equipment and other tangible assets of the borrower. At year-end fiscal 2003, our gross project and corporate loans outstanding were Rs. 387.9 billion (US\$ 8.2 billion), constituting 56.7% of our gross loan portfolio.

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We offer a variety of products that are designed to allow clients to effectively manage their balance sheets and cash flows, mitigate risks and enhance the credit rating of certain of their debt issuances. Term loans are also provided for financing acquisitions. Our structured products group focuses specifically on the application of securitization techniques to credit enhance our traditional lending products. We have played a leading role in the growth and development of the securitization market in India. The structured products group is also focusing on selling down of our loans to better manage portfolio concentrations and mismatches in the maturities of our assets and liabilities and to provide additional liquidity.

We extend fund based loans as well as standby letters of credit facilities to corporates outside India which are joint ventures and/or wholly-owned subsidiaries of Indian corporates. At year-end fiscal 2003, our balance outstanding in respect of loans to corporates outside India was Rs. 536 million (US\$ 11 million), representing approximately 0.1% of our total gross loan portfolio.

Working Capital Finance

Under working capital finance, we offer our customers cash credit facilities and bill discounting. At year-end fiscal 2003, our gross working capital loans, including working capital term loans, outstanding were Rs. 74.4 billion (US\$ 1.6 billion), constituting 10.9% of our gross loan portfolio.

Cash Credit Facilities: Cash credit facilities are the most common form of working capital financing in India. Cash credit facilities are given to borrowers to finance the cash flow gap arising out of the time difference between the purchase of raw materials and the realization of sale proceeds of

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the borrower's products. A cash credit facility is a revolving overdraft line of credit for meeting the working capital needs of companies and is generally backed by current assets like inventories and receivables. Under the cash credit facility, a line of credit is provided up to a pre-established amount based on the borrower's projected level of inventories, receivables and cash deficits. Up to this pre-established amount, disbursements are made based on the actual level of inventories and receivables. A portion of the cash credit facility can also be made in the form of a demand loan. A cash credit facility is typically given to companies in the manufacturing, trading and service sectors on a floating interest rate basis. Interest is earned on this facility on a monthly basis, based on the daily outstanding amounts. The facility is generally given for a period of up to 12 months, with a review after that period. Our cash credit facility is generally fully secured with full recourse to the borrower. In most cases, we have a first lien on the borrower's current assets, which normally are inventory and receivables. Additionally, in some cases, we may take further security of a first or second lien on fixed assets including real estate, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees.

Cash credit facilities are extended to borrowers by a single bank, multiple banks or a consortium of banks with a lead bank. The nature of the arrangement is usually agreed between the bank(s) and the borrower and depends upon the amount of working capital financing required by the borrower, the risk profile of the borrower and the amount of loan exposure a single bank can take on the borrower. We are focused on highly rated large corporations and have participated in multiple bank and consortium arrangements. Regardless of the arrangement, we undertake our own due diligence and follow our credit risk policy to determine whether we should lend money to the borrower and, if so, the amount to be lent to the borrower and the rate of interest to be charged. For more details on our credit risk procedures, see "-- Risk Management -- Credit Risk".

Bill Discounting: Bill discounting involves the financing of short-term trade receivables through negotiable instruments. These negotiable instruments can then be discounted with other banks if required, providing us with liquidity. In addition to traditional bill discounting, we also provide customized solutions to our corporate customers having large dealer networks. Loans are approved to dealers in the form of working capital lines of credit, based on analysis of dealer credit risk profiles.

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Corporate Loan Pricing

We price our loans to corporate borrowers based on the following factors:

- o our internal credit rating of the company;
- o the maturity of the loan;
- o the nature of the banking or financing arrangement (either a single bank, multiple bank or consortium arrangement);
- o the collateral available; and
- o market conditions.

For a description of our credit rating system, see "-- Risk Management - Credit Risk".

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The Asset-Liability Management Committee of our board of directors fixes prime lending rates based on yield curve factors, such as interest rate and inflation rate expectations, as well as the market demand for loans of a certain term and our cost of funds. For corporate loans, we have three prime lending rates linked to the term of the loan and one prime lending rate for cash credit. Our prime lending rates effective since January 1, 2003 are as follows:

Term	Prime lending rate
Up to one year.....	10.5
One to three years.....	11.5
Over three years.....	12.5
Cash credit.....	12.5

Under the earlier Reserve Bank of India regulations, loan exposures through corporate debt instruments and bill discounting were not subject to the prime lending rate regulations. Banks could lend at an interest rate below their prime lending rates when delivery was through these products. From fiscal 2002, the Reserve Bank of India further liberalized the interest rate regime by allowing banks the freedom to lend below their respective prime lending rates pursuant to their internally approved guidelines. See also "Supervision and Regulation - Regulations relating to Making Loans".

Fee and Commission-Based Activities

Our fee and commission-based products and services include documentary credits, standby letters of credit, cash management services, trust and retention accounts, payment services, securities processing services and loan syndication.

Documentary Credits

We provide documentary credit facilities to our working capital loan customers both for meeting their working capital needs as well as for capital equipment purchases. For working capital purposes, we issue documentary credits on behalf of our borrowers for the sourcing of their raw materials and stock inputs. Lines of credit for documentary credits and standby letters of credit are approved as part of a working capital loan package provided to a borrower. These facilities, like cash credit facilities, are generally given for a period up to 12 months, with review after that period. Typically, the line is drawn down on a revolving basis over the term of the facility, resulting in a fee payable to us at the time of each drawdown, based on the amount and term of the drawdown.

We issue documentary credits on behalf of borrowers both for domestic and foreign purchases. Borrowers pay a fee to us based on the amount drawn down from the facility and the term of the facility. This facility is generally secured by the same collateral available for cash credit facilities. We may also take collateral in the form of cash deposits, in the range of 5.0% to 20.0% of the drawdown amount, from our borrowers before each drawdown of the facility.

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At year-end fiscal 2003, we had a portfolio of documentary credits of Rs. 43.2 billion (US\$ 909 million).

Guarantees

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We provide standby letter of credit facilities, called guarantees in India, which can be drawn down any number of times up to the committed amount of the facility. We issue guarantees on behalf of our borrowers in favor of corporations and government authorities. Guarantees are generally issued for the purpose of bid bonds, guaranteeing the performance of our borrowers under a contract as security for advance payments made to our borrowers by project authorities and for deferral of and exemption from the payment of import duties granted to our borrowers by the government against fulfillment of certain export obligations by our borrowers. The term of these guarantees is generally up to 36 months though in specific cases, the term could be higher. This facility is generally secured by collateral similar to that of documentary credits. In addition, as a part of our project financing activity, we issue guarantees to foreign lenders, export credit agencies and domestic lenders on behalf of our clients.

At year-end fiscal 2003, our total guarantees outstanding were Rs. 106.5 billion (US\$ 2.2 billion).

Cash Management Services

Under cash management services, we offer our corporate clients custom-made collection, payment and remittance services allowing them to reduce the time period between collections and remittances, thereby streamlining their cash flows. Our cash management products include physical check-based clearing in locations where settlement systems are not uniform, electronic clearing services, central pooling of country-wide collections, dividend and interest remittance services and Internet-based payment products. Our customers pay a fee to us for these services based on the volume of the transaction, the location of the check collection center and speed of delivery. This also results in low-cost funds being maintained for short durations in checking accounts of customers which we invest profitably.

The total amount handled by us under cash management services was Rs. 2,079.7 billion (US\$ 43.7 billion) for fiscal 2003. At year-end fiscal 2003, we had 598 cash management service customers.

Escrow and Trust and Retention Accounts

We offer escrow account and trust and retention account facilities to lenders in limited and non-recourse project finance transactions who typically require the setting up of escrow accounts and trust and retention accounts as part of the project financing structure, and our customers include power and telecommunications companies. This service enables us to capture the receivables of the project on behalf of the lenders and channel the cash flows in a pre-determined manner. We also offer escrow account facilities for securitization and merger and acquisition transactions. Our customers pay a negotiated fee to us for this product based on the complexity of the structure and the level of monitoring involved in the transaction.

The cash flows managed by us under this product during fiscal 2003 were about Rs. 74.8 billion (US\$ 1.6 billion).

Payment Services

We offer online electronic payment facilities through our commercial Internet banking platform to our corporate customers and their suppliers and dealers as a closed user group, where the entire group is required to maintain bank accounts with us. We use the Internet as the delivery platform for this business-to-business electronic commerce product, which we call "i-payments". Under this service, payments from our corporate customers to their suppliers and payments from the dealers to our corporate customers are made

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electronically. This service offers a high level of convenience since no physical instruments are required, all transactions are done online and the information may be viewed

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on the Internet. This product can be customized to meet the specific requirements of individual customers. We presently do not charge a fee for this service, as it results in large low-cost funds being maintained for short durations in checking accounts of customers, that we invest profitably.

At year-end fiscal 2003, there were approximately 8,500 corporations and small enterprises (which also use our commercial Internet banking platform) on our commercial Internet banking platform for corporate customers. Some of these users are also using the platform for making payments/receiving collections from their channel partners.

Securities Processing Services

We have a significant market share as a custodian of overseas depository banks for depository receipt issues of Indian companies in the international markets. The total assets held in custody on behalf of our clients, mainly foreign institutional investors, offshore funds, overseas corporate bodies and depository banks for GDR investors, increased to Rs. 300.1 billion (US\$ 6.3 billion) at year-end fiscal 2003 from Rs. 247.7 billion (US\$ 5.2 billion) at year-end fiscal 2002. In addition, we are registered as a depository participant of National Securities Depository Limited and Central Depository Services (India) Limited, the only two securities depositories operating in India, and provide electronic depository facilities to investors including retail investors. To facilitate settlement services, we are a clearing member of clearing agencies of the leading stock exchanges.

Loan Syndication

We have developed significant syndication capabilities while structuring and arranging large project finance transactions. We seek to leverage these syndication capabilities to arrange project and corporate finance for our corporate clients and earn fee income, as well as to securitize loans originated by us. We have been granted a merchant banking license by the Securities and Exchange Board of India.

Products for Other Banks

Various cooperative banks and rural banks in India are limited to specific regions or states of India. These banks need relationships with banks present in most of the large cities in India to be able to service the needs of their customers for country-wide collection and payment. We offer customized products and solutions for cooperative banks. Although we do not charge a fee for these products, they result in amounts being maintained with us in non-interest-bearing current accounts that we can invest profitably.

Corporate Deposits

We take deposits from our corporate clients with terms ranging from 15 days (seven days in respect of deposits over Rs. 1.5 million (US\$ 31,546) with effect from April 19, 2001) to seven years but predominantly from 15 days to one year. We routinely provide interest quotes for deposits in excess of Rs. 10 million (US\$ 210,305) on a daily basis (uncommon in India), based on rates in the inter-bank term money market and other money market instruments such as treasury bills and commercial papers. The Reserve Bank of India regulates the

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term of deposits in India but not the interest rates with some minor exceptions. Banks are not permitted to pay interest for periods less than seven days. Also, pursuant to the current regulations, we are permitted to vary the interest rates on our corporate deposits based upon the size range of the deposit so long as the rates offered are the same for every customer of a deposit of a certain size range on a given day. Corporate deposits include funds taken by us from large public sector corporations, government organizations, other banks and private sector companies.

We offer a variety of deposit products to our corporate customers. We take rupee or foreign currency denominated deposits with fixed or floating interest rates. Our deposit products for corporations include:

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- o current accounts-- non-interest-bearing demand deposits;
- o time deposits -- fixed term deposits that accrue interest at a fixed rate and may be withdrawn before maturity by paying penalties; and
- o certificates of deposit -- a type of time deposit.

Our corporate deposits totaled Rs. 242.8 billion (US\$ 5.1 billion) at year-end fiscal 2003, constituting 49.4% of our total deposits and 20.6% of our total liabilities and stockholders' equity at year-end fiscal 2003. Of our total corporate deposits, current account deposits totaled Rs. 22.1 billion (US\$ 465 million) constituting 9.1% of corporate deposits and term deposits totaled Rs. 220.7 billion (US\$ 4.6 billion) constituting 90.9% of corporate deposits.

The following table sets forth, at the date indicated, the maturity profile of our rupee term deposits (including deposits of banks) of Rs. 10 million (US\$ 210,305) or more:

	At March 31,		
	2003		% of total deposits
	(in millions, except percentages)		
Less than three months.....	Rs. 65,986	US\$ 1,388	13.4%
Above three months and less than six months.....	15,634	329	3.2
Above six months and less than twelve months.....	70,222	1,477	14.3
More than twelve months.....	13,578	286	2.8
	-----	-----	-----
Total deposits of Rs. 10 million and more.....	Rs. 165,420	US\$ 3,479	33.7%
	=====	=====	=====

We market corporate deposits from branches and directly from our corporate office.

We continue to be banker to the market offerings of select companies on account of raising of equity or debt, buy back of equity and equity takeovers. These companies are required to maintain the subscription funds with the bankers to the offering until the allotment of shares/buy back of shares and the refund of excess subscription is completed. This process generally takes about 15 to 30 days, resulting in short-term deposits with us. We act as banker

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to corporates for their dividend payout to their shareholders and interest payout to bondholders, which results in mobilizing interest-free, float balances to us. We believe that our relationships with corporate deposit customers significantly reduce the volatility in our corporate deposit base. We also offer inter-bank call rate-linked floating rate deposits.

The growth in corporate deposits has been supplemented by the "anywhere banking service" offered by us, which allows multi-locational corporations in India to receive cash inflows and make payments in various cities by maintaining one central pooling account.

We also provide liquidity management services to our corporate customers to enable them to invest their short-term cash surpluses in a variety of short-term treasury and deposit-based instruments, including treasury bills, commercial paper and certificates of deposit. These products allow our customers to earn income on their short-term cash surpluses since deposits for periods of less than 15 days (seven days in respect of deposits over Rs. 1.5 million (US\$ 31, 548) with effect from April 19, 2001) are non-interest-bearing pursuant to the Reserve Bank of India regulations. We also facilitate the holding of foreign currency accounts. In addition to large public and private sector companies, our other target customers for these products are provident funds and high net worth individuals.

Client Coverage

In fiscal 2003, our principal corporate relationship groups were the Corporate Solutions Group, the Government and Institutional Solutions Group, the Emerging Corporates Group and the Agri-Business Group. The Corporate Solutions Group was responsible for relationships with large, highly rated corporates. The Government and Institutional Group was a dedicated group for public sector

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units, government departments and authorities and quasi governmental agencies like municipal corporations. The Emerging Corporates Group and the Agri-Business Group worked closely with the Corporate Solutions Group and the Government and Institutional Solutions Group to offer products and services to suppliers and dealers of our large corporate customers. The principal corporate product groups were the Product and Technology Group which was responsible for delivery of products and services, the Structured Products and Portfolio Management Group which was responsible for supporting the product groups by designing financing structures that satisfied customer requirements while adequately mitigating risk and Treasury which was responsible for designing and providing corporate treasury and risk management products and services. We had specialized groups for infrastructure project finance and manufacturing project finance (including oil, gas and petrochemicals and shipping). These groups focused on project appraisal and monitoring and worked closely with the other relationship and product groups to provide a wider range of products and services, in addition to project financing, to our project finance customers.

In fiscal 2004, our principal corporate relationship groups have been reorganized as the Corporate Banking Group, the Government Banking Group and the Rural, Micro-banking and Agri-business Group. The Corporate Banking Group is responsible for managing relationships with large, highly rated corporates and public sector corporates. The Government Banking Group is a dedicated group created to leverage the business opportunities in central and state governments and local government bodies. The Rural, Micro-banking and Agri-business Group is responsible for all our rural and micro-banking and agri-business initiatives. The group is also responsible for relationships with regional

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rural banks, co-operative banks, co-operatives and all other entities with a primarily agricultural or rural focus. The Structured Products and Portfolio Management Group has been reorganized to include the corporate treasury and risk management products and services and to form the Structured Finance, Credit and Markets Group which is responsible for structuring customized financing solutions for our customers, who are increasingly seeking integrated financial solutions encompassing credit, investment advice, foreign exchange management and derivatives and risk management. The Small Enterprises Group has been integrated with our commercial banking operations for retail customers. Specialized groups for infrastructure project finance and manufacturing project finance (including oil, gas and petrochemicals and shipping) continue to exist.

The relationship managers are supported by product specialists from the product groups who focus on product improvements and customization. The main focus of the relationship managers is to market our products. In addition to the above, they cross sell the products offered by our subsidiaries and affiliates.

Commercial Banking Products and Services for Retail Customers

General

We believe that the Indian retail financial services market is likely to continue to experience sustained growth in the future. With upward migration of household income levels, increasing affordability of retail finance and acceptance of use of credit to finance purchases, retail credit has emerged as a rapidly growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit on an incremental basis. The key dimensions of our retail strategy are innovative products, parity pricing, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. Cross selling of the entire range of credit and investment products and banking services to our customers is a critical aspect of our retail strategy.

We offer a wide variety of consumer credit products such as home loans, automobile loans, commercial vehicle loans, two wheeler loans, consumer durable loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares. Our total retail loans were Rs. 188.3 billion (US\$ 4.0 billion) or 27.5% of our total gross loans at year-end fiscal 2003. At year-end fiscal 2002, ICICI's total retail loans were Rs. 73.0 billion (US\$ 1.5 billion) or 13.0% of ICICI's

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total gross loans, and ICICI Bank's total retail loans were Rs. 7.2 billion (US\$ 150 million) or 9.4% of ICICI Bank's total gross loans.

Our commercial banking operations for retail customers also consist of raising deposits from retail customers. In addition, we offer retail liability products in the form of a variety of unsecured redeemable bonds. Issuance of these bonds to the public was undertaken by ICICI and continued by us following the amalgamation. At year-end fiscal 2003, we had a customer base of 6.2 million bondholder accounts.

ICICI Bank's affiliate Prudential ICICI Asset Management Company, a joint venture between Prudential Corporation plc of the United Kingdom and ICICI Bank, offers a variety of mutual fund products. ICICI Bank's subsidiary ICICI Home Finance Company Limited also provides housing loans.

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All of our retail products are marketed under the "ICICI Bank" brand. To enhance our brand equity, we undertake comprehensive brand building and advertising campaigns with advertisements in print and television. Studies undertaken periodically by independent market research agencies commissioned by us have shown that our brand is among the top two financial services brands in India.

Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial vehicle loans, two wheeler loans, consumer durable loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares.. We also fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. We also provide loans against time deposits and loans against shares, including for subscriptions to initial public offerings of Indian companies.

Home Finance

Our home finance business involves giving long-term secured housing loans to individuals and corporations and construction finance to builders. ICICI Bank provides housing loans directly and also through its wholly-owned subsidiary called ICICI Home Finance Company, which serves as the focal point for marketing, distribution and servicing of ICICI Bank's home loan products. Currently, these loans are being given to resident and non-resident Indians for the purchase, construction and extension of residential premises and to self-employed professionals for office premises. At year-end fiscal 2003, the total home finance loans of ICICI Bank and ICICI Home Finance Company including loans to corporations and construction finance to builders were approximately Rs. 103.3 billion (US\$ 2.2 billion).

Automobile Finance

Automobile finance generally involves the provision of retail consumer credit for an average maturity of three to five years to acquire specified new and used automobiles. Automobile loans are secured by a lien on the purchased automobile. We believe we are the market leaders in the automobile finance segment. We have "preferred financier" status with 11 car manufacturers in India. We have a strong external distribution network and a strong in-house team to manage the distribution network which has been instrumental in achieving this leadership position. At year-end fiscal 2003, our total automobile finance loans were approximately Rs. 44.7 billion (US\$ 939 million). We also give loans for the purchase of two wheelers. At year-end fiscal 2003, our total two wheeler finance loans were approximately Rs. 5.7 billion (US\$ 120 million).

Commercial Business

We fund commercial vehicles, utility vehicles and construction and farm equipment sold through manufacturer-authorized dealers. The finance is generally for a maximum term of five to seven years

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through loans, hire purchase agreements or a lease. At year-end fiscal 2003, our total commercial business loans were approximately Rs. 24.6 billion (US\$ 518 million).

Personal Loans

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Personal loans are unsecured loans provided to customers for various purposes such as higher education, medical expenses, social events and holidays. At year-end fiscal 2003, our total personal loans were approximately Rs. 8.0 billion (US\$ 169 million).

Consumer Durable Finance

Our consumer durable finance business involves the financing of home products, such as refrigerators, televisions, washing machines, air conditioners and audio equipment. At year-end fiscal 2003, our total consumer durable finance loans were approximately Rs. 3.5 billion (US\$ 73 million).

Credit Cards

In January 2000, ICICI Bank launched its credit card operations. As the Indian economy develops, we expect that the retail market will seek short-term credit for personal uses, and our offering of credit cards will facilitate further extension of our retail credit business. We also expect that as credit usage increases, we will be able to leverage our customer relationships to cross sell additional retail and consumer-oriented products and services. At year-end fiscal 2003, we had approximately 1.1 million credit cards in force and our credit card receivables were approximately Rs. 5.5 billion (US\$ 115 million).

Dealer Funding

We fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. These loans are generally given for a short term. At year-end fiscal 2003, our total dealer funding loans were approximately Rs. 3.7 billion (US\$ 78 million). In May 2003, we acquired the entire paid-up capital of Transamerica Apple Distribution Finance Private Limited, which has now been renamed ICICI Distribution Finance Private Limited. ICICI Distribution Finance is primarily engaged in providing distribution financing in the two-wheeler segment. The acquisition is expected to supplement our retail franchise, especially in the two-wheeler segment.

Lending to Small Enterprises

We are seeking to extend our reach to the growing small enterprises sector without the accompanying high credit risks which are normally associated with advances to small enterprises, through our Small Enterprises Group. This group focuses on supply chain financing, including the financing of selected suppliers of our existing corporate clients. Typically, the financing is in the form of short-term revolving facilities with overdraft or bill discounting limits and is extended only to carefully pre-selected suppliers and dealers to be used only for genuine transactions with our corporate clients. The group is also involved in financing based on a cluster or community based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals.

Retail Deposits

Our retail deposit products include the following:

- o time deposits including:
 - recurring deposits, which are periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity by paying penalties; and

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- certificates of deposit;
- o savings accounts, which are demand deposits that accrue interest at a fixed rate set by the Reserve Bank of India (currently 3.5% per annum) and upon which checks can be drawn; and
- o current accounts, which are non-interest-bearing demand deposits.

In addition to deposits from Indian residents, we accept time and savings deposits from non-resident Indians, foreign nationals of Indian origin and foreign nationals working in India. These deposits are accepted on a repatriable and a non-repatriable basis and are maintained in rupees and select foreign currencies. See also "-Products and Services for International Customers".

Our total retail deposits were Rs. 248.4 billion (US\$ 5.2 billion) or 50.6% of our total deposits at year-end fiscal 2003. Prior to its amalgamation with ICICI Bank, ICICI was not permitted to raise banking deposits as it was not a banking entity. We intend to continue to grow our retail deposits for funding purposes since retail deposits provide a stable and low cost funding base. At year-end fiscal 2003, we had a retail deposit customer base of approximately 4.7 million.

The following table sets forth the balance outstanding by type of retail deposit, as at March 31, 2003.

At March 31, 2003			
	Balance outstanding		% of total
(in millions, except percentages)			
Current accounts.....	Rs. 13,180	US\$ 277	5.3%
Savings accounts.....	37,930	798	15.3%
Time deposits.....	197,330	4,150	79.4%
Total retail deposits.....	Rs. 248,440	US\$ 5,225	100.0%
	=====	=====	=====

The corresponding figures for fiscal 2002 have not been provided because prior to its amalgamation with ICICI Bank, ICICI was not permitted to raise banking deposits, as it was not a banking entity.

For a description of the Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "Supervision and Regulation -- Regulations Relating to Deposits" and "Supervision and Regulation -- Deposit Insurance".

In addition to our conventional deposit products, we offer a variety of special value-added products and services which seek to maximize returns as well as convenience for our customers. Following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to various categories of customers depending on their age group, such as Young Star Accounts for children below the age of 18 years, Student Banking Services for students, Salary Accounts for salaried employees and Senior Citizens Account for individuals above the age of 60 years. We have also micro-segmented various categories of customers to offer targeted products, like Private Banking for high net worth individuals, Defence Banking Services for defence personnel, Special Savings Accounts for trusts and Roaming Current Account for businessmen. This segmentation strategy has contributed significantly to the

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rapid growth in our deposit base in fiscal 2003.

Salary Accounts

In September 1996, ICICI Bank introduced "Power Pay", a direct deposit product for its corporate customers, to help them streamline their salary payment systems for their employees. This product allows the employees' salaries to be directly credited to a special individual savings account established for this purpose. Renamed as "Salary Account" in 2002, this product provides us with a

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competitive advantage as these new payroll account holders often open other accounts with us, including time deposits. We also seek to market our retail credit products to our salary account holders. We aim to deliver value to corporates and their employees by offering end-to-end financial solutions from salary processing through strategic alliances, offering payment services through checks, debit and credit cards as well as online bill payment and in-house as well as third party investment vehicles. By year-end fiscal 2003, over 15,000 corporate clients were using Salary Accounts.

Value Added Savings Account

Our value added savings account is a savings account product that offers the customer liquidity as well as higher returns than an ordinary savings account. This product provides automatic transfer of idle balances, above a certain minimum amount, from savings accounts to time deposits, resulting in higher yields. Whenever there is a shortfall in the customer's savings account, deposits are automatically transferred back from the time deposit account, in units of Rs. 1,000 (US\$ 21) to meet the shortfall.

Private Banking

Our private banking services seek to meet the entire banking and financial advisory needs of customers with a high net worth. At present, we offer this preferred banking product to clients with a banking relationship size in excess of Rs. 500,000 (US\$ 10,515). We offer private banking services at 338 branches in over 200 centers. Private banking services offer competitive pricing on certain asset products, preferential rates for select liability products and services, special complimentary offers and value-linked benefits, along with personalized service. In addition, our private banking services offer financial planning and investment advisory services to assist our customers in their investment and savings plans. The services offered include assistance in risk profiling and regular monitoring and performance review of the client's investment and savings portfolio.

Web Brokering

ICICI Web Trade Limited, a company promoted by ICICI, provides web brokering services. This service involves the online integration of a customer's depository share accounts and bank accounts with us and securities brokerage accounts with ICICI Web Trade. This service has assisted us in our efforts to acquire new customers and low-cost savings deposits, as each e-brokering customer is required to open a bank account.

Portfolio Investment Scheme

We are one of the banks designated by the Reserve Bank of India for issuing approvals to non-resident Indians and overseas corporate bodies to

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trade in shares and convertible debentures on the Indian stock exchanges. Pursuant to this scheme of the Reserve Bank of India, these investors can trade on the Indian stock exchanges within a prescribed limit by obtaining an approval from a designated bank and by routing all the transactions through that bank. As a designated bank, we report all such transactions to the Reserve Bank of India. We also help these investors with regulatory compliance, such as ensuring delivery based trading and limit monitoring and providing tax calculations.

Debit Cards

We offer an international debit card, branded as ICICINCash, in association with VISA International on its popular VISA Electron signature-based platform. This provides a greater choice of payment solutions to customers. It provides customers a safer and more convenient alternative to carrying cash both locally and internationally. The ICICINCash debit card enables direct deductions of the purchase amount from the customer's account from any VISA-enabled merchant establishment and ATM around the world. Our debit card base has increased to over 3.4 million cards at year-end fiscal 2003.

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Bond Issues

We offer a variety of unsecured redeemable bonds to the Indian public. These bonds, which are not insured by any Indian authority, are designed to address various investor needs, such as the need for regular income, liquidity and tax saving. During fiscal 2003, we raised Rs. 23.42 billion (US\$ 493 million) through these bond issuances. We had about 6.2 million bondholder accounts at year-end fiscal 2003. We seek to continue to offer similar bonds to the public, though deposits are and will be our primary source of funding.

Internet banking services

We offer Internet banking services to our retail customers through our website www.icicibank.com. We believe that the increasing number of Internet users, the demographic characteristics of those users and the relative flexibility and convenience of Internet banking provide an opportunity for us to capitalize on our experience in this area and gain market share in retail finance. The services we currently offer to our Internet banking customers include access to online account information, placement of time deposits, secure e-mail facility for communications with an accounts manager, bill payments using credit cards issued by us or by debit to savings account, and transfer of funds to any other account with us or to accounts in any branch of any bank, in eight cities through eCheques, the inter-bank fund transfer facility. The number of our Internet banking accounts was approximately 3.3 million at year-end fiscal 2003.

Online Bill Payment

We have tie-ups with leading telecommunication companies, utility providers, insurance companies and Internet shopping portals for online payment of bills by our Internet banking customers. Currently, we have tied up with over 45 service providers (for utility bill payments) and 85 online shopping portals. We currently offer this service free to our customers with the intention of building a base of users. This service is based on cost sharing arrangements with most of these companies, where we either charge the company a fixed fee per bill or the company maintains a balance with us before the funds are used by the company, resulting in short-term low cost deposits with us.

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Other Fee-Based Products and Services

Mutual Fund Sales

We have entered into arrangements with select mutual funds to distribute their products through our distribution network, for which we earn up-front and trailing commissions. We believe that by the end of fiscal 2003, we were one of the largest market players in this segment.

Depository Share Accounts

The Securities and Exchange Board of India has made it mandatory for the 10 largest stock exchanges of the country to settle securities transactions in a dematerialized mode. We are a depository participant of the National Securities Depository Limited and Central Depository Services (India) Limited and offer depository share accounts.

Government of India Relief Bond Sales

We have been permitted by the Reserve Bank of India to sell government of India Relief Bonds. This includes the receipt of applications for Relief Bonds, the issue of Relief Bonds in the form of bond ledger accounts and the servicing of bondholders. Relief Bonds are sold across all of our branches. We seek to capitalize on this opportunity by effectively distributing Relief Bonds through our distribution network and earning fee income in the process. We believe that by the end of fiscal 2003, we were one of the largest market players in this segment.

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Commercial Banking Products and Services for International Customers

Our strategy in international commercial banking is based on leveraging home country links for international expansion by capturing market share in select international markets. The initial focus areas are supporting Indian companies in raising corporate and project finance for their investments abroad, trade finance, personal financial services for non-resident Indians and international alliances to support domestic businesses. We had over the last few years built a large network of correspondent relationships with international banks across all major countries. Most of these countries have significant trade and other relationships with India.

Many international commercial banking products such as trade finance and letters of credit are variants of their respective commercial banking counterparts. Some of the key products and services that are unique to our international customers are described below.

TradeWay

"TradeWay" is an Internet-based documentary collection product which provides correspondent banks access to real-time on-line information on the status of their export bills collections routed through us. The main features of the product are the availability of online status enquiry for documentary collections, availability of tracking and tracing functions for bills routed through us and the presence of a single point contact for India bound documentary collections.

Guarantee re-issuance

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We re-issue guarantees favoring corporations and government departments in India against counter guarantees issued by correspondent banks. This service is provided subject to pre-arrangement. We offer competitive pricing for our guarantee re-issuance facility. We can issue bid bond guarantees, performance guarantees and financial guarantees including payment guarantees. Our guarantees have wide acceptance across Indian corporates and government departments.

Offshore Banking Deposits

We offer deposit products through our Offshore Banking Unit in the Special Economic Zone at Mumbai. These deposits were launched in August 2003. These deposits are offered only in US dollars for a tenure of between 3 months to 6 years. The minimum deposit size is US\$ 5,000.

Foreign Currency Non-Resident Deposits

Foreign Currency Non-Resident deposits are simple foreign currency deposits offered in four main currencies - US Dollar, Pound Sterling, Euro and Japanese Yen. The interest earned on these deposits is not taxed in India and both the principal amount and interest earned can be fully repatriated out of India. These foreign currency deposits are subject to minimum deposit values of US\$ 1,000, GBP 1,000, Euro 1,000 and Yen 200,000 respectively.

Non-Resident External Fixed Deposits

These deposits are maintained in Indian rupees and the minimum investment amount is Rs. 25,000 (US\$ 526). Interest earned in India on these deposits is not taxable in India. Both the interest earned and principal amounts are fully repatriable out of India. Loans against these deposits are generally available for up to 90.0% of the deposit amount.

Non-Resident External Savings Account

Non-Resident External Savings Accounts are maintained in Indian Rupees and the minimum average balance required to be maintained is Rs. 10,000 (US\$ 210) for the quarter. An International ATM and debit card is offered together with the account and funds can be accessed from ATMs

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across the world. Funds can be transferred to this account free of cost, through the online remittance channel Money2India.

Non-Resident Ordinary Savings Accounts and Non-Resident Ordinary Fixed Deposits

These products are primarily intended for non-residents who earn income in India. The interest rates offered and other product features are similar to the rates offered on domestic deposits. Principal is not repatriable except in certain cases while the interest is repatriable net of taxes payable in India.

Money2India Remittance Facility

For easy transfer of funds to India, we offer Money2India, a wire transfer remittance facility with a web interface. Non-resident Indians can send money to over 670 locations in India.

Delivery Channels

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We deliver our products and services through a variety of distribution outlets, ranging from traditional bank branches to ATMs, call centers and the Internet. We believe that India's vast geography necessitates a variety of distribution channels to best serve our customers' needs. As part of our strategy to migrate customers to lower cost electronic delivery channels, we have made significant investments in channels such as ATMs, call centers and the Internet. Our channel migration effort is aimed at reducing cost while enhancing customer satisfaction levels by providing them round-the-clock transaction and servicing facilities. We believe that currently, more than 70.0% of our retail customer induced banking transactions take place through non-branch channels. The key components of our distribution network are described below.

Branches

At year-end fiscal 2003, we had a network of 394 branches and 52 extension counters in 269 centers across several Indian states, an increase of 35 branches and 8 extension counters over the previous year. Extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services. Prior to opening a branch, we conduct a detailed study in which we assess the deposit potential of the area. Our branch locations are largely leased rather than owned. Our back office operations are centralized at regional processing centers, enabling us to create a more efficient branch network.

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in semi-urban and rural areas. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000. A rural area is defined as a center with a population of less than 10,000. The population figures relate to the 1991 census. We have adhered to this requirement as shown in the table below. Several of these branches are located in suburbs of large cities, and some of these branches are located in areas where large corporations have their manufacturing facilities.

The following table sets forth, at the date indicated, the number of branches broken down by area.

	At March 31, 2003	
	Number of branches	% of total
Metropolitan/urban.....	219	56%
Semi-urban/rural	175	44%
Total	394	100.0%

Prior to the amalgamation, ICICI had set up a number of "ICICI Centers", which were low-cost, technology driven, stand-alone offices with three or more employees, acting as marketing and service centers. At year-end fiscal 2002, ICICI had 95 ICICI Centers. Pursuant to the amalgamation, we submitted a proposal to the Reserve Bank of India in respect of these centers, proposing conversion of 25 of these centers into bank branches, conversion of 26 centers into distribution and servicing centers

attached to existing bank branches, and closure of the remaining 44 centers. During fiscal 2003, the Reserve Bank of India approved our proposal. By

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year-end fiscal 2003, 25 centers had been converted into bank branches in accordance with this plan. The programme for conversion of the 26 centers into distribution and servicing centers attached to adjacent bank branches is being implemented in phases. The remaining 44 centers are being closed in phases.

Our corporate relationship groups are principally based at Mumbai, New Delhi, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Pune, Vadodara, Coimbatore, Ludhiana, Chandigarh, Jaipur and Kochi. Our commercial banking services to corporate customers are delivered through our network of branches.

Franchisee Network

We have a vast franchisee network spread over all major cities in India. The franchisees deliver our retail credit products. These agencies help us achieve deeper penetration by offering door-step service to the customer. These agencies market our products on an exclusive basis. All credit and risk management decisions pertaining to any customer are made by us and no agency can extend credit to any customer without our approval. These agencies receive a fee based on the volume of business generated by them.

Automated Teller Machines (ATMs)

At year-end fiscal 2003, we had 1,675 ATMs, of which 424 were located at our branches and extension counters. The remaining 1,251 were located at the offices of select corporate clients, large residential developments, airports, gas stations and on major roads in metropolitan cities. Apart from cards issued to our own customers, our ATMs also process Visa, Visa Electron, Master, Cirrus and Maestro card transactions.

In view of the diversity of regional languages used in various parts of India, our ATMs offer multilingual screens. Other facilities offered through ATMs include bill payment services and a facility for recharging prepaid cards for mobile phones. We have also pioneered the concept of mobile ATMs in India, to reach remotely located customers. This service deploys ATMs mounted on mobile vans to visit specific areas at a pre-designated time.

Internet

We believe that Internet access and information is key to satisfying the needs of certain customer segments. As a result, we maintain a website at www.icicibank.com, offering generalized information on our products and services. Our Internet banking service allows customers to access all account-related information and give account instructions 24 hours a day, seven days a week through our website. Customers can also electronically transfer funds from our account to any other account with us or to accounts in any branch of any bank, in eight cities through eCheques, the inter-bank fund transfer facility. The Internet banking service also allows transactions and bill payment facilities. We seek to continue to be at the forefront of providing web-based products to our retail customers.

We provide Internet banking services to our corporate clients through ICICI e-business, a finance portal which is the single point web-based interface for all our corporate clients. This platform allows clients to conduct banking business online in a secure environment. Clients can view accounts online, transfer funds between their own accounts or to other accounts, among other services. We are the only Indian private sector bank offering foreign exchange trading through the Internet through FXOnline, a secure and user-friendly platform that makes it easy for clients to get live prices for their deals and transact from virtually anywhere in the world. FxOnline provides automated quotes for spots and forwards, with transparent prices in all transactions. The Debt Online channel allows companies to transact in government of India securities in a seamless manner. This is

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achieved through straight through processing using a constituent subsidiary ledger account. The client can view real time quotes offered by us and ICICI Securities. The client can use the chat facility to negotiate the deal over the

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Internet. We ensure credit of interest and redemption payments from the Reserve Bank of India to the client's bank account. The client can monitor transactions and the portfolio at any given time.

Call Centers

We provide telephone banking services through our call center. The call center functions 24 hours a day, seven days a week, and offers a self-service option to customers for automated phone banking. In addition, well-trained customer service officers offer personalized services for banking, dematerialized securities, online share trading customers, credit card holders, bondholders and loan product customers. The call center is also used in product specific marketing campaigns to generate leads, which are assigned to the franchisees for fulfillment. At year-end fiscal 2003, our call center had 1,750 workstations across two locations. During fiscal 2003, the number of contacts handled by our call centers was approximately 21.1 million.

Mobile Phone Banking

Our mobile phone banking services are available to our customers using any cellular telephone service operator in India. Savings account and credit card customers can view their account details on their mobile phones. Savings account customers can also request a checkbook or account statement, and obtain a list of all the major transactions in their account through Short Messaging Service (SMS).

Correspondent Banking Networks

We have correspondent banking relationships with other banks in India with large physical branch networks to offer a broader coverage for our funds transfers and remittance related products. As a result of our correspondent banking associations, we provide remittance and cash management services at over 3,600 locations in India.

Investment Banking

Our investment banking operations principally consist of our treasury operations and the operations of ICICI Securities, our subsidiary.

Treasury

Through our treasury operations, we seek to manage our balance sheet including the maintenance of required regulatory reserves and to optimize profits from our trading portfolio by taking advantage of market opportunities. Our trading and securities portfolio includes our regulatory portfolio, as there is no restriction on active management of our regulatory portfolio. Our treasury operations include a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services.

General

Under the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain 25.0% of our total demand and time liabilities by

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way of approved securities, such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India securities that we actively manage to optimize the yield and benefit from price movements. Under the Reserve Bank of India's cash reserve ratio requirements, we are required to maintain 4.5% of our demand and time liabilities in a current account with the Reserve Bank of India. The Reserve Bank of India pays no interest on these cash reserves up to 3.0% of the net demand and time liabilities and pays interest at the bank rate (the rate at which the Reserve Bank of India provides refinance to the banking system, currently 6.0%) on the remaining eligible balance.

For further discussion of these regulatory reserves, see "Supervision and Regulation -- Legal Reserve Requirements".

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Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. Our treasury maintains a balance between interest-earning liquid assets and cash to optimize earnings. The treasury undertakes reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio.

Due to these regulatory reserve requirements, a substantial portion of our trading and securities portfolio consists of government of India securities. At year-end fiscal 2003, government of India securities constituted 67.3% of our trading portfolio and 84.6% of our total trading and securities portfolio, while the remainder included corporate debt securities, equity securities and derivative and foreign exchange contracts.

Our treasury engages in domestic and foreign exchange operations from a centralized trading floor in Mumbai. As part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. We have a limited equity portfolio because the Reserve Bank of India restricts investments by a bank in equity securities to 5.0% of its total outstanding domestic loan portfolio as at March 31 of the previous year. A significant portion of ICICI's investments in equity securities were related to projects financed by it. The Reserve Bank of India has permitted us to exclude these investments for determining compliance with the restriction on investments by banks in equity securities, for a period of five years from the amalgamation.

Our treasury manages our foreign currency exposures, offers foreign exchange and risk hedging derivative products to our customers and engages in proprietary trading of currencies. Our investment and market risk policies are approved by the Risk Committee and Asset-Liability Management Committee of our board of directors.

Our securities are classified into held to maturity securities, available for sale securities, trading securities, venture capital investments and non-readily marketable securities. The following table sets forth, at the dates indicated, certain information related to our trading portfolio.

At March 31,			
2001	2002	2003	2003

(in millions)			

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Government of India securities.....	Rs. 8,889	Rs. 15,602	Rs. 26,658	US\$ 561
Securities purchased under agreements to resell.....	-	21,399	5,399	114
Corporate debt securities.....	7,289	4,627	6,704	141
Equity securities.....	2,677	742	187	4
Fair value of derivative and foreign exchange contracts.....	23	6	686	14
Total.....	Rs. 18,878	Rs. 42,376	Rs. 39,634	US\$ 834

The following table sets forth, for the periods indicated, certain information related to interest and dividends on our trading securities, net gain from the sale of these securities and unrealized gain/(loss) on these securities.

	Year ended March 31,			
	2001	2002	2003	2003
	(in millions)			
Interest and dividends.....	Rs. 2,837	Rs. 1,715	Rs. 2,754	US\$ 58
Gain on sale of trading securities.....	469	2,948	2,356	50
Unrealized gain/(loss) on trading securities.....	378	(506)	719	15
Total.....	Rs. 3,684	Rs. 4,157	Rs. 5,829	US\$ 123

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In addition to trading securities, we also hold available for sale securities. The following tables set forth, at the dates indicated, certain information related to our available for sale securities portfolio.

	At March 31,			
	2001			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Available for sale:				
Government of India securities.....	Rs. -	Rs. -	Rs. -	Rs. -
Corporate debt securities.....	245	-	-	245
Equity securities.....	11,821	482	(6,110)	6,193
Total available for sale.....	12,066	482	(6,110)	6,438
Held to maturity:				
Government of India securities.....	1,088	58	-	1,146
Corporate debt securities.....	418	-	(1)	417

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Other debt securities.....	-	-	-	-
Total.....	Rs. 1,506	Rs. 58	Rs. (1)	Rs. 1,563
Non readily marketable securities(1)...	7,148			
Venture capital investments(2).....				3,769

At March 31,

2002

	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities.....	Rs. 4,446	Rs. . 502	Rs. (513)	Rs. 4,435
Government of India securities.....	26,662	438	-	27,100
Total debt securities.....	31,108	940	(513)	31,535
Equity securities.....	19,181	365	(3,223)	16,322
Total.....	Rs. 50,289	Rs. 1,305	Rs. (3,736)	Rs. 47,857
Non readily marketable securities(1)...	8,268			
Venture capital investments(2).....				3,92

At March 31,

2003

	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities.....	Rs. 10,636	Rs. 389	Rs. (79)	Rs. 10,946
Government of India securities.....	240,187	4,403	(459)	244,131
Total debt securities.....	250,823	4,792	(538)	255,077
Equity securities.....	13,609	745	(1,932)	12,422
Total.....	Rs.264,432	Rs. 5,537	Rs. (2,470)	Rs.267,499
Non readily marketable securities(1)....	9,418			
Venture capital investments(2).....				3,704

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

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(2) Represents venture capital investments held by ICICI Venture Funds Management Company.

The following table sets forth, for the period indicated, income from available for sale securities.

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	Year ended March 31,			
	2001	2002	2003	2003
	(in millions)			
Interest.....	Rs. 123	Rs. 1,027	Rs. 16,633	US\$ 350
Dividend.....	345	267	389	8
Total.....	Rs. 468	1,294	Rs. 17,022	US\$ 358
Gross realized gain.....	Rs. 474	1,238	Rs. 6,845	US\$ 144
Gross realized loss.....	(348)	(7)	(5,022)	(106)
Total.....	Rs. 126	Rs. 1,231	Rs. 1,823	US\$ 38

The following table sets forth, at the date indicated, an analysis of the maturity profile of our investments in debt securities classified as available for sale securities and the yields thereon.

	At March 31, 2003					
	Up to one year		One to five years		Five to ten years	
	Amount	Yield	Amount	Yield	Amount	Yield
Corporate debt securities....	Rs. 267	9.74%	Rs. 8,719	7.56%	Rs. 1,900	7.5
Government of India securities.....	76,216	5.81	55,922	5.80	54,614	5.9
Total interest-earning securities.....	Rs. 76,483	5.83%	Rs. 64,641	6.04%	Rs. 56,514	5.9
Total amortized cost.....	Rs. 76,523		Rs. 63,412		Rs. 56,032	

From time to time, ICICI acquired and held equity securities. These securities, which typically consisted of ordinary shares, were acquired in multiple ways: direct subscriptions, rights issues and by conversion of ICICI's performing and impaired loans into equity. ICICI also acquired equity securities in connection with underwritings conducted by ICICI and ICICI Securities. A significant portion of these equity positions were acquired at the time of the initial project finance assistance. The decision to invest in equity securities along with project financing activities was an independent business decision to participate in the equity of the company with the intention of realizing capital gains arising out of expected increases in market prices. This decision was taken strictly on a case-by-case basis and

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there was no correlation between the basis for the lending decision and the reasons for making the equity investment. All of ICICI's equity investments, other than in its subsidiaries and affiliates, were made with the intent of holding them for medium-term to long-term periods strictly as portfolio investments. To ensure compliance with the Securities and Exchange Board of India's revised insider trading regulations, all dealings in our equity investments in listed companies are undertaken by the equity and corporate bonds dealing desks of our treasury, which are segregated from our other business groups as well as the other groups and desks in the treasury, and which do not have access to unpublished price sensitive information about these companies that may be available to us as lenders.

Equity securities, forming part of our investment securities portfolio, are considered as publicly traded if they have been traded on a securities exchange within six months of the balance sheet. The last quoted price of such securities is taken and recorded as their fair value. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost and a provision is made for other than temporary diminution. 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. Venture capital investments are carried at fair value. However, they are generally carried at cost during the first year, unless a significant event occurs that effects the long-term value of the investment.

Equity securities, including venture capital investments and mutual fund units were 2.2% of our total assets at year-end fiscal 2003. Equity securities were 8.0% of our total investment securities portfolio at year-end fiscal 2003. As these investments are primarily in the nature of long-term investments in start-up projects, returns on such investments generally accrue well after

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commencement of operations by the projects. In general, we pursue a strategy of active management of our long-term equity portfolio to maximize return on investment.

We deal in several major foreign currencies and take deposits from non-resident Indians in four major foreign currencies. We also manage onshore accounts in foreign currencies. The foreign exchange treasury manages its portfolio through money market and foreign exchange instruments to optimize yield and liquidity.

We control market risk and credit risk on our foreign exchange trading portfolio through an internal model which sets counterparty limits, stop-loss limits and limits on the loss of the entire foreign exchange trading operations and exception reporting. We also use a value at risk model to monitor our spot positions.

Customer Foreign Exchange

We provide customer specific products and services and risk hedging solutions in several currencies to meet the trade and service-related requirements of our corporate clients. The products and services offered include:

- o spot foreign exchange for the conversion of foreign currencies without any value restrictions;
- o forward foreign exchange for hedging future receivables and payables,

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without any value restriction, up to a maximum period of three years;
and

- o foreign exchange and interest rate derivatives for hedging long-term exposures.

We earn commissions on these products and services from our corporate customers.

Forward Contracts and Interest and Currency Swaps

We provide forward contracts to our customers for hedging their short-term exchange rate risk on foreign currency denominated receivables and payables. We generally provide this facility for a term of up to six months and occasionally up to 12 months. We also offer interest rate and currency swaps to our customers for hedging their medium and long-term risks due to interest rate and currency exchange rate movements. We offer these swaps for a period ranging from three to 10 years. Our customers pay a commission for this product that is included in the price of the product and is dependent upon market conditions. We also hedge our own exchange rate risk related to our foreign currency trading portfolio with products from banking counterparties. Our risk management products are currently limited to foreign currency forward transactions and currency and interest rate swaps for selected approved clients. We believe, however, that the demand for risk management products will grow, and we are building the capabilities to grow these products. We are focusing particularly on setting up the sophisticated infrastructure and internal control procedures that are critical to these products.

At year-end fiscal 2003, we had a portfolio of outstanding forward contracts of Rs. 277.3 billion (US\$ 5.8 billion) and a portfolio of interest and currency swaps of Rs. 339.5 billion (US\$ 7.1 billion).

ICICI Securities

In addition to our treasury operations, we also provide investment banking services through our subsidiary, ICICI Securities. ICICI Securities provides investment banking services through three main business lines - corporate advisory, fixed income and equities. The clients of ICICI Securities include a range of Indian and foreign corporations and institutional investors. ICICI Securities is a non-bank finance company. For a description of non-bank finance companies, see "Overview of the Indian Financial Sector - Non-Bank Finance Companies".

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Corporate Advisory

ICICI Securities provides a variety of advisory services, including advice on financing and strategic transactions. ICICI Securities was one of the first Indian investment banks to form a dedicated mergers and acquisitions group to provide a range of services to large and mid-market Indian corporate clients, including business valuations, pricing and structuring of transactions, and financial and corporate restructuring. In addition, ICICI Securities provides specialized services, such as private equity syndication and privatization advisory services for public sector companies.

Fixed Income

We believe ICICI Securities is one of the market leaders in the Indian debt market, having been named the "Best Domestic Bond House in India - 2002"

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by Asiamoney. In fiscal 2003, ICICI Securities assisted public sector entities, financial institutions and corporates to raise over Rs. 125.7 billion (US\$ 2.6 billion) of debt. ICICI Securities is a primary dealer appointed and authorized by the Reserve Bank of India to trade in government securities. As a primary dealer, ICICI Securities is permitted to underwrite the issuance of government securities and treasury bills and to act as a market maker in these instruments. ICICI Securities was the first primary dealer to commence activity in interest rate derivative products such as interest rate swaps and forward rate agreements following their introduction by the Reserve Bank of India in July 1999. ICICI Securities is also a leading player in the non-government debt market in India. This activity primarily involves running a proprietary book in various money market instruments.

Equities

In equities, ICICI Securities offers a range of products including underwriting of equity offerings, public and private placement of corporate equity, assistance in buyback programs and equity broking and research, primarily for institutional investor clients. Indian law prohibits ICICI Securities from holding or trading ICICI Bank's equity shares. In fiscal 2003, ICICI Securities raised Rs. 6.7 billion (US\$ 141 million) for Initial Public Offerings by corporations as compared to Rs. 1.6 billion (US\$ 34 million) in fiscal 2002.

Other Investment Banking Products and Services

Venture Capital Funding

We provide venture capital funding to start-up companies and private equity to a range of companies through funds managed by our subsidiary ICICI Venture Funds Management Company Limited. At year-end fiscal 2003, ICICI Venture managed or advised funds of Rs. 24.4 billion (US\$ 514 million). The company focuses on the information technology, media and entertainment and healthcare sectors. We believe that ICICI Venture is the leading private equity investor in India, having invested in a large number of the private equity deals completed in the country to date and having established a track record of successfully exiting from several investments.

Others

Insurance

ICICI Bank provides a wide range of insurance products and services through ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited. The key dimensions of our strategy for growth in the insurance business are innovative products, wide distribution network, prudent portfolio mix and sound risk management practices. In addition, we are focused on leveraging on our corporate and retail customer base for cross selling insurance products.

Life Insurance

ICICI Bank has a joint venture partnership with Prudential plc of UK for the life insurance business. ICICI Bank has a 74.0% interest in this joint venture. This joint venture company, ICICI Prudential Life Insurance Company, obtained the license to conduct life insurance business in November 2000 and commenced business operations in December 2000. ICICI Prudential Life Insurance sold about 244,000 policies in fiscal 2003. There is a Memorandum of

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Understanding between ICICI Bank and ICICI Prudential Life Insurance Company for distribution of life insurance policies issued by ICICI Prudential Life Insurance Company through ICICI Bank's branch network.

Non-Life Insurance

In the non-life insurance sector, ICICI had entered into a joint venture partnership with Lombard Canada Limited in fiscal 2001. We have a 74.0% interest in this joint venture. The joint venture company, ICICI Lombard General Insurance Company, obtained the license to conduct general insurance business in August 2001 and since then has commenced operations. ICICI Lombard General Insurance Company offers a wide range of general insurance products for corporate and retail customers. In fiscal 2003, ICICI Lombard General Insurance Company had written 98,293 policies and achieved financial breakeven. ICICI Lombard General Insurance Company offers general insurance products to our corporate customers and seeks to capitalize on our corporate relationships.

Funding

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Subsequent to the amalgamation, our primary source of funding is deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and public issuance of bonds. As a financial institution, ICICI was not allowed to raise banking deposits and so its primary sources of funding, prior to the amalgamation, were rupee borrowings from a wide range of institutional investors, and retail bonds. ICICI also obtained funds through foreign currency borrowings from multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India, as well as through commercial foreign currency borrowings.

The composition of our liabilities has changed significantly pursuant to the amalgamation. Our deposits constituted 45.2% of our total liabilities at year-end fiscal 2003 compared to 1.1% of ICICI's total liabilities and 84.1% of ICICI Bank's total liabilities at year-end fiscal 2002. Our borrowings constituted 43.1% of our total liabilities at year-end fiscal 2003 compared to 88.9% of ICICI's total liabilities at year-end fiscal 2002. Our borrowings declined to Rs. 469.9 billion (US\$ 9.9 billion) at year-end fiscal 2003 compared to ICICI's borrowings of Rs. 599.5 billion (US\$ 12.6 billion) at year-end fiscal 2002, due to repayment of ICICI's long-term debt and short-term borrowings during fiscal 2003 in line with scheduled maturities, and new funding primarily through deposits. As a result, our long-term debt decreased 21.6% to Rs. 400.8 billion (US\$ 8.4 billion) at year-end fiscal 2003 compared to ICICI's long-term debt of Rs. 511.4 billion (US\$ 10.8 billion) at year-end fiscal 2002, reflecting a 20.1% decrease in long-term rupee debt and a 31.2% decrease in long-term foreign currency debt, and our short-term borrowings decreased 40.5% to Rs. 42.1 billion (US\$ 885 million) at year-end fiscal 2003 compared to ICICI's short-term borrowings of Rs. 70.8 billion (US\$ 1.5 billion) at year-end fiscal 2002. Going forward, we will continue to repay our borrowings in accordance with their scheduled maturities and raise new funds primarily in the form of lower-cost deposits.

Our deposits were Rs. 491.3 billion (US\$ 10.3 billion) at year-end fiscal 2003 compared to ICICI's deposits of Rs. 7.4 billion (US\$ 155 million) and ICICI Bank's deposits of Rs. 325.2 billion (US\$ 6.8 billion) at year-end fiscal 2002. This significant growth in deposits was achieved primarily through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs.

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The following table sets forth, for the periods indicated, the average volume and average cost of deposits by type of deposit.

	Year ended March 31, (1) (2)							
	1999		2000		2001		2002	
	Amount	Cost (3)	Amount	Cost (3)	Amount	Cost (3)	Amount	Cost (3)
	(in millions, except percentages)							
Interest-bearing deposits:								
Savings deposits..	Rs. 1,633	3.25%	Rs. 3,530	3.34%	Rs. -	-%	Rs. -	-
Time deposits.....	40,636	10.60	64,309	9.31	3,682	13.31%	6,618	11.24
Non-interest-bearing deposits:								
Demand deposits...	4,430	-	7,443	-	-	-	-	-
Total deposits.....	Rs.46,699	9.34%	Rs.75,282	8.11%	Rs. 3,682	13.31%	Rs. 6,618	11.24

- (1) Data for fiscal 2003 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. Deposits for fiscal 2001 and 2002 is not comparable with fiscal 1999 and 2000 due to deconsolidation on April 1, 2000.
- (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, and December of the fiscal year for each of fiscal 1999, 2000, 2001, 2002 and 2003.
- (3) Represents interest expense divided by the average of quarterly balances.

Our average deposits in fiscal 2003 were Rs. 389.2 (US\$ 819 million) at an average cost of 6.7% compared to ICICI Bank's average deposits of Rs. 194.4 billion (US\$ 4.1 billion) at an average cost of 7.0% and ICICI's average deposits of Rs. 6.6 billion (US\$ 139 million) at an average cost of 11.2% in fiscal 2002. Our average time deposits in fiscal 2003 were Rs. 327.1 billion (US\$ 6.9 billion) at an average cost of 7.7% compared to ICICI Bank's average time deposits of Rs. 153.6 billion (US\$ 3.2 billion) in fiscal 2002 at an average cost of 8.4% and ICICI's average time deposits of Rs. 6.6 billion (US\$ 14 million) in fiscal 2002 at an average cost of 11.2%. The average cost of deposits decreased primarily due to the reduction in the deposit rates offered to customers in fiscal 2003 in line with the overall decline in interest rates in the economy.

The following table sets forth, at the date indicated, the maturity profile of deposits by type of deposit.

	At March 31, 2003			
	Up to one year	After one year and within three years	After three years	Total
		(in millions)		
Interest-bearing deposits:				
Savings deposits	Rs. 37,932	Rs. -	Rs. -	Rs. 37,932

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Time deposits.....	334,351	62,465	21,303	418,1
Non-interest-bearing deposits:				
Demand deposits.....	35,239	-	-	35,2
Total deposits.....	Rs. 407,522	Rs. 62,465	Rs. 21,303	Rs. 491,2

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The following table sets forth, for the periods indicated, average outstanding rupee borrowings based on quarterly balance sheets and by category of borrowing and the percentage composition by category of borrowing. The average cost (interest expense divided by average of quarterly balances) for each category of borrowings is provided in the footnotes.

	Year ended March 31, (1) (2)							
	1999		2000		2001		2002	
	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total
	(in millions, except percentages)							
SLR bonds (3).....	Rs. 27,936	8.4%	Rs. 26,507	6.5%	Rs. 23,405	4.9%	Rs. 20,518	
Borrowings from Indian..	9,995	3.0	9,194	2.2	8,049	1.7	7,333	
Government (4).....								
Convertible debentures (5).....	518	0.2	130	0.1	-	-	-	
Other borrowings (6) (7) ..	293,312	88.4	373,256	91.2	442,716	93.4	481,951	9
Total (7).....	Rs.331,761	100.0%	Rs.409,087	100.0%	Rs.474,170	100.0%	Rs.509,802	10

- (1) Data for fiscal 2003 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. Borrowings for fiscal 2001 and 2002 is not comparable with fiscal 1999 and 2000 due to deconsolidation on April 1, 2000.
- (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March for each of fiscal 1999, 2000, 2002 and 2003 and average of quarterly balances at the end of March and March for fiscal 2001.
- (3) With an average cost of 10.39% in fiscal 1999, 10.33% in fiscal 2000, 10.62% in fiscal 2001, and 10.62% in fiscal 2003.
- (4) With an average cost of 11.11% in fiscal 1999, 10.85% in fiscal 2000, 10.70% in fiscal 2001, and 10.70% in fiscal 2003.
- (5) With an average cost of 12.50% in 1999 and 14.38% in fiscal 2000. The convertible debentures were issued in fiscal 2000.
- (6) With an average cost of 14.53% in fiscal 1999, 13.67% in fiscal 2000, 13.06% in fiscal 2001, and 13.06% in fiscal 2003.
- (7) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits, certificate of deposits and call borrowings.

During fiscal 2003, we repaid a significant amount of ICICI's high cost long-term and short-term debt. As a result, average long-term debt was reduced to Rs.455.3 billion (US\$ 9.6 billion) during fiscal 2003 compared to ICICI's average long-term debt of Rs. 504.1 billion (US\$ 10.6 billion) during fiscal

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2002.

The following table sets forth, at the dates indicated, certain information related to short-term rupee borrowings, which consist of certificates of deposits, inter-corporate deposits and borrowings from government-owned companies, known commonly as public sector units.

	At March 31, (1)		
	1999	2000	2001
	(in millions, except p		
Year-end balance.....	Rs. 50,585	Rs. 87,758	Rs. 99,997
Average balance during the year (2)	51,098	68,626	100,569
Maximum quarter-end balance.....	68,858	90,442	104,412
Average interest rate during the year (3)	10.42%	12.38%	10.17%
Average interest rate at year-end (4).....	12.10%	10.82%	11.01%

-
- (1) Short-term borrowings include trading liabilities, such as borrowings in the call market and
 - (2) Average of quarterly balances at the end of March of the previous fiscal year, June, September and December for each of fiscal 1999, 2000, 2002 and 2003 and average of quarterly balances at the end of June, September and December for fiscal 2001.
 - (3) Represents the ratio of interest expense on short-term borrowings to the average of quarterly borrowings.
 - (4) Represents the weighted average rate of the short-term borrowings outstanding at fiscal year-end.

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For short-term rupee borrowings, the average interest rate at year-end fiscal 2003 at 6.80% was significantly lower compared to the average interest rate during fiscal 2003 at 11.31% because ICICI's higher cost rupee short-term borrowings were largely repaid during the year, and only a small portion of the same remained outstanding at year-end fiscal 2003.

The following table sets forth, at the dates indicated, average outstanding volume of foreign currency borrowings based on quarterly balance sheets by source and the percentage composition by source. The average cost (interest expense divided by average of quarterly balances) for each source of borrowings is provided in the footnotes.

	At March 31, (1) (2)							
	1999		2000		2001		2002	
	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total
	(in millions, except percentage							
Commercial borrowings (3) ..	Rs...81,140	79.1%	Rs.74,509	77.4%	Rs. 74,745	77.6%	Rs. 73,955	77.6%
Multilateral borrowings (4) ..	21,483	20.9	21,748	22.6	21,554	22.4	22,290	22.4
Total.....	Rs.102,623	100.0%	Rs.96,257	100.0%	Rs. 96,299	100.0%	Rs. 96,246	100.0%

- =====
- (1) Data for fiscal 2003 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. Borrowings at year-end fiscal 2001 and 2002 is not comparable with fiscal 1999 and 2000 due to the effective April 1, 2000.
 - (2) Average of quarterly balances at the end of March of the previous fiscal year, June, September and December for each of fiscal 1999, 2000, 2001, 2002 and 2003.
 - (3) With an average cost of 6.15% in fiscal 1999, 5.72% in fiscal 2000, 7.6% in fiscal 2001, 6.8% in fiscal 2003.
 - (4) With an average cost of 5.79% in fiscal 1999, 5.53% in fiscal 2000, 4.39% in fiscal 2001, 4.3% in fiscal 2003.

At year-end fiscal 2003, our outstanding subordinated debt was Rs. 97.5 billion (US\$ 2.1 billion). This debt is classified as Tier 2 capital in calculating the capital adequacy ratio. Under the Reserve Bank of India's capital adequacy requirements, we are required to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0% effective March 31, 2000, at least half of which must be Tier 1 capital. Total subordinated debt classified as Tier 2 capital cannot exceed 50.0% of Tier 1 capital.

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Risk Management

As a financial intermediary, ICICI Bank is exposed to risks that are particular to its lending and trading businesses and the environment within which it operates. ICICI Bank's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise and that the organization adheres strictly to the policies and procedures which are established to address these risks.

As a financial intermediary, ICICI Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. ICICI Bank has a central Risk, Compliance and Audit Group with a mandate to identify, assess, monitor and manage all of ICICI Bank's principal risks in accordance with well-defined policies and procedures. The Head of the Risk, Compliance and Audit Group reports to the Executive Director responsible for the Corporate Center, which does not include any business groups, and is thus independent from ICICI Bank's business units. The Risk, Compliance and Audit Group coordinates with representatives of the business units to implement ICICI Bank's risk methodologies.

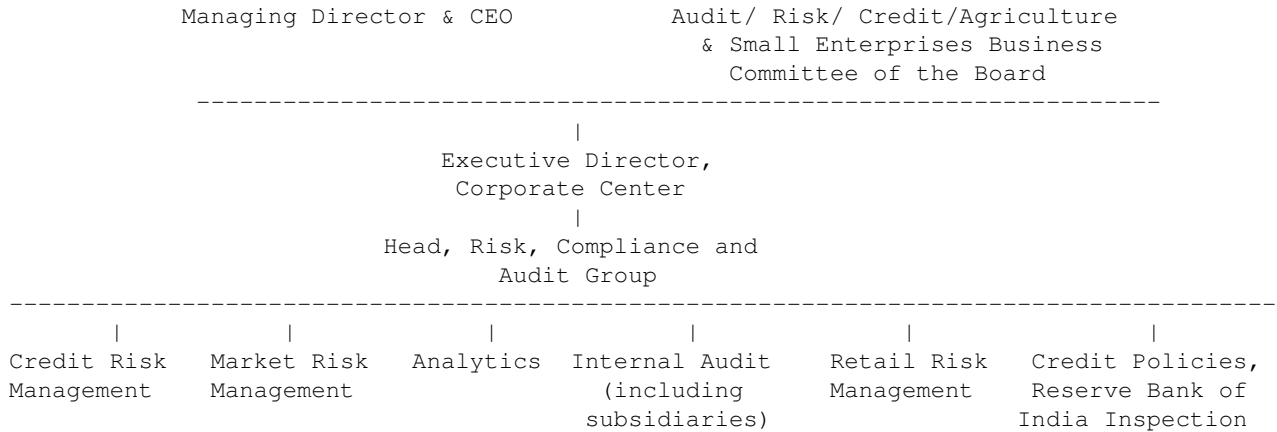
Committees of the board of directors have been constituted to oversee the various risk management activities. The Audit Committee of ICICI Bank's board of directors provides direction to and also monitors the quality of the internal audit function. The Risk Committee of ICICI Bank's board of directors reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, off-balance sheet and operational risks, investment policies and strategy, and regulatory and compliance issues in relation thereto. The Credit Committee of ICICI Bank's board of directors reviews developments in key industrial sectors and ICICI Bank's exposure to these sectors. The Asset Liability Management Committee of ICICI Bank's board of directors is responsible for managing the balance sheet and reviewing the asset-liability position to manage ICICI Bank's market risk exposure. The Agriculture & Small Enterprises Business Committee of ICICI Bank's board of directors, which was constituted in June 2003 but has not held any meetings to

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date, will, in addition to reviewing ICICI Bank's strategy for small enterprises and agri-business, also review the quality of the agricultural lending and small enterprises finance credit portfolio. For a discussion of these and other committees, see "Management".

As shown in the following chart, the Risk, Compliance and Audit Group is organized into six sub-groups: Credit Risk Management, Market Risk Management, Analytics, Internal Audit, Retail Risk Management and Credit Policies and Reserve Bank of India Inspection. The Analytics Unit develops proprietary quantitative techniques and models for risk measurement.

[GRAPHIC OMITTED]
REPRESENTATION OF CHART



Borrower credit ratings	Developing and implementing market risk measurement methodologies	Development of proprietary models for risk measurement	Comprehensive operational in all areas
Sectoral analysis and review			Initiation o in informati technology-i
Credit portfolio analysis	Approval of all new products		
	Monitoring market risk exposures		
table continue			
Borrower credit ratings	Approval of retail policies and procedures	Formulation of credit policies and ensuring compliance	
Sectoral analysis and review			
Credit portfolio analysis	Impact of macro economic changes on the retail portfolio	Co-ordinating Reserve Bank of India inspections	
	Portfolio review and monitoring		

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The Risk, Compliance and Audit Group is also responsible for assessing the risks pertaining to international business, including review of credit policies and setting sovereign and counterparty limits.

Credit Risk

In our lending operations, we are principally exposed to credit risk. Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any financial contract with us, principally the failure to make required payments on loans due to us. We currently measure, monitor and manage credit risk for each borrower and also at the portfolio level. We have a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal.

Credit Risk Assessment Procedures for Corporate Loans

In order to assess the credit risk associated with any financing proposal, ICICI Bank assesses a variety of risks relating to the borrower and the relevant industry. Borrower risk is evaluated by considering:

- o the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy;
- o the borrower's relative market position and operating efficiency; and
- o the quality of management by analyzing their track record, payment record and financial conservatism.

Industry risk is evaluated by considering:

- o certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclicity and government policies relating to the industry;
- o the competitiveness of the industry; and
- o certain industry financials, including return on capital employed, operating margins and earnings stability.

After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. ICICI Bank has a scale of 10 ratings ranging from AAA to B and an additional default rating of D. Credit rating is a critical input for the credit approval process. ICICI Bank determines the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to the credit rating. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the appropriate industry specialists in the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed at least annually and is typically reviewed on a more frequent basis for higher risk credits and large exposures. ICICI Bank also reviews the

ratings of all borrowers in a particular industry upon the occurrence of any significant event impacting that industry.

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Working capital loans are generally approved for a period of 12 months. At the end of 12 months, ICICI Bank reviews the loan arrangement and the credit rating of the borrower and takes a decision on continuation of the arrangement and changes in the loan covenants as may be necessary.

Credit Approval Procedures for Corporate Loans

Project Finance Procedures

ICICI Bank has a strong framework for the appraisal and execution of project finance transactions. ICICI Bank believes that this framework creates optimal risk identification, allocation and mitigation, and helps minimize residual risk.

The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience. Once this review is completed, an appraisal memorandum is prepared for credit approval purposes. As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. The appraisal memorandum analyzes the risk matrix and establishes the viability of the project. Typical key risk mitigating factors include the commitment of stand-by funds from the sponsors to meet any cost overruns and a conservative collateral position. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower. After completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

In addition to the above, in the case of structured project finance in areas such as infrastructure and oil, gas and petrochemicals, as a part of the due diligence process, ICICI Bank appoints consultants, wherever considered necessary, to advise the lenders, including technical advisors, business analysts, legal counsel and insurance consultants. These consultants are typically internationally recognized and experienced in their respective fields. Risk mitigating factors in these financings generally also include creation of debt service reserves and channeling project revenues through a trust and retention account.

ICICI Bank's project finance credits are generally fully secured and have full recourse to the borrower. In most cases, ICICI Bank has a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. Typically, it is ICICI Bank's practice to lend between 60.0% and 80.0% of the appraised value of these types of collateral securities. ICICI Bank's borrowers are required to maintain comprehensive insurance on their assets where ICICI Bank is recognized as payee in the event of loss. In some cases, ICICI Bank also takes additional collateral in the form of corporate or personal guarantees from one or more sponsors of the project and a pledge of the sponsors' equity holding in the project company. In certain industry segments, ICICI Bank also takes security interest in relevant project contracts such as concession agreements, off-take agreements and construction contracts as part of the security package. In limited cases, loans are also guaranteed by commercial banks and, in the past, have also been guaranteed by Indian state governments or the government of India.

It is ICICI Bank's current practice to normally disburse funds after the entire project funding is committed and all necessary contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved

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project costs as the project progresses. When ICICI Bank appoints technical and market consultants, they are required to monitor the project's progress and certify all disbursements. ICICI Bank also requires the borrower to submit periodic reports on project implementation, including orders for machinery and equipment as well as expenses incurred. Project completion is contingent upon satisfactory operation of the project for a certain minimum period and,

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in certain cases, the establishment of debt service reserves. ICICI Bank continues to monitor the credit exposure until its loans are fully repaid.

Corporate Finance Procedures

As part of the corporate loan approval procedures, ICICI Bank carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. ICICI Bank's funding of long-term core working capital requirements is assessed on the basis, among other things, of the borrower's present and proposed level of inventory and receivables. In case of corporate loans for other funding requirements, ICICI Bank undertakes a detailed review of those requirements and an analysis of cash flows. A substantial portion of ICICI Bank's corporate finance loans are secured by a lien over appropriate assets of the borrower.

The focus of ICICI Bank's structured corporate finance products is on cash flow based financings. ICICI Bank has a set of distinct approval procedures to evaluate and mitigate the risks associated with such products. These procedures include:

- o carrying out a detailed analysis of cash flows to accurately forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data;
- o conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and
- o paying particular attention to the legal, accounting and tax issues that may impact any structure.

ICICI Bank's analysis enables it to identify risks in these transactions. To mitigate risks, ICICI Bank uses various credit enhancement techniques, such as over-collateralization, cash collateralization, creation of escrow accounts and debt service reserves and performance guarantees. The residual risk is typically managed by complete or partial recourse to the borrowing company whose credit risk is evaluated as described above. ICICI Bank also has a monitoring framework to enable continuous review of the performance of such transactions.

Working Capital Finance Procedures

ICICI Bank carries out a detailed analysis of its borrowers' working capital requirements. Credit limits are approved in accordance with the approval authorization approved by ICICI Bank's board of directors. Once credit limits are approved, ICICI Bank calculates the amounts that can be lent on the basis of monthly statements provided by the borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a monthly basis. Credit

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limits are reviewed on an annual basis.

Working capital facilities are primarily secured by inventories and receivables. Additionally, in certain cases, these credit facilities are secured by personal guarantees of directors, or subordinated security interests in the tangible assets of the borrower including plant and machinery.

Credit Approval Authority for Corporate Loans

ICICI Bank has established four levels of credit approval authorities for its corporate banking activities, the Credit Committee of the board of directors, the Committee of Directors, the Committee of Executives (Credit) and the Regional Committee (Credit). The Credit Committee has the power to approve all financial assistance. ICICI Bank's board of directors has delegated the authority to the Committee of Directors, consisting of ICICI Bank's wholetime directors, to the Committee of Executives (Credit) and the Regional Committee (Credit), both consisting of designated executives of

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ICICI Bank, to approve financial assistance to any company within certain individual and group exposure limits set by the board of directors.

The following table sets forth the composition and the approval authority of these committees.

Committee	Members	Approval Authority
Credit Committee of the board of directors	Chaired by an independent director and consisting of a majority of independent directors.	<ul style="list-style-type: none"> o All approvals to companies with a credit rating below BB and all (including agriculture) companies pursuant to ICICI Bank's credit rating policy. o All approvals (in practice) with a credit rating generally above the minimum credit rating authority of the Committee of Directors). o Approvals to companies where the approval is by the Credit Committee of the board of directors, the company or the borrower requires close monitoring.
Committee of Directors	Chaired by the Managing Director and Chief Executive Officer and consisting of all wholetime directors.	<p>All approvals above the pre-approval authority of the Committee of Executives (Credit) to the following total exposure limits:</p> <ul style="list-style-type: none"> o Up to 10.0% of ICICI Bank's capital funds(1) to a company; and o Up to 30.0% of ICICI Bank's capital funds(1) to a group of companies.
Committee of Executives	Consisting of heads of client	Approvals linked to the rat

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(Credit)	<p>relationship groups, retail assets, treasury, international banking, structured products and portfolio management, project finance with the Chief Financial Officer and the Head-Risk, Compliance and Audit Group as permanent invitees.</p>	<p>security of the exposure, with the authority of the Regional (Credit) subject to the following exposure limits:</p> <ul style="list-style-type: none"> o From up to Rs. 5.0 billion (US\$ 105 million) for a one year secured exposure to up to 0.27 billion (US\$ 8 million) for a one year secured exposure greater than one year for each company with an internal credit rating of AA- and above; o From up to Rs. 5.0 billion (US\$ 105 million) for a one year unsecured exposure to up to 0.27 billion (US\$ 6 million) for a one year unsecured exposure greater than ten years for each company with an internal credit rating of AA- and above; o From up to Rs. 1.6 billion (US\$ 3 million) for a one year secured exposure for each company with an internal credit rating of A+ and below; o From up to Rs. 1.1 billion (US\$ 2 million) for a one year unsecured exposure for each company with an internal credit rating of A+ and below;
Regional Committee (Credit)	<p>Consisting of regional representatives of various client relationship groups and a representative of Structured Finance and Portfolio Management Group, with a representative of Risk, Compliance and Audit Group as a permanent invitee.</p>	<ul style="list-style-type: none"> o From up to Rs. 5.0 billion (US\$ 105 million) for a one year secured exposure to up to 0.27 billion (US\$ 3 million) for a one year secured exposure for each company with an internal credit rating of AA- and above; o From up to Rs. 5.0 billion (US\$ 105 million) for a one year unsecured exposure to up to 0.11 billion (US\$ 2 million) for a one year unsecured exposure greater than ten year unsecured exposure for each company with an internal credit rating of AA- and above; o From up to Rs. 0.9 billion (US\$ 1 million) for a one year secured exposure for each company with an internal credit rating of A+ and below; o From up to Rs. 0.64 billion (US\$ 13 million) for a one year unsecured exposure to up to 0.04 billion (US\$ 1 million) for a one year unsecured exposure greater than ten years for each company with an internal credit rating of A+ and below;

ten year unsecured exposures to each company with an internal credit rating of A+ and

In all cases, subject to adherence to capital funds(1) imposed on the companies mentioned above.

- (1) Capital funds consist of Tier 1 and Tier 2 capital, as defined in the Reserve Bank of India "Supervision and Regulation - Capital Adequacy Requirements".

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All new loans must be approved by the above committees in accordance with their respective powers. Certain designated executives are authorized to approve:

- o ad-hoc/ additional working capital facilities not exceeding the lower of 10.0% of existing approved facilities and Rs. 20 million (US\$ 420,610);
- o temporary accommodation not exceeding the lower of 20.0% of existing approved facilities and Rs. 20 million (US\$ 420,610); and
- o facilities fully secured by deposits, cash margin, letters of credit of approved banks or approved sovereign debt instruments.

In addition to the above loan products, ICICI Bank's Rural Micro Banking Group provides loans to self-help groups, rural agencies, as well as certain categories of agricultural loans and loans under government-sponsored schemes. These loans are typically of small amounts. The credit approval authorization approved by the board of directors of ICICI Bank requires that all such loans above Rs.1.5 million (US\$ 31,546) be approved by the Committee of Directors comprising all the wholetime directors, while the authority to approve loans up to Rs.1.5 million (US\$ 31,546) has been delegated to designated executives.

Credit Monitoring Procedures for Corporate Loans

The Credit Middle Office Group monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. All borrower accounts are reviewed at least once a year. Larger exposures and lower rated-borrowers are reviewed more frequently.

Retail Loan Procedures

Our customers for retail loans are typically middle and high-income, salaried or self-employed individuals, and, in some cases, partnerships and corporations. Except for personal loans and credit cards, we require a contribution from the borrower and our loans are secured by the asset financed.

Our retail credit product operations are sub-divided into various product lines. Each product line is further sub-divided into separate sales and marketing and credit groups. The Risk, Compliance and Audit Group, which is independent of the business groups, approves all new retail products and product policies and credit approval authorizations. All products and policies require the approval of the Committee of Directors comprising all the wholetime directors. All credit approval authorizations require the approval of ICICI

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Bank's board of directors.

We have an established process for evaluating and selecting our dealers and franchisees and there is a clear segregation between the group responsible for originating loans and the group that approves the loans. A centralized set of risk assessment criteria has been created for retail lending operations after approval by the Risk, Compliance and Audit Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio and certain stability factors. The loan approval authority is delegated to credit officers, subject to loan amount limits, which vary across different loan products. We use Direct Marketing Agents (DMAs) for the marketing and sale of retail credit products. Credit approval authority lies only with our credit officers.

Credit officers approve loans in compliance with the risk assessment criteria. External agencies are used to facilitate a comprehensive due diligence process including visits to office or home in the case of loans to individual borrowers. Before disbursements are made, the credit officer conducts a centralized check and review of the borrower's profile.

In order to limit the scope of individual discretion in the loan assessment and approval process, ICICI Bank has implemented a credit-scoring program for credit cards. ICICI Bank has also implemented a credit-scoring program for certain variants within the consumer durables loan product.

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The credit-scoring program is an automated credit approval system for evaluating loan applications by assigning a credit score to each applicant based on certain demographic attributes like earnings stability, educational background and age. The credit score then forms the basis of loan evaluation. Though a formal credit bureau does not as yet operate in India, we avail the services of certain private agencies operating in India to check applications before disbursement.

ICICI Bank has a separate retail credit team, which undertakes review and audit of credit quality across each credit approval team. ICICI Bank has established centralized operations to manage operating risk in the various back office processes of its retail loan business except for a few operations which are decentralized to improve turnaround time for our customers. The Risk, Compliance and Audit Group conducts an independent audit of processes and documents at periodic intervals. As with our other retail credit products, ICICI Bank emphasizes conservative credit standards, including credit scoring and strict monitoring of repayment patterns, to optimize risks associated with credit cards.

ICICI Bank has a collections unit structured along various product lines and geographical locations, to manage delinquency levels. The collections unit operates under the guidelines of a standardized recovery process. ICICI Bank also makes use of external collection agents to aid ICICI Bank in its collection efforts, including collateral repossession in accounts that are overdue for more than 90 days. A fraud control department has been set up to manage levels of fraud, primarily through fraud prevention in the form of forensic audits and also through recovery of fraud losses. The fraud control department is aided by specialized agencies. External agencies for collections are strictly governed by standardized process guidelines. External agencies are also used to facilitate a comprehensive due diligence process including property valuation prior to the approval of home loans and visits to home or office in the case of loans to individual borrowers.

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Small Enterprises Loan Procedures

The Small Enterprises Group finances dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor / dealer, that involve an analysis of the base credit quality of the vendor / dealer pool and an analysis of the linkages that exist between the vendor / dealer and the company.

The group is also involved in financing based on a cluster community based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such communities involves identification of appropriate credit norms for target market, use of scoring models for enterprises that satisfy these norms and applying pre-determined exposure limits to enterprises that are awarded a minimum required score in the scoring model. The assessment also involves setting up of portfolio control norms, individual borrower approval norms and stringent exit triggers to be followed while financing such clusters or communities.

Investment Banking Procedures

ICICI Securities provides investment banking services, including corporate advisory, fixed income and equity services, to corporate customers. All investment banking mandates, including underwriting commitments, are approved by the Managing Director and the relevant business group heads of ICICI Securities.

ICICI Securities is registered with the Securities and Exchange Board of India as a merchant bank. In that capacity, ICICI Securities has decided not to engage in any lending and leasing activities and conducts only activities related to the securities markets and corporate advisory services.

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Quantitative and Qualitative Disclosures About Market Risk

Market risk is exposure to loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The prime source of market risk for us is the interest rate risk we are exposed to as a financial intermediary, which arises on account of our asset liability management activities. In addition to interest rate risk, we are exposed to other elements of market risk such as, liquidity or funding risk, price risk on trading portfolios, and exchange rate risk on foreign currency positions.

Market Risk Management Procedures

The board of directors of ICICI Bank reviews and approves the policies for the management of market risk. The board has delegated the responsibility for market risk management on the banking book to the Asset Liability Management Committee and the trading book to the Committee of Directors, under the Risk Committee of the Board. The Asset Liability Management Committee is responsible for approving policies and managing interest rate risk on the banking book and liquidity risks reflected in the balance sheet. The Committee of Directors is responsible for setting policies and approving risk controls for the trading portfolio.

The Asset Liability Management Committee is chaired by the Joint Managing Director and all four Executive Directors are members of the Committee. The Committee generally meets on a monthly basis and reviews the interest rate and

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liquidity gap positions on the banking book, formulates a view on interest rates, sets deposit and benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, in light of the current and expected business environment. The Committee reports to the Risk Committee. A majority of the members of the Risk Committee are independent directors and the committee is chaired by an independent director. The Balance Sheet Management Group, reporting to the Chief Financial Officer, is responsible for managing interest rate risk on the banking book, and liquidity, under the supervision of the Asset Liability Management Committee.

An independent Market Risk Management Group, which is part of the Risk, Compliance and Audit Group, recommends changes in risk policies and controls, including for new trading products, and the processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits for the trading book are monitored on a daily basis and reviewed periodically. In addition to risk limits, risk monitoring tools such as Value-at-Risk models are also used for measuring market risk in the trading portfolio. ICICI Securities, our investment banking subsidiary which is a primary dealer in government of India securities and has government of India securities as a significant proportion of its portfolio, has a corporate risk management group for managing its interest rate and liquidity risk.

Interest Rate Risk

Since our balance sheet consists predominantly of rupee assets and liabilities, movements in domestic interest rates constitute the main source of interest rate risk. Our portfolio of traded and other debt securities and our loan portfolio are negatively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category, would then give an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. ICICI Bank prepared interest rate risk reports on a fortnightly basis in fiscal 2003. The same were reported to the Reserve Bank of India on a monthly basis. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Management Committee.

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Our core business is deposit taking and lending in both rupees and foreign currencies, as permitted by the Reserve Bank of India. These activities expose us to interest rate risk. As the rupee market is significantly different from the international currency markets, gap positions in these markets differ significantly.

In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except that savings deposits and current deposits which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans are primarily floating rate loans where the rates are reset every quarter. We

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follow a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years and a prime rate for cash credit products. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement.

In contrast to our rupee loans, a large proportion of our foreign currency loans are floating rate loans. These loans are generally funded with floating rate foreign currency funds. Our fixed rate foreign currency loans are generally funded with fixed rate foreign currency funds. We generally convert all our foreign currency borrowings and deposits into floating rate dollar liabilities through the use of interest rate and currency swaps with leading international banks. The foreign currency gaps are generally significantly lower than rupee gaps, representing a considerably lower exposure to fluctuations in foreign currency interest rates.

We use the duration of our government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration of government securities portfolio to increase or decrease our interest rate risk exposure. In addition, we also use interest rate derivatives to manage the asset and liability positions. We are an active participant in the interest rate swap market and are one of the largest counterparties in India.

The following table sets forth, at the date indicated, ICICI Bank's asset-liability gap position.

	At March 31, 2003 (1) -	
	Less than or equal to one year	Greater than one year and up to five years
	(in millions)	
Loans, net.....	Rs. 290,554	Rs. 218,691
Securities.....	146,887	47,065
Fixed assets.....	-	-
Other assets(5).....	92,431	4,895
Total assets.....	529,872	270,652
Stockholders' equity.....	-	-
Debt(5).....	481,825	271,310
Other liabilities.....	111,433	
Total liabilities.....	593,258	271,310
Total gap before risk management positions...	(63,386)	(658)
Risk management positions.....	(30,672)	21,989
Total gap after risk management positions....	Rs. (94,058)	Rs. 21,331

(1) Assets and liabilities are classified into the applicable categories, based on residual maturity or re-pricing whichever is earlier. Classification methodologies are based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective from April 1, 2000.

(2) Items that neither mature nor re-price are included in the "greater than

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five years" category. This includes equity share capital and fixed assets.

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- (3) Impaired loans of residual maturity less than three years are classified in the "greater than one year and up to five years" category and impaired loans of residual maturity between three to five years are classified in the "greater than five years" category.
- (4) The risk management positions comprise foreign currency and rupee swaps. The risk management position has been adjusted for a sum of Rs. 586 million (US\$ 12 million) on account of revaluation of swaps.
- (5) The categorization for these items is different from that reported in the financial statements.

The following table sets forth, at the date indicated, the amount of ICICI Bank's loans with residual maturities greater than one year that had fixed and variable interest rates.

At March 31, 2003			
	Fixed rate loans	Variable rate loans	Total

(in millions)			
Loans.....	Rs. 339,461	Rs. 182,369	Rs. 521,830

Price Risk (Banking book)

The following table sets forth, using the balance sheet at year-end fiscal 2003 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2004, assuming a parallel shift in yield curve at year-end fiscal 2003.

At March 31, 2003				
Change in interest rates				
(in basis points)				
	(100)	(50)	50	100

(in millions, except percentages)				
Rupee portfolio.....	Rs. 194	Rs. 97	Rs. (97)	Rs. (194)
Foreign currency portfolio...	(20)	(10)	10	20
Total	Rs. 174	Rs. 87	Rs. (87)	Rs. (174)
	=====	=====	=====	=====

Based on our asset and liability position at year-end fiscal 2003, the sensitivity model shows that net interest income from the banking book for fiscal 2004 would fall by Rs. 174 million (US\$ 4 million) if interest rates increased by 100 basis points during fiscal 2004. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points during fiscal 2004, net interest income for fiscal 2004 would rise by an equivalent amount of Rs. 174 million (US\$ 4 million). Based on ICICI's asset and liability position at year-end fiscal 2002, the sensitivity model showed that net interest income for fiscal 2003 would fall by Rs. 365 million (US\$ 8 million) if interest rates increased by 100 basis points during fiscal 2003. Interest rate risk numbers at year-end fiscal 2003 are low primarily due to the low duration of government securities portfolio maintained by us, large amount of floating rate housing loan originated during the year and a positive gap in the foreign currency

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portfolio.

Sensitivity analysis, which is based upon a static interest rate risk profile of assets and liabilities, is used for risk management purposes only and the model above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in net interest income will vary from the model.

Price Risk (Trading book)

We undertake trading activities to enhance earnings through profitable trading for our own account. ICICI Securities, our investment banking subsidiary, is a primary dealer in government of India securities, and a significant proportion of its portfolio consists of government of India securities.

The following tables sets forth, using the fixed income portfolio at year-end fiscal 2003 as the base, one possible prediction of the impact of changes in interest rates on the value of our rupee fixed income trading portfolio for fiscal 2004, assuming a parallel shift in yield curve.

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At March 31, 2003				
Change in interest rates (in basis points)				
Portfolio Size	(100)	(50)	50	
(in millions)				
Government of India securities.....	Rs. 26,658	Rs. 1,600	Rs. 791	Rs. (726)
Corporate debt securities.....	6,704	224	108	(119)
Total.....	Rs. 33,362	Rs. 1,824	Rs. 898	Rs. (845)

At year-end fiscal 2003, the total value of our rupee fixed income portfolio was Rs. 33.4 billion (US\$ 702 million). The sensitivity model shows that if interest rates increase by 100 basis points during fiscal 2004, the value of the trading portfolio, would fall by Rs. 1.6 billion (US\$ 34 million). Conversely, if interest rates fell by 100 basis points during fiscal 2003, under the model, the value of this portfolio would rise by Rs. 1.8 billion (US\$ 38 million). At year-end fiscal 2002, the sensitivity model showed that if interest rates increased by 100 basis points during fiscal 2003, the value of the trading portfolio would fall by Rs. 933 million (US\$ 20 million). The increase at year-end fiscal 2003 was primarily due to the increase in the portfolio to Rs. 33.4 billion (US\$ 702 million) from Rs. 20.2 billion (US\$ 425 million) at year-end fiscal 2002.

As noted above, sensitivity analysis is used for risk management purposes only and the model used above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in the value of the fixed income portfolio will vary from the model above.

We revalue our trading portfolio on a daily basis and recognize aggregate

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re-valuation losses in our profit and loss account. The asset liability management policy stipulates an interest rate risk limit which seeks to cap the risk on account of the mark-to-market impact on the mark-to-market book (under the Indian GAAP classification which is different from the US GAAP classification - see "Supervision and Regulation - Banks' Investment Classification and Valuation Norms") and the earnings at risk on the banking book, based on a sensitivity analysis of a 100 basis points parallel and immediate shift in interest rates.

In addition, the Market Risk Management Group stipulates risk limits including position limits and stop loss limits for the trading book. These limits are monitored on a daily basis and reviewed periodically. In addition to risk limits, we also have risk monitoring tools such as Value-at-Risk models for measuring market risk in our trading portfolio.

ICICI Bank is required to invest a specified percentage, currently 25.0%, of its liabilities in government of India securities to meet the statutory ratio requirement prescribed by the Reserve Bank of India. As a result, we have a very large portfolio of government of India securities and these are primarily classified as available for sale securities. Our available for sale securities included Rs. 244.1 billion (US\$ 5.1 billion) of government of India securities. These are not included in the trading book analysis presented above.

Equity Risk

We assume equity risk both as part of our investment book and our trading book. On the investment book, investments in equity shares and preference shares are essentially long-term in nature. Nearly all the equity investment securities have been driven by our project financing activities. The decision to invest in equity shares during project financing activities has been a conscious decision to participate in the equity of the company with the intention of realizing capital gains arising from the expected increases in market prices, and is separate from the lending decision.

Trading account securities are recorded at market value. For the purpose of valuation of our available for sale equity investment securities, an assessment is made whether a decline in the fair value, below the amortized cost of the investments, is other than temporary. If the decline in fair value below the amortized cost is other than temporary, the decline is provided for in the income statement.

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A temporary decline in value is excluded from the income statement and charged directly to the shareholders' equity. To assess whether a decline in fair value is temporary, the duration for which the decline had existed, industry and company specific conditions and dividend record are considered. Non-readily marketable securities for which there is no readily determinable fair value are recorded at cost. Venture capital investments are carried at fair value. However, they are generally carried at cost during the first year, unless a significant event occurs that affected the long-term value of the investment.

At year-end fiscal 2003, the fair value of trading account equity securities was Rs. 187 million (US\$ 4 million). The fair value of our available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 9.4 billion (US\$ 198 million), was Rs. 25.5 billion (US\$ 537 million). This included investments of approximately Rs. 5.4 billion (US\$ 115 million) in liquid mutual fund units at year-end fiscal 2003. At year-end fiscal 2002, the fair value of trading equity securities was Rs.

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742 million (US\$ 16 million). The fair value of the available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.3 billion (US\$ 174 million), was Rs. 28.5 billion (US\$ 600 million).

Exchange Rate Risk

We offer foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and highly rated corporate customers. We actively use cross currency swaps, forwards, and options to hedge against exchange risks arising out of these transactions. Trading activities in the foreign currency markets expose us to exchange rate risks. This risk is mitigated by setting counterparty limits, stipulating daily and cumulative stop-loss limits, and engaging in exception reporting.

Recently, the Reserve Bank of India has authorized the dealing of foreign currency-rupee options by banks for hedging foreign currency exposures including hedging of balance sheet exposures. We have begun offering such products to corporate clients and other inter-bank counterparties and are one of the largest participants in the currency options market accounting for a significant share of daily trading volume.

In addition, foreign currency loans are made on terms that are similar to foreign currency borrowings, thereby transferring the foreign exchange risk to the borrower. Foreign currency cash balances are generally maintained abroad in currencies matching with the underlying borrowings.

Liquidity Risk

Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all liability repayments on time, to meet contingent liabilities, and fund all investment opportunities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors and through public issuance of bonds. We also borrow in the short-term inter-bank market. Loan maturities, securitization of assets and loans, and sale of investments also provide liquidity. See "Operating and Financial Review and Prospects - Financial Condition - Liquidity Risk" for a detailed description of liquidity risk.

Operational Risk

ICICI Bank is exposed to many types of operational risk. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software

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or equipment, fraud, inadequate training and employee errors. ICICI Bank attempts to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning.

Operational Controls and Procedures in Branches

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ICICI Bank has operating manuals detailing the procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars sent to all offices.

When taking a deposit from a new customer, ICICI Bank requires the new customer to complete a relationship form, which details the terms and conditions for providing various banking services. Photographs of customers are also obtained for ICICI Bank's records, and specimen signatures are scanned and stored in the system for online verification. ICICI Bank enters into a relationship with a customer only after the customer is properly introduced to ICICI Bank. When time deposits become due for repayment, the deposit is paid to the depositor. System generated reminders are sent to depositors before the due date for repayment. Where the depositor does not apply for repayment on the due date, the amount is transferred to an overdue deposits account for follow up.

ICICI Bank has a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer's account. Withdrawals from customer accounts are controlled by dual authorization. Senior officers have delegated power to authorize larger withdrawals. ICICI Bank's operating system validates the check number and balance before permitting withdrawals. Cash transactions over Rs. 1 million (US\$ 21,030) are subject to special scrutiny to avoid money laundering. ICICI Bank's banking software has multiple security features to protect the integrity of applications and data.

ICICI Bank gives importance to computer security and has a comprehensive information technology security policy. Most of the information technology assets including critical servers are hosted in centralised data centers which are subject to appropriate physical and logical access controls.

Operational Controls and Procedures for Internet Banking

In order to open an Internet banking account, the customer must provide ICICI Bank with documentation to prove the customer's identity, including a copy of the customer's passport, a photograph and specimen signature of the customer. After verification of the same, ICICI Bank opens the Internet banking account and issues the customer a user ID and password to access his account online.

Operational Controls and Procedures in Regional Processing Centers & Central Processing Centers

To improve customer service at ICICI Bank's physical locations, ICICI Bank handles transaction processing centrally by taking away such operations from branches. ICICI Bank has centralized operations at regional processing centers located at 15 cities in the country. These regional processing centers process clearing checks and inter-branch transactions, make inter-city check collections, and engage in back office activities for account opening, standing instructions and auto-renewal of deposits.

In Mumbai, ICICI Bank has centralized transaction processing on a nationwide basis for transactions like the issue of ATM cards and PIN mailers, reconciliation of ATM transactions, monitoring of ATM functioning, issue of passwords to Internet banking customers, depositing post-dated cheques received from retail loan customers and credit card transaction processing. Centralized processing has been extended to the issuance of personalized check books, back office activities of

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non-resident Indian accounts, opening of new bank accounts for customers who seek web broking services and recovery of service charges for accounts for holding shares in book-entry form.

Operational Controls and Procedures in Treasury

ICICI Bank has a high level of automation in trading operations. ICICI Bank uses technology to monitor risk limits and exposures. ICICI Bank's front office, back office and accounting and reconciliation functions are fully segregated in both the domestic treasury and foreign exchange treasury. The respective middle offices use various risk monitoring tools such as counterparty limits, position limits, exposure limits and individual dealer limits. Procedures for reporting breaches in limits are also in place.

ICICI Bank's front office treasury operations for rupee transactions consists of operations in fixed income securities, equity securities and inter-bank money markets. ICICI Bank's dealers analyze the market conditions and take views on price movements. Thereafter, they strike deals in conformity with various limits relating to counterparties, securities and brokers. The deals are then forwarded to the back office for settlement.

The inter-bank foreign exchange treasury operations are conducted through Reuters dealing systems. Brokered deals are concluded through voice systems. Deals done through Reuters systems are captured on a real time basis for processing. Deals carried out through voice systems are input in the system by the dealers for processing. The entire process from deal origination to settlement and accounting takes place via straight through processing. The processing ensures adequate checks at critical stages. Trade strategies are discussed frequently and decisions are taken based on market forecasts, information and liquidity considerations. Trading operations are conducted in conformity with the code of conduct prescribed by internal and regulatory guidelines.

The Treasury Middle Office Group, which reports to the Executive Director, Corporate Centre, monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors market risk exposure of the investment portfolio and adherence to various market risk limits set up by the Risk, Compliance and Audit Group.

ICICI Bank's back office undertakes the settlement of funds and securities. The back office has procedures and controls for minimizing operational risks, including procedures with respect to deal confirmations with counterparties, verifying the authenticity of counterparty checks and securities, ensuring receipt of contract notes from brokers, monitoring receipt of interest and principal amounts on due dates, ensuring transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records and reports any irregularity or shortcoming observed.

Audit

The Internal Audit Group undertakes a comprehensive audit of all business groups and other functions, in accordance with a risk-based audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses. The Internal Audit group conceptualizes and implements improved systems of internal controls, to minimize operational risk. The audit plan for every fiscal year is approved by the Audit Committee of ICICI Bank's board of directors.

The Internal Audit group also has a dedicated team responsible for

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information technology security audits. Various components of information technology from applications to databases, networks and operating systems are covered under the annual audit plan.

The Reserve Bank of India requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50.0% of business volumes. ICICI Bank has instituted systems to conduct concurrent audits, using reputed chartered accountancy firms. Concurrent audits have also been arranged at the Regional Processing Centers and other centralised processing operations to ensure existence of and adherence to internal controls.

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Legal Risk

The uncertainty of the enforceability of the obligations of ICICI Bank's customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in law and regulation could adversely affect ICICI Bank. Legal risk is higher in new areas of business where the law is often untested by the courts. ICICI Bank seeks to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors.

Derivative Instruments Risk

ICICI Bank engages in limited trading of derivative instruments on its own account and generally enters into interest rate and currency derivative transactions primarily for the purpose of hedging interest rate and foreign exchange mismatches. ICICI Bank provides limited derivative services to selected major corporate customers and other domestic and international financial institutions, including foreign currency forward transactions and foreign currency and interest rate swaps. ICICI Bank's derivative transactions are subject to counter-party risk to the extent particular obligors are unable to make payment on contracts when due.

Controls and Procedures

ICICI Bank's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of ICICI Bank's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days prior to the filing date of this annual report and concluded that, as of the date of their evaluation, ICICI Bank's disclosure controls and procedures were effective to ensure that information required to be disclosed by ICICI Bank in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in ICICI Bank's internal control over financial reporting that has occurred subsequent to the date of their most recent evaluation that has materially affected, or is reasonably likely to materially affect, ICICI Bank's internal control over financial reporting.

Loan Portfolio

Our gross loan portfolio, which includes loans structured as debentures and preferred stock, was Rs. 684.6 billion (US\$ 14.4 billion) at year-end fiscal 2003, an increase of 22.2% over ICICI's gross loan portfolio of Rs. 560.2 billion (US\$ 11.8 billion), at year-end fiscal 2002. At year-end fiscal

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2002, ICICI's gross loan portfolio decreased 11.8% to Rs. 560.2 billion (US\$ 11.8 billion) from Rs. 635.1 billion (US\$ 13.3 billion) at year-end fiscal 2001, primarily due to securitization and sell-down of ICICI's loan portfolio. Approximately 86.5% of our gross loans were rupee loans at year-end fiscal 2003. At year-end fiscal 2003, our balance outstanding in respect of loans to corporates outside India was Rs. 536 million (US\$ 11 million), representing approximately 0.1% of our total gross loan portfolio.

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Loan Portfolio by Categories

The following table sets forth, at the dates indicated our gross rupee and foreign currency loans by business category.

	At March 31, (1)			
	1999	2000	2001	2002
	(in millions)			
Wholesale banking(2)	Rs. 423,604	Rs. 459,837	Rs. 511,312	Rs. 410,5
Rupee.....	335,306	371,257	428,782	342,0
Foreign currency.....	88,298	88,581	82,530	68,4
Working capital finance	22,697	75,606	44,442	42,2
Rupee.....	22,203	72,317	42,592	39,9
Foreign currency.....	494	3,289	1,850	2,2
Leasing and related activities (3)	51,472	35,254	39,741	24,3
Rupee.....	49,942	33,787	38,258	22,8
Foreign currency	1,530	1,467	1,483	1,4
Other(4)	5,862	24,835	39,563	83,1
Rupee	5,862	24,835	39,563	83,1
Foreign currency	-	-	-	-
Gross loans				
Rupee	413,308	502,196	549,195	488,0
Foreign currency	90,322	93,337	85,863	72,2
Total gross loans	503,630	595,533	635,058	560,2
Allowance for loan losses.....	(28,524)	(34,085)	(33,035)	(36,6
Net loans	Rs. 475,106	Rs. 561,448	Rs. 602,023	Rs. 523,6

(1) Data for fiscal 2003 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. Also, the average of loans at year-end fiscal 2001 and 2002 is not comparable with fiscal 1999 and 2000 due to deconsolidation of ICICI Bank effective April 1, 2000.

(2) Wholesale banking includes project finance, corporate finance and receivable financing but excludes leasing and related activities.

(3) Leasing and related activities includes leasing and hire purchase.

(4) Other includes retail finance asset, bills discounted and inter-corporate

deposits

The proportion of foreign currency loans to total gross loans has decreased from 18.0% of ICICI's total gross loans at year-end fiscal 1999 to 13.5% of our gross loans at year-end fiscal 2003 due to a decrease in demand for these loans.

Collateral -- Completion, Perfection and Enforcement

Our loan portfolio consists largely of project and corporate finance and working capital loans to corporate borrowers, and loans to retail customers for financing purchase of residential property, vehicles, consumer durable products, medical equipment and farm and construction equipment, and personal loans and credit card receivables. Corporate finance and project finance loans are typically secured by a first lien on fixed assets, which normally consists of property, plant and equipment. These security interests are perfected by the registration of these interests within 30 days with the Registrar of Companies pursuant to the provisions of the Indian Companies Act. We may also take security of a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. This registration amounts to a constructive public notice to other business entities. Working capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables. Additionally, in some cases, we may take further security of a first or second lien on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. A substantial portion of our loans to retail customers is also secured by a first lien on the assets financed (predominantly property and vehicles). In general, our loans are over-collateralized. In India, there are no regulations stipulating any loan-to-collateral limits.

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In India, foreclosure on collateral generally requires a written petition to an Indian court. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. These delays can last for several years leading to deterioration in the physical condition and market value of the collateral. In the event a corporate borrower makes an application for relief to a specialized quasi-judicial authority called the Board for Industrial and Financial Reconstruction, foreclosure and enforceability of collateral is stayed. In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, which is expected to strengthen the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues. Petitions challenging the constitutional validity of this legislation are currently pending before the Indian Supreme Court. There can be no assurance that the legislation in its current form will be upheld by the Indian Supreme Court or that it will have a favorable impact on our efforts to resolve non-performing assets. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks".

We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. However, cash credit facilities are so structured that we are able to capture the cash flows of our customers for recovery of past due amounts. In addition, we have a right of set-off for amounts due to us on these facilities. Also, we monitor the cash flows of our working capital loan

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customers on a daily basis so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility.

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular industry in light of our forecasts of growth and profitability for that industry. ICICI Bank's Risk, Compliance and Audit Group monitors all major sectors of the economy and specifically follows industries in which ICICI Bank has credit exposures. We seek to respond to any economic weakness in an industrial segment by restricting new credits to that industry segment and any growth in an industrial segment by increasing new credits to that industry segment, resulting in active portfolio management. ICICI Bank's current policy is to limit its loan portfolio to any particular industry (other than retail loans) to 15.0%.

Pursuant to the guidelines of the Reserve Bank of India, ICICI Bank's credit exposure to individual borrowers must not exceed 15.0% of its capital funds comprising Tier 1 and Tier 2 capital, calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of a bank's capital funds by an additional 5.0% (i.e. up to 20.0%) provided the additional credit exposure is on account of infrastructure financing. ICICI Bank's exposure to a group of companies under the same management control must not exceed 40.0% of its capital funds unless the exposure is in respect of an infrastructure project. In that case, the exposure to a group of companies under the same management control may be up to 50.0% of ICICI Bank's capital funds. Pursuant to the Reserve Bank of India guidelines, exposure for funded facilities is calculated as the total approved limit or the outstanding funded amount, whichever is higher (for term loans, as undisbursed commitments plus the outstanding amount). Exposure for non-funded facilities is calculated as 50.0% of the approved amount or the outstanding non-funded amount, whichever is higher (100.0% of the approved amount or the outstanding non-funded amount, whichever is higher, with effect from fiscal 2004). ICICI Bank is in compliance with these limits, except in the case of two borrowers to whom its exposure is in excess of the single exposure limit. The excess over the single borrower exposure limits in respect of these two borrowers is mainly due to the reduction in the level of reserves under Indian GAAP, as a result of adjustments arising out of the amalgamation. ICICI's exposure to these borrowers was not in excess of the limit at the time of providing the assistance. The Reserve Bank of India has granted its approval

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for exceeding the single exposure limit in the case of these two borrowers until the date of completion or stabilization of the projects.

The following table sets forth, at the dates indicated, our gross loans outstanding, including loans structured as debentures and preferred stock, by the borrower's industry or economic activity.

	At March 31, (1)							
	1999		2000		2001		2002	
	(in millions, except percentages)							
Retail finance.....Rs.	602	0.1%	Rs. 6,679	1.1%	Rs. 27,106	4.3%	Rs. 72,789	13.

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Iron and steel.....	48,908	9.7	59,246	9.9	70,547	11.1	71,272	12.1
Power.....	40,154	8.0	56,162	9.4	66,368	10.5	61,159	10.0
Services.....	40,500	8.0	62,997	10.6	74,425	11.7	47,676	8.0
Textiles.....	35,979	7.1	42,019	7.1	47,052	7.4	40,867	7.0
Telecom.....	9,867	2.0	15,903	2.7	20,244	3.2	25,547	4.0
Crude petroleum and petroleum refining...	44,492	8.8	51,338	8.6	54,822	8.6	32,099	5.0
Electronics.....	11,275	2.2	12,597	2.1	15,032	2.4	17,817	3.0
Cement.....	17,069	3.4	19,559	3.3	25,709	4.0	19,088	3.0
Transport equipment..	18,226	3.6	23,020	3.9	19,613	3.1	13,086	2.0
Food products.....	6,293	1.2	7,736	1.3	8,755	1.4	9,264	1.0
Basic chemicals.....	18,864	3.7	22,058	3.7	15,825	2.5	14,115	2.0
Machinery.....	19,562	3.9	19,089	3.2	16,973	2.7	13,196	2.0
Fertilizers and pesticides.....	18,493	3.7	21,001	3.5	17,801	2.8	9,202	1.0
Transportation.....	17,795	3.5	18,982	3.2	15,568	2.5	8,715	1.0
Paper and paper products.....	12,655	2.5	16,934	2.8	16,205	2.6	12,865	2.0
Petrochemicals.....	8,128	1.6	7,396	1.2	11,471	1.8	7,621	1.0
Man-made fibers.....	11,832	2.3	11,505	1.9	11,061	1.7	8,670	1.0
Metal products.....	7,847	1.6	9,783	1.7	7,924	1.2	6,912	1.0
Electrical equipment.....	12,738	2.5	18,526	3.1	14,068	2.2	8,357	1.0
Sugar.....	7,872	1.6	9,464	1.6	9,718	1.5	7,645	1.0
Plastics.....	9,022	1.8	10,988	1.8	11,213	1.8	10,086	1.0
Non-ferrous metals...	5,453	1.1	5,376	0.9	4,473	0.7	6,536	1.0
Drugs.....	6,616	1.3	6,936	1.2	9,950	1.6	7,766	1.0
Rubber and rubber products.....	3,321	0.7	4,086	0.7	3,431	0.5	3,500	0.0
Mining.....	7,918	1.6	8,330	1.4	6,503	1.0	4,970	0.0
Other chemicals.....	774	0.2	332	0.1	335	0.1	189	0.0
Other (2).....	61,375	12.3	47,491	8.0	32,866	5.1	19,239	3.0
Gross loans.....	Rs. 503,630	100.0%	Rs.595,533	100.0%	Rs. 635,058	100.0%	Rs.560,248	100.0%
Allowance for loan losses.....	(28,524)		(34,085)		(33,035)		(36,647)	
Net loans.....	Rs. 475,106		Rs. 561,448		Rs. 602,023		Rs.523,601	

- (1) Data for fiscal 2003 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. Also, loans outstanding at year-end fiscal 2001 and 2002 are not comparable with fiscal 1999 and 2000 due to deconsolidation of ICICI Bank effective April 1, 2000.
- (2) Other principally includes shipping, printing, mineral products, glass and glass products, watches, healthcare, gems and jewelry, leather and wood products industries.

Our gross loan portfolio at year-end fiscal 2003 increased by 22.2% compared to ICICI's gross loan portfolio at year-end fiscal 2002. The largest increase was in retail finance, which constituted 27.5% of gross loans at year-end fiscal 2003 compared to 13.0% of ICICI's gross loan portfolio at year-end fiscal 2002 and 4.3% of ICICI's gross loan portfolio at year-end fiscal 2001. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 10.6% at year-end fiscal 2003 compared to 12.7% of ICICI's gross loan portfolio at year-end fiscal 2002. Our gross loans to the power sector as a percentage of gross loans decreased to 8.2% at year-end fiscal 2003 compared to 10.9% of ICICI's gross loan portfolio at year-end

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fiscal 2002. Retail finance accounted for 2.1% of our gross other impaired loans at year-end fiscal 2003. The iron and steel sector accounted for 35.5% of our gross restructured loans and 10.2% of our gross other impaired loans at year-end fiscal 2003. The power sector accounted for 0.9% of our gross restructured loans and 21.3% of our gross other impaired loans at year-end fiscal 2003. See also "-Impaired Loans".

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At year-end fiscal 2003, our 20 largest borrowers accounted for approximately 21.2% of our gross loan portfolio, with the largest borrower accounting for approximately 2.2% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 4.9% of our gross loan portfolio.

Geographic Diversity

Except as described below, our portfolios were geographically diversified throughout India, primarily reflecting the location of our corporate borrowers. The states of Maharashtra and Gujarat, two of the most industrialized states in India, accounted for the largest proportion of our gross loans outstanding at year-end fiscal 2003.

Directed Lending

The Reserve Bank of India requires banks to lend to certain sectors of the economy. Such directed lending is comprised of priority sector lending, export credit and housing finance.

Priority Sector Lending

The Reserve Bank of India has established guidelines requiring banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by the Reserve Bank of India from time to time) to certain specified sectors called priority sectors. Priority sectors include small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit on investment in plant and machinery of Rs. 10 million), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to certain limits and to specified state financial corporations and state industrial development corporations.

While granting its approval for the amalgamation, the Reserve Bank of India stipulated that since ICICI's loans transferred to us were not subject to the priority sector lending requirement, we are required to maintain priority sector lending of 50.0% of our net bank credit on the residual portion of our advances (i.e. the portion of our total advances excluding advances of ICICI at year-end fiscal, 2002, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments/ funds for qualification as priority sector advances apply to us.

We are required to comply with the priority sector lending requirements at the end of each fiscal year. Any shortfall in the amount required to be lent

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to the priority sectors may be required to be deposited with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to five years and carry interest rates lower than market rates.

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At year-end fiscal 2003, our priority sector loans were Rs. 83.7 billion (US\$ 1.8 billion), constituting 75.6% of our residual net bank credit against the requirement of 50.0%. The following table sets forth our priority sector loans, at year-end fiscal 2003, broken down by the type of borrower.

	At March 31,		% of residual net bank credit at March 31,
	2003	2003	2003
(in millions, except percentages)			
Small scale industries.....	Rs. 2,686	US\$ 57	2.4%
Others including small businesses....	59,436	1,250	53.7
Agricultural sector.....	21,601	454	19.5
	-----	-----	-----
Total.....	Rs. 83,723	US\$ 1,761	75.6%
	=====	=====	=====

Export Credit

As part of directed lending, the Reserve Bank of India also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the fiscal year, 12.0% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At year-end fiscal 2003, our export credit was Rs. 4.1 billion (US\$ 87 million), constituting 3.7 % of our residual net bank credit.

Housing Finance

The Reserve Bank of India requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. Housing finance also qualifies as priority sector lending. At year-end fiscal 2003, our housing finance qualifying as priority sector advances was Rs. 49.7 billion (US\$ 1.0 billion).

Impaired Loans

The following discussion on impaired loans is based on US GAAP. For

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classification of impaired loans under Indian regulatory requirements, see "Supervision and Regulation - Loan Loss Provisions and Impaired Assets".

Impact of Economic Environment on the Industrial Sector

In the past few years the Indian economy has been impacted by negative trends in the global marketplace, particularly in the commodities markets, and recessionary conditions in various economies, which have impaired the operating environment for the industrial sector. The manufacturing sector has also been impacted by several other factors, including increased competition arising from economic liberalization in India and volatility in industrial growth and commodity prices. This has led to stress on the operating performance of Indian corporations and the impairment of a significant amount of loan assets in the financial system, including loan assets of ICICI and ICICI Bank. Certain Indian corporations are coming to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The process of restructuring continued during fiscal 2003. This continuing process of restructuring as well as the impairment of loans to borrowers adversely impacted by the changing operating environment but for whom financial restructuring was not approved, resulted in an increase in our restructured and other impaired loans during fiscal 2003.

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Recognition of Impaired Loans

We identify a loan as impaired when it is probable that we will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. Until year-end fiscal 2003, a loan was also considered to be impaired if interest or principal was overdue for more than 180 days. The Reserve Bank of India's revised asset classification rules effective from fiscal 2004 now require Indian banks to classify an asset as impaired when principal or interest has remained overdue for more than 90 days. Delays or shortfalls in loan payments are evaluated along with other factors to determine if a loan should be placed on non-accrual status. Generally, loans with delinquencies under 180 days (90 days from fiscal 2004) are placed on non-accrual status only if specific conditions indicate that impairment is probable. The decision to place a loan on non-accrual status 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 repay the loan in accordance with the contractual terms. 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 and future collection of principal is not in doubt. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we classified as non-accrual, the loan is returned to accrual status.

We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are placed on a non-accrual status. For these loans, cash receipts are typically applied to principal and interest in accordance with the terms of the restructured loan agreement. 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

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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.

The value of impaired loans is measured at the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the recovery of the loan is solely collateral dependent. If the value of the impaired loan is less than the recorded investment in the loan, we recognize this impairment by creating a valuation allowance with a corresponding charge to the provision for loan losses.

Our gross restructured loans increased 55.0% during fiscal 2003 to Rs. 147.4 billion (US\$ 3.1 billion) at year-end fiscal 2003, from ICICI's gross restructured loans of Rs. 95.1 billion (US\$ 2.0 billion) at year-end fiscal 2002 primarily due to restructuring of loans to companies in the iron and steel, cement and electronics industries and reclassification of other impaired loans of Rs. 5.5 billion (US\$ 116 million) as restructured loans at year-end fiscal 2003 after restructuring of these impaired loans in fiscal 2003. Gross other impaired loans increased 63.8% during fiscal 2003 to Rs. 83.2 billion (US\$ 1.7 billion) at year-end fiscal 2003, from ICICI's gross other impaired loans of Rs. 50.8 billion (US\$ 1.1 billion) at year-end fiscal 2002 primarily due to increase in respect of borrowers in the power, metal product and fertilizer and pesticides industries. See also "-Impact of Economic Environment on the Industrial Sector". As a percentage of net loans, net restructured loans were 19.5% at year-end fiscal 2003 compared to 14.8% of ICICI's net loans at year-end fiscal 2002 and net other impaired loans were 8.8% at year-end fiscal 2003 compared to 6.3% of ICICI's net loans at year-end fiscal 2002.

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The following table sets forth, at the dates indicated, our gross restructured rupee and foreign currency loan portfolio by business category.

		At March 31,			
		1999	2000	2001	2002
		(in millions, except percentages)			
Wholesale banking(1).....	Rs.	13,171	Rs. 18,513	Rs. 37,726	Rs. 84,04
Rupee.....		8,549	11,896	25,190	60,01
Foreign currency.....		4,622	6,617	12,536	24,03
Working capital finance.....		-	33	818	5,28
Rupee.....		-	33	818	5,28
Foreign currency.....		-	-	-	-
Leasing and related activities(2).		-	-	5,137	5,65
Rupee.....		-	-	5,137	5,65
Foreign currency.....		-	-	-	-
Other(3).....		-	-	-	10
Rupee.....		-	-	-	10
Foreign currency.....		-	-	-	-
Total restructured loans					
Rupee.....		8,549	11,929	31,145	71,05
Foreign currency.....		4,622	6,617	12,536	24,03

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Gross restructured loans.....	13,171	18,546	43,681	95,08
Allowance for loan losses.....	(6,422)	(7,751)	(11,372)	(17,722)
Net restructured loans.....	Rs. 6,749	Rs. 10,795	Rs. 32,309	Rs. 77,36
Gross loan assets.....	Rs. 503,630	Rs. 595,533	Rs. 635,058	Rs. 560,24
Net loan assets.....	475,106	561,448	602,023	523,60
Gross restructured loans as a percentage of gross loan assets.	2.62%	3.11%	6.88%	16.9
Net restructured loans as a percentage of net loan assets...	1.42%	1.92%	5.37%	14.7

- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities.
- (2) Includes leasing and hire purchase.
- (3) Other includes retail finance asset, bills discounted and inter-corporate deposits.

The following table sets forth, at the dates indicated, our gross other impaired rupee and foreign currency loan portfolio by business category.

	At March 31,			
	1999	2000	2001	2002
	(in millions, except percentages)			
Wholesale banking(1).....	Rs. 41,611	Rs. 45,616	Rs. 39,430	Rs. 48,093
Rupee.....	Rs. 27,634	29,714	23,514	32,847
Foreign currency.....	13,977	15,902	15,916	15,246
Working capital finance.....	1,158	1,420	1,234	1,699
Rupee.....	1,158	1,420	1,234	1,699
Foreign currency.....	-	-	-	-
Leasing and related activities(2).	2,360	2,965	899	731
Rupee.....	2,360	2,965	899	731
Foreign currency.....	-	-	-	-
Other(3).....	187	573	181	231
Rupee.....	187	573	181	231
Foreign currency.....	-	-	-	-
Total other impaired loans				
Rupee.....	31,339	34,672	25,828	35,508
Foreign currency.....	13,977	15,902	15,916	15,246
Gross other impaired loans.....	45,316	50,574	41,744	50,754
Allowance for loan losses.....	(22,102)	(26,334)	(21,663)	(17,567)
Net other impaired loans.....	Rs. 23,214	Rs. 24,240	Rs. 20,081	Rs. 33,187

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	1999	2000	2001	2002
(in millions, except percentages)				
Gross loan assets.....Rs.	503,630	Rs. 595,533	Rs. 635,058	Rs.560,248
Net loan assets.....	475,106	561,448	602,023	523,601
Gross other impaired loans as a percentage of gross loan assets.....	9.00%	8.49%	6.57%	9.06%
Net other impaired loans as a percentage of net loan assets...	4.89%	4.32%	3.34%	6.34%

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- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities.
 - (2) Includes leasing and hire purchase.
 - (3) Other includes retail finance asset, bills discounted and inter-corporate deposits.

The following table sets forth, at the dates indicated, gross restructured loans by borrowers' industry or economic activity and as a percentage of total gross restructured loans.

	At March 31,							
	1999		2000		2001		2002	
(in millions, except percent)								
Iron and steel	Rs. 909	6.9%	Rs. 1,461	7.9%	Rs. 7,270	16.6%	Rs. 18,013	
Textiles	1,611	12.2	2,276	12.3	12,437	28.5	21,468	
Cement	286	2.2	300	1.6	888	2.0	3,454	
Transport equipment	13	0.1	13	0.1	418	1.0	5,857	
Paper and paper products...	137	1.0	338	1.8	2,211	5.1	6,076	
Electronics	868	6.6	933	5.0	854	2.0	899	
Plastics	2,447	18.6	2,525	13.6	2,586	5.9	2,738	
Man-made fibers	2,616	19.9	3,456	18.6	4,561	10.4	5,759	
Services	688	5.2	1,098	5.9	1,605	3.7	2,710	
Sugar	209	1.6	570	3.1	446	1.0	2,859	
Petrochemicals	546	4.1	710	3.8	937	2.1	853	
Machinery	209	1.6	283	1.5	902	2.1	1,336	
Fertilizers and pesticides.....	99	0.8	76	0.4	141	0.3	3,695	
Basic chemicals	703	5.2	1,527	8.2	1,306	3.0	1,991	
Power.....	-	-	28	0.2	2,278	5.2	915	
Non-ferrous metals	160	1.2	214	1.2	180	0.4	1,337	
Electrical equipment	121	0.9	235	1.3	1,035	2.4	1,713	
Metal products	86	0.7	171	0.9	761	1.7	636	
Food products	588	4.5	655	3.5	707	1.6	434	
Rubber and rubber products.....	150	1.1	143	0.8	169	0.4	460	
Drugs	-	-	-	-	27	0.1	189	
Other chemicals	-	-	-	-	-	-	-	
Other(1)	725	5.6	1,534	8.3	1,962	4.5	11,696	
Gross restructured loans..Rs.	13,171	100.0%	Rs. 18,546	100.0%	Rs. 43,681	100.0%	Rs. 95,088	
	=====		=====		=====		=====	

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Aggregate allowance for loan losses.....	(6,422)	(7,751)	(11,372)	(17,722)
Net restructured loans.....	Rs.6,749	Rs. 10,795	Rs. 32,309	Rs. 77,366

(1) Other principally includes telecom, shipping, real estate, construction, wood, non-bank finance companies, glass, computer software, tea, agriculture, vegetable oil, fishing, printing, floriculture, leather, crude petroleum and retail finance assets.

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The following table sets forth, at the dates indicated, gross other impaired loans by borrowers' industry or economic activity and as a percentage of total gross other impaired loans.

	At March 31,							
	1999		2000		2001		2002	
	(in millions, except percent)							
Power	Rs. 35	0.2%	Rs. 71	0.0%	Rs. -	-%	Rs. 6,009	
Iron and steel	5,058	11.2	4,942	9.8	5,894	14.1	5,899	
Metal products	2,872	6.3	3,284	6.5	2,970	7.1	2,628	
Textiles	3,764	8.3	5,978	11.8	6,041	14.5	4,250	
Basic chemicals	3,101	6.9	2,879	5.7	2,075	5.0	4,412	
Petrochemicals	157	0.3	169	0.3	86	0.2	3,440	
Fertilizers and pesticides	450	1.0	442	0.9	193	0.5	163	
Electrical equipment	1,333	2.9	1,653	3.3	1,652	4.0	2,008	
Drugs	2,448	5.4	2,481	4.9	2,401	5.7	2,544	
Services	1,768	3.9	2,015	4.0	1,324	3.2	416	
Electronics	2,829	6.2	2,537	5.0	1,456	3.5	1,281	
Cement	1,728	3.8	1,371	2.7	1,972	4.7	1,287	
Machinery	1,696	3.7	1,802	3.6	919	2.2	2,596	
Man-made fibers	3,993	8.8	4,092	8.1	2,129	5.1	1,802	
Paper and paper products .	1,125	2.5	3,147	6.2	2,456	5.9	2,199	
Food products	2,523	5.6	2,663	5.3	2,415	5.8	1,389	
Sugar	291	0.7	951	1.9	1,461	3.5	722	
Plastics	1,268	2.8	1,312	2.6	1,280	3.1	1,137	
Transport equipment	856	1.9	852	1.7	761	1.8	715	
Non-ferrous metals	597	1.3	639	1.3	503	1.2	447	
Other chemicals	6	-	48	0.1	45	0.1	92	
Rubber and rubber products.....	462	1.0	485	1.0	335	0.8	328	
Other(1)	6,956	15.3	6,761	13.3	3,376	8.0	4,990	
Gross other impaired loans.....	Rs.45,316	100.0%	Rs. 50,574	100.0%	Rs.41,744	100.0%	Rs.50,754	
Aggregate allowance for loan losses.....	(22,102)		(26,334)		(21,663)		(17,567)	
Net other impaired loans	Rs.23,214		Rs. 24,240		Rs. 20,081		Rs. 33,187	

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- (1) Other principally includes telecom, construction, non-bank finance companies, shipping, vegetable oil, health care, printing, computer software, road, wood, mineral product, tea, glass, agriculture, fishing, trade, leather, gems and jewelry, crude petroleum, mining and retail finance assets.

The largest proportion of our restructured and other impaired loans was to the iron and steel, textiles and power industries. There is a risk that restructured and other impaired loans in each of these sectors and in other sectors including petrochemicals and electronics industries could increase if Indian economic conditions deteriorate or there is a negative trend in global commodity prices.

Iron and Steel. Over the last few years, a persistent downward trend in international steel prices to historic lows has had a significant impact on companies in this sector. In addition, a significant reduction in import tariffs led to price competition from certain countries, significantly reducing domestic prices. Our outlook for this sector is positive owing to the recent increase in prices and an increase in exports. In fiscal 2000 and fiscal 2001, the increase in ICICI's assets in this sector was primarily due to phased disbursements to projects that were approved earlier. While most of these projects have now been completed, a part of these loans is to projects still under implementation. At year-end fiscal 2003, we had classified 72.2% of our gross loans in this sector as restructured loans and 11.7% as other impaired loans.

Textiles. Over the last few years, the textiles sector was adversely affected by the impact of erratic monsoons on cotton production, the South-east Asian economic crisis and competitive pressures from other low cost textile producing countries. A substantial portion of our loans to this sector have been

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classified as impaired. At year-end fiscal 2003, we had classified 38.9% of our gross loans in this sector as restructured loans and 12.3% as other impaired loans.

Power. At year-end fiscal 2003, we had classified 2.2% of our total loans to the power sector as restructured loans and 31.6% as other impaired loans. Other impaired loans primarily include loans to two large borrowers. These include a large private sector power generation project in the state of Maharashtra, the implementation of which is currently suspended on account of a dispute between the power project and the purchaser, the state electricity board. The matter is currently pending before the Indian courts, while parallel efforts are continuing for an out of court settlement, including re-negotiation of the power tariff. The principal sponsor of the project has filed for bankruptcy in the United States. The assets of the project are in the possession of a receiver appointed by the High Court of Judicature at Bombay on a plea by the lenders to the project, including us. Efforts are continuing for sale of the project to new sponsors. Loans to a private sector player in power generation and distribution, were also classified as other impaired loans, pending the expected restructuring of the loans. This restructuring was approved in the first quarter of fiscal 2004.

Interest Foregone

The following table sets forth, for the periods indicated, the amount of interest foregone by us in respect of loans on which accrual of interest was suspended at the respective fiscal year-end.

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		Interest foregone (in billions)		

Fiscal 1999.....	Rs. 10.4		US\$	0.2
Fiscal 2000.....	12.4			0.3
Fiscal 2001.....	14.3			0.3
Fiscal 2002.....	16.1			0.3
Fiscal 2003.....	17.9			0.4

During fiscal 2003, interest income of Rs. 2.4 billion (US\$ 50 million) was recognized on impaired loans on a cash basis.

Impaired Loans Strategy

Our Special Asset Management Group is responsible for finding early solutions for large and complex impaired loans. This group works closely with other banks and financial institutions and uses outside experts and specialized agencies for due diligence, valuation and legal advice to expedite early resolution. The group also seeks to leverage our corporate relationships to facilitate quicker resolution of impaired loans. It consists of professionals with significant experience in credit management supported by a team of dedicated legal professionals.

We place great emphasis on recovery and settlement of our stressed asset portfolio and impaired loans, and this focus has been institutionalized across ICICI Bank. Methods for resolving impaired loans include:

- o early enforcement of collateral through judicial means;
- o encouraging the consolidation of troubled borrowers in fragmented industries with stronger industry participants;
- o encouraging the financial restructuring of troubled borrowers; and
- o encouraging modernization of existing plants through technology upgrades.

Further, we have taken concrete measures to enhance the security structures in accounts that may be under stress, including through:

- o the pledge of sponsor's shareholding;

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- o the right to convert debt into equity at par;
- o ensuring effective representation in the board of directors of these companies;
- o continuous monitoring of the physical performance of the borrower's operations through independent technical consultants; and
- o escrow mechanisms to capture cash flows.

We are seeking to leverage recent positive developments in the Indian financial system that facilitate financial restructuring of troubled borrowers and recovery through enforcement of collateral. These include the constitution of a Corporate Debt Restructuring Forum, consisting of financial institutions and banks, by the Reserve Bank of India, the enactment of the

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Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the setting up of an asset reconstruction company to acquire impaired loans from banks and financial institutions. See "Overview of the Indian Financial Sector - Recent Structural Reforms- Legislative Framework for Recovery of Debts due to Banks". However, there can be no assurance of the extent to which, if at all, these developments will have a positive impact on our recovery and settlement efforts.

Allowance for Loan Losses

The following table sets forth, at the dates indicated, movements in our allowances for loan losses.

	At March		
	1999	2000	2001
Aggregate allowance for loan losses			
at the beginning of the year.....	Rs. 22,457	Rs. 28,524	Rs. 34,085
Less: Effect of deconsolidation of subsidiary on allowance for loan losses.....	-	-	(747)
Add: Effect of reverse acquisition on allowance for loan losses.....	-	-	-
Add: Provisions for loan losses			
Wholesale banking(1).....	5,129	5,571	9,097
Working capital finance.....	419	518	479
Leasing and related activities (2).....	434	279	249
Others (3).....	85	(5)	67
Total provisions for loan losses.....	Rs. 6,067	Rs. 6,363	Rs. 9,892
Write offs(4).....	-	(802)	(10,195)
Aggregate allowance for loan losses			
at the end of the year.....	Rs. 28,524	Rs. 34,085	Rs. 33,035
Ratio of net provisions for loan losses during the period to average loans outstanding.....	1.4%	1.2%	1.7%

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- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities. Provisions include unallocated provisions on lending assets not specifically identified as restructured loans or other impaired loans.
 - (2) Includes leasing and hire purchase.
 - (3) Includes retail finance assets, bills discounted and inter-corporate deposits.
 - (4) Until year-end fiscal 2000, ICICI followed a policy whereby loan balances were not charged-off against the allowance for loan losses. This policy was in response to the regulatory environment governing debt recovery proceedings in India. During fiscal 2001, changes in the tax laws necessitated that loan balances deemed unrecoverable be charged-off against the allowance for credit losses. Accordingly, ICICI charged-off significant loan balances deemed unrecoverable in fiscal 2001 and fiscal 2002.

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We conduct a comprehensive analysis of our loan portfolio on a periodic basis. The analysis considers both qualitative and quantitative criteria including, among others, the account conduct, future prospects, repayment history and financial performance. This comprehensive analysis includes an account by account analysis of the entire loan portfolio, and an allowance is made for any probable loss on each account. In estimating the allowance, we consider the net realizable value on a present value basis by discounting the future cash flows over the expected period of recovery. Further, we also consider past history of loan losses and value of underlying collateral. For further discussions on allowances for loan losses, see "Operating and Financial Review and Prospects".

Under US GAAP, the analysis of the provisions for restructured and other impaired loans requires that we take into account the time delay in our ability to foreclose upon and sell collateral. The net present value of a restructured and other impaired loan includes the net present value of the underlying collateral, if any. As a result, even though our loans are generally over-collateralized, additional allowances are required under US GAAP because US GAAP takes into account the time value of money.

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 ageing of the portfolio, together with an analysis that reflects current trends and conditions. The use of different estimates or assumptions could produce different provisions for smaller balance homogeneous loan losses.

When there is an equity investment for which the corresponding loan asset is impaired, an adjustment is made to record an impairment of the related equity security.

For restructured and other impaired loans in excess of Rs. 100 million (US\$ 2 million), which were 84.3% of our gross restructured and other impaired loan portfolio at year-end fiscal 2003, we followed a detailed process for each account to determine the allowance for loan losses to be provided. For the balance of smaller loans in the restructured and other impaired loan portfolio, we follow the classification detailed below for determining the allowance for loan losses.

Settlement Cases

Settlement cases include cases in which we are in the process of entering into a "one-time settlement" because we believe that the potential to recover the entire amount due (the gross principal plus outstanding interest, including penalty interest) in these cases is limited. In our experience, we recover about 85.0% on a present value basis, as a result of negotiated settlements.

Enforcement Cases

Enforcement cases are those cases (excluding cases referred to the Board for Industrial and Financial Reconstruction or BIFR) in which we have commenced litigation. We expect that only the secured portion of these loans is recoverable, after a specified number of years from the date the loan is recalled. The realizable value of these loans on a present value basis is determined by discounting the estimated cash flow at the end of the specified number of years from the date of the recall by the average interest implicit in these loans.

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Non-Enforcement BIFR Cases

Non-enforcement BIFR cases include cases which have been referred to the Board for Industrial and Financial Reconstruction, which are further categorized into accounts where the plant is under operation and accounts where the plant is closed. We expect that in accounts where the plant is operational, the secured portion of the loan is recoverable over specified annual payments. In respect

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of those accounts where the plant is closed, we expect that the secured portion of the loan will be recoverable at the end of a specified number of years based upon historical experience.

Non-Enforcement Non-BIFR Cases

Non-enforcement non-BIFR cases include cases, which are neither under litigation nor referred to the Board for Industrial and Financial Reconstruction. This category is also divided into accounts where the plant is under operation and accounts where the plant is closed. We expect that in those accounts where the plant is operational, the secured portion of the loan is recoverable over specified annual payments together with a recovery in interest due at a specified rate. In respect of those loans where the plant is closed, we expect that the secured portion of the loan will be recoverable over specified annual payments.

The following table sets forth, for the period indicated, the results of our restructured and other impaired loan classification scheme.

	At March 31, 2003	
Gross impaired loans	Percentage expected to be realized on a net present value basis	
(in millions, except percentages)		
Gross principal greater than Rs. 100 million.....	Rs. 194,374	81.3%
Settlement cases.....	1,849	85.0
Enforcement cases.....	4,327	66.3
Non-enforcement BIFR cases.....	2,376	45.7
Non-enforcement non-BIFR cases.....	1,385	81.7
Other loans.....	26,236	50.4
Total.....	Rs. 230,547	77.2%
	=====	

Subsidiaries and Affiliates

Prior to the amalgamation, ICICI Bank had no subsidiaries. As ICICI Bank is the surviving legal entity in the amalgamation, the subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank.

The following table sets forth, for the period indicated, certain information relating to ICICI Bank's direct subsidiaries and affiliates at

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year-end fiscal 2003.

Name	Year of formation	Activities	Shareholding by ICICI Bank	To inco fiscal
ICICI Securities Limited(2)	February 1993	Investment banking activities	99.9%	Rs.
ICICI Venture Funds Management Company Limited	January 1988	Venture capital Management	100.0	

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Name	Year of formation	Activities	Shareholding by ICICI Bank	To inco fiscal
ICICI Prudential Life Insurance Company Limited(3)	July 2000	Life insurance business	74.0	
ICICI Lombard General Insurance Company Limited(3)	October 2000	General insurance business	74.0	
ICICI Home Finance Company Limited	May 1999	Home and property financing	100.0	
ICICI International Limited	January 1996	Offshore fund management	100.0	
ICICI Trusteeship Services Limited	April 1999	Trustees for various funds	100.0	
ICICI Investment Management Company Limited	March 2000	Investment manager for mutual fund	100.0	
Prudential ICICI Trust Limited	June 1993	Trustee company for mutual fund	45.0	
Prudential ICICI Asset Management Company Limited	June 1993	Investment manager for mutual fund	45.0	
ICICI Bank UK Limited	February 2003	Had not commenced operations	100.0	

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- (1) All financial information is in accordance with US GAAP. (2) Consolidated; formerly ICICI Securities and Finance Company Limited.
 - (3) The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were not consolidated under US GAAP in fiscal 2003, due to substantive participative rights retained by the minority shareholders, and have been accounted for by the equity method.
 - (4) ICICI Bank UK Limited has not yet commenced operations.

The following table sets forth, for the period indicated, information on significant other entities required to be consolidated in ICICI Bank's financial statements for fiscal 2003 under US GAAP.

Name	Date of formation	Activities	Shareholding by ICICI Bank, venture capital funds or trusts to which ICICI Bank was a contributory	i fisc
(in millions, except percentages)				
ICICI Infotech Limited(2) (3)	October 1993	Software consulting and development, IT enabled services, IT infrastructure and facilities management	92.5%	Rs
ICICI Web Trade Limited (3)	December 1999	Internet-based broking services	100.0	
ICICI OneSource Limited (3) (4)	December 2001	Business process outsourcing and call center services	100.0	

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Name	Date of formation	Activities	Shareholding by ICICI Bank, venture capital funds or trusts to which ICICI Bank was a contributory	i fisc
(in millions, except percentages)				
ICICI Equity Fund	March 2000	Investment predominantly in equity and equity-linked securities of mid sized Indian companies.	100.0	
ICICI Emerging Sector Fund	September 2002	Investment in medium sized and early stage companies across sectors	100.0	
ICICI Strategic Investments Fund	February 2003	Medium sized growth companies	100.0	

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for funding capacity expansion
and growth

ICICI Eco-Net Internet & Technology Fund	December 2000	Investment in equity or equity-linked securities of early stage, unlisted internet and technology companies.	92.1
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- (1) All financial information is in accordance with US GAAP. (2) Consolidated; formerly ICICI Infotech Services Limited.
 - (3) Prior to the amalgamation, ICICI's entire interest in ICICI Web Trade Limited and majority interest in ICICI Infotech Limited was transferred to ICICI Information Technology Fund and ICICI Equity Fund respectively. The majority interest in ICICI OneSource Limited is held by ICICI Information Technology Fund and the minority interest by ICICI Bank.
 - (4) Consolidated

At year-end fiscal 2003, all of ICICI Bank's subsidiaries and affiliated companies and entities consolidated or accounted for under the equity method under US GAAP, were incorporated or organized in India, except the following 11 companies:

- o ICICI Securities Holdings Inc., incorporated in the US;
- o ICICI Securities Inc., incorporated in the US;
- o ICICI Bank UK Limited, incorporated in the United Kingdom;
- o ICICI Infotech Inc., incorporated in the US;
- o ICICI Infotech Pte. Limited, incorporated in Singapore;
- o ICICI Infotech Pty. Limited, incorporated in Australia;
- o ICICI Infotech SDN BDH, incorporated in Malaysia;
- o Semantik Solutions GmbH, incorporated in Germany;
- o ICICI International Limited, incorporated in Mauritius;
- o ICICI OneSource Limited, USA, incorporated in the US; and
- o ICICI OneSource Limited, UK, incorporated in the United Kingdom

ICICI Securities Holdings Inc. is a wholly-owned subsidiary of ICICI Securities and ICICI Securities Inc. is a wholly-owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' financial statements. ICICI Infotech Inc., ICICI Infotech Pte. Limited and ICICI Infotech Pty. Limited are wholly-owned subsidiaries of ICICI Infotech Limited and are consolidated in its financial statements. ICICI Infotech SDN BDH is a subsidiary of ICICI Infotech Pte. Limited and is consolidated in the financial

statements of ICICI Infotech Limited. Semantik Solutions GmbH is a joint venture between ICICI Infotech Limited, Fraunhofer ISST and Innova Business Development and Holding GmbH. The shareholding of ICICI Infotech Limited in Semantik Solutions GmbH is 50.0%. The financials of Semantik Solutions GmbH are

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consolidated in the financial statements of ICICI Infotech Limited. ICICI OneSource Limited, USA and ICICI OneSource Limited, UK are both wholly-owned subsidiaries of Customer Asset India Private Limited, which is a wholly-owned subsidiary of ICICI OneSource Limited.

In July 2003, ICICI OneSource Limited acquired First Ring, a business process outsourcing company based in India. In May 2003, ICICI Bank acquired the entire paid-up equity share capital of Transamerica Apple Distribution Finance Private Limited. The company is now a wholly-owned subsidiary of ICICI Bank and has been renamed ICICI Distribution Finance Private Limited.

Technology

The rapidly evolving banking needs of Indian customers have led to various technology dependent products and solutions. We seek to be at the forefront of developing innovative technology initiatives to meet customer expectations. We believe that technology is a key source of competitive advantage in the Indian banking sector. Our focus on technology emphasizes:

- o Electronic and online channels to:
 - Offer easy access to our products and services;
 - Reduce distribution and transaction costs;
 - Reach new target customers; and
 - Enhance existing customer relationships.
- o Application of information systems to:
 - Effectively market to our target customers;
 - Monitor and control risks; and
 - Identify, assess and capitalize on market opportunities.

Technology Organization

ICICI Bank's technology initiatives are centralized in its Technology Management Group. In addition, there are dedicated technology groups for retail and corporate products and services.

Electronic and Online Channels

At year-end fiscal 2003, 394 branches and 52 extension counters of ICICI Bank were completely automated to ensure prompt and efficient delivery of products and services. ICICI Bank's branch banking software is flexible and scaleable and integrates well with its electronic delivery channels.

ICICI Bank's ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At year-end fiscal 2003, ICICI Bank had 1,675 ATMs across India.

ICICI Bank was one of the first banks to offer Internet banking facilities to its customers. ICICI Bank now offers a number of online banking services to its customers.

ICICI Bank's telephone banking call centers have a total seating capacity of 1,750 seats, across two locations. These telephone banking call centers use an Interactive Voice Response System (IVRS). In fiscal 2003, ICICI Bank

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upgraded the existing hardware and deployed a new integrated Interactive Voice Response System to enhance capacity. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete

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overview of the customer's relationship with ICICI Bank. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities.

ICICI Bank launched mobile banking services in India in March 2000, in line with its strategy to offer multi-channel access to its customers. This service has now been extended across to all mobile telephone service providers across India and non-resident Indian customers in the United States of America, the United Kingdom, the Middle East and Singapore.

Application of Information Systems

Treasury and Trade Finance Operations

ICICI Bank uses technology to monitor risk limits and exposures. ICICI Bank has invested significantly to acquire advanced systems from some of the world's leading vendors and connectivity to the SWIFT network. In fiscal 2003, ICICI Bank successfully rolled out a business process management solution to automate its activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, ICICI Bank has achieved substantial savings and practically eliminated the use of paper for these processes.

Banking Application Software

ICICI Bank has installed an advanced banking system that is robust, flexible and scaleable and allows ICICI Bank to effectively and efficiently serve its growing customer base.

In fiscal 2003, the core banking software was upgraded and enabled with multi-currency features. A central stand-in server provides services all days of the week, throughout the year, to delivery channels. The server stores the latest customer account balances, which are continuously streamed from the core banking database.

High-Speed Electronic Communications Infrastructure

ICICI Bank has installed a nationwide data communications network linking all its offices. The network design is based on a mix of dedicated leased lines and satellite links to provide for reach and redundancy, which is imperative in a vast country like India. The communications network is monitored 24 hours a day using advanced network management software. ICICI Bank also uses a data center in Mumbai for centralized data base management, data storage and retrieval.

Customer Relationship Management

In fiscal 2002, ICICI Bank implemented a customer relationship management solution for automation of customer handling in all key retail products. ICICI Bank increased the deployment of its customer relationship management software. ICICI Bank's customer relationship management solution enables various channels to service the customer needs at all touch points, and across all products and services. The solution has been deployed at the telephone banking call centers

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as well as a large number of branches. ICICI Bank has also undertaken a retail data warehouse initiative to achieve customer data integration at the back-office level.

ICICI Bank has implemented an Enterprise Application Integration (EAI) initiative across its retail and corporate products and services, to link various products, delivery and channel systems. This initiative underpins ICICI Bank's multi-channel customer service strategy and seeks to deliver customer related information consistently across access points.

Competition

As a result of the acquisition of Bank of Madura, we became and continue to be the largest private sector bank in India and as a result of the amalgamation, we became and continue to be the second largest bank in India, in terms of total assets. We face strong competition in all

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our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We believe that our principal competitive advantage over our competitors arises from our innovative products and services, our use of technology, our long-standing customer relationships and our highly motivated and skilled employees. Because of these factors, we believe that we have a strong competitive position in the Indian financial services market. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Corporate products and services

In products and services for corporate customers, we face strong competition primarily from public sector banks, foreign banks and other new private sector banks. Our principal competition in these products and services comes from public sector banks, which have built extensive branch networks that have enabled them to raise low-cost deposits and, as a result, price their loans and fee-based services very competitively. Their wide geographical reach facilitates the delivery of banking products to their corporate customers located in most parts of the country. We have been able, however, to compete effectively because of our efficient service and prompt turnaround times that are significantly faster than public sector banks. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities.

Traditionally, foreign banks have been active in providing trade finance, fee-based services and other short-term financing products to top tier Indian corporations. We effectively compete with foreign banks in cross-border trade finance as a result of our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and compete with foreign banks due to our technological edge and competitive pricing strategies.

Other new private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, our strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge.

In project finance, ICICI's primary competitors were established long-term lending institutions. In recent years, Indian and foreign commercial

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banks have sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge has allowed us to gain credibility with project sponsors, overseas lenders and policy makers.

Retail products and services

The retail credit business in India is in a relatively early stage of development. The retail business has witnessed substantial growth over the last two years and as per-capita income levels continue to grow, we expect continued strong growth in retail lending in future. In the retail markets, competition is primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks have the product and delivery capabilities but are likely to focus on limited customer segments. We have capitalized on the first mover advantage to emerge as market leader in several segments within the retail credit business. With a full product portfolio, effective distribution channels, which include direct selling agents, robust credit processes and collection mechanisms, experienced professionals and superior technology, we expect to maintain our market position in retail credit.

Indian commercial banks attract the majority of retail bank deposits, historically the preferred retail savings product in India. We have capitalized on our corporate relationships to gain individual customer accounts through payroll management products and will continue to pursue a multi-channel distribution strategy utilizing physical branches, ATMs, telephone banking call centers and the Internet to reach customers. Further, following a strategy focused on customer profiles and product

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segmentation, we offer differentiated liability products to customers of various ages and income profiles. This strategy has contributed significantly to the rapid growth in our retail liability base.

Mutual funds are another source of competition to us. Mutual fund offerings have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits.

Employees

At year-end fiscal 2003, we had 15,179 employees, an increase from 5,063 employees for ICICI at year-end fiscal 2002 and 3,460 employees for ICICI at year-end fiscal 2001. ICICI Bank had 4,820 employees at year-end fiscal 2002 and 4,491 employees at year-end fiscal 2001. Of the 15,179 employees at year-end fiscal 2003, 5,558 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking.

Management believes that it has good relationships with its employees. ICICI Bank has a staff center, which serves as a forum for grievances, pay and benefit negotiations and other industrial relations matters. ICICI Bank had inducted 2,725 employees of Bank of Madura consequent to its acquisition in March 2001. The employees inducted from Bank of Madura in the grade of clerks and sub-staffs are unionized. We have a cordial relationship with this union. We have realigned the service conditions and compensation structure of the officers who came to us from Bank of Madura, which is now comparable with the one existing for ICICI Bank's officers.

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The financial services industry in India is undergoing unprecedented change as deregulation gains momentum. Moreover, changing customer needs and rapid advances in technology are continually re-defining the lines of innovation and competition, thereby providing us with new challenges and opportunities. To meet these challenges, we have relied extensively on our human capital, which comprises some of the best talent in the industry.

We continue to attract the best graduates from the premier business schools of the country. We dedicate significant amount of senior management time to ensure that employees remain highly motivated and perceive the organization as a place where opportunities abound, innovation is fuelled, teamwork is valued and success is rewarded. Employee compensation is clearly tied to performance and we encourage the involvement of all our employees in our overall performance and profitability through profit sharing incentive schemes based on the financial results. A revised performance appraisal system has been implemented to assist management in career development and succession planning.

ICICI Bank has an employee stock option scheme to encourage and retain high performing employees. Pursuant to the employee stock option scheme as amended by the Scheme of Amalgamation, up to 5.0% of the aggregate of ICICI Bank's issued equity shares after the amalgamation, can be allocated under the employee stock option scheme. The stock option will entitle eligible employees to apply for equity shares. The grant of stock options is approved by ICICI Bank's board of directors on the recommendations of the Board Governance and Remuneration Committee. The eligibility of each employee is determined based on an evaluation of the employee including employee's work performance, technical knowledge and leadership qualities. Moreover, ICICI Bank places considerable emphasis and value on its policy of encouraging internal communication and consultation between employees and management. See also "Management - Compensation and Benefits to Directors and Officers - Employee Stock Option Scheme."

ICICI Bank has training centers at Khandala in the state of Maharashtra, which conduct various training programs designed to meet the changing skill requirements of its employees. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training center regularly offers courses conducted by faculty, both national and international, drawn from industry, academia and ICICI Bank's own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training is also conducted through web-based training modules.

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In addition to basic compensation, employees of ICICI Bank are eligible to receive loans from ICICI Bank at subsidized rates and to participate in its provident fund and other employee benefit plans. The provident fund, to which both ICICI Bank and its employees contribute a defined amount, is a savings scheme, required by government regulation, under which ICICI Bank at present is required to pay to employees a minimum 9.0% (9.5% until fiscal 2003) annual return. If such return is not generated internally by the fund, ICICI Bank is liable for the difference. ICICI Bank's provident fund has generated sufficient funds internally to meet the minimum annual return requirement since inception of the funds. ICICI Bank has also set up a superannuation fund to which it contributes defined amounts. In addition, ICICI Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

The following table sets forth, at the dates indicated, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other

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consolidated entities:

	At March 31,		
	2002		
	Number	% to total	Number
ICICI Bank.....	- (1)	-%	10,617
ICICI.....	1,165	23.0	-(2)
ICICI Personal Financial Services....	1,236	24.5	-(2)
ICICI Capital Services.....	505	10.0	-(2)
ICICI Securities.....	143	2.8	147
ICICI Home Finance.....	442	8.7	927
ICICI Infotech.....	1,443	28.5	1,302
ICICI OneSource.....	-	-	2,056
Others.....	129	2.5	130
Total number of employees.....	5,063	100.0%	15,179

- (1) At year-end fiscal 2002, ICICI Bank was accounted for in ICICI's financial statements by the equity method.
- (2) Amalgamated with and into ICICI Bank with effect from April 1, 2002 for accounting purposes under US GAAP.

At year-end fiscal 2003, we had approximately 15,179 employees, an increase from 5,063 employees of ICICI at year-end fiscal 2002 and from 3,460 employees of ICICI at year-end fiscal 2001. Of these, 10,617 at year-end fiscal 2003 were employed by ICICI Bank, an increase from 4,820 at year-end fiscal 2002 and 4,491 at year-end fiscal 2001. The increase in number of employees in fiscal 2003 was primarily in ICICI Bank, ICICI OneSource and ICICI Home Finance, which have grown their business and distribution capabilities.

The following table sets forth, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities at August 31, 2003.

	Number	% to total
ICICI Bank.....	11,752	68.8%
ICICI Securities.....	146	0.8
ICICI Infotech.....	1,334	7.8
ICICI OneSource.....	3,723	21.8
Others.....	132	0.8
Total number of employees.....	17,087	100.0%

The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were not consolidated under US GAAP in fiscal 2003 and have been accounted for under the equity method due to substantive participative rights retained by the minority shareholders. ICICI Prudential Life insurance had 1,932 employees at year-end fiscal 2003 and 2,642 employees at

August 31, 2003. ICICI Lombard General Insurance had 284 employees at year-end fiscal 2003 and 399 employees at August 31, 2003.

In July 2003, ICICI Bank offered an Early Retirement Option to its employees. All employees who had completed 40 years of age and seven years of service with ICICI Bank (including periods of service with Bank of Madura, ICICI, ICICI Personal Financial Services and ICICI Capital Services which were amalgamated with and into ICICI Bank) as of July 31, 2003 were eligible for the Early Retirement Option. Out of approximately 2,350 eligible employees, approximately 1,495 employees exercised the Option. The amount payable to these employees was the lesser of the amount equal to:

- o 3 months' salary for every completed year of service, and
- o 1 month's salary for the number of months of service left.

The above payment was subject to an overall limit of Rs. 2.0 million for employees at the level of Joint General Manager and below, and Rs. 2.5 million for employees at the level of General Manager and Senior General Manager. For the purpose of this computation, salary included basic pay and dearness allowance but excluded all other allowances. The total cost of the Early Retirement Option is estimated to be approximately Rs. 1.7 billion (US\$ 36 million). In addition, while we have made provisions for leave encashment and retirement benefits based on actuarial valuation in accordance with relevant accounting guidelines, the early retirement of employees will result in additional payouts over and above the provisions made to date in respect of those employees. The total retirement benefits in excess of provisions made are estimated to be approximately Rs. 300 million (US\$ 6 million). These costs will be accounted for in our financial statements for fiscal 2004.

Properties

ICICI Bank's registered office is located at Landmark, Race Course Circle, Vadodara 390 007, Gujarat, India. ICICI Bank's corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

ICICI Bank had a principal network consisting of 394 branches, 52 extension counters and 1,675 ATMs at year-end fiscal 2003. These facilities are located throughout India. Forty-two of these facilities are located on properties owned by ICICI Bank, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, ICICI Bank has 18 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 14 regional processing centers in various cities and one central processing center at Mumbai. ICICI Bank has 910 apartments and two residential facilities for its employees. ICICI Bank also provides residential and holiday home facilities to employees at subsidized rates. Our subsidiaries and other consolidated entities own seven properties and also have 131 properties on lease. The net book value of all properties and equipment at year-end fiscal 2003 was Rs. 21.2 billion (US\$ 446 million).

Legal and Regulatory Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. However, excluding the legal proceedings discussed below, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely

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determined, may have a material adverse effect on our financial condition or results of operations.

At year-end fiscal 2003, we had been assessed an aggregate of Rs. 20.4 billion (US\$ 429 million) in excess of the provision made in our accounts, in income tax, interest tax, wealth tax and sales tax demands by the government of India's tax authorities for past years. We have appealed each of these tax demands. Management believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessments and accordingly we have not provided for these tax demands but have disclosed the same as a contingent liability. Management

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believes that the tax authorities are not likely to be able to substantiate their demands for the following reasons:

- o We have received favorable decisions from the appellate authorities with respect to Rs. 1.3 billion (US\$ 27 million) of the assessment. The income tax authorities have appealed these decisions to higher appellate authorities and the same are pending adjudication.
- o We have received a favorable decision of the Supreme Court of India in respect of writ petitions filed by us relating to the sales tax issues that are currently being appealed by us with respect to Rs. 185 million (US\$ 4 million) of the assessment.
- o We have received favorable appellate decisions in earlier years related to the income tax, interest tax and wealth tax issues currently being appealed by us with respect to Rs. 862 million (US\$ 18 million) of the assessment, and in respect of Rs. 18.0 billion (US\$ 378 million), favorable appellate decisions in the cases of other Indian companies or expert opinions are available to substantiate the issues that are currently being appealed.

Of the Rs. 20.4 billion (US\$ 429 million) aggregate tax assessments in excess of the provision made in our accounts, a major portion relates to the treatment of depreciation claim on leased assets. In respect of depreciation claimed by us for fiscal 1993 on two sale and lease back transactions, the Income Tax Appellate Tribunal, Mumbai has held in August 2003 that no depreciation is allowable to us. The additional tax impact of this decision is Rs. 189 million (US\$ 4 million). We intend to appeal against this decision before the High Court and believe that we will receive a favorable decision in the matter. As the Income Tax Appellate Tribunal's decision is based on the facts of two specific transactions, we believe that the Income Tax Appellate Tribunal's decision will not have an adverse tax impact on other sale and lease back transactions entered into by us. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us.

In March 1999, ICICI filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for recovery of amounts totaling Rs. 169 million (US\$ 3 million) due from Esslon Synthetics. In May 2001, the guarantor filed a counter-claim for an amount of Rs. 1.0 billion (US\$ 21 million) against ICICI and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. The matter is currently pending before

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the Debt Recovery Tribunal, Delhi.

In April 1999, ICICI filed a suit before the High Court of Judicature at Bombay against Mardia Chemicals Limited for recovery of amounts totaling Rs. 1.4 billion (US\$ 29 million) due from Mardia Chemicals. The suit was subsequently transferred to the Debt Recovery Tribunal, Mumbai. In July 2002, ICICI Bank issued a notice to Mardia Chemicals under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 (subsequently passed as an Act by the Indian Parliament) demanding payment of its outstanding dues. In August 2002, Mardia Chemicals filed a suit in the city civil court at Ahmedabad against ICICI Bank, Mr. K. V. Kamath, Managing Director and Chief Executive Officer and Ms. Lalita D. Gupte, Joint Managing Director, for an amount of Rs. 56.3 billion (US\$ 1.2 billion) on the grounds that Mardia Chemicals has allegedly suffered financial losses on account of ICICI's failure to provide adequate financial facilities, ICICI's recall of the advanced amount and ICICI's filing of a recovery action against it. The city civil court held that the suit should have been filed in the pending proceedings before the Debt Recovery Tribunal, Mumbai. Mardia Chemicals filed an appeal before the High Court of Gujarat, which dismissed the appeal and ordered that the claim against ICICI Bank be filed before the Debt Recovery Tribunal, Mumbai and the claim against Mr. K.V. Kamath and Ms. Lalita D. Gupte be continued before the city civil court at Ahmedabad. In June 2003, the promoters of Mardia Chemicals in their capacity as guarantors of loans given by ICICI to Mardia Chemicals filed a civil suit in the city civil court at Ahmedabad against ICICI Bank for an amount of Rs. 20.8 billion (US\$ 437

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million) on the grounds of loss of investment and loss of profit on investments. The pleadings in the matter are yet to be completed. Mardia Chemicals had also filed a petition in the High Court, Delhi, challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002. The matter has since been transferred to the Supreme Court of India, where it is currently pending.

Management believes, based on consultation with counsel, that the legal proceedings instituted by each of Esslon Synthetics and Mardia Chemicals against us are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

Our selected financial and other data for and at year-end fiscal 2003 have been derived from our consolidated financial statements, prepared in accordance with US GAAP. The selected financial and other data for ICICI for and at year-end fiscal 1999, 2000, 2001 and 2002 have been derived from ICICI's consolidated financial statements, prepared in accordance with US GAAP. These financial statements have been audited by KPMG, India, independent auditors.

Following the approval of shareholders, the High Court of Gujarat at Ahmedabad and the High Court of Judicature at Bombay, the Reserve Bank of India

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approved the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank on April 26, 2002.

The Statement on Financial Accounting Standard No. 141 on "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements contained in this annual report for fiscal 2003, as it was consummated in April 2002. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer and the surviving entity. Accordingly, the financial data contained in this annual report for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI. The financial information for ICICI for fiscal 2002 and 2001 reflect results of ICICI Bank as an equity investment in accordance with ICICI's ownership interest in ICICI Bank prior to the amalgamation. The financial information for ICICI for fiscal 2000 and 1999 reflect results of ICICI Bank as a consolidated entity. Following the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank.

On the date of amalgamation, ICICI held a 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank 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 (US\$ 277 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US\$ 13 million), was recognized in the statement of stockholders' equity as a capital transaction.

ICICI's consolidated subsidiaries for and at year-end fiscal 2002 and year-end fiscal 2001 did not include ICICI Bank. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank in India, in an all stock merger and, as a result, the ownership interest of ICICI was reduced from 62.2% to 55.6%. In addition, during March 2001, ICICI reduced its interest in ICICI Bank to 46% through sales of equity shares in the Indian secondary markets to institutional investors. As a result of the foregoing, ICICI Bank ceased to be one of ICICI's subsidiaries as of March 22, 2001 and was accounted for under the equity method of accounting from April 1, 2000, the beginning of the fiscal year in which ICICI's majority ownership interest in ICICI Bank was deemed to be temporary. ICICI Bank continues to be reported on a consolidated basis for the years ended March 31, 1999 and 2000. As a result, the financial statements for fiscal 2002 and 2001 are not strictly comparable with those for fiscal 2000 and 1999.

The consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, 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 and as a result, the financial statements for fiscal 2001 and 2002 contained in this annual

report are not the same as those contained in our annual report for fiscal 2002.

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There is no resultant impact on net income or stockholders' equity for fiscal 2001 and 2002.

You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict the results in the future.

	Year ended March 31,			
	1999	2000	2001	2002
	(in millions, except per common share)			
Selected income statement data:				
Interest income	Rs. 70,293	Rs. 79,296	Rs. 79,759	Rs. 78,600
Interest expense	(58,043)	(67,492)	(67,893)	(69,520)
Net interest income	12,250	11,804	11,866	9,080
Dividends	676	1,502	345	267
Net interest income, including dividends	12,926	13,306	12,211	9,347
Provisions for loan losses	(6,067)	(6,363)	(9,892)	(9,743)
Net interest income / (loss), including dividends, after provisions for loan losses.....	6,859	6,943	2,319	(396)
Non-interest income	5,560	9,815	9,243	8,148
Net revenue	12,419	16,758	11,562	7,752
Non-interest expense	(3,795)	(5,302)	(5,479)	(7,596)
Equity in earnings / (loss) of affiliates	(34)	20	735	294
Minority interest	(170)	(361)	1	83
Income / (loss) before income taxes, extraordinary items and cumulative effect of accounting changes	8,420	11,115	6,819	533
Income tax (expense) / benefit	(1,194)	(2,033)	(189)	(251)
Income / (loss) before extraordinary items and cumulative effect of accounting changes, net of tax	7,226	9,082	6,630	282
Extraordinary items, net of tax(2)	292	-	-	-
Cumulative effect of accounting changes, net of tax(3).....	-	249	-	1,265
Net income/ (loss).....	Rs. 7,518	Rs. 9,331	Rs. 6,630	Rs. 1,547
Per common share(4):				
Net income / (loss) from continuing operations				
--Basic(5)	Rs. 31.32	Rs. 28.90	Rs. 16.88	Rs. 3.94

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Net income/ (loss) from continuing operations				
--Diluted(6)	27.04	27.54	16.81	3.94
Dividends(7)	11.0	11.0	11.0	22.0
Book value	152.04	180.58	193.35	181.70
Common shares outstanding at end of period (in millions of common shares)	240	393	393	393
Weighted average common shares outstanding --basic (in millions of common shares)	240	323	393	393
Weighted average common shares outstanding --diluted (in millions of common shares) ..	289	344	393	393

(1) Rupee amounts for fiscal 2003 have been translated into US dollars using the noon buying rate in effect on March 28, 2003 of Rs. 47.55 = US\$ 1.00.

(2) Represents gains from extinguishment of debt, net of tax. In fiscal 1999, ICICI realized a post-tax gain of Rs. 292 million (US\$ 6 million) through repurchase of certain of ICICI's outstanding foreign currency bonds, which resulted in extinguishment of debt.

(3) Effective April 1, 1999, ICICI changed the method of providing depreciation on property and equipment from the written down value method to the straight line method. The cumulative effect of the change aggregating Rs. 405 million (US\$ 8 million), net of the related income tax effect of Rs. 156 million (US\$ 3 million) has been included in the statement of income for fiscal 2000. In June 2001, the

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FASB issued SFAS No. 141, 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 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, ICICI had an unamortized deferred credit of Rs. 1,265 million (US\$ 26 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI. 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, was written-off and recognized as the effect of a change in accounting principle.

- (4) For fiscal 1999, 2000, 2001 and 2002, based on the exchange ratio of 1:2 in which shareholders of ICICI were issued shares of ICICI Bank, number of shares have been adjusted by dividing by two. Hence, these numbers are different from the numbers reported in last year's annual report on Form 20-F for fiscal 2002.
- (5) Represents net income / (loss) before dilutive impact.
- (6) Represents net income / (loss) adjusted for full dilution. All convertible instruments are assumed to be converted to common shares at the beginning of the year, at prices that are most advantageous to the holders of these instruments. For the purpose of calculating diluted earnings per share, the net income was adjusted for interest (after tax) on convertible instruments only for the year ended March 31, 2000, as all convertible bonds were converted/redeemed in fiscal

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2001. Shares assumed to be issued have been weighted for the period the convertible instruments are outstanding. Options to purchase 2,546,675, 7,015,800 and 12,610,275 equity shares granted to employees at a weighted average exercise price of Rs. 226.0, Rs. 81.3 and Rs. 154.7 were outstanding in fiscal 2001, 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. In fiscal 2003 we have reported a net loss and accordingly all outstanding options at year-end fiscal 2003 are anti-dilutive. See Note 24 to our consolidated financial statements.

- (7) In India, dividends for a fiscal year are normally declared and paid in the following year. The same was true for ICICI until fiscal 2001. However, in fiscal 2002, dividend was paid by ICICI as an interim dividend during fiscal 2002. We have declared a dividend of Rs. 7.50 per equity share for fiscal 2003, which was paid out in August 2003 i.e. fiscal 2004. The dividend per equity share shown above is based on the total amount of dividends paid out on the equity shares during the year, exclusive of dividend tax. This was different from the dividend declared for the year. In US dollars, dividends were US\$ 0.23 per equity share in each of fiscal 1999, 2000 and 2001 and US\$ 0.46 per equity share in fiscal 2002.
- (8) Certain reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity.

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The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period.

	Year ended March 31,			
	1999	2000	2001	2002

Selected income statement data:				
Interest income.....	12.24%	11.23%	11.29%	10.53
Interest expense	(10.11)	(9.56)	(9.61)	(9.31)

Net interest income	2.13	1.67	1.68	1.22
Dividends	0.12	0.21	0.05	0.04

Net interest income, including dividends..	2.25	1.88	1.73	1.25
Provisions for loan losses	(1.06)	(0.90)	(1.40)	(1.31)

Net interest income / (loss), including dividends, after provisions for loan losses.....	1.19	0.98	0.33	(0.05)
Non-interest income, net	0.97	1.39	1.31	1.09

Net revenue.....	2.16	2.37	1.64	1.04
Non-interest expense	(0.66)	(0.75)	(0.78)	(1.02)
Equity in earnings/(loss) of affiliates ..	(0.01)	0.00	0.10	0.04
Minority interest	(0.03)	(0.05)	0.00	0.01

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Income / (loss) before income taxes and cumulative effect of accounting changes	1.46	1.57	0.97	0.07
Income tax (expense)/benefit.....	(0.21)	(0.29)	(0.03)	(0.03)
<hr/>				
Income/(loss) before extraordinary items and cumulative effect of accounting changes, net of tax	1.25	1.28	0.94	0.04
Extraordinary items and cumulative effect of accounting changes, net of tax	0.05	0.04	-	0.17
<hr/>				
Net income/(loss)	1.30%	1.32%	0.94%	0.21

At March 31,

	1999	2000	2001	2002
<hr/>				
	(in millions, except percentage)			

Selected balance sheet data:

Total assets	Rs.646,945	Rs.774,279	Rs.739,892	Rs.743,362	Rs.
Securities	15,041	18,871	18,861	60,046	
Loans, net(2)	475,106	561,448	602,023	523,601	
Troubled debt restructuring (restructured loans), net	6,749	10,795	32,309	77,366	
Other impaired loans, net	23,214	24,240	20,081	33,187	
Total liabilities	609,661	699,073	663,829	671,754	
Long-term debt	435,521	436,320	492,882	511,458	
Deposits	60,605	96,682	6,072	7,380	
Redeemable preferred stock(3)	10,897	10,207	698	772	
Stockholders' equity	36,494	70,908	75,927	71,348	
Common stock	2,400	3,916	3,924	3,922	
Period average(4):					
Total assets	574,198	706,066	706,343	746,330	
Interest-earning assets	500,966	612,452	615,164	641,141	
Loans, net(2)	430,830	513,421	570,989	591,398	
Total liabilities(5)	538,213	650,794	631,324	670,750	
Interest-bearing liabilities	483,636	583,609	576,474	613,401	
Long-term debt	383,286	436,718	462,916	504,103	
Stockholders' equity	Rs.35,985	Rs.55,272	Rs.75,019	Rs.75,580	
Profitability:					
Net income / (loss) as a percentage of:					
Average total assets	1.30%	1.32%	0.94%	0.21%	
Average stockholders' equity	20.89	16.88	8.84	2.05	
Average stockholders' equity (including redeemable preferred stock)					
(6)	19.26	15.95	8.89	2.12	

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Dividend payout ratio(7)	34.8	28.3	52.9	635.2
Spread(8)	2.03	1.38	1.19	0.93
Net interest margin(9)	2.45	1.93	1.93	1.42
Cost-to-income ratio(10)	20.53	22.93	25.54	43.42
Cost-to-average assets ratio(11)	0.66	0.75	0.78	1.02

Capital:

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Average shareholders' equity as a percentage of average total assets	6.27	7.83	10.62	10.13
Average stockholders' equity (including redeemable preferred stock) as a percentage of average total assets (12).	7.48	9.30	10.95	10.23

	At or for the year ended		
	1999	2000	2001
	(in percentages)		
Asset quality			
Net restructured loans as a percentage of net loans	1.42%	1.92%	5.37%
Net other impaired loans as a percentage of net loans	4.89	4.32	3.34
Allowance for loan losses on restructured loans as a percentage of gross restructured loans	48.76	41.79	26.03
Allowance for loan losses on other impaired loans as a percentage of gross impaired loans	48.77	52.07	51.89
Allowance for loan losses as a percentage of gross loans	5.66	5.72	5.20

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- (1) Rupee amounts for fiscal 2003 have been translated into US dollars using the noon buying rate in effect on March 28, 2003 of Rs. 47.55 = US\$ 1.00.
 - (2) Net of allowance for loan losses in respect of restructured and other impaired loans and allowances for loans not specifically identified as restructured or other impaired loan.
 - (3) ICICI had issued preferred stock redeemable at face value after 20 years. Banks in India are not currently allowed to issue preferred stock. However, we are currently exempt from the restriction.
 - (4) For fiscal 1999, 2000, 2002 and 2003 the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that fiscal year and for fiscal 2001, the average balances are the average of quarterly balances outstanding at the end of June, September, December and March of that fiscal year.
 - (5) Represents the average of the quarterly balance of total liabilities and minority interest.
 - (6) Represents the ratio of net income plus dividend on redeemable preferred stock to the sum of average stockholders' equity and average redeemable preferred stock. Under Indian tax laws, dividend on preferred stock is not tax deductible.
 - (7) Represents the ratio of total dividends paid on common stock, exclusive of dividend distribution tax, as a percentage of net income.
 - (8) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets was the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
 - (9) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.
 - (10) Represents the ratio of non-interest expense, to the sum of net interest income, dividends and non-interest income.

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- (11) Represents the ratio of non-interest expense to average total assets.
- (12) ICICI Bank's capital adequacy is computed in accordance with the Reserve Bank of India guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At year-end fiscal 2003, on this basis ICICI Bank's total capital adequacy ratio was 11.10% with Tier 1 capital adequacy ratio of 7.05% and Tier 2 capital adequacy ratio of 4.05%. Capital adequacy reporting for ICICI as of year-end fiscal 2002 was not required as it ceased to exist for Indian GAAP reporting purposes, as ICICI Bank was the accounting acquirer in Indian GAAP.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated audited financial statements. The following discussion is based on our audited financial statements and accompanying notes, which have been prepared in accordance with US GAAP.

Introduction

Our loan portfolio, financial condition and results of operations have been, and in the future, are expected to be influenced by economic conditions, particularly industrial growth, in India and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers. For ease of understanding the discussion of our results of operations that follows, you should consider the introductory discussion of these macroeconomic factors. In addition, for a meaningful comparison of our results of operations for these years, you should also consider the amalgamation and effect of other acquisitions.

Indian Economy

Overall GDP growth in the Indian economy has been in the range of 4.0-6.0% in the last three years. In fiscal 2001, GDP grew at the rate of 4.4%, while the preliminary estimate of 5.4% GDP growth in fiscal 2002 was later revised upwards to 5.6%. The latest available revised estimates have pegged the growth rate for fiscal 2003 at 4.3%. In fiscal 2003, the slowdown in growth was primarily caused by a decline in the growth of agriculture because of insufficient rainfall and resulting drought conditions prevailing in the country. Agricultural growth, which had risen by 5.7% in fiscal 2002 declined by 3.2% in fiscal 2003. The agricultural sector declined by 0.4% in fiscal 2001. The industrial sector grew by 5.7% in fiscal 2003 after low growth of 3.2% in fiscal 2002. The industrial sector grew by 6.5% in fiscal 2001. Industrial growth in fiscal 2003 was supported primarily by growth in construction and manufacturing activities. Growth between fiscal 1998 and 1999 was affected by a slowdown in the global economy stemming from the economic crisis in Asia, Russia and elsewhere.

The average annual rate of inflation measured by the Wholesale Price Index declined to 3.4% in fiscal 2003 from 3.6% in fiscal 2002. Fuel price inflation declined to 5.5% in fiscal 2003 from 8.9% in fiscal 2002. The high level of foreign exchange reserves and the volume of food stocks cushioned the inflationary impact of insufficient rainfall and drought conditions. The US-led coalition's war in Iraq also did not significantly impact the inflationary

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process because of the relatively short duration of the war. Conditions, however, still remain unsettled in the Middle East where most of the world's oil production facilities are located and continuing tensions or hostilities could lead to increases in oil prices or higher volatility in oil prices.

The Indian rupee remained relatively stable vis-a-vis the US dollar during fiscal 2003, strengthening marginally from Rs. 48.83 per US\$ 1.00 at year-end fiscal 2002 to Rs. 47.53 per US\$ 1.00 at year-end fiscal 2003. The rupee, however, depreciated against the pound sterling, euro and yen primarily because of the weakening of the US dollar against these currencies. Foreign exchange reserves were US\$ 87.4 billion at September 5, 2003.

The overall growth in industry, agriculture and services during fiscal 2004 will affect the performance of the banking sector as it will affect the level of credit disbursed by banks, and the overall growth prospects of our business, including our ability to grow, the quality of our assets and our ability to implement our strategy.

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Regional Hostilities and Terrorist Attacks

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In recent years, there have been military confrontations between India and Pakistan in the Kashmir region and present relations between India and Pakistan continue to be tense on the issues of terrorism, armament and Kashmir. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on our business, its future financial performance and the price of its equity shares and its ADSs. For example, the terrorist attacks in the United States on September 11, 2001 and subsequent military action in Afghanistan and Iraq affected the markets all over the world. The United States' continuing battle against terrorism could lengthen these regional hostilities and tensions. Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability it could have an adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs.

Banking Sector

According to the Reserve Bank of India's data, total deposits of all commercial banks increased by 18.4% in fiscal 2001, 15.5% in fiscal 2002 and 17.4% in fiscal 2003. In fiscal 2001, growth in bank deposits was high mainly as a result of the India Millennium Deposits (approximately Rs. 256.6 billion) raised by the State Bank of India to augment overall foreign exchange reserves of the country. These bonds increased the level of deposits in fiscal 2001 because they were included in deposits. Excluding the India Millennium Deposits, bank deposits would have risen by 15.2% in fiscal 2001. In fiscal 2002, excluding the India Millennium Deposits outstanding at year-end fiscal 2001, the growth in deposits was 15.0%. Growth in deposits in fiscal 2003 includes the impact of the amalgamation, as some of ICICI's liabilities which were not included in banking deposits at year-end fiscal 2002, were included at year-end fiscal 2003. Bank credit grew by 17.3% in fiscal 2001, 15.8% in fiscal 2002 and 23.3% in fiscal 2003. Bank credit growth in fiscal 2003 was high mainly due to the impact of the amalgamation, as ICICI's credit was included in total banking system credit at year-end fiscal 2003 but not included at year-end fiscal 2002.

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In the last five fiscal years, there has been a downward movement in interest rates, barring intra-year periods when interest rates were higher temporarily due to extraneous circumstances. This movement was principally due to the Reserve Bank of India's policy of assuring adequate liquidity in the banking system and generally lowering the rate at which it would lend to Indian banks to ensure that corporate borrowers have access to funding at competitive rates. The Reserve Bank of India's primary motive has been to realign interest rates with the market to facilitate a smooth transition from a government-controlled regime in the early 1990s, when interest rates were heavily regulated, to a more market-oriented interest rate regime. Banks have generally followed the direction of interest rates set by the Reserve Bank of India and adjusted both their deposit rates and lending rates downwards. On July 21, 2000, the Reserve Bank of India reversed the downward movement of the last four fiscal years and announced an increase in the bank rate of 100 basis points. However, on February 16, 2001, the bank rate was reduced to 7.5% and then reduced to 7.0% on March 7, 2001, thus reversing the upward movements initiated earlier. In October 2002, it was further reduced to 6.5%. It was further reduced to 6.0% in April 2003, the lowest since 1973. The Union Budget also reduced the rate of interest on government small savings and provident fund schemes by 100 basis points and the Reserve Bank of India subsequently reduced the savings deposit rate and the repo rate. The following table sets forth the decline in average deposit rates and average lending rates of five major public sector banks for the last five years.

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Fiscal year	Average deposit rate for over one year term (range)	Average prime lending rate (range)
(in percentages)		
1999	9.0-11.0	12.0-13.0
2000	8.0-10.5	12.0-12.5
2001	8.5-10.0	11.0-12.0
2002	8.0-8.5	11.0-12.0
2003	5.25-8.50	10.75-12.00
2004 (through August 15, 2003).....	5.00-6.25	10.50-11.50

Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2002, Annual Report 2002-2003 and Weekly Statistical Supplements.

Amalgamation

Following the approval of shareholders, the High Court of Gujarat at Ahmedabad and the High Court of Judicature at Bombay, the Reserve Bank of India approved the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank on April 26, 2002.

The Statement on Financial Accounting Standards No. 141 "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements contained in this annual report for fiscal 2003, as it

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was consummated in April 2002. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer and the surviving entity. Accordingly, the financial data contained in this annual report for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI. The financial information for ICICI for fiscal 2002 and 2001 reflect results of ICICI Bank as an equity investment in accordance with ICICI's ownership interest in ICICI Bank prior to the amalgamation. The financial information for ICICI for fiscal 2000 and 1999 reflect results of ICICI Bank as a consolidated entity. Following the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank.

On the date of amalgamation, ICICI held 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank 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 (US\$ 277 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US\$ 13 million), was recognized in the statement of stockholders' equity as a capital transaction.

The total purchase price for the acquisition was Rs. 14.1 billion (US\$ 296 million) including fair value of common stock issued on reverse acquisition of Rs. 12.0 billion (US\$ 252 million). Intangible assets of Rs. 5.5 billion (US\$ 116 million), relating to customer and deposit relationships, will be amortized over a period of 10 years. Goodwill recognized in this transaction was Rs. 819 million (US\$ 17 million).

Effect of Other Acquisitions

In fiscal 2003, ICICI Infotech, an entity consolidated in our US GAAP financial statements, acquired the remaining 50.0% ownership interest in Tricolor Infotech International Inc., Mauritius for a cash consideration of Rs. 110 million (US\$ 2 million). The assets of Tricolor Infotech International Inc. amounted to Rs. 35 million (US\$ 726,603). The business combination was accounted for by the

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purchase method and accordingly the consolidated financial statements since fiscal 2003 include the results of operations of Tricolor Infotech International Inc. The business combination resulted in goodwill of Rs. 18 million (US\$ 378,549) as the purchase price was more than the fair value of net assets acquired.

In fiscal 2003, ICICI One Source, an entity consolidated in our US GAAP financial statements, acquired a 100.0% 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 cash consideration aggregating Rs. 959 million (US\$ 20 million). The business combination was accounted for by the purchase method and accordingly our consolidated financial statements for fiscal 2003 include the results of operations of Customer Asset India Private Limited. The business combination resulted in goodwill of Rs. 617 million (US\$ 13 million) as the purchase price was more than the fair value of net assets acquired.

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During fiscal 2001, ICICI Infotech, acquired the following software development and services companies based in the United States: Ivory International Inc., Objects Xperts Inc. and Command Systems Inc. ICICI also acquired Ajax Software Solutions, a software development company based in India. The business combinations were accounted for under the purchase method and the revenues and total assets of the acquired companies were immaterial to ICICI's consolidated results of operations and financial position for fiscal 2001.

Effective April 1, 1998, ICICI acquired Anagram Finance Limited, a non-bank finance company, principally to support its entry into the retail loan market. The assets of Anagram Finance amounted to Rs. 9.6 billion (US\$ 202 million), approximately 2.0% of ICICI's total assets at year-end fiscal 1998. The business combination was accounted for by the purchase method and accordingly the consolidated financial statements since fiscal 1999 include the results of operations of Anagram Finance. The business combination resulted in a goodwill of Rs. 934 million (US\$ 20 million), which was being amortized over a period of five years. This resulted in an expense of Rs. 187 million (US\$ 4 million) due to amortization of goodwill in fiscal 1999, 2000 and 2001.

Effective April 1, 1997, ICICI acquired ITC Classic Finance Limited, a non-bank finance company, principally to support its efforts in diversifying its retail funding base. The assets of ITC Classic Finance amounted to Rs. 14.0 billion (US\$ 287 million), approximately 3.7% of ICICI's total assets at year-end fiscal 1997. The business combination was accounted for by the purchase method and accordingly the consolidated financial statements since fiscal 1998 include the results of operations of ITC Classic Finance. The business combination resulted in negative goodwill of Rs. 10 million (US\$ 210,305) as the purchase price was less than the fair value of the net assets acquired. The negative goodwill was set-off against certain non-current, non-monetary assets.

Effective April 1, 1996, ICICI acquired SCICI Limited, a diversified financial institution in which ICICI had an existing 19.9% equity interest. ICICI acquired SCICI principally to benefit from the scale efficiencies of being a larger entity. The assets of SCICI amounted to Rs. 50.4 billion (US\$ 1.0 billion), approximately 16.8% of ICICI's total assets at year-end fiscal 1996. The business combination was accounted for by the purchase method and accordingly the consolidated financial statements since fiscal 1997 include the results of operations of SCICI. The business combination resulted in negative goodwill of Rs. 3.1 billion (US\$ 65 million) as the purchase price was less than the fair value of the net assets acquired. Of this amount, Rs. 600 million (US\$ 13 million) was set-off against certain property and equipment and an amount of Rs. 253 million (US\$ 5 million) was accrued to income in each of the years for fiscal 1997 to fiscal 2001. In addition, in fiscal 1998, income of Rs. 242 million (US\$ 5 million) was accrued from the sale of SCICI's headquarters building in Mumbai.

In October 2002, the FASB issued SFAS No. 147, Acquisitions of Certain Financial Institutions, which 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 a previously recorded unidentifiable intangible asset of Rs. 373 million (US\$ 8 million) to goodwill with effect from April 1, 2001. Further, as required by

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SFAS No. 147, ICICI reversed the amortization expense of Rs. 290 million (US\$ 6 million) and the related income tax benefit of Rs. 103 million (US\$ 2 million), by restating the results for fiscal 2002.

ICICI adopted SFAS No. 142 on April 1, 2001, which resulted in reclassification of existing goodwill and intangible assets. In fiscal 2002, ICICI recorded goodwill of Rs. 354 million (US\$ 7 million) relating to acquisitions of certain software services companies of which goodwill of Rs. 70 million (US\$ 1 million) had been recorded pending final allocation as of March 31, 2002. The revenues and total assets of the acquired companies were immaterial to the consolidated results of operations and financial position of ICICI. Substantially all goodwill at year-end fiscal 2002, related to the software development and services reporting unit of ICICI. No goodwill impairment loss had been recorded during fiscal 2002 and 2003. In June 2001, the FASB issued SFAS No. 141, 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, ICICI had an unamortized deferred credit of Rs. 1.3 billion (US\$ 27 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI. 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.

Deconsolidation of ICICI Bank for fiscal 2001 and 2002

ICICI's consolidated subsidiaries for and at year-end fiscal 2002 and year-end fiscal 2001 did not include ICICI Bank. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank in India, in an all stock merger and, as a result, the ownership interest of ICICI was reduced from 62.2% to 55.6%. In addition, during March 2001, ICICI reduced its interest in ICICI Bank to 46% through sales of equity shares in the Indian secondary markets to institutional investors. This was in line with the Reserve Bank of India's directive that ICICI reduce its interest in ICICI Bank to not more than 40% over a period of time. As a result of the foregoing, ICICI Bank ceased to be one of ICICI's subsidiaries as of March 22, 2001 and was accounted for under the equity method of accounting from April 1, 2000, the beginning of the fiscal year in which ICICI's majority ownership interest in ICICI Bank was deemed to be temporary. ICICI Bank continued to be reported on a consolidated basis for the years ended March 31, 1999 and 2000. As a result, ICICI's financial statements for fiscal 2002 and 2001 are not strictly comparable with those for fiscal 2000 and 1999.

Change in accounting basis for insurance subsidiaries

The consolidation of ICICI's majority ownership interest in the two insurance companies, ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, incorporated 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 and as a result, the financial statements for fiscal 2001 and 2002 contained in this annual report are not the same as those contained in our annual report for fiscal 2002. There is no resultant impact on net income or stockholders' equity for fiscal 2001 and 2002.

Results of Operations

Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks.

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These include the prudential reserve and liquidity requirements, namely the statutory liquidity ratio under Section 24 of the Indian Banking Regulation Act, 1949, and the cash reserve ratio under Section 42 of the Reserve Bank of India Act,

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1934. The statutory liquidity ratio is required to be maintained in the form of government of India securities and other approved securities, while the cash reserve ratio is required to be maintained in the form of cash balances with the Reserve Bank of India. At present, the stipulated statutory liquidity ratio is 25.0% of a bank's net demand and time liabilities in India and the stipulated cash reserve ratio is 4.5% of a bank's net demand and time liabilities in India. In addition to the above, the directed lending norms of Reserve Bank of India require that every bank should extend 40.0% of net bank credit to certain eligible sectors, which are categorized as "priority sectors". Considering that the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending, the Reserve Bank of India directed us, following the amalgamation to maintain an additional 10.0% over and above the requirement of 40.0%, i.e., a total of 50.0% of our net bank credit on the residual portion of our advances (our total advances less outstanding advances of ICICI at year-end fiscal 2002). Priority sectors are specific sectors such as agriculture and small-scale industries. This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments and funds for reckoning as priority sector advances also apply to us. See "Supervision and Regulation - Directed Lending - Priority Sector Lending" and "Business - Loan Portfolio - Directed Lending - Priority Sector Lending".

Following the announcement of the amalgamation in October 2001, ICICI directed all its resources towards meeting the reserve requirements on its outstanding liabilities following the amalgamation. A large cash balance was maintained by ICICI towards the end of fiscal 2002 in order to meet the cash reserve requirement on its outstanding liabilities following the amalgamation. ICICI restricted its loan disbursements and also securitized and sold down its loans in the second half of fiscal 2002 to raise additional resources. As a result, ICICI's net loans decreased 13.0% to Rs. 523.6 billion (US\$ 11.0 billion) at year-end fiscal 2002 from Rs. 602.0 billion (US\$ 12.7 billion) at year-end fiscal 2001.

Consequent to the amalgamation, while we have benefited from our lower cost of funding as a bank compared to ICICI as a non-bank financial institution, the requirement to maintain statutory liquidity ratio and cash reserve ratio on historic liabilities of ICICI has adversely impacted our spread. Maintenance of the statutory liquidity ratio and cash reserve ratio has resulted in large investment in government securities and cash balances with the Reserve Bank of India, both of which earn low yields compared to loan assets.

Summary Fiscal 2003 to Fiscal 2002

Loss (before cumulative effect of accounting changes, net of tax) amounted to Rs. 8.0 billion (US\$ 168 million) in fiscal 2003 compared to income (before cumulative effect of accounting changes, net of tax) of Rs. 282 million (US\$ 6 million) in fiscal 2002 primarily due to the large increase in provisions for loan losses, which increased by 102.1% or by Rs. 9.9 billion (US\$ 208 million) to Rs. 19.6 billion (US\$ 413 million) in fiscal 2003 from Rs. 9.7 billion (US\$ 205 million) in fiscal 2002. Increases in net interest income and non-interest income were offset by the increase in non-interest expenses. After considering

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the cumulative effect of accounting changes, net loss amounted to Rs. 8.0 billion (US\$ 168 million) in fiscal 2003 compared to net income of Rs. 1.5 billion (US\$ 33 million) in fiscal 2002. We made a loss on average assets of 0.70% for fiscal 2003 compared to net income on average assets of 0.21% for fiscal 2002 and loss on average stockholders' equity of 8.47% for fiscal 2003 compared to net income on average stockholders' equity of 2.05% for fiscal 2002.

- o Net interest income (excluding dividends) before provisions for loan losses increased 59.7% to Rs. 14.5 billion (US\$ 305 million) in fiscal 2003 from Rs. 9.1 billion (US\$ 191 million) in fiscal 2002 reflecting mainly the following factors:

- an increase of Rs. 282.7 billion (US\$ 5.9 billion) or 50.4% in the average volume of interest-earning rupee assets;

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- an increase of Rs. 688 million (US\$ 14 million) or 0.86% in the average volume of interest-earning foreign currency assets;

- an increase in rupee spread to 1.24% in fiscal 2003 from 0.72% in fiscal 2002; and

- an increase in foreign currency spread to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

- o The average volume of interest-earning rupee assets increased by Rs. 282.7 billion (US\$ 5.9 billion) during fiscal 2003 primarily due to the increase in investment in government securities by Rs. 228.1 billion (US\$ 4.8 billion) as we were required to maintain the statutory liquidity ratio on ICICI's liabilities, which were not subject to this requirement prior to the amalgamation.
- o The spread increased by 45 basis points to 1.38% in fiscal 2003 from 0.93% in fiscal 2002 and net interest margin also increased to 1.57% in fiscal 2003 from 1.42% in fiscal 2002.
- o Non-interest income increased by 62.7% in fiscal 2003 to Rs. 13.3 billion (US\$ 278 million), from Rs. 8.1 billion (US\$ 171 million) in fiscal 2002, primarily due to a decrease in loss from security transactions by Rs. 3.3 billion (US\$ 68 million), increase in fee income, commission and brokerage by Rs. 1.0 billion (US\$ 21 million) and gains from sale of loans and credit substitutes by Rs. 816 million (US\$ 17 million).
- o Non-interest expense increased 145.0% in fiscal 2003 to Rs. 18.6 billion (US\$ 390 million) from Rs. 7.6 billion (US\$ 160 million) in fiscal 2002 primarily due to the amalgamation and an increase in employee expenses and other administrative costs, mainly due to the growth in retail products and services.
- o Provisions for loan losses increased to Rs. 19.6 billion (US\$ 413 million) during fiscal 2003 from Rs. 9.7 billion (US\$ 205 million) in fiscal 2002 reflecting an increase in gross restructured and other impaired loans by Rs. 84.7 billion (US\$ 1.8 billion) in fiscal 2003 compared to Rs. 60.4 billion (US\$ 1.3 billion) in fiscal 2002. Provisions for loan losses as a percentage of net loans increased to 3.12% in fiscal 2003 from 1.86% in fiscal 2002.
- o Gross restructured loans increased 55.0% to Rs. 147.4 billion (US\$ 3.1

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billion) at year-end fiscal 2003 from Rs. 95.1 billion (US\$ 2.0 billion) at year-end fiscal 2002, primarily due to an increase in restructuring of loans to companies in the iron and steel, cement and electronics industries. Gross other impaired loans increased 63.8% to Rs.83.2 billion (US\$ 1.7 billion) at year-end fiscal 2003 from Rs. 50.7 billion (US\$ 1.1 billion) at year-end fiscal 2002, primarily due to an increase in respect of borrowers in the power, metal products and fertilizer and pesticides industries. As a percentage of net loans, net restructured loans were 19.5% at year-end fiscal 2003 compared to 14.8% at year-end fiscal 2002 and net other impaired loans were 8.8% at year-end fiscal 2003 compared to 6.3% in year-end fiscal 2002.

- o Total assets increased by 58.8% to Rs. 1,180.3 billion (US\$ 24.8 billion) at year-end fiscal 2003 from Rs. 743.4 billion (US\$ 15.6 billion) at year-end fiscal 2002. Net loans increased 20.4% to Rs. 630.4 billion (US\$ 13.3 billion) at year-end fiscal 2003 from Rs. 523.6 billion (US\$ 11.0 billion) at year-end fiscal 2002.

Summary Fiscal 2002 to Fiscal 2001

Income (before cumulative effect of accounting changes, net of tax) declined to Rs. 282 million (US\$ 6 million) in fiscal 2002 compared to Rs. 6.6 billion (US\$ 139 million) in fiscal 2001 primarily due to lower net interest income, lower fees, commissions and brokerage and higher non-interest expense. Net income after cumulative effect of accounting changes declined to Rs. 1.5 billion (US\$ 33 million) in fiscal 2002 compared to Rs. 6.6 billion (US\$ 139 million) in fiscal 2001. As a result, the return on average assets for fiscal 2002 declined to 0.21% compared to 0.94% in fiscal 2001 and

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the return on average stockholders' equity declined to 2.05% in fiscal 2002 compared to 8.84% in fiscal 2001.

- o Net interest income (excluding dividends) before provisions for loan losses decreased 23.5% to Rs. 9.1 billion (US\$ 191 million) in fiscal 2002 from Rs. 11.9 billion (US\$ 260 million) in fiscal 2001, with an increase of Rs. 38.7 billion (US\$ 813 million) or 7.4% in the average volume of interest-earning rupee assets being offset mainly by the following factors:
 - a decrease of Rs. 12.7 billion (US\$ 267 million) or 13.7% in the average volume of interest-earning foreign currency assets;
 - a decrease in rupee spread to 0.72% in fiscal 2002 from 0.89% in fiscal 2001; and
 - a decrease in foreign currency spread to 0.84% in fiscal 2002 from 2.19% in fiscal 2001.
- o The spread declined by 26 basis points to 0.93% in fiscal 2002 from 1.19% in fiscal 2001 and net interest margin also decreased to 1.42% in fiscal 2002 from 1.93% in fiscal 2001.
- o Gross restructured loans increased by 117.7% to Rs. 95.1 billion (US\$ 2.0 billion) at year-end fiscal 2002 from Rs. 43.7 billion (US\$ 919 million) at year-end fiscal 2001, primarily due to an increase in restructuring of loans to companies in the textiles, transport equipment and iron and steel industries. Also, loans previously categorized as other impaired loans amounting to Rs. 12.5 billion (US\$ 263 million) were restructured during fiscal 2002 and were re-classified as restructured loans at year-end fiscal

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2002. Gross other impaired loans increased 21.6% to Rs. 50.8 billion (US\$ 1.0 billion) at year-end fiscal 2002 from Rs. 42.0 billion (US\$ 878 million) at year-end fiscal 2001. As a percentage of net loans, net restructured loans were 14.8% at year-end fiscal 2002 compared to 5.4% at year-end fiscal 2001 and net other impaired loans were 6.3% at year-end fiscal 2002 compared to 3.3% in year-end fiscal 2001.

- o Non-interest income declined by 11.9% in fiscal 2002 to Rs. 8.1 billion (US\$ 171 million), from Rs. 9.2 billion (US\$ 194 million) in fiscal 2001. Though there was a significant increase in trading account revenue, gain on sale of loans and income from software development and services in fiscal 2002, this was offset by a decline in gain on sale of stock of subsidiaries and affiliates, an other than temporary diminution on securities portfolio and a decline in fees, commission and brokerage. In fiscal 2001, non-interest income included a gain on the sale of ICICI's equity interest in ICICI Bank of Rs. 2.0 billion (US\$ 42 million) and in ICICI Infotech of Rs. 511 million (US\$ 11 million).
- o Non-interest expense increased 38.6% in fiscal 2002 to Rs. 7.6 billion (US\$ 160 million) from Rs. 5.5 billion (US\$ 115 million) in fiscal 2001 primarily due to an increase in employee expenses and other administrative costs for ICICI Infotech, and other administrative costs.
- o Provisions for loan losses decreased 2.0% to Rs. 9.7 billion (US\$ 205 million) during fiscal 2002 from Rs. 9.9 billion (US\$ 208 million) in fiscal 2001 and reflected a result of management's estimation of the recoverability of restructured and other impaired loans. ICICI believed that several loans, which became restructured loans in fiscal 2002, were essentially to inherently viable projects, which resulted in lower impairment losses during fiscal 2002. Provisions for loan losses in fiscal 2002 included Rs. 1.4 billion (US\$ 29 million) of unallocated provisions on loans not specifically identified as restructured or other impaired loans, which were based on ICICI's estimate of the probable losses inherent in that portfolio. Provisions for loan losses as a percentage of net loans increased to 1.86% in fiscal 2002 from 1.64% in fiscal 2001.
- o Total assets increased marginally by 0.5% to Rs. 743.4 billion (US\$ 15.6 billion) at year-end fiscal 2002 from Rs. 739.9 billion (US\$ 15.6 billion) at year-end fiscal 2001. Net loans decreased 13.0% to Rs. 523.6 billion (US\$ 11.0 billion) at year-end fiscal 2002 from Rs. 602.0 billion (US\$ 12.7 billion) at year-end fiscal 2001.

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Average Balance Sheet

For fiscal 2002 and 2003, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that fiscal year. For fiscal 2001, the average balances are the average of quarterly balances outstanding at the end of June, September, December and March. The amortized portion of loan origination fees (net of loan origination costs) was included in interest income on loans, representing an adjustment to the yield. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include impaired loans and are net of allowance for loan losses that have been allocated on a pro-rata basis to rupee loans and foreign currency loans, based on the proportion of impaired rupee loans and impaired foreign currency loans. We did not recalculate tax-exempt

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income on a tax-equivalent basis because we believed that the effect of doing so would not be significant. Total interest income also includes other interest income which is primarily interest on refund of income tax.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which are major components of interest income, interest expense and net interest income. The average balances of loans include impaired loans and are net of allowance for loan losses.

	Year ended March 31,						Average balance
	2001			2002			
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost	
(in millions, except percentages)							
Assets:							
Cash, cash equivalents and							
Trading assets:							
Rupee.....	Rs.29,774	Rs.3,262	10.96%	Rs.28,592	Rs.1,883	6.59%	Rs.58
Foreign currency	13,136	567	4.32	9,422	200	2.12	15

Total cash, cash equivalents and Trading assets.....	42,910	3,829	8.92	38,015	2,083	5.48	73
Securities--debt:							
Rupee	1,265	154	12.17	11,728	1,180	10.06	244
Foreign currency	-	-	-	-	-	-	-

Total securities--debt	1,265	154	12.17	11,728	1,180	10.06	244
Loans, net:							
Rupee	491,792	67,494	13.72	521,169	69,725	13.38	541
Foreign currency	79,197	7,778	9.82	70,230	5,512	7.85	64

Total loans, net	570,989	75,272	13.18	591,399	75,237	12.72	606
Other interest income	-	504	-	-	100	-	-
Interest-earning assets:							
Rupee	522,831	71,414	13.66	561,489	72,889	12.98	844
Foreign currency	92,333	8,345	9.04	79,652	5,711	7.17	80

Total interest-earning assets	615,164	79,759	12.97	641,141	78,600	12.26	924
Securities--equity:							
Rupee	25,239	345	1.37	31,434	267	0.85	29
Foreign currency	-	-	-	-	-	-	-

Total securities--equity..	25,239	345	1.37	31,434	267	0.85	29
Earning assets:							
Rupee	548,069	71,759	13.09	592,922	73,156	12.34	873
Foreign currency	92,333	8,345	9.04	79,652	5,711	7.17	80

Total earning assets	640,402	80,104	12.51	672,575	78,867	11.73	953

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Cash and cash equivalents.	3,959	-	6,720	-	45
Acceptances	4,048	-	3,552	-	26
Property and equipment ...	11,531	-	13,375	-	18
Other assets	46,403	-	50,109	-	87
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Total non-earning assets..	65,941	-	73,755	-	178
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Total assets	Rs.706,344	Rs.80,104	Rs.746,330	Rs.78,867	Rs.1,132
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Year ended March 31,

	2001			2002		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
(in millions, except percentages)						
Liabilities:						
Savings account deposits:						
Rupee	Rs.	-	Rs.	-	-%	Rs.
Foreign currency		-		-		-
<hr/>						
Total savings account deposits		-		-		-
Time deposits:						
Rupee	3,682	490	13.30	6,618	744	11.24
Foreign currency	0	0	-	0	0	-
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Total time deposits	3,682	490	13.30	6,618	744	11.24
Long-term debt:						
Rupee	373,604	50,337	13.47	424,745	54,387	12.80
Foreign currency	89,313	6,249	7.00	79,358	5,337	6.72
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Total long-term debt	462,916	56,586	12.22	504,103	59,724	11.85
Redeemable preferred stock.	2,321	244	10.52	735	74	10.07
Trading account and other liabilities:						
Rupee.....	100,569	10,230	10.17	85,057	8,217	9.66
Foreign currency.....	6986	343	4.91	16,888	761	4.50
<hr/>						
Total trading account and other liabilities	107,555	10,573	9.83	101,945	8,978	8.81
Interest-bearing liabilities:						
Rupee	480,176	61,301	12.77	517,155	63,423	12.26
Foreign currency	96,299	6,592	6.84	96,246	6,097	6.34
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Total interest-bearing liabilities.....	576,475	67,893	11.78	613,401	69,520	11.33
Non-interest-bearing deposits:						
Rupee		-			-	

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Foreign currency	-	-	-	-	
Total non-interest-bearing deposits	-	-	-	-	
Other liabilities	54,850	-	57,349	-	
Total non-interest-bearing liabilities	54,850	-	57,349	-	
Total liabilities	Rs. 631,324	Rs.67,893	Rs.670,750	Rs. 69,520	Rs. 1
Stockholders' equity.....	Rs. 75,019	-	Rs. 75,580	-	Rs.
Total liabilities and stockholders' equity	Rs. 706,343	Rs.67,893	Rs.746,330	Rs. 69,520	Rs.1

Analysis of Changes in Interest Income and Interest Expense Volume and Rate Analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes, which are due to both volume and rate, have been allocated solely to volume.

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	Fiscal 2002 vs. Fiscal 2001			Fiscal 2001
	Increase (decrease) due to			Increase
	Net change	Change in average volume	Change in average rate	Net change
Interest income:	(in millions)			
Cash, cash equivalents and trading assets:				
Rupee	Rs. (1,379)	Rs. (78)	Rs. (1,301)	Rs. 2,054
Foreign currency	(368)	(79)	(289)	(5)
Total cash, cash equivalents and trading assets.....	(1,747)	(157)	(1,590)	2,049
Securities:				
Rupee	1,026	1,053	(27)	15,453
Foreign currency	-	-	-	-
Total securities	1,026	1,053	(27)	15,453
Loans:				
Rupee	2,231	3,930	(1,699)	1,192
Foreign currency	(2,266)	(704)	(1,562)	(1,349)
Total loans	(35)	3,226	(3,261)	(157)
Other interest income	(404)	(404)	-	1,769
Total interest income:				
Rupee	1,474	4,501	(3,027)	20,468

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Foreign currency	(2,634)	(783)	(1,851)	(1,354)
Total interest income	Rs. (1,160)	Rs. 3,718	Rs. (4,878)	Rs. 19,114
Interest expense:				
Savings account deposits:				
Rupee	-	-	-	Rs. 914
Foreign currency	-	-	-	0.31
Total savings account deposits	Rs. -	Rs. -	Rs. -	Rs. 914
Time deposits:				
Rupee	254	330	(76)	23,944
Foreign currency	-	-	-	431
Total time deposits	254	330	(76)	24,375
Long-term debt:				
Rupee	4,050	6,549	(2,499)	(8,726)
Foreign currency	(912)	(669)	(242)	(2,917)
Total long-term debt	3,138	5,879	(2,741)	(11,643)
Redeemable preferred stock(1)	(170)	(160)	(10)	8
Trading account and other liabilities:				
Rupee	(2,013)	(1,499)	(514)	373
Foreign currency	418	446	(28)	(338)
Total trading account and other liabilities	(1,595)	(1,053)	(542)	35
Total interest expense:				
Rupee	2,121	5,221	(3,099)	16,513
Foreign currency	(494)	(223)	(270)	(2,824)
Total interest expense	Rs. 1,627	Rs. 4,997	Rs. (3,369)	Rs. 13,689
Net interest income:				
Rupee	(647)	(719)	72	3,955
Foreign currency	(2,140)	(560)	(1,581)	1,470
Total net interest income	Rs. (2,787)	Rs. (1,279)	Rs. (1,509)	Rs. 5,425

(1) Banks in India are not allowed to issue preferred stock. However, we have been currently exempted from the restriction.

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Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

	Year ended March 31,			
	1999	2000	2001	2002
	(in millions, except percentages)			
Interest income.....	Rs. 70,293	Rs. 79,296	Rs. 79,759	Rs. 78,600
Average interest-earning assets.....	500,966	612,452	615,164	641,141
Interest expense.....	58,043	67,492	67,893	69,520
Average interest-bearing liabilities....	483,636	583,609	576,474	613,401

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Average total assets.....	574,198	706,066	706,343	746,330
Average interest-earning assets as a percentage of average total assets....	87.25%	86.74%	87.09%	85.91%
Average interest-bearing liabilities as a percentage of average total assets....	84.23	82.66	81.61	82.19
Average interest-earning assets as a percentage of average interest-bearing liabilities.....	103.58	104.94	106.71	104.52
Yield.....	14.03	12.95	12.97	12.26
Rupee.....	15.67	14.20	13.66	12.98
Foreign currency.....	8.63	7.57	9.04	7.17
Cost of funds.....	12.00	11.56	11.78	11.33
Rupee.....	13.64	12.77	12.77	12.26
Foreign currency.....	6.07	5.66	6.84	6.34
Spread (1).....	2.03	1.38	1.19	0.93
Rupee.....	2.03	1.42	0.89	0.72
Foreign currency.....	2.55	1.91	2.19	0.84
Net Interest margin(2).....	2.44	1.93	1.93	1.42
Rupee.....	2.23	1.75	1.93	1.69
Foreign currency.....	3.16	2.70	1.90	-0.48

(1) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(2) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends.

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	Year ended March 31,					
	2001	2002	2002/2001 % Change	2003	2003	2003
	(in millions, except percentages)					
Interest income	Rs. 79,759	Rs. 78,600	(1.5)%	Rs. 97,714	US\$ 2,055	
Interest expense	(67,893)	(69,520)	2.4%	(83,208)	(1,750)	
Net interest income, excluding						

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income from dividends	Rs. 11,866	Rs. 9,080	(23.5)%	Rs. 14,506	US\$	305
	=====			=====		

Fiscal 2003 compared to Fiscal 2002

Net interest income increased 59.7% in fiscal 2003 compared to fiscal 2002 reflecting mainly the following:

- o an increase of Rs. 282.7 billion (US\$ 5.9 billion) or 50.3% in the average volume of interest-earning rupee assets;
- o an increase of Rs. 688 million (US\$ 14 million) or 0.9% in the average volume of interest-earning foreign currency assets;
- o an increase in rupee spread to 1.24% in fiscal 2003 from 0.72% in fiscal 2002; and
- o an increase in foreign currency spread to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

The average volume of interest-earning rupee assets increased by Rs. 282.7 billion (US\$ 5.9 billion) during fiscal 2003 primarily due to the increase in investment in government securities by Rs. 228.1 billion (US\$ 4.8 billion) as we were required to maintain statutory liquidity ratio on ICICI's liabilities, which were not subject to this requirement prior to the amalgamation.

ICICI Bank's average volume of loans was Rs. 85.4 billion (US\$ 1.8 billion) in fiscal 2002. Subsequent to the amalgamation, our average volume of loans increased in fiscal 2003 to Rs. 606.5 billion (US\$ 12.8 billion). The average volume of rupee loans increased by Rs. 20.7 billion (US\$ 435 million) or 4.0% to Rs. 541.9 billion (US\$ 11.4 billion) in fiscal 2003 from Rs. 521.2 billion (US\$ 11.0 billion) in fiscal 2002. This increase in average loans was principally due to the addition of ICICI Bank's loans, subsequent to amalgamation, and increased disbursements of retail finance loans, offset by securitization of loans and repayments of existing loans. The average volume of foreign currency loans decreased 8.0% to Rs. 64.6 billion (US\$ 1.4 billion) in fiscal 2003 from Rs. 70.2 billion (US\$ 1.5 billion) in fiscal 2002.

ICICI Bank's gross loans outstanding were Rs. 75.7 billion (US\$ 1.6 billion) at year-end fiscal 2002. Subsequent to the amalgamation, our gross loans increased 22.2% in fiscal 2003 to Rs. 684.6 billion (US\$ 14.4 billion) from ICICI's gross loans of Rs. 560.2 billion (US\$ 11.8 billion) at year-end fiscal 2002. Gross rupee loans at year-end fiscal 2003 increased 22.0% to Rs. 595.0 billion (US\$ 12.5 billion) compared to Rs. 487.6 billion (US\$ 10.3 billion) at year-end fiscal 2002 and gross foreign currency loans declined 23.4% to Rs. 89.7 billion (US\$ 1.9 billion) compared to Rs. 72.7 billion (US\$ 1.5 billion) at year-end fiscal 2002. Gross retail finance loans at year-end fiscal 2003 increased 158.0% to Rs. 188.3 billion (US\$ 4.0 billion) from Rs. 73.0 billion (US\$ 1.5 billion) at year-end fiscal 2002. Our project finance and working capital finance loans decreased 0.8% to Rs. 462.3 billion (US\$ 9.7 billion) at year-end fiscal 2003 compared to Rs. 458.6 billion (US\$ 9.6 billion) at year-end fiscal 2002.

ICICI Bank's average volume of cash, cash equivalents and trading assets was Rs. 48.9 billion (US\$ 1.0 billion) in fiscal 2002. The average volume of cash, cash equivalents and trading assets increased by 94.4% in fiscal 2003 to Rs. 73.9 billion (US\$ 1.6 billion) compared to fiscal 2002 primarily due to the impact of amalgamation, and requirement of cash reserve ratio on ICICI's liabilities effective April 2002. At year-end fiscal 2002, cash, cash equivalents and trading assets of ICICI were Rs. 83.9 billion (US\$ 1.8 billion) and of ICICI Bank were Rs. 115.4 billion (US\$ 2.4

billion). ICICI and ICICI Bank were maintaining a large amount of cash and liquid balances at year-end fiscal 2002 to meet the reserve requirements on ICICI's liabilities. Cash, cash equivalents and trading assets increased by 33.7% to Rs. 112.1 billion (US\$ 2.4 billion) at year-end fiscal 2003 from Rs. 83.9 billion (US\$ 1.8 billion) at year-end fiscal 2002, reflecting the addition of ICICI Bank's cash, cash equivalents and trading assets offset, in part, by utilization of the cash and liquid balances existing at the beginning of fiscal 2003 for investment in government securities to meet statutory liquidity ratio requirement.

The spread increased by 45 basis points to 1.38% in fiscal 2003 from 0.93% in fiscal 2002 as rupee spread increased by 52 basis points and foreign currency spread increased by 100 basis points. Net interest margin increased by 15 basis points to 1.57% in fiscal 2003 from 1.42% in fiscal 2002. This was primarily due to the increase in spread as offset by a decrease in average interest-earning assets as a percentage of average interest-bearing liabilities to 102.1% in fiscal 2003 from 104.5% in fiscal 2002.

The yield on interest-earning rupee assets decreased 192 basis points to 11.06% in fiscal 2003 from 12.98% in fiscal 2002 principally due to the significant increase in proportion of securities acquired primarily to meet the statutory liquidity ratio requirement on ICICI's liabilities. Securities, which earned a yield of 6.81% in fiscal 2003 increased to 26.4% as a proportion of average interest-earning assets from 1.8% in fiscal 2002. The yield on loans declined due to non-accrual of income on loans recognized as impaired during the year and reduction in rates of interest on restructured loans, as well as a general decline in interest rates in the economy. The non-accrual of income on impaired loans was partly offset by interest income of Rs. 2.4 billion (US\$ 50 million) which was recognized on impaired loans on a cash basis in fiscal 2003 compared to Rs. 3.3 billion (US\$ 69 million) in fiscal 2002. ICICI Bank's average volume of deposits was Rs. 194.8 billion (US\$ 4.1 billion) in fiscal 2002 with an average cost of 7.0%, and ICICI Bank's deposits at year-end fiscal 2002 were Rs. 325.2 billion (US\$ 6.8 billion). These existing deposits along with new deposits raised during the year, being at a cost lower than ICICI's borrowings, reduced our cost of liabilities. The average cost of rupee liabilities decreased 244 basis points to 9.82% in fiscal 2003 from 12.26% in fiscal 2002 primarily due to acquisition of low interest-bearing deposits of ICICI Bank subsequent to amalgamation, increase in deposits and repayment of higher cost rupee liabilities of ICICI in fiscal 2003 and a general decline in interest rates in fiscal 2003. Average deposits, with a cost of 6.7% in fiscal 2003, constituted 43.0% of total interest-bearing liabilities compared to a cost of 11.2% in fiscal 2002. While the average cost of long-term rupee debt decreased to 11.7% from 12.8%, the average cost of short-term rupee borrowings increased to 9.9% in fiscal 2003 from 8.8% in fiscal 2002. As the decline in average cost was higher than the decline in yield, it resulted in an increase in rupee spread by 52 basis points to 1.24% in fiscal 2003 from 0.72% in fiscal 2002.

Our foreign currency loans are primarily floating rate US dollar LIBOR-linked loans. The yield on the company's interest-earning foreign currency assets decreased 175 basis points to 5.42% in fiscal 2003 from 7.17% in fiscal 2002, principally due to a decrease in LIBOR during fiscal 2003. The average cost of foreign currency liabilities decreased 275 basis points to 3.59% in fiscal 2003 from 6.34% in fiscal 2002. The foreign currency spread increased 100 basis points to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

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Net interest income decreased 23.5% in fiscal 2002 compared to fiscal 2001 reflecting mainly the following:

- o an increase of Rs. 38.7 billion (US\$ 813 million) or 7.4% in the average volume of interest-earning rupee assets, more than offset by
- o a decrease of Rs. 12.7 billion (US\$ 267 million) or 13.7% in the average volume of interest-earning foreign currency assets;
- o a decrease in rupee spread to 0.72% in fiscal 2002 from 0.89% in fiscal 2001; and

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- o a decrease in foreign currency spread to 0.84% in fiscal 2002 from 2.19% in fiscal 2001.

The average volume of rupee loans increased by Rs. 29.4 billion (US\$ 618 million) or 6.0% to Rs. 521.2 billion (US\$ 11.0 billion) at year-end fiscal 2002 from Rs. 491.8 billion (US\$ 10.3 billion) at year-end fiscal 2001. This increase in average loans was principally due to increased disbursements of retail finance loans in fiscal 2002. Gross retail finance loans at year-end fiscal 2002 increased 168.5% to Rs. 73.0 billion (US\$ 1.5 billion) from Rs. 27.1 billion (US\$ 570 million) at year-end fiscal 2001. This increase in retail loans was offset by securitization and sale of corporate loans in the second half of fiscal 2002 to raise resources to meet reserve requirements on ICICI's outstanding liabilities. As a result, project finance and working capital finance loans decreased 18.2% to Rs. 458.6 billion (US\$ 9.6 billion) at year-end fiscal 2002 compared to Rs. 555.8 billion (US\$ 11.7 billion) at year-end fiscal 2001. Gross rupee loans at year-end fiscal 2002 declined 11.2% to Rs. 487.6 billion (US\$ 10 billion) compared to Rs. 548.8 billion (US\$ 11.5 billion) at year-end fiscal 2001 and gross foreign currency loans declined 15.7% to Rs. 72.7 billion (US\$ 1.5 billion) compared to Rs. 86.2 billion (US\$ 1.8 billion) at year-end fiscal 2001. The average volume of foreign currency loans decreased to Rs. 70.2 billion (US\$ 1.5 billion) in fiscal 2002 from Rs. 79.2 billion (US\$ 1.7 billion) in fiscal 2001.

Cash, cash equivalents and trading assets increased by 68.3% to Rs. 83.9 billion (US\$ 1.8 billion) at year-end fiscal 2002 from Rs. 49.8 billion (US\$ 1.0 billion) at year-end fiscal 2001 as ICICI maintained larger cash balances at year-end fiscal 2002 to have resources to comply with the reserve requirements on ICICI's liabilities following the amalgamation. The average volume of cash, cash equivalents and trading assets declined 11.4% in fiscal 2002 to Rs. 38.0 billion (US\$ 800 million) compared to fiscal 2001 as the average balance considered was only the average of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of fiscal 2002 and not an average of daily balances.

The spread declined by 26 basis points to 0.93% in fiscal 2002 from 1.19% in fiscal 2001 as rupee spread decreased by 17 basis points and foreign currency spread decreased by 135 basis points. Net interest margin decreased by 51 basis points to 1.42% in fiscal 2002 from 1.93% in fiscal 2001. This was primarily due to the decrease in spread and the average interest-earning assets as a percentage of average interest-bearing liabilities to 104.5% in fiscal 2002 from 106.7% in fiscal 2001.

ICICI's foreign currency loans were primarily floating rate US dollar LIBOR-linked loans. The yield on interest-earning foreign currency assets decreased 187 basis points to 7.17% in fiscal 2002 from 9.04% in fiscal 2001,

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principally due to a decrease in LIBOR during fiscal 2002. The average cost of the ICICI's foreign currency liabilities decreased 50 basis points to 6.34% in fiscal 2002 from 6.84% in fiscal 2001. The decrease in average cost of foreign currency liabilities was significantly lower than the decrease in LIBOR during fiscal 2002, since ICICI had swapped some of its foreign currency liabilities to generate rupee funds for lending in rupees during fiscal 2001 and fiscal 2002. The foreign currency interest expense included forward premium expenses paid on forward contracts booked on ICICI's foreign currency borrowings. The amount of foreign currency liabilities swapped into rupee funds was significantly higher in fiscal 2002 compared to fiscal 2001, resulting in a higher expense of Rs. 1.7 billion (US\$ 36 million) compared to Rs. 549 million (US\$ 12 million) in fiscal 2001. This additional cost impacted the foreign currency spread by 120 basis points. As a result of the foregoing, the foreign currency spread decreased 135 basis points to 0.84% in fiscal 2002 from 2.19% in fiscal 2001. The adverse impact on the foreign currency net interest margin, which was negative for fiscal 2002, was offset by the rupee yield (which was higher than the foreign currency yield) earned on the rupee assets created out of the swapped foreign currency liabilities.

In fiscal 2002, ICICI earned other interest income of Rs. 100 million (US\$ 2.1 million) compared to Rs. 504 million (US\$ 11 million) in fiscal 2001. Other interest income in fiscal 2001 included an amount of Rs. 470 million (US\$ 10 million) of interest on income-tax refund, which was not there in fiscal 2002.

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Provisions for Loan Losses

The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans.

	At March 31,			
	2001	2002	2002/2001 % change	2003
(in millions, except percentages)				
Gross restructured loans.....	Rs. 43,681	Rs. 95,088	117.7%	Rs.147,391
Allowance for loan losses on restructured loans	(11,372)	(17,722)	55.8	(24,732)
Net restructured loans.....	32,309	77,366	139.5	122,659
Gross other impaired loans.....	41,744	50,754	21.6	83,156
Allowance for loan losses on other impaired loans.....	(21,663)	(17,567)	(18.9)	(27,837)
Net other impaired loans.....	20,081	33,187	65.3	55,319
Gross restructured and other impaired loans...	85,425	145,842	70.7	230,547
Allowance for loan losses(1).....	(33,035)	(35,289)	6.8	(52,569)
Net restructured and other impaired loans.....	52,390	110,553	111.0	177,978
Gross total loans.....	635,058	560,248	(11.8)	684,640
Net total loans.....	602,023	523,601	(13.0)	630,421
Gross restructured loans as a percentage of gross loans.....	6.88%	16.97%		21.53%

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Gross other impaired loans as a percentage of gross loans.....	6.57	9.06	12.15
Net restructured loans as a percentage of net loans.....	5.37	14.78	19.46
Net other impaired loans as a percentage of net loans.....	3.34	6.34	8.77
Allowance for loans losses on restructured loans as a percentage of gross restructured loans.....	26.03	18.64	16.78
Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans.....	51.89	34.61	33.48
Allowance on loan losses as a percentage of gross loans.....	5.20	6.54	7.92

(1) Does not include provisions on loans not specifically identified as restructured or other impaired loans.

The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses.

	Year ended March 31,			
	2001	2002	2002/2001 % change	
	(in millions, except percentages)			
	-----			-----
Total provisions for the year.....	Rs. 9,892.0	Rs. 9,743.0	(1.5)%	Rs. 19,
Provision for loans losses as a percentage of net loans.....	1.64%	1.86%		

Changes in provisions and allowance for loan losses as a whole reflected economic trends in the key manufacturing and infrastructure segments in which many of our customers operate. The manufacturing sector has been adversely impacted between fiscal 1998 and fiscal 2003 primarily due to a slowdown in the Indian economy, a downturn in global commodity prices, particularly in the steel and textiles sectors, and a rapid reduction in import duties, which adversely impacted the performance of borrowers in these sectors. The changing economic and regulatory environment led to reduced profitability for certain borrowers. As a result of these adverse economic factors some of the loans to these borrowers became impaired. A process of restructuring, including rationalization of capital

structures and production capacities, is taking place in several industries as companies reposition their businesses in the new environment.

Gross restructured loans increased 55.0% during fiscal 2003 to Rs. 147.4 billion (US\$ 3.1 billion) at year-end fiscal 2003, primarily due to an increase in restructuring of loans to companies in the iron and steel, cement and electronics industries. Gross other impaired loans increased 63.9% to Rs. 83.1 billion (US\$ 1.7 billion) at year-end fiscal 2003 from Rs. 50.7 billion (US\$ 1.1 billion) at year-end fiscal 2002 primarily due to companies in the power, metal products and fertilizers and pesticides industries. As a percentage of net

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loans, net restructured loans were 19.5% at year-end fiscal 2003 compared to 14.8% at year-end fiscal 2002 and net other impaired loans were 8.8% at year-end fiscal 2003 compared to 6.3% in year-end fiscal 2002.

Provisions for loan losses increased 101.7% to Rs. 19.6 billion (US\$ 413 million) during fiscal 2003 from Rs. 9.7 billion (US\$ 205 million) in fiscal 2002 and reflected a result of management's estimation of the recoverability of restructured and other impaired loans. Gross restructured and other impaired loans increased by Rs. 84.7 billion (US\$ 1.3 billion) in fiscal 2003 compared to Rs. 60.4 billion (US\$ 1.3 billion) in fiscal 2002. We believe that several loans, which became restructured loans in fiscal 2002 and 2003, were essentially to inherently viable projects and consequently resulted in lower impairment losses. As a result, the coverage ratio on gross restructured loans decreased to 16.8% at year-end fiscal 2003 from 18.6% at year-end fiscal 2002 and 26.0% at year-end fiscal 2001. The coverage ratio on other impaired loans decreased to 33.5% at year-end fiscal 2003 from 34.6% at year-end fiscal 2002 and 51.9% at year-end fiscal 2001.

During fiscal 2001, changes in the tax laws necessitated that loan balances deemed unrecoverable be charged-off against the allowance for loan losses. Accordingly, ICICI charged-off significant loan balances deemed unrecoverable in fiscal 2001. The loans charged-off in fiscal 2003 were Rs. 3.4 billion (US\$ 71 million) compared to Rs. 6.1 billion (US\$ 129 million) in fiscal 2002. We identify a commercial loan as impaired and place it on non-accrual status when it is probable that we would 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. The Reserve Bank of India's revised asset classification rules effective from fiscal 2004 require Indian banks to classify an asset as impaired when principal or interest has remained overdue for more than 90 days. This may impact the classification of, and reserving against, impaired loans. 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. We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are typically placed on a non-accrual status. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we 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.

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 we 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 could have met the rescheduled terms

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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 vary depending on the terms, security and loan loss experience characteristics of each product.

Allowance for loan losses on impaired loans is calculated by comparing the net present value of the expected cash flows, including cashflows from enforcement of collaterals, discounted at the effective interest rate of the loan and the carrying value of the loan. See "Business--Impaired Loans" for a description of our allowance for loan losses.

We conduct an analysis of our loan portfolio on a periodic basis. The analysis considers both qualitative and quantitative criteria including the account conduct, future prospects, repayment history, and financial performance amongst others. For impaired loans in excess of Rs. 100 million (US\$ 2 million), which were 84.3% of the gross impaired loan portfolio at year-end fiscal 2003, we follow a detailed process for each loan to determine the allowance for loan losses to be provided. For the balance of smaller loans in the impaired loan portfolio, we follow the classification detailed under "Business--Impaired Loans--Allowance for Loan Losses" for determining the allowance for loan losses. Our impaired loan portfolio is composed largely of project finance and other term loans where we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. ICICI typically lent between 60.0% and 80.0% of the appraised value of collateral. Hence, all of ICICI's loans have historically been sufficiently over-collateralized so that once collateral was realized, ICICI typically recovered the full principal along with a small portion of interest claims. However, recoveries are subject to delays, that can be several years, due to the long legal collection process in India. As a result, we make an allowance for loans based on the time value of money or the present value of expected realizations of collateral, which takes into account the delay we would experience before recovering its principal. The time to recovery, expected future cash flows and realizable value for collateral are periodically reviewed in estimating the allowance.

We believe that the process for ascertaining allowance for loan losses described above adequately captures the expected losses on our entire loan portfolio.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,				
	2001	2002	2002/2001 % change	2003	2003/2002 % change
	(in millions, except percentages)				
Fees, commission and brokerage.....	Rs. 5,317	Rs. 4,703	(11.5)%	Rs. 5,722	US\$ 19.8%
Trading account revenue (1).....	847	2,442	188.3	3,075	25.1%
Securities transactions (2).....	(1,714)	(3,572)	108.4	(322)	(9.0)%
Foreign exchange transactions (3).....	(108)	78	(172.2)	92	(47.4)%
Gain on sale of loans.....	705	1,979	180.7	2,795	40.2%
Software development and services.....	701	1,493	113.0	1,062	(28.7)%

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Gain on sale of stock in other subsidiaries and affiliates.....	2,507	165	(93.4)	-
Profit on sale of certain premises and equipment.....	(31)	29	(193.5)	16
Effect of business combinations.....	253	-	(100.0)	-
Other income.....	766	831	8.5	813

Total non-interest income.....	Rs. 9,243	Rs. 8,148	(11.8)%	Rs. 13,253 US\$
=====				

 (1) Primarily reflects income from trading in government of India securities and corporate debt securities.

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- (2) Primarily reflects capital gains / (losses) realized on the sale of securities, including fixed income and equity, venture capital investments and revenues from investment banking subsidiary less other than temporary diminution.
- (3) Arises primarily from purchases and sales of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts.

Fiscal 2003 compared to Fiscal 2002

Non-interest income increased by 62.7% in fiscal 2003 to Rs. 13.3 billion (US\$ 278 million), from Rs. 8.1 billion (US\$ 171 million) in fiscal 2002 primarily due to a decrease in loss from securities transactions, increase in fees income, commission and brokerage and gains from sale of loans and credit substitutes.

Fees, commission and brokerage increased 21.7% to Rs. 5.7 billion (US\$ 120 million) in fiscal 2003 from Rs. 4.7 billion (US\$ 99 million) in fiscal 2002 primarily due to the amalgamation and increase in retail and corporate transaction banking fees which offset the decrease in fees from project appraisal and related activities. ICICI Bank's fees, commission and brokerage was Rs. 1.7 billion (US\$ 36 million) in fiscal 2002.

Trading account revenue primarily consisted of income from trading in government of India securities and corporate debt securities. Trading account revenue increased 25.9% to Rs. 3.1 billion (US\$ 65 million) during fiscal 2003 compared to fiscal 2002 as we capitalized on the market opportunities in a declining interest rate environment. Gains on trading account have resulted from short-term market opportunities created by a fall in interest rates during fiscal 2002 and 2003. We cannot assure you that interest rates will not fall any further as they change depending on the overall economic environment.

The loss from securities transactions reduced to Rs. 322 million (US\$ 7 million) during fiscal 2003 as compared to Rs. 3.6 billion (US\$ 75 million) primarily due to increase in net gains realized to Rs. 1.8 billion (US\$ 38 million) in fiscal 2003 from Rs. 1.2 billion (US\$ 26 million) in fiscal 2002, as we capitalized on a declining interest rate environment and a decrease in the amount of other than temporary diminution in securities. In fiscal 2003, as part of our ongoing evaluation of the securities portfolio, we recorded an impairment charge of Rs. 2.1 billion (US\$ 44 million) compared to Rs. 3.5 billion (US\$ 73 million) in fiscal 2002, for an other than temporary decline in the value of the available for sale and non-readily marketable equity securities.

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Income from foreign exchange transactions arose primarily from purchases and sales of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts. Income from foreign exchange transactions was Rs. 92 million (US\$ 2 million) in fiscal 2003 compared to Rs. 78 million (US\$ 2 million) in fiscal 2002.

During fiscal 2002, ICICI securitized and sold down a part of its corporate loan portfolio, primarily with the objective of complying with regulatory reserve requirements on its liabilities following amalgamation with ICICI Bank. This helped in the development of a market for securitized debt in India. We now view securitization and sell-down of corporate and retail loans as a key element of our business strategy, seeking to leverage our strong origination capabilities to meet the investment requirements of other financial intermediaries that have access to funding but relatively limited origination capabilities. We earned a profit of Rs. 2.8 billion (US\$ 59 million) on securitization/sale of loans and credit substitutes in fiscal 2003 compared to Rs. 2.0 billion (US\$ 42 million) in fiscal 2002.

Income from software development and services decreased 28.9% to Rs. 1.1 billion (US\$ 22 million) in fiscal 2003 from Rs. 1.5 billion (US\$ 31 million) in fiscal 2002 primarily due to decline in software revenues from ICICI Infotech and ICICI Infotech Inc., US, on account of a decline in billing rates in both the offshore and onsite businesses combined with a decline in business volumes from the US market.

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Non-interest income also included a gain of Rs. 16 million (US\$ 336,488) on the sale of certain premises and equipment in fiscal 2003 compared to Rs. 29 million (US\$ 609,884) in fiscal 2002. Other income primarily included rental income for fiscal 2003.

Fiscal 2002 compared to Fiscal 2001

Non-interest income decreased by 11.8% in fiscal 2002 to Rs. 8.1 billion (US\$ 171million), from Rs. 9.2 billion (US\$ 194 million) in fiscal 2001 primarily due to a decline in gain on sale of stock of subsidiaries and affiliates, a loss on account of securities transactions, a decline in fees, commission and brokerage and an increase in trading account revenue, offset in part by a gain on sale of loans. In fiscal 2001, non-interest income included a gain on sale of equity interest in ICICI Bank of Rs. 2.0 billion (US\$ 42 million).

The decrease of 11.5% in fees, commission and brokerage in fiscal 2002 was primarily due to the decrease in fees from project appraisal and related activities. As ICICI had limited its credit growth in the second half of fiscal 2002, the fee income linked to new business generation also decreased.

Trading account revenue increased 188.3% to Rs. 2.4 billion (US\$ 51 million) during fiscal 2002 compared to fiscal 2001 as ICICI's investment banking subsidiary capitalized on the market opportunities in a declining interest rate environment. Gains on trading account resulted from short-term market opportunities created by a fall in interest rates during fiscal 2002.

Income from securities transactions primarily reflected capital gains realized on the sale of ICICI's long-term equity securities less other than temporary diminution. The income from securities transaction declined during fiscal 2002 primarily due to an increase in the amount of other than temporary diminution in securities in fiscal 2002. In fiscal 2002, as part of its ongoing

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evaluation of its securities portfolio, ICICI recorded an impairment charge of Rs. 3.5 billion (US\$ 75 million) compared to Rs. 1.8 billion (US\$ 37 million) in fiscal 2001, for an other than temporary decline in the value of ICICI's available for sale and non-readily marketable equity securities.

Income from foreign exchange transactions arose primarily from purchases and sales of foreign exchange on behalf of ICICI's corporate clients and revaluation of the ICICI's foreign currency assets and liabilities and outstanding forward contracts. Income from foreign exchange transactions in fiscal 2002 was Rs. 78 million (US\$ 2 million) compared to a loss of Rs. 108 million (US\$ 2 million) in fiscal 2001.

During fiscal 2002, ICICI securitized and sold down some of its corporate loans, primarily to provide resources towards meeting the reserve requirements on ICICI's liabilities. This resulted in a gain on sale of loans of Rs. 2.0 billion (US\$ 42 million) in fiscal 2002 compared to Rs. 705 million (US\$ 15 million) in fiscal 2001.

Income from software development and services increased 113.0% to Rs. 1.5 billion (US\$ 31 million) in fiscal 2002 from Rs. 701 million (US\$ 15 million) in fiscal 2001 as ICICI Infotech and ICICI Infotech Inc., US diversified into a range of software solutions covering banking, insurance, enterprise resource planning, customer relationship management and information technology security and continued their sustained marketing efforts in fiscal 2002.

In fiscal 2002, ICICI realized a gain of Rs. 57 million (US\$ 1 million) on the sale of 0.40% of its equity interest in ICICI Bank and a gain on sale of stock in other subsidiaries and affiliates of Rs 108 million (US\$ 2 million). During fiscal 2001, ICICI reduced its equity interest in ICICI Bank to 46% through sales of equity shares in the Indian secondary markets to institutional investors. The sale of shares was made for a consideration of Rs. 3.5 billion (US\$ 74 million) and the gain on sale was Rs. 2.0 billion (US\$ 42 million) which is included in income for fiscal 2001. Non-interest income also included a gain on sale of ICICI's stake in ICICI Infotech of Rs. 511 million (US\$ 11 million).

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Non-interest income also included a gain of Rs. 29 million (US\$ 609,884) on the sale of certain premises and equipment in fiscal 2002 compared to a loss of Rs. 31 million (US\$ 651,945) in fiscal 2001. Other income primarily included rental income for fiscal 2002.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,				
	2001	2002	2002/2001 % change	2003	2003
	(in millions, except percentages)				
Employee expense:					
Salaries	Rs. 1,564	Rs. 2,526	61.5%	Rs. 4,686	US\$ 98
Employee benefits	313	454	45.0	697	15
Total employee expense	1,877	2,980	58.8	5,383	113

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Premises and equipment expense	1,507	2,102	39.5	4,784	101
Administration and other expense	1,835	2,514	37.0	7,797	164
Amortization of goodwill and intangible assets	260	-	(100.0)	645	13
	-----			-----	
Total non-interest expense	Rs. 5,479	Rs. 7,596	38.6%	Rs. 18,609	US\$ 391
	=====			=====	

Fiscal 2003 compared to Fiscal 2002

Non-interest expense increased 145.0% in fiscal 2003 to Rs. 18.6 billion (US\$ 391 million) from Rs. 7.6 billion (US\$ 160 million) in fiscal 2002 primarily due to an increase in employee expenses and administration expense as a result of the amalgamation, and growth in retail products and services.

Employee expenses increased 80.6% to Rs. 5.4 billion (US\$ 113 million) in fiscal 2003 from Rs. 3.0 billion (US\$ 63 million) in fiscal 2002 primarily due to expenses of 4,820 employees of ICICI Bank who joined subsequent to amalgamation, new employees hired during the year and an increase in salary levels. ICICI Bank's employee expenses were Rs. 1.5 billion (US\$ 32 million) in fiscal 2002. At year-end fiscal 2003, our employees had increased by 199.8% to 15,179 employees compared to ICICI's 5,063 employees at year-end fiscal 2002, primarily due to the addition of employees of ICICI Bank and an increase in employees of ICICI OneSource and ICICI Home Finance, which have grown their business and distribution capabilities.

Premises and equipment expense increased 127.6% to Rs. 4.8 billion (US\$ 101 million) in fiscal 2003 from Rs. 2.1 billion (US\$ 44 million) in fiscal 2002, primarily due to the impact of amalgamation, increased technology expenses, maintenance and depreciation expenses for ICICI centers, computers and computer software. ICICI Bank's premises and equipment expense was Rs. 2.2 billion (US\$ 46 million) in fiscal 2002. The number of ATM's increased from 1,000 at year-end fiscal 2002 to 1,675 at year-end fiscal 2003 and the number of branches and extension counters increased from 403 at year-end fiscal 2002 to 446 at year-end fiscal 2003. Administrative and other expenses increased 210.1% to Rs. 7.8 billion (US\$ 164 million) in fiscal 2003 from Rs. 2.5 billion (US\$ 53 million) in fiscal 2002 primarily due to the impact of amalgamation, an increase in the retail business expenses and increase in general business volumes. ICICI Bank's administrative and other expenses were Rs. 2.2 billion (US\$ 46 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Non-interest expense increased 38.6% in fiscal 2002 to Rs. 7.6 billion (US\$ 160 million) from Rs. 5.5 billion (US\$ 115 million) in fiscal 2001 primarily due to an increase in employee expenses and other administrative costs of ICICI Infotech, and other administrative costs.

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Employee expenses increased 58.8% to Rs. 2.9 billion (US\$ 63 million) in fiscal 2002 from Rs. 1.9 billion (US\$ 40 million) in fiscal 2001. The number of employees increased to 5,063 employees at year-end fiscal 2002 from 3,460 employees, excluding ICICI Bank, at year-end fiscal 2001 primarily due to an increase in the number of employees in ICICI's subsidiaries, ICICI Infotech, and ICICI Home Finance, which had been rapidly growing their business and distribution infrastructure in fiscal 2002.

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Premises and equipment expense increased 39.5% in fiscal 2002 compared to fiscal 2001, primarily due to increased technology expenses, maintenance and depreciation expenses for ICICI's centers, computers and computer software. Administrative and other expenses increased 37.0% in fiscal 2002 compared to fiscal 2001 primarily due to an increase in the administration expense of ICICI Infotech and its subsidiaries. In fiscal 2002, ICICI Infotech diversified its range of products and increased its presence to all major cities of India through sustained business development and marketing efforts.

Income Tax Expense

Income tax benefit amounted to Rs. 3.1 billion (US\$ 64 million) in fiscal 2003 compared to income tax expense of Rs. 251 million (US\$ 5 million) in fiscal 2002. The effective rate of tax benefit was 27.7% in fiscal 2003 compared to effective rate of tax expense of 47.1% in fiscal 2002. The effective tax rate of 27.7% in fiscal 2003 was lower compared to statutory tax rate of 36.75% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate, partly offset by the disallowance of certain expenses for tax purposes. Income tax expense increased by 32.8% to Rs. 251 million (US\$ 5 million) in fiscal 2002 compared to Rs. 189 million (US\$ 4 million) in fiscal 2001. The effective tax rate in fiscal 2002 was 47.1% compared to 2.8% in fiscal 2001. The effective rate of tax expense at 47.1% in fiscal 2002 was higher compared to the statutory tax rate of 35.70% primarily due to the impact on deferred tax asset of change in the statutory tax rate from 39.55% in fiscal 2001 to 35.70% in fiscal 2002. The effective rate of tax expense at 2.8% in fiscal 2001 was significantly lower compared to statutory tax rate of 39.55% primarily due to an increase in recognition of deferred tax assets on other than temporary diminution in securities available for sale of earlier years.

A retrospective change was effected in the local tax laws in India's budget for fiscal 2002, whereby provisions for loan losses are not allowed as a deduction from taxable income unless the corresponding loan is written off in the accounts. As a result, a higher current tax liability was recognized against provisions for loan losses claimed in earlier years, which was offset by recognition of a deferred tax asset in respect of the same. See Note 28 of our consolidated financial statements for a further discussion on income tax.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003
						%
	(in millions, except percentages)					
Cash and cash equivalents.....	Rs. 30,957	Rs. 41,476	34.0%	Rs. 72,453	US\$ 1,524	
Trading account assets(1)	18,878	42,376	124.5	39,634	834	
Securities, excluding venture capital investments(2)	15,092	56,125	271.9	276,917	5,824	
Venture capital investments ..	3,769	3,921	4.0	3,704	78	
Investments in affiliates	8,908	10,086	13.2	2,615	55	
Loans, net:						
Rupee	548,827	487,598	(11.2)	594,955	12,512	

Foreign currency	86,230	72,650	(15.7)	89,685	1,886
Less: Allowances	(33,035)	(36,647)	10.9	(54,219)	(1,140)

Total loans, net	602,022	523,601	(13.0)	630,421	13,258
Acceptances	2,715	4,783	76.2	43,252	910
Property and equipment	11,897	12,577	5.7	21,215	446
Other assets	45,652	48,417	6.1	90,052	1,894

Total assets	Rs.739,890	Rs.743,362	0.5%	Rs.1,180,263	US\$ 24,823
=====					

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- (1) Primarily includes government of India securities and corporate debt securities.
 - (2) Primarily includes government of India securities and to a much smaller extent, corporate debt securities and equity securities.

Fiscal 2003 compared to Fiscal 2002

Our total assets increased 58.8% to Rs. 1,180.3 billion (US\$ 24.8 billion) at year-end fiscal 2003 compared to Rs.743.4 billion (US\$ 15.6 billion) at year-end fiscal 2002, primarily due to an increase in securities and loans on account of the amalgamation. ICICI Bank's total assets at year-end fiscal 2002 were Rs. 404.8 billion (US\$ 8.5 billion).

Our net loans increased 20.4% to Rs. 630.4 billion (US\$ 13.3 billion) at year-end fiscal 2003 compared to Rs. 523.6 billion (US\$ 11.0 billion) at year-end fiscal 2002, reflecting a 22.0% increase in gross rupee loans, a 23.4% increase in gross foreign currency loans and a 47.9% increase in allowance for loan losses. Gross retail finance loans increased 157.9% to Rs. 188.3 billion (US\$ 4.0 billion) at year-end fiscal 2003 from Rs. 73.0 billion (US\$ 1.5 billion) at year-end fiscal 2002.

Securities, excluding venture capital investment increased 393.4% to Rs. 276.9 billion (US\$ 5.8 billion) at year-end fiscal 2003 from Rs. 56.1 billion (US\$ 1.2 billion) at year-end fiscal 2002 primarily due to investment in government securities required to comply with the statutory liquidity ratio on ICICI's liabilities. At year-end fiscal 2002, cash, cash equivalents and trading assets of ICICI and ICICI Bank were Rs. 83.9 billion (US\$ 1.8 billion) and Rs. 115.4 billion (US\$ 2.4 billion), respectively. ICICI and ICICI Bank were maintaining a large amount of cash and liquid balances at year-end fiscal 2002 to meet the reserve requirements on ICICI's liabilities following the amalgamation. Cash, cash equivalents and trading assets increased by 33.7% to Rs. 112.1 billion (US\$ 2.4 billion) at year-end fiscal 2003 from Rs. 83.9 billion (US\$ 1.8 billion) at year-end fiscal 2002, reflecting the addition of ICICI Bank's cash, cash equivalents and trading assets offset, in part, by utilization of the cash and liquid balances existing at the beginning of fiscal 2003 for investment in government securities to meet statutory liquidity ratio requirement.

Trading assets at year-end fiscal 2003 included Rs. 5.4 billion (US\$ 114 million) of reverse repurchase transactions as compared to Rs. 21.4 billion (US\$ 450 million) at year-end fiscal 2002. Under these transactions securities were purchased under agreements to resell after a specified time. Such securities

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qualified as approved securities for statutory liquidity ratio requirements, and were of short maturity, carrying lower risk while yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for better liquidity management.

Investment in affiliates declined to Rs. 2.6 billion (US\$ 55 million) at year-end fiscal 2003 from Rs. 10.1 billion (US\$ 212 million) at year-end fiscal 2002 due to the step acquisition of and amalgamation with ICICI Bank. Acceptances primarily include letters of credit issued on behalf of customers. ICICI, being a financial institution, was restricted in its ability to issue acceptances, unlike ICICI Bank. Following the amalgamation, we have been able to significantly increase the issuance of acceptances by leveraging on ICICI's strong corporate relationships. Acceptances increased to Rs. 43.3 billion (US\$ 910 million) at year-end fiscal 2003 from Rs. 4.8 billion (US\$ 101 million) at year-end fiscal 2002. ICICI Bank's acceptances at year-end fiscal 2002 were Rs. 12.6 billion (US\$ 265 million).

Other assets at year-end fiscal 2003, included advance taxes of Rs. 28.3 billion (US\$ 595 million), deferred tax assets of Rs. 6.4 billion (US\$ 135 million), intangible assets of Rs. 5.1 billion (US\$ 108

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million) and Rs. 2.3 billion (US\$ 49 million) of assets held for sale, which were primarily acquired through foreclosure of loans.

Fiscal 2002 compared to Fiscal 2001

ICICI's total assets increased 0.5% to Rs. 743.4 billion (US\$ 15.6 billion) at year-end fiscal 2002 from Rs. 739.9 billion (US\$ 15.6 billion) at year-end fiscal 2001, primarily due to an increase in cash and cash equivalents, trading account assets and securities, excluding venture capital investments, offset in part by a decrease in net loans.

Subsequent to the announcement of the amalgamation in October 2001, ICICI directed all its resources towards meeting the reserve requirements on its outstanding liabilities following the amalgamation. ICICI limited its loan disbursements and also securitized and sold down its loans in the second half of fiscal 2002 to raise additional resources. As a result, ICICI's net loans decreased by 13.0% to Rs. 523.60 billion (US\$ 11.0 billion) at year-end fiscal 2002 from Rs. 602.0 billion (US\$ 12.7 billion) at year-end fiscal 2001, reflecting a 11.2% decrease in gross rupee loans and a 15.7% decrease in gross foreign currency loans, offset by an increase in allowances for loan losses. The decrease in ICICI's corporate loan portfolio was offset by an increase in retail finance disbursements in fiscal 2002. Gross retail finance loans at year-end fiscal 2002 increased 168.5% to Rs. 72.8 billion (US\$ 1.5 billion) from Rs. 27.1 billion (US\$ 570 million) at year-end fiscal 2001.

Cash and cash equivalents which included interest-bearing deposits with banks, increased to Rs. 41.5 billion (US\$ 872 million) at year-end fiscal 2002 from Rs. 31.0 billion (US\$ 651 million) at year-end fiscal 2001, as a large cash balance was maintained by ICICI towards the end of fiscal 2002 in order to meet the cash reserve requirement on its outstanding liabilities following the amalgamation. Trading assets increased significantly to Rs. 42.4 billion (US\$ 891 million) at year-end fiscal 2002 compared to Rs. 18.9 billion (US\$ 397 million) at year-end fiscal 2001. Trading assets at year-end fiscal 2002 included Rs. 21.4 billion (US\$ 450 million) of reverse repurchase transactions. Under these transactions securities were purchased under agreements to resell after a specified time. Such securities qualified as approved securities for statutory liquidity ratio requirements, and were of short maturity, carrying

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lower risk while yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for better liquidity management.

Securities, excluding venture capital investments at year-end fiscal 2002 increased to Rs. 56.1 billion (US\$ 1.2 billion) compared to Rs. 15.1 billion (US\$ 317 million) at year-end fiscal 2001 primarily due to the increase in government of India securities. Venture capital investments at year-end fiscal 2002 remained almost the same at Rs. 3.9 billion (US\$ 82 million) compared to Rs. 3.8 (US\$ 79 million) at year-end fiscal 2001. ICICI's investment in affiliates increased to Rs. 10.1 billion (US\$ 212 million) from Rs. 8.9 billion (US\$ 187 million) primarily due to the addition of ICICI Bank's retained earnings. Acceptances increased to Rs. 4.8 billion (US\$ 101 million) at year-end fiscal 2002 from Rs. 2.7 billion (US\$ 57 million) at year-end fiscal 2001. Acceptances, primarily included letters of credit issued on behalf of customers.

Other assets at year-end fiscal 2002, included advance taxes of Rs. 16.6 billion (US\$ 349 million, deferred tax assets of Rs. 7.3 billion (US\$ 153 million) and Rs. 2.0 billion (US\$ 42 million) of assets held for sale, which were primarily acquired through foreclosure of loans.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

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	At March 31,				
	2001	2002	2002/2001 % change	2003	2004
	(in millions, except percentages)				
Deposits	Rs. 6,072	Rs. 7,380	21.5%	Rs. 491,290	US\$ 1,000,000
Trading account liabilities.....	12,483	17,105	37.03	26,086	
Short-term borrowings	99,655	70,804	(28.95)	42,095	
Acceptances	2,715	4,783	76.17	43,252	
Long-term debt:					
Rupee	404,017	438,704	8.59	350,633	
Foreign currency	88,865	72,894	(17.97)	50,179	
Total long-term debt	492,882	511,598	3.80	400,812	
Other liabilities	38,832	48,402	24.64	66,658	
Taxes and dividends payable	10,494	11,050	5.30	16,880	
Redeemable preferred stock(1).....	698	772	10.60	853	
Total liabilities	663,831	671,894	1.21	1,087,926	
Minority interest	135	260	92.59	124	
Stockholders' equity	75,927	71,348	(6.03)	92,213	
Total liabilities and stockholders' equity	Rs.739,893	Rs.743,502	0.5%	Rs.1,180,263	US\$ 2,400,000

(1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time

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period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue.

Fiscal 2003 compared to Fiscal 2002

Deposits increased to Rs. 491.3 billion (US\$ 10.4 billion) at year-end fiscal 2003 from Rs. 7.4 billion (US\$ 155 million) at year-end fiscal 2002. ICICI Bank's deposits at year-end fiscal 2002 were Rs. 325.2 billion (US\$ 6.8 billion). ICICI Bank's deposits along with new deposits raised during the year increased our volume of deposits. Unlike ICICI, we fund ourselves primarily through deposits and not borrowings and debt. As ICICI's long-term debt and short-term borrowings were repaid during the year in line with scheduled maturities both long-term debt and short-term borrowings declined significantly. Our long-term debt decreased 21.7% to Rs. 400.8 billion (US\$ 8.4 billion) at year-end fiscal 2003 from Rs. 511.6 billion (US\$ 10.8 billion) at year-end fiscal 2002, reflecting a 20.1% decrease in long-term rupee debt and a decrease of 31.2% in long-term foreign currency debt. Our short-term borrowings decreased 40.5% at year-end fiscal 2003 compared to year-end fiscal 2002. Going forward, we will continue to repay ICICI's liabilities as and when they mature and raise new resources primarily through deposits. Trading account liabilities increased 52.5% at year-end fiscal 2003 compared to year-end fiscal 2002 due to the impact of amalgamation. Taxes and dividends payable increased 52.8% to Rs. 16.9 billion (US\$ 355 million) at year-end fiscal 2003 from Rs. 11.1 billion (US\$ 232 million) at year-end fiscal 2002 primarily due to increase in dividends payable. Dividend for fiscal 2002 was paid by ICICI before year-end fiscal 2002 unlike dividend for fiscal 2003 which we paid subsequent to the year-end. The carrying amount of the redeemable preferred stock increased to Rs. 853 million (US\$ 18 million) at year-end fiscal 2003 from Rs 772 million (US\$ 16 million) at year-end fiscal 2002. Minority interest decreased 52.3% at year-end fiscal 2003. Stockholders' equity increased 29.2% at year-end fiscal 2003 to Rs. 92.2 billion (US\$ 1.9 billion).

Fiscal 2002 compared to Fiscal 2001

ICICI's long-term debt increased 3.8% to Rs. 511.5 billion (US\$ 10.8 billion) at year-end fiscal 2002 from Rs. 492.9 billion (US\$ 10.4 billion) at year-end fiscal 2001, reflecting a 8.6% increase in long-term rupee debt offset by a decrease of 18.0% in long-term foreign currency debt. Deposits increased to Rs. 7.4 billion (US\$ 155 million) at year-end fiscal 2002 from Rs. 6.1 billion (US\$ 128 million) at year-end fiscal 2001, primarily due to the deposits raised by ICICI Home Finance in fiscal 2002. In fiscal 2002, ICICI Home Finance launched a fixed deposit program to mobilize resources to

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meet the growing business needs and diversify its resource base. Trading account liabilities increased 37.0% at year-end fiscal 2002 compared to year-end fiscal 2001 due to increased market opportunities in a declining interest rate environment and an increase in trading account assets. ICICI short-term borrowings decreased 29.0% at year-end fiscal 2002 compared to year-end fiscal 2001. Short-term borrowings included foreign currency non-reparable borrowings, which increased at year-end fiscal 2002. This was offset by a decrease in rupee short-term borrowings. The carrying amount of the redeemable preferred stock increased to Rs. 772 million (US\$ 16 million) at year-end fiscal 2002 from Rs.698 million (US\$ 15 million) at year-end fiscal 2001. Minority interest increased 92.6% at year-end fiscal 2002 on account of new subsidiaries and acquisitions by ICICI Infotech. Stockholders' equity declined 6.0% at year-end fiscal 2002 to Rs. 71.3 billion (US\$ 1.5 billion). At year-end fiscal 2002, stockholders' equity was net of the dividend paid by ICICI as an interim dividend during fiscal 2002.

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Off Balance Sheet Items, Commitments and Contingencies

Foreign Exchange and Derivative Contracts

We enter into foreign exchange forwards, options, swaps and other derivative products, which enables customers to transfer, modify or reduce their foreign exchange and interest rate risks. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities. Since adoption on April 1, 2001, of SFAS No. 133 and SFAS No. 138, all derivatives have been 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. See Note 1 - "Significant accounting policies - Derivative instruments and hedging activities" to our consolidated financial statements.

The following table sets forth, at the dates indicated, the notional amount of the derivative contracts.

	At March 31,					
	Notional principal amounts			Balance sheet c		
	2001	2002	2003	2003	2001	2002
	(in millions)					
Interest rate products:						
Swap agreements.....	Rs. 50,430	Rs. 87,824	Rs. 324,893	US\$ 6,833	Rs. (5)	Rs. 62
Others.....	-	-	-	-	-	-
Total interest rate products	Rs. 50,430	Rs. 87,824	Rs. 324,893	US\$ 6,833	Rs. (5)	Rs. 62
Foreign exchange products:						
Forward contracts	Rs. 21,091	Rs. 41,873	Rs. 277,280	US\$ 5,831	Rs. (159)	Rs. (4)
Swap agreements.....	23,429	20,395	14,611	307	-	32
Total foreign exchange products ...	Rs. 44,520	Rs. 62,268	Rs. 291,891	US\$ 6,138	Rs. (159)	Rs. 28

(1) Denotes the mark-to-market impact of the derivative and foreign exchange products on the reporting date.

The notional principal amount of interest rate products increased to Rs. 324.9 billion (US\$ 6.8 billion) at year-end fiscal 2003 compared to Rs. 87.8 billion (US\$ 1.8 billion) at year-end fiscal 2002. The notional principal amount of foreign exchange products increased Rs. 291.9 billion (US\$ 6.1 billion) at year-end fiscal 2003 compared to Rs. 62.3 billion (US\$ 1.3 billion) at year-end fiscal 2002. This significant increase in the volumes of interest rates swaps and foreign exchange forward contracts in fiscal 2003 was primarily due to the impact of the amalgamation, increased transactions carried out by us on behalf of our customers and increase in the market for such products. Prior to

amalgamation, ICICI, being a financial institution, was restricted in interest rate derivative products and foreign exchange products that it could offer to customers.

Securitization

We primarily securitize commercial loans through "pass-through" securitizations. In fiscal 2003, we securitized loans with a carrying value of Rs. 51.8 billion (US\$ 1.1 billion) compared to Rs. 40.9 billion (US\$ 859 million) in fiscal 2002, which resulted in gains of Rs. 2.1 billion (US\$ 44 million) in fiscal 2003 compared to Rs. 1.1 billion (US\$ 23 million) in fiscal 2002. The gains are reported as a component of gain on sale of loans. After the securitization, we generally continue to maintain customer account relationships and serviced loans transferred to the securitization trust. Generally, the securitizations are without recourse and we do not provide any credit enhancement. In a few cases, we may enter into derivative transactions such as written put options and interest rate swaps with the transferees. Generally, we do not retain any beneficial interests in the assets sold.

In fiscal 2003, we wrote put options, which require us 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, we are obligated to purchase the securities at the predetermined exercise price. All put options were out-of-the-money for the holders.

In fiscal 2003, we sold loans and credit substitutes with an aggregate put option exercise price of Rs. 24.4 billion (US\$ 513 million) compared to Rs. 13.1 billion (US\$ 276 million) in fiscal 2002. Subsequent to their initial issuance, such options have been recorded at fair values with changes reported in the statement of operations.

Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 48.8 billion (US\$ 1.0 billion) at year-end fiscal 2003 compared to Rs. 68.2 billion (US\$ 1.4 billion) at year-end fiscal 2002. 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.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 264 million (US\$ 6 million) at year-end fiscal 2003 compared to Rs. 756 million (US\$ 16 million) at year-end fiscal 2002 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers.

Operating Lease Commitments

We have commitments under long-term operating leases principally for premises. The following table sets forth, a summary of future minimum lease rental commitments at year-end fiscal 2003, for non-cancellable leases.

Lease rental commitments for fiscal,	in millions
2003.....	Rs. 237
2004	231
2005	223
2006	208
2007.....	174
Thereafter	320
Total minimum lease commitments	Rs. 1,393

Guarantees

As a part of our financing activities, we issue guarantees to enhance the credit standing of our customers. 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 in other loan products. We have the same appraisal process, pricing methodology and collateral requirement for guarantees as that for any other loan product. Guarantees increased by 43.3% at year-end fiscal 2003 compared to year-end fiscal 2002, which in turn increased by 25.4% compared to year-end fiscal 2001.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At March 31,				
	2001	2002	2002/2001 % change	2003	2003
	(in millions, except percentages)				
Financial guarantees(1).....	Rs. 53,167	Rs. 53,037	(0.2)%	Rs. 69,076	US\$ 1,453
Performance guarantees(2).....	6,083	21,266	249.6%	37,402	787
Total guarantees.....	Rs. 59,250	Rs. 74,303	25.4%	Rs.106,478	US\$ 2,239

- (1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies.
- (2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports.

The following table sets forth contractual obligations on long-term debt, operating lease and guarantees at year-end fiscal 2003.

Contractual Obligations	Payments due by period			
	Total	Less than 1 year	1-3 years	3-5 years

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(in millions)

Long term debt obligations.....	Rs. 402,644	Rs. 86,263	Rs.161,859	Rs. 53,376
Operating Lease Obligations.....	1,393	237	454	382
Guarantee				
- Financial guarantees.....	69,076	9,413	19,223	4,361
- Performance guarantees.....	37,402	8,309	8,835	3,965
	106,478	17,722	28,058	8,326
Total.....	Rs. 510,515	Rs. 1,04,222	Rs. 28,512	Rs. 8,708

Capital Resources

ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basle Committee of Banking Supervision, Bank of International Settlements in 1988. ICICI Bank is required to maintain a

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minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital.

At year-end fiscal 2003, ICICI Bank's capital adequacy ratio calculated in accordance with the Reserve Bank of India guidelines and based on its unconsolidated financial statements prepared in accordance with Indian GAAP was 11.10%. Using the same basis of calculation, at year-end fiscal 2003 ICICI Bank's Tier 1 capital adequacy ratio was 7.05% and its Tier 2 capital adequacy ratio was 4.05%.

The following table sets forth, at the dates indicated, risk-based capital, risk-weighted assets and risk-based capital adequacy ratios computed in accordance with the applicable Reserve Bank of India guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAP.

Indian GAAP

	At March 31, 2003	
Tier 1 capital	Rs. 58,072	US\$
Tier 2 capital	33,388	
Total capital	Rs. 91,460	
On-balance sheet risk weighted assets	Rs. 678,703	
Off-balance sheet risk weighted assets	145,102	
Total risk weighted assets	Rs. 823,805	US\$
Tier 1 capital adequacy ratio	7.05%	
Tier 2 capital adequacy ratio	4.05%	
Total capital adequacy ratio	11.10%	

The principal off-balance sheet items for ICICI Bank were loan commitments, guarantees, put options and lease and capital commitments. As described in "Financial Condition -- Off Balance Sheet Items, Commitments and Contingencies", ICICI Bank entered into these arrangements for normal business purposes. Capital was provided for these items based on the existing capital adequacy guidelines of the Reserve Bank of India. See "Supervision and Regulation - Capital Adequacy Requirements". Lease commitments were not expected to materially affect capital requirements. ICICI Bank provides capital on the put options outstanding and forward contracts and derivatives contracts outstanding at year-end fiscal 2003 as per existing capital adequacy guidelines of the Reserve Bank of India. Under the guidelines issued by the Reserve Bank of India in fiscal 2003, the deferred tax asset is treated as an intangible asset and deducted from Tier 1 capital.

Liquidity Risk

Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all liability repayments on time and fund all investment opportunities.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. Loan maturities and sale of investments also provide liquidity. Most of the funds raised are used to extend loans or purchase securities. Generally, deposits are of a shorter average maturity than loans or investments.

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in

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the form of deposits including inter-bank deposits. However, a large portion of its assets, primarily the assets of ICICI, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management.

Another source of liquidity risk is the put options written by us on the loans which we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the security holders. If exercised, we will be obligated to purchase the securities at the pre-determined exercise price. All put options were out-of-the-money for the holders. At year-end fiscal 2003, the aggregate put option exercise price of such option-embedded loan and credit substitute sell-downs was Rs. 24.4 billion (US\$ 513 million).

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We are required to maintain a certain percentage of our demand and time liabilities, excluding specified liabilities, in cash reserves with the Reserve Bank of India, which currently stands at 4.5%. In addition, we are also required to maintain a statutory liquidity reserve by way of investments in government of India securities, which is 25.0% at present.

We also have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by the Reserve Bank of India. We maintain a substantial portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs.

We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions, have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by the Reserve Bank of India. ICICI Securities, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates.

We are required to submit gap analysis on a monthly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review its liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitors certain liquidity ratios on a fortnightly basis.

Our bonds are rated AAA by two Indian credit rating agencies, ICRA Limited and Credit Analysis & Research Limited. Our term deposits are rated AAA by ICRA Limited. Our long-term foreign currency borrowings are rated Baa3 by Moody's Investors Service, which is one notch higher than the sovereign rating for India, and BB by Standard and Poor's. Our short-term foreign currency ratings are Ba2/ Not Prime by Moody's Investors Service and B by Standard and Poor's. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position.

In April 2003, unsubstantiated rumours, believed to have originated in Gujarat, alleged that we were facing liquidity problems, although our liquidity position was sound. We witnessed higher than normal deposit withdrawals during the period April 11 to 13, 2003, on account of these unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise

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in future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position.

Capital Expenditure

The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets.

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Fiscal 2002						
	Cost at March 31, 2001	Additions/ transfers	Deletions/ transfers	Depreciation	Net asse	
(in millions)						
Land.....	Rs. 1,342	Rs. -	Rs. (6)	Rs. 103	Rs. 1,2	
Buildings.....	6,642	649	(83)	429	6,7	
Equipment, furniture, and others (1).....	4,558	1,420	(251)	1,625	4,1	
Construction in progress....	739	-	(269)	6	4	
Total.....	Rs. 13,281	Rs. 2,069	Rs. (609)	Rs. 2,164	Rs. 12,5	

(1) Includes equipment and furniture, and others category as specified in Note 14 to our consolidated financial statements.

Fiscal 2003						
	Cost at March 31, 2002	Additions/ transfers	Deletions/ transfers	Depreciation	Net asse	
(in millions)						
Land.....	Rs. 1,336	Rs. 199	Rs. -	Rs. 82	Rs. 14	
Buildings.....	7,208	4,224	(238)	930	10,2	
Equipment, furniture and others (1).....	5,727	7,808	(874)	4,234	8,4	
Construction in progress....	469	1,010	(402)	6	1,0	
Total.....	Rs. 14,740	Rs. 13,241	Rs. (1,514)	Rs. 5,252	Rs. 21,2	

(1) Includes equipment and furniture, and others category as specified in Note 14 to our consolidated financial statements.

Our capital expenditure on property and equipment was Rs. 13.2 billion (US\$ 278 million) for fiscal 2003 compared to Rs. 2.1 billion (US\$ 44 million) for fiscal 2002 and Rs. 4.4 billion (US\$ 92 million) for fiscal 2001. Capital expenditure for fiscal 2003 includes capital assets acquired on amalgamation. ICICI Bank's total fixed assets (gross) were Rs. 6.8 billion (US\$ 144 million) at year-end fiscal 2002, with Rs. 286 million (US\$ 6 million) in land, Rs. 2.2 billion (US\$ 46 million) in buildings and Rs. 4.0 billion (US\$ 85 million) in equipment, furniture and others.

Capital expenditure on buildings of Rs. 4.2 billion (US\$ 89 million) in fiscal 2003 primarily includes Rs. 2.2 billion (US\$ 46 billion) impact of amalgamation and expense on call centers and improvement in leasehold property. Capital expenditure on equipment, furniture and others of Rs. 7.8 billion (US\$ 164 million) in fiscal 2003 primarily includes Rs. 4.0 billion (US\$ 85 million) impact of amalgamation, Rs. 2.1 billion (US\$ 45 million) expense on computers and software, and Rs. 676 million (US\$ 14 million) on ATMs.

Significant Changes

Except as stated in this annual report, no significant changes have

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occurred to us since the date of the fiscal 2003 consolidated financial statements contained in this annual report.

Segment Revenues and Assets

Subsequent to the amalgamation of ICICI with and into ICICI Bank, the composition of our operating segments has changed. Our operations are now classified into the following segments: commercial banking segment, investment banking segment and others, consisting of various operating segments that do not meet the requirements to be reported as an individual reportable segment as defined in SFAS No. 131 on Disclosure About Segments of an Enterprise and Related Information. Segment data for previous periods has 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.

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 in deciding how to allocate resources and in assessing performance. The chief operating decision maker evaluates performance and allocates resources based on an analysis of various performance indicators for each of the above reportable segments. Components of profit and loss are evaluated for commercial banking and investment banking segments. Further, the chief operating decision maker specifically reviews assets of the retail asset division, which is part of commercial banking segment.

The results of ICICI Bank, were reported under the equity method of accounting since April 1, 2000 i.e., for fiscal 2001 and 2002. However, for management reporting, the entire results of ICICI Bank continue to be reported as if the business were a consolidated entity. The segment-wise information presented below is consistent with the management reporting.

Commercial Banking Segment

Fiscal 2003 compared to Fiscal 2002

Commercial banking segment made a net loss of Rs. 7.9 billion (US\$ 165 million) in fiscal 2003 compared to a net income of Rs. 1.7 billion (US\$ 36 million) in fiscal 2002, primarily due to an increase in provisions for loan losses and a decrease in non-interest income.

Net interest income, including dividends, increased 16.4% to Rs. 15.6 billion (US\$ 327 million) in fiscal 2003 from Rs. 13.4 billion (US\$ 281 million) in fiscal 2002 primarily due to the benefit of lower funding costs subsequent to the amalgamation. Provisions for loan losses increased 71.4% to Rs. 19.6 billion (US\$ 413 million) in fiscal 2003 from Rs. 11.5 billion (US\$ 241 million) in fiscal 2002 primarily due to the Rs. 84.7 billion (US\$ 1.8 billion) increase in gross restructured and other impaired loans during the year.

Non-interest income decreased 52.2% to Rs. 5.2 billion (US\$ 108 million) in fiscal 2003 from Rs. 10.8 billion (US\$ 227 million) in fiscal 2002 primarily due to lower fee income on project finance and related activities and high other than temporary diminution on equity securities and securities where application money had been paid but securities were yet to be allotted. Non-interest expense increased 6.8% to Rs. 12.4 billion (US\$ 260 million) in fiscal 2003 from Rs. 11.6 billion (US\$ 243 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Net income for the commercial banking segment decreased by 62.8% to Rs. 1.7 billion (US\$ 36 million) in fiscal 2002 compared to Rs. 4.5 billion (US\$ 95 million) in fiscal 2001, primarily due to an increase in non-interest expense and a decrease in net interest income.

Net interest income, including dividends, decreased 7.6% to Rs. 13.4 billion (US\$ 281 million) in fiscal 2002 from Rs. 14.5 billion (US\$ 304 million) in fiscal 2001 primarily due to non-accrual of interest on loans recognized as impaired during fiscal 2002 and a reduction in the loan portfolio. Provisions for loan losses increased 4.5% to Rs. 11.5 billion (US\$ 241 million) in fiscal 2002 from Rs. 11.0 billion (US\$ 231 million) in fiscal 2001.

Non-interest income increased 19.1% to Rs. 10.8 billion (US\$ 227 million) in fiscal 2002 from Rs. 9.1 billion (US\$ 190 million) in fiscal 2001. Non-interest expense increased 50.6% to Rs. 11.6 billion (US\$ 243 million) in fiscal 2002 from Rs. 7.7 billion (US\$ 162 million) in fiscal 2001, primarily due to the expenditure on the integration of the operations of Bank of Madura and the expansion of the retail banking business.

Investment Banking Segment

Fiscal 2003 compared to Fiscal 2002

Net income for the investment banking segment decreased 5.7% to Rs. 1.2 billion (US\$ 26 million) in fiscal 2003 compared to Rs. 1.3 billion (US\$ 27 million) in fiscal 2002, primarily due to a decrease in net interest income and increase in non-interest expense, offset by an increase in non-interest income.

Net interest income, including dividends, decreased to a loss of Rs. 2.1 billion (US\$ 45 million) in fiscal 2003 from Rs. 1.8 billion (US\$ 38 million) in fiscal 2002 primarily due to the low-yielding government securities acquired for meeting statutory liquidity ratio requirement on ICICI's liabilities. Our government securities portfolio was fair valued at the time of amalgamation, and hence was marked-up due to the decline in interest rates since the time these securities were acquired. As a result, the amortization expense on these securities increased significantly. Provisions for loan losses was Rs. 4 million (US\$ 84,122) in fiscal 2003 compared to Rs. 8 million (US\$ 168,244) in fiscal 2002.

Non-interest income increased 244.4% to Rs. 7.0 billion (US\$ 148 million) in fiscal 2003 from Rs. 2.0 billion (US\$ 43 million) in fiscal 2002 primarily due to higher income on fixed income portfolio in a favorable interest rate environment where interest rates steadily declined. Non-interest expense increased 68.6% to Rs. 3.2 billion (US\$ 66 million) in fiscal 2003 from Rs. 1.9 billion (US\$ 39 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Net income for the investment banking segment decreased 49.8% to Rs. 1.3 billion (US\$ 27 million) in fiscal 2002 from Rs. 2.6 billion (US\$ 54 million) in fiscal 2001, primarily due to an increase in non-interest expense and higher income tax expense.

Net interest income, including dividends remained nearly the same at Rs. 1.8 billion (US\$ 38 million) in fiscal 2002 as in fiscal 2001. Provisions for

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loan losses was Rs. 8 million (US\$ 168,224) in fiscal 2002 compared to Rs. 13 million (US\$ 273,996) in fiscal 2001.

Non-interest income decreased marginally to Rs. 2.0 billion (US\$ 43 million) in fiscal 2002 from Rs. 2.1 billion (US\$ 43 million) in fiscal 2001. Non-interest expense increased by 43.1% to Rs. 1.9 billion (US\$ 39 million) in fiscal 2002 from Rs. 1.3 billion (US\$ 27 million) in fiscal 2001.

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Related Party Transactions

We have transactions with our affiliates, directors and employees. The following represent the significant transactions between ICICI Bank and such related parties:

Insurance services

In fiscal 2003, we paid insurance premiums to ICICI Lombard General Insurance Company amounting to Rs. 224 million (US\$ 5 million) compared to Rs. 26 million (US\$ 546,793) in fiscal 2002. These premiums were primarily on account of health insurance for employees and insurance for directors' and officers' liability.

Lease of premises and facilities

ICICI Bank has entered into lease arrangements with related parties in respect of certain premises and facilities. In fiscal 2003, ICICI Bank received for the lease of premises, facilities and other administrative costs from ICICI Prudential Life Insurance Company, Rs. 84 million (US\$ 2 million) as compared to Rs. 54 million (US\$ 1 million) in fiscal 2002, from Prudential ICICI Asset Management Company, Rs. 6 million (US\$ 126,183) as compared to Rs. 5 million (US\$ 105,152) in fiscal 2002, and from ICICI Lombard General Insurance Company, Rs. 82 million (US\$ 2 million) as compared to Rs. 50 million (US\$ 1 million) in fiscal 2002.

In fiscal 2002, ICICI received rentals for lease of premises, facilities and other equipment from ICICI Bank, Rs. 256 million (US\$ 5 million) as compared to Rs. 193 million (US\$ 4 million) in fiscal 2001. Similarly, in fiscal 2002, ICICI paid rentals to ICICI Bank for lease of premises, Rs. 11 million (US\$ 231,335) as compared to Rs. Nil in fiscal 2001.

Secondment of employees

In fiscal 2003, we received from Prudential ICICI Asset Management Company Limited for seconded employees, Rs. 3 million (US\$ 63,091) as compared to Rs. nil in fiscal 2001 and from ICICI Lombard General Insurance Company, Rs. 10 million (US\$ 210,305) as compared to Rs. 5 million (US\$ 105,152) in fiscal 2002.

In fiscal 2002, ICICI received from ICICI Bank for seconded employees, Rs. 55 million (US\$ 1 million) as compared to Rs. 4 million (US\$ 84,122) in fiscal 2001. Similarly, ICICI paid to ICICI Bank for employees seconded to ICICI, Rs. 8 million (US\$ 168,244) as compared to Rs. 5 million (US\$ 105,152) in fiscal 2001.

Asset management services

In fiscal 2003, we provided asset management services to TCW and earned fees of Rs. 24 million (US\$ 504,732) as compared to Rs. 21 million (US\$ 441,640) earned by ICICI in fiscal 2002.

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Deposits and borrowings

In fiscal 2003, ICICI Bank paid interest on bonds/deposits/call borrowings to affiliated companies totaling Rs. 12 million (US\$ 252,366). In fiscal 2002, ICICI received payments from ICICI Bank of Rs. 268 million (US\$ 6 million).

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Banking services

ICICI utilized banking services of ICICI Bank. In fiscal 2002, non-interest expense of ICICI relating to such services amounted to Rs. 32 million (US\$ 672,976) as compared to Rs. 72 million (US\$ 2 million) in fiscal 2001.

Derivative transactions

In fiscal 2002, ICICI entered into interest rate swap contracts and cross currency swap contracts with ICICI Bank aggregating Rs. 10.3 billion (US\$ 217 million) and Rs. Nil respectively as compared to Rs. 3.4 billion (US\$ 70 million) and Rs. 1.3 billion (US\$ 28 million) in fiscal 2001 respectively. Contracts aggregating Rs. 8.8 billion (US\$ 184 million) and Rs. 2.3 billion (US\$ 48 million) at year-end fiscal 2002 as compared to Rs. 2.9 billion (US\$ 61 million) and Rs. 4.4 billion (US\$ 92 million) at year-end fiscal 2001, were outstanding for interest rate swaps and currency swaps respectively. Net interest income in respect of these swaps amounted to Rs. 275 million (US\$ 6 million) in fiscal 2002 as compared to Rs. 189 million (US\$ 4 million) in fiscal 2001.

Similarly, ICICI entered into forward foreign exchange contracts with ICICI Bank aggregating Rs. 22.5 billion (US\$ 472 million) in fiscal 2002 compared to Rs. 47.9 billion (US\$ 1.0 billion) in fiscal 2001. Contracts aggregating Rs. 251 million (US\$ 5 million) at year-end fiscal 2002 compared to Rs. 2.3 billion (US\$ 48 million) at year-end fiscal 2001 were outstanding.

Reverse repurchase transactions

In fiscal 2002, ICICI entered into reverse repurchase transactions with ICICI Bank amounting to Rs. 52.8 billion (US\$ 1.1 billion) as compared to Rs. nil in fiscal 2001. At year-end fiscal 2002, ICICI had reverse repurchase transactions outstanding with ICICI Bank of Rs. 21.4 billion (US\$ 450 million) compared to Rs. nil in fiscal 2001.

Software development services

In fiscal 2002, ICICI provided software development services to Tricolor Infotech Services and Prudential ICICI Asset Management Company and earned fees of Rs. 19 million (US\$ 399,579) as compared to Rs. 8 million (US\$ 168,244) in fiscal 2001.

In fiscal 2002, ICICI developed software and provided software and hardware support services to ICICI Bank, and earned fees of Rs. 124 million (US\$ 3 million) compared to Rs. 73 million (US\$ 2 million) in fiscal 2001.

Back-office support services

In fiscal 2002, ICICI set up a common technology infrastructure platform and ICICI Bank was charged as its share of the communication expenses, backbone infrastructure expenses and data center costs, Rs. 182 million (US\$ 4 million) compared to Rs. 94 million (US\$ 2 million) in fiscal 2001.

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In fiscal 2002, ICICI provided telephone banking call-center services and transaction processing services for the credit card operations of ICICI Bank, and earned fees of Rs. 149 million (US\$ 3 million) as compared to Rs. 99 million (US\$ 2 million) in fiscal 2001.

Transfer of financial assets

In fiscal 2002, ICICI transferred loans in pass-through securitization transactions, where the beneficial interests were purchased by ICICI Bank, of Rs. 11.2 billion (US\$ 235 million) as compared to Rs. 438 million (US\$ 9 million) in fiscal 2001. Gain of Rs. 98 million (US\$ 2 million) in fiscal 2002 as compared to Rs. 50 million (US\$ 1 million) in fiscal 2001 was recorded on the sale.

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Subsequently, due to a change in the status of the qualifying special purpose entity used in the transactions, ICICI regained control of the assets sold. At year-end fiscal 2002, obligations of Rs. 3.5 billion (US\$ 74 million) as compared to Rs. Nil at year-end fiscal 2001 relating to such repurchases had been reflected as a component of the other borrowings.

Share transfer activities

In fiscal 2002, ICICI provided share transfer services and dematerialization services to ICICI Bank and earned fees of Rs. 3 million (US\$ 63,091) as compared to Rs. 8 million (US\$ 168,244) in fiscal 2001.

Other transactions

In fiscal 2002, ICICI undertook a corporate brand advertising campaign, out of which an amount of Rs. 29 million (US\$ 1 million) as compared to Rs. 15 million (US\$ 315,457 million) in fiscal 2001 has been recovered from ICICI Bank.

Employee loans

ICICI Bank has advanced housing, vehicle and general purpose loans to employees, bearing rates of interest ranging from 2.5% to 3.5%. The tenure of these loans range from five years to 25 years. The loans are generally secured by the assets acquired by the employees. Employee loan balances outstanding at year-end fiscal 2003, of Rs. 2.3 billion (US\$ 48 million) as compared to fiscal 2002 Rs. 949 million (US\$ 20 million) are included in other assets. At year-end fiscal 2003, loans of Rs. 25 million (US\$ 525,762) were outstanding to certain of ICICI Bank's directors and executive officers. These loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans to other employees, and did not involve more than the normal risk of collectibility.

Transactions with principal government-controlled shareholders

During fiscal 2003, we entered into several transactions with our principal government-controlled shareholders, Life Insurance Corporation of India, Unit Trust of India and General Insurance Corporation of India and other government-controlled general insurance companies. These transactions were in the normal course of our business and the businesses of these government-controlled entities. These transactions included deposit taking by us from these entities and securitization and sale of assets by us to these entities. These entities also acted as our counterparties in money market

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operations. Life Insurance Corporation of India also administers certain of our employee gratuity funds and our employee superannuation fund. All of these transactions and arrangements were, and are, conducted on a third party arms-length basis.

Related party balances

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

	As of March 31,	
	2002	2,003
	(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

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Critical Accounting Policies

The notes to our consolidated financial statements contain a summary of our significant accounting policies. Certain of these policies are considered to be important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. The policies include valuation of derivatives and securities where no ready market exists, identification and measurement of other than temporary diminution in the value of securities, valuation of securitization transactions, accounting for income tax, deferred tax assets and deferred tax liabilities and determining the level of allowance for credit losses.

Additional information about these policies can be found in Note 1 to our consolidated financial statements. The statements below contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements".

Our consolidated financial statements are prepared in accordance with US GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. We believe that of its significant accounting policies, the following may involve a higher degree of judgement and complexity.

Valuation of Securities, Derivatives Transactions and Hedging activities

We classify 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.

Trading assets, primarily debt securities and foreign exchange products, are recorded at fair value with realized and unrealized gains and losses

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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, the value is estimated as follows:

- o The fair value of the unquoted government of India securities is estimated based on the yields to maturity rates of these securities as published by certain agencies approved by the Reserve Bank of India.
- o The fair value of the unquoted securities (excluding government of India securities) and preference shares is computed based on the mark-up over the yield to maturity rates for government of India securities, as published by certain agencies approved by the Reserve Bank of India. The mark-up is graded according to the ratings assigned to the issuer of the securities by the rating agencies.
- o The fair values of investments in unquoted mutual fund units are estimated based on the latest repurchase price declared by the mutual fund in respect of each particular scheme. If the repurchase price is not available, the fair value is estimated based on the net asset value of the respective scheme.
- o The fair values of certain derivative contracts are derived from pricing models that consider market and contractual prices for the underlying financial instruments, as well as the time value of money, the yield curve and any other volatility factors underlying the positions.

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We no longer classify investments in debt securities as held to maturity, due to sale of certain held to maturity securities in fiscal 2002 by ICICI. In fiscal 2002, ICICI sold debt securities classified as held to maturity. 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.

Securities not classified as trading securities are classified as available for sale. These include securities used as part of our asset liability management strategy, which may have been 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 is less than the cost, the financial condition and prospects of the issuer and our extent and ability 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 fair value on the date of conversion and subsequently accounted for as if acquired for cash.

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Our venture capital subsidiaries carry their investments at fair value, with changes in fair value recognized in gain or 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 occurred that affects the long-term value of the investment. Because of the inherent uncertainty of the valuations, those estimated values may have differed significantly from the values that would have been used had a ready market for the investments existed.

SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded 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 was held. At the inception of a hedge transaction, we formally document 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, we assess, 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. 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.

We discontinue 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

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unlikely that a forecasted transaction would occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

Changes in the fixed income, equity, foreign exchange markets would have impacted our estimate of fair value in the future, potentially affecting principal trading revenues. Similarly, pricing models and their underlying assumptions impacted the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could have produced different financial results.

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

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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. This evaluation process is subject to numerous estimates and judgements.

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

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; and model imprecision. This evaluation process is subject to numerous estimates and judgements, including assumptions as to future cashflows, time to recovery, collateral valuation and other variables. Changes in these assumptions could have impacted, and could in the future impact, our estimate of allowance for loan losses and produce different financial results.

Securitization

We primarily securitize commercial loans through "pass-through" securitizations. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. Transfers that do not meet the criteria for a sale under SFAS No. 140 are recorded as secured borrowings with a pledge of collateral. Such secured borrowings are reported as a component of other borrowings. 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.

Financial models and their underlying assumptions relating to delinquency, prepayments, servicing costs and conversions from floating rate loans to fixed rate loans, impacted the amount and timing of gains and losses recognized, and the use of different financial models or assumptions could have produced different financial results.

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Goodwill and intangible assets

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

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(US\$ 2 million) as goodwill and a reclassification of previously recorded goodwill of Rs. 373 million (US\$ 8 million) as a separate unidentifiable intangible asset.

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

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

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 (US\$ 8 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 (US\$ 6 million) and the related income tax benefit of Rs. 103 million (US\$ 2 million), by restating the results for the year ended March 31, 2002.

As described above, this impairment evaluation process was subject to numerous estimates and judgements, including assumptions on business growth, risk-free interest rate, market premium and future cashflows. Changes in these estimates could have had a direct impact on the impairment charge.

Income taxes

We account 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 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.

The process of evaluating the realizability of deferred tax assets was subject to numerous estimates and judgements. Changes in these estimates could have had a direct impact on the valuation allowance for deferred tax assets and could result in a change in the valuation allowance.

Recently Issued Accounting Standards

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based

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Compensation-Transition and Disclosure, an amendment of FASB Statement 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. We continue to use the intrinsic value based method of APB Opinion No. 25 to account for our employee stock based compensation plans. We have adopted the disclosure provisions of SFAS No. 148 for fiscal 2003.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities - an interpretation of Accounting Research Bulletin No. 51. FIN No. 46 is applicable to all variable interest entities created after January 31, 2003. In respect of variable interest entities created before February 1, 2003, FIN No. 46 will be applicable from fiscal periods beginning after June 15, 2003. There are no variable interest entities that require disclosure under FIN 46. Further, there were no variable interest entities at year-end fiscal 2003, created after January 31, 2003 that were required to be consolidated under FIN 46.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement No. 133 on Deriv