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ICICI BANK LTD  
Form 20-F  
September 30, 2005

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, 2005
- 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 - 736,716,094 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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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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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. 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 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. 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 contained in this annual report for fiscal 2003, 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 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.

All references to the "Companies Act" and the "Banking Regulation Act" are to the Companies Act, 1956 and the Banking Regulation Act, 1949 as passed by the Indian Parliament and subsequently amended

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.

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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", "our judgment" 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, the actual growth in demand for banking and other financial products and services, our ability to successfully implement our strategy, including our use of the Internet and other technology, our ability to integrate recent or future mergers or acquisitions into our operations, future levels of impaired loans, our growth and expansion in domestic and overseas markets, 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 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 and our exposure to market risks. 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, the monetary and interest rate policies of India and the other markets in which we operate, natural calamities, general economic, financial or political conditions, instability or uncertainty in India, southeast Asia, or any other country which have a direct or indirect impact on our business activities or investments, caused by any factor including terrorist attacks in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region, military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, foreign exchange rates, equity prices or other market rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in the competitive and pricing environment in India, and general or regional 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 elsewhere in this annual report. 7

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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 our equity shares on the Indian stock exchanges and, as a result, will affect the market price of our ADSs in the United States. These fluctuations will also affect the conversion into US dollars by the depositary of any cash dividends paid in Indian rupees on our equity shares represented by ADSs. On an average annual basis, the Indian rupee has 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. After the Indian rupee was made convertible on the current account in March 1993, it depreciated on an average annual basis at a rate of approximately 5-6%. During fiscal 2003 and fiscal 2004, however, the rupee appreciated against the US dollar, from Rs. 49.06 per US\$ 1.00 at May 31, 2002 to Rs. 43.40 per US\$ 1.00 at March 31, 2004. The rupee again

depreciated against the dollar during fiscal 2005 by 0.5% and during fiscal 2006 (through September 23, 2005) by 0.4%. 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. Fiscal Year Period End(1) Average(1)(2)

-----	2000.....	43.65	43.46
2001 .....	46.85 45.88 2002.....	48.83	47.80 2003
.....	47.53 48.43 2004 .....	43.40	45.78 2005
.....	43.62 44.86 2006 (through September 23, 2005) .....	43.80	43.64 Month High
Low -----	March 2005.....	43.70	
43.44 April 2005.....	43.72 43.48 May 2005.....	43.62	43.21 June 2005
.....	43.71 43.44 July 2005.....	43.59	43.05 August 2005
.....	44.00 43.36 (September 2005 through September 23, 2005) .....	43.94	43.75 -----

(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 31, 2005. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate at March 31, 2005 was Rs. 43.62 per US\$ 1.00 and at August 31, 2005 was Rs. 44.00 per US\$ 1.00. 8

**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. Any slowdown in the Indian economy or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact 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 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 70.0% of its requirements of crude oil, which constituted approximately 27.9% of total imports in fiscal 2005. 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. Over the last year, there has been a sharp increase in global crude oil prices which was due to both increased demand and pressure on production and refinery capacity. The full burden of the oil price increase has not yet been passed to Indian consumers and has been largely absorbed by the government and government-owned oil marketing companies. Sustained high levels, further increases or volatility of oil prices and the pass-through of recent increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. This could adversely affect our business including our liquidity, 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 ADSs. A significant change in the Indian government's economic liberalization and deregulation policies could adversely affect our business and the price of our equity shares and ADSs. 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. Government policies could adversely affect business and economic conditions in India, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. Financial instability in other countries, particularly emerging market countries and countries where



we have established operations, could adversely affect our business and the price of our equity shares and ADSs. The Indian economy is influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. We have also established operations in several other countries. A loss of investor confidence in the financial systems of other emerging markets and countries where we have established operations or any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector, our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our equity shares and ADSs could be adversely affected. India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political

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or economic instability in India and adversely affect our business, our future financial performance and the price of our equity shares and ADSs. Trade deficits could adversely affect our business and the price of our equity shares and ADSs. India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, 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. Natural calamities could adversely affect the Indian economy, our business and the price of our equity shares and ADSs. 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. For example, 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 agricultural sector recorded a negative growth of 7.0%. Also, the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agriculture sector from 9.1% in fiscal 2004 to 1.1% in fiscal 2005. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy, our business and the price of our equity shares and ADSs. Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our equity shares and ADSs. As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business, our future financial performance, our Stockholders' equity and the price of our equity shares and ADSs. See also "Overview of the Indian Financial Sector". As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. For example, in April 2003, unsubstantiated rumours, believed to have originated in Gujarat, a state in India, alleged that we were facing liquidity problems. Although our liquidity position was sound, we witnessed higher than normal deposit withdrawals on account of these unsubstantiated rumours for several days in April 2003. We successfully controlled the situation in this instance, but any failure to control such situations in the future could result in high volumes of deposit withdrawals which would adversely impact our liquidity position. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact us. A decline in India's foreign exchange reserves could result in reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. See also "-- Risks Relating to Our Business". Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our equity shares and ADSs. 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 ADSs. 10

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**Risks Relating to Our Business** Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance. As a result of certain reserve requirements of the Reserve Bank of India, we are more structurally exposed to interest rate risk than banks in many other countries. See "Supervision and Regulation - Legal Reserve Requirements". These requirements result in our maintaining a large portfolio of fixed income government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. These requirements also have a negative impact on our net interest income and net interest margin because we earn interest on a portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. If our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, or if the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, our net interest income and net interest margin would be adversely impacted. We are also exposed to interest rate risk through our treasury operations and our subsidiary ICICI Securities, which is a primary dealer in government of India securities. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. A large proportion of ICICI's loans consisted of project finance assistance, a substantial portion of which is particularly vulnerable to completion and other risks. Long-term project finance assistance constituted a significant proportion of ICICI's asset portfolio and, despite the growth of our retail loan portfolio, continues to be a significant proportion of our loan portfolio. The viability of these projects depends upon a number of factors, including market demand, government policies and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including completion risk and counterparty risk, which could adversely impact their ability to generate revenues. We cannot be sure that these projects will perform as anticipated. Over the last several years, we experienced a high level of impaired loans in our project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Future project finance losses or high levels of loan impairment could have a materially adverse effect on our profitability and the quality of our loan portfolio. We have a high concentration of loans to certain customers and sectors and impairment of a substantial portion of these loans could adversely affect the overall quality of our loan portfolio, our business and the price of our equity shares and ADSs. Our loan portfolio, gross restructured loan portfolio and gross other impaired loan portfolio have a high concentration in certain customers and sectors. See "Business - Loan Portfolio". In the past, these borrowers and sectors have been adversely affected by economic conditions in varying degrees. Credit losses or financial difficulties of these borrowers and sectors in the future could adversely affect our business, our financial performance, our stockholders' equity and the price of our equity shares and ADSs. If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer. We have experienced rapid growth in our retail loan portfolio. See "Business - Loan Portfolio". Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of impaired loans on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of the Reserve Bank of India, we are required to extend 50.0% of our residual net bank credit (excluding the advances of ICICI at year-end fiscal 2002) to certain eligible sectors, which are categorized as "priority sectors". See "Business - Loan Portfolio - Directed Lending". We may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. We may not be able to control or reduce the level of impaired loans in our project and corporate finance portfolio or 11

assure that troubled debt restructuring will be successful or that borrowers will meet their obligations under the restructured terms. We may not be successful in our efforts to improve collections and foreclose on existing impaired loans. If we are not able to control or reduce the level of impaired loans, the overall quality of our loan portfolio may deteriorate and our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs may be adversely affected. Further deterioration of our impaired loan portfolio and an inability to improve our allowance for loan losses as a percentage of impaired loans could adversely affect the price of our equity shares and ADSs. The level of our impaired loans is significantly higher than the average percentage of impaired loans in the portfolios of banks in more developed countries. 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 deterioration in the allowance for loan losses as a percentage of gross impaired loans or otherwise or that the percentage of impaired loans that we will be able to recover will be similar to our and ICICI'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 ADSs. The value of our collateral may decrease or 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 and retail customers are secured by collateral. See "Loan Portfolio - Collateral - Completion, Perfection and Enforcement". We may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and other factors. There can be no assurance that any legislation in this area 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." Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. We face greater credit risks than banks in developed economies. Our credit risk is higher because most of our borrowers are based in India. Unlike several developed economies, a nationwide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our borrowers to adapt to global technological advances. Also, several of our borrowers suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy at the time of their financing, and other factors. This may lead to an increase in the level of our impaired loans, there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and 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. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating the potential for funding mismatches. High volumes of deposit withdrawals or failure of a 12

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substantial number of our depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits, could have an adverse effect on our liquidity position, our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. See also "- Financial difficulty and other

problems in certain financial institutions in India could adversely affect our business and the price of our equity shares and ADSs". Regulatory changes or enforcement initiatives in India or any of the jurisdictions in which we operate may adversely affect our business and the price of our equity shares and ADSs. We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or our business in general. Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitization, investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. In its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the risk weight for the computation of capital adequacy from 50% to 75% in the case of housing loans and from 100% to 125% in the case of consumer credit (including personal loans and credit cards) as a temporary counter-cyclical measure. This had a negative impact of 104 basis points on our capital adequacy ratio at year-end fiscal 2005. In April 2005, the Reserve Bank of India issued draft guidelines on securitization of standard assets implemented in their present form would require a significantly higher level of capital to be maintained for securitized assets and may have an adverse impact on our business, capital adequacy and financial performance. In July 2005, the Reserve Bank of India increased the risk weight for capital market exposure and exposure to commercial real estate from 100% to 125%. See "Supervision and Regulation". Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact our business, our future financial performance and our stockholders' equity, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind, or increase our litigation risk and have an adverse effect on the price of our equity shares and ADSs. A determination against us in respect of disputed tax assessments may adversely impact our financial performance. We have been assessed a significant amount in additional taxes by the government of India's tax authorities in excess of our provisions. See "Business - Legal and Regulatory Proceedings". We have appealed all of these demands. 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 or that no further liability will arise out of these demands. Any additional tax liability may adversely impact our financial performance and the price of our equity shares and ADSs. We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. We are often involved in litigations for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. The majority of these cases arise in the normal course and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or stockholders' equity. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. However, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. See "Business - Legal and Regulatory Proceedings". We cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us and if our assessment of the risk changes, our view on provisions will also change. 13

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Our inability to grow further or succeed in retail products and services may adversely affect our business. We are a relatively new entrant in the retail loan business and have achieved significant growth in this sector since the amalgamation. See "Business - Loan Portfolio". While we anticipate continued significant demand in this area, we cannot assure you that our retail portfolio will continue to grow as expected. Our inability to grow further or succeed in retail products and services may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. See also "- If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer", "- There is operational risk associated with our industry which, when realized, may have an adverse impact on our results" and "- We depend on the accuracy and

completeness of information about customers and counterparties". Our inability to succeed in our new business areas or to manage the new challenges and risks that we face, may cause us to miss our projected earnings and growth targets and may have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. Recently, we have also pursued an international expansion strategy establishing subsidiaries or opening branches or representative offices in various countries, including the United Kingdom, Canada, Russia, Singapore, Bahrain and the United States. See "Business - Overview of Products and Services - Insurance" and "- Commercial Banking for International Customers". This international expansion strategy exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk. The skills required for this business could be different from those required for our Indian business and we may not be able to attract the required talented professionals. Our inability to manage these new challenges and risks, our failure to raise the substantial capital required for our international expansion or our insurance business or any adverse developments concerning our joint venture partners in the insurance business, may cause us to miss our projected earnings and growth targets and may have a material adverse effect on our business, our reputation, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. We are exposed to fluctuations in foreign exchange rates. As a financial intermediary we are exposed to exchange rate risk. See "Risk Management - Quantitative and Qualitative Disclosures About Market Risk - Exchange Rate Risk". Adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers, our business, our future financial performance, our shareholders' funds and the price of our equity shares and ADSs. Our business is very competitive and our growth strategy depends on our ability to compete effectively. We face intense competition from Indian and foreign commercial banks in all our products and services. Foreign banks also operate in India through non-banking finance companies. Further liberalization of the Indian financial sector, could lead to a greater presence or new entries of foreign banks offering a wider range of products and services, which would significantly toughen our competitive environment. In addition, the Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions, some of which may have greater resources than us. The Reserve Bank of India has announced a roadmap for the presence of foreign banks in India that would, after a review in 2009, allow foreign banks to acquire up to 74.0% shareholding in an Indian private sector bank. See "Competition" and "Overview of the Indian Financial Sector - Commercial Banks." 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 ADSs. Fraud and significant security breaches in our computer system and network infrastructure could adversely impact our business. Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders. Physical or electronic break-ins, security breaches, other disruptive problems caused by our increased use of the Internet or 14

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power disruptions could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Although we have implemented security technology and operational procedures to prevent such occurrences, 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 ADSs. 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 and adversely affect the price of our equity shares and ADSs. There is operational risk associated with our industry which, when realized, may have an adverse impact on our results. We, like all financial institutions, are exposed to

many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or recordkeeping errors or errors resulting from faulty computer or telecommunications systems. We use direct marketing associates for marketing our retail credit products. We also outsource some functions to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as are we), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount. For a discussion of how operational risk is managed see "Risk Management - Operational Risk". We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds. To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth will be dependent upon economic conditions, as well as upon our determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. See also "- Further deterioration of our impaired loan portfolio and an inability to improve our allowance for loan losses as a percentage of impaired loans, could adversely affect the price of our equity shares and ADSs". The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "-Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our equity shares and ADSs". The rating agencies can also decide to withdraw their ratings altogether, 15

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which may have the same effect as a reduction in our ratings. Any reduction in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition. For more information relating to our ratings, see "Operating and Financial Review and Prospects - Liquidity Risk". We depend on the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer.

Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading. Any inability to attract and retain talented professionals may adversely impact our business. Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. See "Business - Employees." Our inability to attract and retain talented professionals or the loss of key management personnel could have an adverse impact on our business, our future financial performance and the price of our equity shares and ADSs. Risks Relating to the ADSs and Equity Shares You will not be able to vote your ADSs and your ability to withdraw equity shares from the depository facility is uncertain and may be subject to delays. Our ADS holders have no voting rights unlike holders of our equity shares who have voting rights. For certain information regarding the voting rights of the equity shares underlying your ADSs, see "Business - Shareholding Structure and Relationship with the Government of India". If you wish, you may withdraw the equity shares underlying your 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 and is subject to a cap of 49% on the total shareholding of foreign institutional investors and non-resident Indians in us. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depository facility upon surrender of ADSs, see "Restriction on Foreign Ownership of Indian Securities". US investors will be subject to special tax rules, including the possible imposition of interest charges, if we are considered to be a passive foreign investment company. Based upon certain proposed US Treasury regulations which are proposed to be effective for taxable years beginning after December 31, 1994 and upon certain management estimates, we do not expect to be a Passive Foreign Investment Company (a "PFIC"). However, since there can be no assurance that such proposed Treasury regulations will be finalized in their current form, and since the composition of our income and assets will vary over time, there can be no assurance that we will not be considered a PFIC for any taxable year. If we are a PFIC for any taxable year during which a US investor holds any of our equity shares or ADSs, the US investor would be subject to special adverse tax rules, including the possible imposition of interest charges (see "Taxation - United States Tax - Passive Foreign Investment Company Rules"). 16

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Your ability to sell in India any equity shares withdrawn from the depository facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required. ADS holders seeking to sell in India any equity shares withdrawn upon surrender of ADSs, convert the rupee proceeds from such sale into a foreign currency or repatriate such foreign currency may need the Reserve Bank of India's approval for each such transaction. See "Restriction on Foreign Ownership of Indian Securities". We cannot guarantee that any such approval will be obtained in a timely manner or at terms favorable to the investor. Because of possible delays in obtaining the 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 deposit of equity shares in the depository facility could adversely affect the price of our ADSs. Under current Indian regulations, an ADS holder who surrenders ADSs and withdraws equity shares may deposit those equity shares again in the depository facility in exchange for ADSs. An investor who has purchased equity shares in the Indian market may also deposit those equity shares in the ADS program. However, the deposit of equity shares may be subject to securities law restrictions and the restriction that the cumulative aggregate number of equity shares that can be deposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. These restrictions increase the risk that the market price of our ADSs will be below that of the equity shares. Certain shareholders own a large percentage of our equity shares and their actions could adversely affect the price of our equity shares and ADSs. Life Insurance Corporation of India and General Insurance Corporation of India, each of which is directly or indirectly controlled by the Indian government, are among our principal shareholders. Our other large shareholders include Allamanda Investments Pte. Limited, a subsidiary of Temasek Holdings Pte. Limited, the government of Singapore, HWIC Asia Fund, an affiliate of Fairfax Financial Holdings Limited, and Bajaj Auto Limited, an Indian private sector company. See "Business - Shareholding Structure and Relationship with the Government of India". Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and ADSs.

Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs. The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In March 1995, the Bombay Stock Exchange (the "BSE"), was closed for three days 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 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. On May 17, 2004, the BSE Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE and the National Stock Exchange (the "NSE") halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets have experienced rapid appreciation over the past few months and relatively higher volatility recently. 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 arisen between listed companies and stock exchanges and other regulatory bodies, which in some cases 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 in the future could adversely affect the market price and liquidity of our equity shares and ADSs. 17

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An active or liquid trading market for our ADSs is not assured. Although our ADSs are listed and traded on the New York Stock Exchange, we cannot be certain that an active, liquid market for our ADSs will be sustained. Indian legal restrictions may limit the supply of ADSs and a loss of liquidity could increase the price volatility of our ADSs. 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 BSE and the NSE. Settlement on those stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depositary facility upon surrender of ADSs may not be able to settle trades on such stock exchanges in a timely manner. Changes in Indian regulations on foreign ownership, a change in investor preferences or an increase in the number of ADSs outstanding could adversely affect the price of our ADSs. ADSs issued by companies in certain emerging markets, including India, may trade at a discount or a premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares. See "Restriction on Foreign Ownership of Indian Securities". Historically, our ADSs have generally traded at a premium to the trading price of our underlying equity shares on the Indian stock exchanges. See "Market Price Information". We believe that this price premium resulted from the limited portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference for some investors to trade dollar-denominated securities. In fiscal 2005, we sponsored an offering of ADSs by our shareholders which increased the number of outstanding ADSs and we may conduct similar offerings in the future. Also, over time, some of the restrictions on the issuance of ADSs imposed by Indian law have been relaxed and other restrictions may also be relaxed in the future though the timing is uncertain. As a result, any premium enjoyed by the ADSs as compared to the equity shares may be reduced or eliminated as a result of offerings made or sponsored by us, changes in Indian law permitting further conversion of equity shares into ADSs or a change in investor preferences. 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. We may conduct additional equity offerings to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. Any future issuance of equity shares would dilute the positions of investors in equity shares and ADSs and could adversely affect the market price of our equity shares and 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 these preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (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 as well as the perceived benefits of enabling US investors in ADSs to exercise their preemptive rights and any other factors we consider appropriate at such time. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional ownership interests in us 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. Investors who purchase ADSs are required to pay for the ADSs in US dollars and are subject to currency fluctuation risk and convertibility risks since the equity shares underlying the ADSs 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 18

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converted into US dollars for distribution to ADS investors. Investors who seek to convert the rupee proceeds of a sale of equity shares withdrawn upon surrender of ADSs into foreign currency and repatriate the foreign currency may need to obtain the approval of the Reserve Bank of India for each such transaction. See also "- Your ability to sell in India any equity shares withdrawn from the depositary facility, the conversion of the rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required" and "Exchange Rates". 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. Investors are advised to consult their own tax advisers and to carefully consider the potential tax consequences of an investment in the ADSs. See "Taxation - Indian Tax". There may be less company information available in Indian securities markets than in securities markets in the United States. There is a difference between India and the United States in the level of regulation and monitoring of the securities markets and the activities of investors, brokers and other market participants. The Securities and Exchange Board of India is responsible for improving disclosure and regulating insider trading and other matters for the Indian securities markets. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in the United States. 19

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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 2005, we made a net profit of Rs. 8.5 billion (US\$ 196 million) compared to a net profit of Rs. 5.2 billion (US\$ 120 million) in fiscal 2004. At year-end fiscal 2005, we had assets of Rs. 1,863.4 billion (US\$ 42.7 billion) and stockholders' equity of Rs. 128.0 billion (US\$ 2.9 billion). At year-end fiscal 2005, ICICI Bank was the second-largest bank in India and the largest bank in the private sector, in terms of total assets. We offer products and services in the areas of commercial banking, investment banking and other financial services including insurance. Our commercial banking operations for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. We provide a range of commercial banking products and services to India's leading corporations, growth-oriented middle market companies and small and medium enterprises, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We also offer project finance and agricultural and rural banking products. We offer investment banking services through our subsidiary, ICICI Securities, including corporate advisory services, primary dealership

in government securities and equity underwriting and brokerage. In addition, we provide venture capital funding to start-up companies and private equity to a range of companies through our venture capital and private equity fund management subsidiary ICICI Venture Funds Management Company. We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. We have an asset management joint venture with Prudential plc of the United Kingdom through Prudential ICICI Asset Management Company and Prudential ICICI Trust. At the end of August 2005, Prudential ICICI Asset Management Company was the largest private sector player in the Indian mutual fund industry with funds under management of approximately Rs. 214.00 billion (US\$ 4.9 billion) and a market share of approximately 11%. Subsequent to year-end fiscal 2005, we acquired an additional 6% of the share capital of the joint venture from Prudential, which increased our shareholding in the joint venture to 51%. The value of this transaction is not material to our overall results. ICICI Bank cross-sells the products of our insurance and asset management subsidiaries to its corporate and retail customers. 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 in North America, the United Kingdom, the Middle-East and South-East Asia. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. In May 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US\$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. We have received approvals to set-up a branch office in Sri Lanka and have applied for branch licenses in the United States and Hong Kong. We deliver our products and services through a variety of channels, ranging from traditional bank branches and ATMs to call centers and the Internet. At year-end fiscal 2005, we had a network of 510 branches and 52 extension counters in 367 centers across several Indian states and 1,910 ATMs. 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 our web site address is [www.icicibank.com](http://www.icicibank.com). Our agent for service of process in the United States is Mr. Madhav Kalyan, Joint General Manager, ICICI Bank New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110. History ICICI was formed in 1955 at the initiative of the World Bank, the government of India and Indian industry representatives. 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 20

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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 other group companies, 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 Bank was incorporated in 1994 as a part of the ICICI group. ICICI Bank's initial equity capital was contributed for 75.0% by ICICI and for 25.0% by SCICI Limited, a diversified finance and shipping finance lender of which ICICI owned 19.9% at December 1996. Pursuant to the merger of SCICI into ICICI, ICICI Bank became a wholly-owned subsidiary of ICICI. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank, in an all-stock merger. The issue of universal banking, which in the Indian context means conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length over the past few years. 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. ICICI Bank also considered various strategic alternatives in the context of the emerging competitive scenario in the Indian banking industry. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI

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and ICICI Bank decided to merge. At the time of the merger, both ICICI Bank and ICICI were publicly listed in India and on the New York Stock Exchange. The amalgamation was approved by each of the boards of directors of ICICI, ICICI Personal Financial Services, ICICI Capital Services and ICICI Bank at the respective board meetings held on October 25, 2001. The amalgamation was approved by ICICI Bank's and ICICI's shareholders 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. The amalgamation became effective on May 3, 2002 and the date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. 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. Shareholding Structure and Relationship with the Government of India The following table sets forth, at September 23, 2005, certain information regarding the ownership of our equity shares.

Percentage of total equity shares	Number of equity outstanding shares held	
----- Government-controlled shareholders: Life Insurance Corporation of India.....		
9.39	69,535,046	General Insurance Corporation of India and government-owned general insurance companies.....
5.49	40,656,823	Other government-controlled institutions, corporations and banks.....
0.19	1,382,872	----- Total government-controlled shareholders.....
15.07	111,574,741	----- Other Indian investors: Individual domestic investors (1) (2).....
5.88	43,583,668	Bajaj Auto Limited
3.08	22,821,820	Indian corporates and others (excluding Bajaj Auto Limited).....
0.73	5,408,092	21

1.99	14,715,778	-----
11.68	86,529,358	----- Total Indian investors.....
26.75	198,104,099	----- Foreign investors: Deutsche Bank Trust Company Americas, as depositary.....
27.19	201,396,818	Allamanda Investments Pte. Limited.....
8.94	66,234,627	HWIC Asia Fund.....
3.69	27,320,361	Government of Singapore.....
3.42	25,335,159	Foreign institutional investors, foreign banks, overseas corporate bodies and non-resident Indians (excluding Allamanda Investments Pte. Limited, HWIC Asia Fund and Government of Singapore)(1)(2).....
30.01	222,250,063	----- Total foreign investors.....
73.25	542,537,028	----- Total .....
100.00	740,641,127	

===== (1) Executive officers and directors as a group held around 0.5% 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. In April 2004, we issued 115,920,758 equity shares to foreign and domestic institutional investors and domestic retail investors at a price of Rs. 280 (US\$ 6) per share, totaling Rs. 32.5 billion (US\$ 745 million). In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,750 ADSs representing 41,371,500 equity shares sold by our equity shareholders, at a price of US\$ 21.11 per ADS, aggregating approximately US\$ 437 million. The proceeds of the offering, net of expenses, were distributed to the selling shareholders. As a result of this offering, the holding of Deutsche Bank Trust Company Americas as depositary for ADS holders increased from 21.8% at August 27, 2004 to 27.2% at September 23, 2005. The holding of government-controlled shareholders was 15.1% at September 23, 2005 against 17.1% at August 27, 2004 and 17.8% at August 29, 2003. The holding of Life Insurance Corporation of India was 9.4% at September 23, 2005 compared to 10.1% at August 27, 2004 and 8.0% at August 29, 2003. 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. There is no shareholders' agreement or voting trust relating to the ownership

of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. 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 our board. We invite a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance Corporation of India and General Insurance Corporation of India on our board. Mr. T. S. Vijayan, Managing Director of Life Insurance Corporation of India was appointed as a director effective April 30, 2005. See "Management--Directors and Executive Officers" for a discussion of the composition of our board of directors. The holding of other Indian investors was 11.7% at September 23, 2005, against 12.8% at August 27, 2004 and 15.6% at August 29, 2003. The total holding of Indian investors was 26.7% at September 23, 2005 compared to 29.9% at August 27, 2004 and 33.4% at August 29, 2003. The holding of foreign investors increased to 73.3% at September 23, 2005 from 70.1% at August 27, 2004 and 66.7% at August 29, 2003. See "Supervision and Regulation - Reserve Bank of India Regulations - Ownership Restrictions" and "Restriction on Foreign Ownership of Indian Securities". Deutsche Bank Trust Company Americas holds the equity shares represented by 100.70 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 our 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 power. This means that Deutsche Bank Trust Company Americas (as depository), which held of record approximately 27.2% of our equity shares as of September 23, 2005 and 21.8% at August 27, 2004, could only 22

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vote 10.0% of our equity shares, in accordance with the directions of our board of directors. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". Except as stated above, no shareholder has differential voting rights. In fiscal 2005, neither we nor any affiliate made any repurchases of our equity securities or ADSs, nor were any such repurchases made on our behalf or on behalf of an affiliate. Strategy Our objective is to enhance our position as a premier provider of banking and other financial services in India and to leverage our competencies in financial services and technology to develop an international business franchise. The key elements of our business strategy are to: o focus on quality growth opportunities by: - maintaining and enhancing our strong retail and corporate franchise; - building an international presence; - strengthening our insurance business; and - building a rural banking franchise. o emphasize conservative risk management practices and enhance asset quality; o use technology for competitive advantage; and o attract and retain talented professionals. Overview of Products and Services We offer products and services in the areas of commercial banking, investment banking and insurance. Commercial Banking for Retail Customers 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. 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 commercial banking operations for retail customers consist of retail lending and deposits, credit cards, depository share accounts, distribution of third-party investment and insurance products, other fee-based products and services and issuance of unsecured redeemable bonds. Retail Lending Activities We offer a range of retail asset products, including home loans, automobile loans, two wheeler loans, commercial business (including commercial vehicle, construction equipment and farm equipment) loans, personal loans and credit cards. We also fund dealers who sell automobiles, two wheelers and commercial vehicles. Further, we provide loans against time deposits and loans against shares, including for subscriptions to initial public offerings of Indian companies. Our total gross retail loans at year-end fiscal 2005 included consumer loans and

credit card receivables of Rs. 526.5 billion (US\$ 12.1 billion), which were 48.9% of our total gross loans at year-end fiscal 2005. 23

The following is a break-down of our gross consumer loans and credit card receivables at year-end fiscal 2005: At year-end fiscal 2005 ----- Rs. (in billion) US\$ (in million) ----- Home loans..... 260.6 5,974 Automobile loans..... 101.3 2,322 Commercial vehicle & related loans..... 71.6 1,641 Personal loans..... 24.6 564 Credit card receivables..... 18.1 416 Two wheeler loans..... 12.1 277 Others..... 38.2 876 ----- Total 526.5 12,070 =====

At year-end fiscal 2005, we had approximately 3.3 million credit card holders. Lending to small and medium enterprises We are seeking to extend our reach to the small and medium enterprises sector. We provide supply chain financing, including the financing of selected customers of our corporate clients. We also provide financing on a cluster-based approach, that is financing of small enterprises that have a homogenous profile such as apparel manufacturers and manufacturers of pharmaceuticals. Retail Deposits Our retail deposit products include time deposits and savings accounts. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen. We have corporate salary account products and a deposit account product that provides weekly automatic transfer of idle balances, above a certain minimum amount, from savings accounts to time deposits. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2005, we had a debit card base of over 6.4 million cards. We offer current account products to our small and medium enterprise customers. 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". For more information on the type, cost and maturity profile of our deposits, see "Funding". Bond Issues We offer retail liability products in the form of a variety of unsecured redeemable bonds. During fiscal 2005, we raised Rs. 16.3 billion (US\$ 374 million) through bond issuances. While deposits will continue to be our primary source of funding, we may conduct other similar bond issues in the future. Other Fee-Based Products and Services Through our distribution network, we offer government of India Relief Bonds, insurance policies from ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company and distribute public offerings of equity shares by Indian companies. We also offer a variety of mutual fund products from Prudential ICICI Asset Management Company and other select mutual funds. We also levy services charges on deposit accounts. We offer fee-based products and services including documentary credits and guarantees to small and medium enterprises. As a depository participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depository share accounts to settle securities transactions in a dematerialized mode. Further, 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 trade in shares and convertible debentures on the Indian stock exchanges. 24

We also provide web brokering services through ICICI Web Trade Limited. ICICI Comm Trade Limited, a subsidiary of ICICI Web Trade, proposes to provide web and telephone based brokering services in the commodities and commodity derivatives market. Commercial Banking for Corporate Customers We provide a range of commercial banking products and services to India's leading corporations and growth-oriented middle market companies, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We serve our corporate clients through corporate relationship groups such as the Corporate Banking Group, the Government Banking Group and the Rural, Micro-banking and Agri-business Group, and product groups such as the Product and Technology Group and the Global Markets Group. Corporate Loan Portfolio Our corporate loan portfolio consists of project and corporate finance, working capital financing and agricultural financing.

For further details on our loan portfolio, see "Loan Portfolio". For a description of our credit rating and approval system, see "Risk Management - Credit Risk - Credit Risk Assessment Procedures for Corporate Loans". Our project finance business consists principally of extending medium-term and long-term rupee loans to the manufacturing sector. At year-end fiscal 2005, our gross wholesale banking loans outstanding were Rs. 329.2 billion (US\$ 7.5 billion), constituting 30.5% of our gross loan portfolio. Our working capital financing consists of cash credit facilities and bill discounting. At year-end fiscal 2005, our gross working capital loans, including working capital term loans, outstanding were Rs. 135.6 billion (US\$ 3.1 billion), constituting approximately 12.6% of our gross loan portfolio. For more details on our credit risk procedures, see "-- Risk Management -- Credit Risk". As required by the Reserve Bank of India's directed lending norms, we lend 18.0% of our net bank credit on the residual portion of our advances (i.e., our total advances excluding the advances of ICICI at year-end fiscal 2002) to the agricultural sector. Our agricultural lending portfolio includes loans to farmers and to co-operatives and companies in eligible sectors such as seeds, poultry and fisheries as well as micro-finance loans to borrowers in rural areas. For details of our directed lending portfolio, refer "Loan Portfolio - Directed Lending".

**Fee and Commission-Based Activities** We offer our corporate customers a wide variety of fee and commission-based products and services including documentary credits and standby letters of credit (called guarantees in India). At year-end fiscal 2005, we had a portfolio of documentary credits of Rs. 74.1 billion (US\$ 1.7 billion) and total guarantees outstanding of Rs. 160.5 billion (US\$ 3.7 billion). We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. We also offer custodial services to clients. At year-end fiscal 2005, 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) was Rs. 945.7 billion (US\$ 21.7 billion). As a registered depository participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositories operating in India, we also provide electronic depository facilities to investors. Further, we generate fee income from our syndication and securitization activities.

**Corporate Deposits** We offer liquidity management services and a variety of deposit products to our corporate customers including current accounts, time deposits and certificates of deposits. For more information on the type, cost and maturity profile of our deposits, see "-- Funding". 25

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**Commercial Banking for International Customers** 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 and technology 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. 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 have 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 of the commercial banking products that ICICI Bank offers to international customers, such as trade finance and letters of credit, are similar to the products offered to our corporate customers in India. Some of the products and services that are unique to international customers are:

- o TradeWay: an Internet-based documentary collection product to provide correspondent banks access to real-time on-line information on the status of their export bills collections routed through us.
- o Remittance Tracker: an Internet-based application that allows a correspondent bank to query on the status of their payment instructions and also to get various information reports online.
- o Offshore banking deposits: multi-currency deposit products in US dollar, pound sterling and euro.
- o Foreign currency non-resident deposits: foreign currency deposits offered in four main currencies - US dollar, pound sterling, euro and yen.
- o Non-resident external fixed deposits: deposits maintained in Indian rupees.
- o Non-resident external savings account: savings accounts maintained in Indian rupees.
- o Non-resident ordinary savings accounts and non-resident ordinary fixed deposits.
- o Money2India: a Internet-based wire transfer remittance facility.

We currently

have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. Subsequent to year-end fiscal 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US\$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. We have received preliminary approvals from the host country regulator to set up a branch office in Sri Lanka and have applied for branch licenses in the United States and Hong Kong. Our subsidiaries in the United Kingdom and Canada offer local banking products and services in those countries. In Canada, we have also launched a direct banking offering in Canada using the Internet as the access channel. Delivery Channels We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers and the Internet. We also have direct marketing agents or associates, who deliver our retail credit products. These agents help us achieve deeper penetration by offering door-step service to the customer. At year-end fiscal 2005, we offered one or more retail credit products in approximately 1,070 centers. At year-end fiscal 2005, we had a network of 510 branches and 52 extension counters in 367 centers across several Indian states, an increase of 97 branches and a decrease of 4 extension counters over the previous year. Extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services. 26

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. The following table sets forth the number of branches broken down by area at year-end fiscal 2005. At March 31, 2005 -----

	Number of branches	% of total
----- Metropolitan/urban.....	241	47.3%
----- Semi-urban/rural .....	269	52.7%
----- Total .....	510	100.0%

===== At year-end fiscal 2005, we had 1,910 ATMs, of which 572 were located at our branches and extension counters. We also have mobile ATMs, which are ATMs mounted on mobile vans to visit specific areas at a pre-designated time to reach remotely located customers. Through our website [www.icicibank.com](http://www.icicibank.com), we offer our customers online access to account information and payment and fund transfer facilities. 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. We provide telephone banking services through our call center. At year-end fiscal 2005, our call center had 1,954 inbound sales and service workstations across two locations. We offer mobile phone banking services to our customers using any cellular telephone service operator 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. At year-end fiscal 2005, government of India securities (excluding securities purchased under agreements to resell) constituted 9.2% of our trading portfolio and 91.4% of our total trading and available for sale securities portfolio, while the remainder included corporate debt securities, equity securities and mutual funds. Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. Further, we engage 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. Our treasury manages our foreign currency exposures and the foreign exchange and risk hedging derivative products offered 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 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. 27

At March 31, ----- 2003 2004 2005 2005 -----  
 ----- (in millions) Government of India securities.. Rs. 26,658 Rs. 30,374 Rs. 6,934 US\$ 159  
 Securities purchased under agreements to resell..... 5,399 34,974 24,000 550 Corporate debt securities..... 6,704  
 6,403 3,202 73 Equity securities..... 187 1,018 3,222 74 Mutual funds..... - - 37,383 857 Fair value of  
 derivative and foreign exchange contracts... 686 2,386 797 18 -----  
 Total..... Rs. 39,634 Rs. 75,155 Rs. 75,538 US\$ 1,731 =====

===== 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 gross  
 unrealized gain/(loss) on these securities. Year ended March 31, -----  
 2003 2004 2005 2005 ----- (in millions) Interest and dividends.....  
 Rs. 2,754 Rs. 3,232 Rs. 1,946 US\$ 45 Gain on sale of trading securities..... 2,356 3,889 828 19 Unrealized  
 gain/(loss) on trading securities..... 719 544 (542) (12) -----  
 Total..... Rs. 5,829 Rs. 7,665 Rs. 2,232 US\$ 52 =====

===== 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, ----- 2003  
 ----- Amortized Gross Gross cost unrealized gain 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).. Rs. 9,418 Venture capital investments(2)..... Rs. 3,704 28

At March 31, ----- 2004  
 ----- Amortized Gross Gross cost unrealized gain unrealized loss  
 Fair value ----- (in millions) Corporate debt securities..... Rs.  
 18,791 Rs. 183 Rs. (154) Rs. 18,820 Government of India securities..... 256,284 4,488 (192) 260,580 Total debt  
 securities..... 275,075 4,671 (346) 279,400 Equity securities..... 15,475 2,072 (342) 17,205  
 ----- Total..... Rs. 290,550 Rs. 6,743 Rs. (688) Rs. 296,605  
 ===== Non readily marketable  
 securities(1).. Rs. 8,621 Venture capital investments(2)..... Rs. 5,142 At March 31,

----- 2005 -----  
 Amortized Gross Gross cost unrealized gain unrealized loss Fair value -----  
 ----- (in millions) Corporate debt securities..... Rs. 25,714 Rs. 65 Rs. (159) Rs. 25,620 Government of  
 India securities..... 335,991 2,700 (4,694) 333,997 Total debt securities..... 361,705 2,765 (4,853) 359,617  
 Equity securities..... 5,809 4 (174) 10,201 -----  
 Total..... Rs. 367,514 Rs. 7,331 Rs. (5,027) Rs. 369,818 =====  
 ===== Non readily marketable securities(1).. Rs. 7,209 Venture capital  
 investments(2)..... Rs. 3,932 ----- (1) Primarily represents securities acquired as a part of project financing  
 activities or conversion of loans in debt restructurings. (2) Represents venture capital investments in funds managed  
 by ICICI Venture Funds Management Company. The following table sets forth, for the period indicated, income from  
 available for sale securities. Year ended March 31, ----- 2003 2004



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2005	2005					(in millions)	Interest.....	Rs. 16,633	Rs.	
15,264	Rs. 15,248	US\$ 350	Dividend.....	389	431	485	11			
Total.....		Rs. 17,022	Rs. 15,695	Rs. 15,733	US\$ 361	=====				
		=====				Gross realized gain.....	Rs. 6,845	Rs. 16,211	Rs. 7,897	181
Gross realized loss.....		(5,022)	(2,467)	(1,309)	(30)	-----				
		-----				Total.....	Rs.			
1,823	Rs. 13,744	Rs. 6,588	US\$ 151	=====						

===== 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. This maturity profile is based on repayment dates and does not reflect re-pricing dates of floating rate securities. 29

----- At March 31, 2005 ----- Up to one year One to five years Five to 10 years More than 10 years -----

Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	----- (in millions)		
Corporate debt securities	Rs. 5,041	6.41%	Rs. 14,624	5.85%	Rs. 5,551	6.73%	Rs. 404	7.06%	Government of India securities.....	
	57,918	4.81	138,084	5.51	83,265	5.07	54,730	5.59	Total interest-earning securities.....	
	Rs. 62,959	4.94%	Rs. 152,708	5.55%	Rs. 88,816	5.17%	Rs. 55,134	5.60%	=====	
		=====				Total amortized cost.....	Rs. 62,982	Rs. 143,307	Rs. 90,011	Rs. 55,005

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. See also "Supervision and Regulation - Reserve Bank of India Regulations - Regulations relating to Investments and Capital Market Exposure Limits". Equity securities, forming part of our investment securities portfolio, are considered as publicly traded if they have been actively 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 affects the long-term value of the investment. Equity securities, including venture capital investments and mutual fund units were 2.3% of our total assets and 9.5% of our total investment securities portfolio at year-end fiscal 2005. As these investments are primarily in the nature of long-term investments in start-up projects, returns on such investments generally accrue well after 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. To ensure compliance with the Securities and Exchange Board of India's 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 a lender. 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 provide a variety of risk management products to our corporate and small and medium enterprise clients, including foreign currency forward contracts and currency and interest rate swaps, and are expanding our capabilities in this area. At year-end fiscal 2005, we had a portfolio of outstanding forward contracts of Rs. 867.6 billion (US\$ 19.9 billion), interest rate and currency swaps of Rs. 1,450.1 billion (US\$ 33.2 billion) and other derivative products of Rs. 479.1 billion (US\$ 11.0 billion). 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. See also "Risk Management - Quantitative and Qualitative Disclosures About Market Risk - Exchange Rate Risk". ICICI Securities We provide investment banking services through our

subsidiary, ICICI Securities, which 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". 30

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Corporate advisory services include business valuations, pricing and structuring of transactions, and financial and corporate restructuring for large and mid-market Indian corporate clients and private equity syndication and privatization services for public sector companies. ICICI Securities is also one of the market leaders in the Indian debt market and was named the "Best Domestic Bond House - 2005" by Finance Asia and Asia Money. ICICI Securities is a primary dealer appointed and authorized by the Reserve Bank of India to trade in government securities. In fiscal 2005, ICICI Securities achieved turnover in excess of Rs. 1,200.0 billion (US\$ 27.5 billion) in government securities. 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 brokering and research, primarily for institutional investor clients. Venture capital and private equity We also 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 2005, ICICI Venture managed or advised funds of Rs. 33.9 billion (US\$ 777 million). Insurance We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company are joint ventures with Prudential plc of UK and Fairfax Financial Holdings Limited of Canada, respectively, in which we have a 74.0% interest. We collect fees from these subsidiaries for generating leads and providing referrals that are converted into policies. According to statistics published by the Insurance Regulatory & Development Authority, ICICI Prudential Life Insurance Company had a market share of 34% in new business written (excluding group insurance) by private sector life insurance companies and 9% among all insurance companies in India during fiscal 2005. ICICI Lombard General Insurance had a market share of 25% among the private sector general insurance companies and 5% among all general insurance companies in India during fiscal 2005. See also "- Subsidiaries and Affiliates". Funding Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Since the amalgamation, our primary source of funding has been deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and domestic or overseas bond offerings pursuant to specific regulatory approvals. In April 2005, we conducted an offering of equity shares aggregating Rs. 32.5 billion (US\$ 745 million) to Indian and non-Indian institutional investors and Indian retail investors. Because ICICI was not allowed to raise banking deposits as a financial institution, its primary sources of funding prior to the amalgamation were retail bonds and rupee borrowings from a wide range of institutional investors. ICICI also raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India. Our deposits constituted 58.6% of our total liabilities at year-end fiscal 2005 compared to 52.1% of our total liabilities at year-end fiscal 2004. Our borrowings constituted 27.9% of our total liabilities at year-end fiscal 2005 compared to 34.8% of our total liabilities at year-end fiscal 2004. Our borrowings increased to Rs. 483.7 billion (US\$ 11.1 billion) at year-end fiscal 2005 compared to Rs. 456.9 billion (US\$ 10.5 billion) at year-end fiscal 2004. Our long-term debt decreased 1.6% to Rs. 367.5 billion (US\$ 8.4 billion) at year-end fiscal 2005 compared to Rs. 373.4 billion (US\$ 8.6 billion) at year-end fiscal 2004. Our short-term borrowings and trading liabilities increased 39.3% to Rs. 116.2 billion (US\$ 2.7 billion) at year-end fiscal 2005 compared to short-term borrowings and trading liabilities of Rs. 83.4 billion (US\$ 1.9 billion) at year-end fiscal 2004. Going forward, we expect to continue to repay our higher cost borrowings arising from ICICI Limited in accordance with their scheduled maturities and raise new funds primarily in the form of lower-cost deposits. Our deposits increased 48.4% to Rs. 1,016.5 billion (US\$ 23.3 billion) at year-end fiscal 2005 compared to Rs. 685.0 billion (US\$ 15.7 billion) at year-end fiscal 2004. This significant growth in deposits was achieved primarily 31

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. 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)

	2001	2002	2003	2004	2005
	Amount	Cost(3)	Amount	Cost(3)	Amount
Cost(3) Amount	Cost(3) Amount	Cost(3) Amount	Cost(3) Amount	Cost(3) Amount	Cost(3) Amount
(in millions, except percentages)					
Interest-bearing deposits: Savings deposits.....	Rs. 30,874	2.96%	Rs. 56,914	2.37%	Rs. 98,244
US\$ 2,252	2.22%	Time deposits.....	3,682	13.31	6,618
			11.24	327,144	7.68
				469,589	6.25
				598,834	13,728
5.16					
Non-interest-bearing deposits: Demand deposits.....	- - -	31,172	-	54,090	-
Rs. 3,682	13.31%	Rs.6,618	11.24%	Rs.389,190	6.69%
				Rs.580,593	5.28%
				Rs.785,492	US\$18,007
				4.21	=====
					=====

(1) Data for fiscal 2003, 2004 and 2005 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. (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. (3) Represents interest expense divided by the average of quarterly balances. Our average deposits in fiscal 2005 were Rs. 785.5 billion (US\$ 18.0 billion) at an average cost of 4.2% compared to average deposits of Rs. 580.6 billion (US\$ 13.3 billion) at an average cost of 5.3% in fiscal 2004. Our average time deposits in fiscal 2005 were Rs. 598.8 billion (US\$ 13.7 billion) at an average cost of 5.2% compared to average time deposits of Rs. 469.6 billion (US\$ 10.8 billion) in fiscal 2004 at an average cost of 6.3%. The following table sets forth, at the date indicated, the maturity profile of deposits by type of deposit. At March 31, 2005

	After one year and within	After three	Up to one
year	three years	years	Total
(in millions)			
Interest-bearing deposits: Savings deposits .....	Rs. 117,261	Rs. -	Rs. 117,261
Time deposits.....	664,846		
81,208	26,311	772,365	Non-interest-bearing deposits: Demand deposits.....
			126,908
			- - 126,908
			Total deposits.....
			Rs. 909,015
			Rs. 81,208
			Rs. 26,311
			Rs. 1,016,534

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)

	2001	2002	2003	2004	2005
	Amount	% to	Amount	% to	Amount
Amount	% to	Amount	% to	Amount	% to
(in millions, except percentages)					
SLR bonds(3).....	Rs. 23,405	4.9%	Rs. 20,518	4.0%	Rs. 15,690
US\$ 340	4.4%	Borrowings from	8,049	1.7	7,333
			1.4	6,434	1.4
				5,735	1.5
				4,689	107
				1.4	Indian
					32

Year ended March 31,(1) (2) -----  
 2001 2002 2003 2004 2005 -----  
 Amount % to Amount % to Amount % to Amount % to Amount % to total total total total total  
 ----- (in millions, except

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percentages) government(4)..... Other borrowings(5)(6). 442,716 93.4 481,951 94.6 444,461 95.2 357,913 94.6  
 320,131 7,339 94.2 -----  
 Total..... Rs.474,170 100.0% Rs.509,802 100.0% Rs. 466,585 100.0% Rs.378,463 100.0% Rs.339,635  
 US\$7,786 100.0%

----- (1) Data for fiscal 2003, 2004 and 2005 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. (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2002, 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal 2001. (3) With an average cost of 10.62% in fiscal 2001, 11.10% in fiscal 2002, 11.44% in fiscal 2003, 9.24% in fiscal 2004 and 9.30% in fiscal 2005. (4) With an average cost of 10.70% in fiscal 2001, 10.40% in fiscal 2002, 10.40% in fiscal 2003, 10.07% in fiscal 2004 and 10.27% in fiscal 2005. (5) With an average cost of 13.06% in fiscal 2001, 12.36% in fiscal 2002, 11.65% in fiscal 2003, 10.46% in fiscal 2004 and 9.19% in fiscal 2005. (6) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as inter-corporate deposits, certificate of deposits and call borrowings. The following table sets forth, at the date indicated, the maturity profile of our rupee term deposits of Rs. 10 million (US\$ 229,253) or more. At March 31, ----- % of total 2005 deposits

----- (in millions, except percentages) Less than three months..... Rs. 161,987 US\$ 3,714 15.9% Above three months and less than six months..... 140,899 3,230 13.9% Above six months and less than 12 months..... 146,532 3,359 14.4% More than 12 months..... 51,738 1,186 5.1%  
 ----- Total deposits of Rs. 10 million and more..... Rs. 501,156 US\$ 11,489 49.3% =====

===== During fiscal 2005, we repaid a significant amount of ICICI's high cost long-term debt. As a result, average long-term debt reduced to Rs. 359.7 billion (US\$ 8.2 billion) during fiscal 2005 compared to Rs. 382.7 billion (US\$ 8.8 billion) during fiscal 2004. 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, and trading liabilities. At March 31,(1)

----- 2001 2002 2003 2004 2005  
 ----- (in millions, except percentages) Year-end  
 balance..... Rs. 99,997 Rs. 74,932 Rs. 50,232 Rs. 57,787 Rs. 44,777 Average balance during the year(2)  
 ..... 100,569 85,057 75,983 48,020 47,666 Maximum quarter-end balance..... 104,412 91,950 82,100 57,787  
 57,787 Average interest rate during the year(3)... 10.17% 9.65% 11.31% 6.16% 6.39% Average interest rate at  
 year-end (4)..... 11.01% 9.34% 6.80% 4.85% 5.82% ----- (1) Short-term borrowings include trading liabilities,  
 such as borrowings in the call market and repurchase agreements. (2) Average of quarterly balances at the end of  
 March of the previous fiscal year, June, September, December and March of that fiscal year for each of fiscal 2002,  
 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal  
 2001. (3) Represents the ratio of interest expense on short-term borrowings to the average of quarterly balances of  
 short-term borrowings. (4) Represents the weighted average rate of the short-term borrowings outstanding at fiscal  
 year-end. 33

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) ----- 2001 2002  
 2003 2004 2005 ----- % to % to %  
 to % to % to Amount total Amount total Amount total Amount total Amount Amount total  
 ----- (in millions, except  
 percentages) Commercial borrowings (3).. Rs.74,745 77.6% Rs.73,955 77.6% Rs.53,791 67.4% Rs.47,003 65.2%  
 Rs.86,208 US\$1,976 77.5% Multilateral borrowings(4). 21,554 22.4 22,290 22.4 26,020 32.6 25,073 34.8 25,080 57.5

22.5 ----- Total.....  
 Rs.96,299 100.0% Rs.96,246 100.0% Rs,79,811 100.0% Rs.72,076 100.0% Rs.111,288 US\$2,551 100.0%

----- (1) Data for fiscal 2003, 2004 and 2005 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. (2) Average of quarterly balances at the end of March of the previous fiscal year, June, September, December and March of that fiscal year for each of fiscal 2002, 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal 2001. (3) With an average cost of 7.55% in fiscal 2001, 6.75% in fiscal 2002, 3.16% in fiscal 2003, 3.11% in fiscal 2004 and 3.61% in fiscal 2005. (4) With an average cost of 4.39% in fiscal 2001, 4.93% in fiscal 2002, 4.40% in fiscal 2003, 3.03% in fiscal 2004 and 3.22% in fiscal 2005. At year-end fiscal 2005, our outstanding subordinated debt was Rs. 82.1 billion (US\$ 1.9 billion). This debt is classified as Tier 2 capital in calculating the capital adequacy ratio in accordance with the Reserve Bank of India's regulations on capital adequacy. See "Supervision and Regulation - Reserve Bank of India Regulations". 34

**Risk Management** As a financial intermediary, we are exposed to risks that are particular to our lending, transaction banking and trading businesses and the environment within which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that the organization adheres strictly to the policies and procedures which are established to address these risks. ICICI Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. ICICI Bank has two centralized groups, the Risk Management Group and the Compliance and Audit Group with a mandate to identify, assess and monitor all of ICICI Bank's principal risks in accordance with well-defined policies and procedures. The Risk Management Group reports to the Chief Financial Officer and Treasurer and through her to the Deputy Managing Director. The Compliance and Audit Group reports directly to the Deputy Managing Director and to the Managing Director & CEO in respect of internal audit of other groups that report to the Deputy Managing Director. The internal audit function is also responsible to the Audit Committee of our board of directors. Both the groups are independent of the business units and coordinate with representatives of the business units to implement ICICI Bank's risk management methodologies. Committees of the board of directors have been constituted to oversee the various risk management activities. The Audit Committee provides direction to and also monitors the quality of the internal audit function. The Risk Committee reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto. The Credit Committee reviews developments in key industrial sectors and ICICI Bank's exposure to these sectors as well as to large borrower accounts. The Agriculture & Small Enterprises Business Committee reviews ICICI Bank's strategy for small enterprises and agri-business and the quality of the agricultural lending and small enterprises finance credit portfolio. The Asset Liability Management Committee is responsible for managing the balance sheet and reviewing the asset-liability position to manage ICICI Bank's liquidity and market risk exposure. For a discussion of these and other committees, see "Management". The Risk Management Group is further organized into the Credit Risk Management Group, Market Risk Management Group, Retail Risk Management Group and Risk Analytics Group. The Risk Management Group has a separate team for risk management in respect of small and medium enterprises. The Compliance and Audit Group is further organized into the Compliance and Anti-Money Laundering Group and the Internal Audit Group. The Risk Management Group is also responsible for assessing the risks pertaining to the international operations, including review of policies and setting sovereign and counterparty limits. Credit Risk ICICI Bank's credit policy is approved by our board of directors. In its lending operations, ICICI Bank is 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 ICICI Bank, principally the failure to make required payments on loans due to ICICI Bank. ICICI Bank currently measures, monitors and manages credit risk for each borrower and also at the portfolio level. ICICI Bank has 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: 35

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o certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclical nature 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, an additional default rating of D and short-term ratings from S1 to S8. 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. Working capital loans are generally approved for a period of 12 months. At the end of 12 months validity period, 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. 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 risk mitigating factors include the commitment of stand-by funds from the sponsors to meet any cost over-runs 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 36

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 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, 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 financing. 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 established 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 limits are reviewed on a periodic 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. 37

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**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 credit groups. The Risk Management 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. All credit approval authorizations require the approval of our board of directors. ICICI Bank uses direct marketing associates as well as its own branch network and employees for marketing retail credit products. However, credit approval authority lies only with ICICI Bank's credit officers who are distinct from the business teams. The delegation of credit approval authority is linked, among other factors, to the size of the credit and the authority delegated to credit officers varies across different products. ICICI Bank's credit officers evaluate credit proposals on the basis of the product policy approved by the Committee of Directors and the risk assessment criteria defined by the Risk Management Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio, demographic parameters and certain stability factors. In case of credit cards, in order to limit the scope of individual discretion, ICICI Bank has implemented a credit-scoring program that is an automated credit approval system that assigns a credit score to each applicant based on certain demographic attributes like income, educational background and age. The credit score then forms the basis of loan evaluation. External agencies such as field investigation agencies and credit processing agencies are used to facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans to individual borrowers. Before disbursements are made, the credit officer checks a centralized delinquent database and reviews the borrower's profile. ICICI Bank avails the services of certain private agencies operating in India to check applications before disbursement as a formal credit bureau has only recently become operational in India. A centralized retail credit team undertakes review and audit of credit quality and processes across each credit approval team. ICICI Bank has established centralized operations to manage operating risk in the various back office processes of ICICI Bank's retail loan business except for a few operations which are decentralized to improve turnaround time for customers. 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 agencies to aid it in collection efforts, including collateral repossession in accounts that are overdue for more than 90 days. External agencies for collections are governed by standardized process guidelines. A fraud prevention and 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 involved in verification of income documents. The fraud control department also evaluates the various external agencies involved in the retail finance operations, including direct marketing associates, external verification associates and collection agencies. 38

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**Small Enterprises Loan Procedures** The Small and Medium 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-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 cluster 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. **Credit Approval Authorities** ICICI Bank's credit approval authorisation framework is laid down by our board of directors. ICICI Bank has established several 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). Retail Credit Forums and Small Enterprise Group Forums have been created for approval of retail loans and credit facilities to small enterprises. 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), to the Regional Committee (Credit), Retail Credit Forums and Small Enterprise Group Forums, all consisting of designated executives of ICICI Bank, and to individual executives in the case of retail and agricultural loans, to approve financial assistance 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 / forums at July 31, 2005. 39

Committee / Forum Composition Approval Authority

----- Credit Committee of the Chaired by an o All approvals to borrowers (excluding agriculture sector board of directors independent director and and small and medium enterprise borrowers) in the consisting of a majority following categories: of independent directors. o Borrowers rated below BBB; o New borrowers rated BBB with exposure exceeding Rs. 0.5 billion (US\$ 11 million); o Existing borrowers rated BBB with additional exposure exceeding 10% of the existing exposure or Rs. 0.1 billion (US\$ 2 million), whichever is higher; o New borrowers rated A- and above, with exposure exceeding Rs. 5.0 billion (US\$ 115 million); or o Existing borrowers rated A- and above with existing exposure above Rs. 5.0 billion (US\$ 115 million), where proposed incremental exposure exceeds Rs. 1.0 billion (US\$ 23 million). o Credit / investment proposals for subsidiaries / companies using "ICICI" as a part of their name. o Proposals exceeding 15% of capital funds for a single borrower (20% in case of infrastructure) and 40% of capital funds for a borrower group (50% in case of infrastructure). o Credit / investment proposal relating to a borrower rated A or below which is in default to ICICI Bank for a period in excess of 60 days. o Approvals to companies identified by the Credit Committee where the company or the borrower group requires close monitoring.

----- Committee of Directors Consisting of all five o All approvals above the prescribed authority of lower (Lending) wholetime directors. authorities, other than specific categories of proposals that require approval of the Credit Committee. o The Committee of Directors is empowered to approve all program sanctions. Powers to approve individual proposals within the approved program norms has been delegated to certain individuals. These powers can be exercised either singly or jointly by such individuals subject to the limits specified in the credit authorization approved by the board of directors. -----

Committee of Executives Consisting of designated o Approval authority linked to the rating of the borrower. (Credit) executives as members or Limits range between Rs. 0.2 billion (US\$ 5 million) for permanent invitees, a BBB rated borrower to Rs. 5.0 billion (US\$ 115 including million) for a AAA rated borrower. For borrowers in representatives of Risk agriculture sector rated BB, limits up to Rs. 0.1 Management Group and billion (US\$ 2 million) can be approved by the Committee Compliance and Audit of Executives (Credit). Group.

----- Regional Committee Consisting of designated o Approval authority linked to the rating of the borrower. (Credit) executives as members or Limits range between Rs. 0.3 billion (US\$ 7 million) for permanent invitees, a A rated borrower to Rs. 3.5 billion (US\$ 80 million) including for a AAA rated borrower. Approvals to borrowers rated representatives of Risk below A can be given only if the borrower is from Management Group and agriculture sector. For these borrowers with credit Compliance and Audit rating of BB to A-, limits of Rs. 50 million (US\$ 1 Group. million) to Rs. 0.2 billion (US\$ 5 million) can be approved by the Regional Committee (Credit).

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Small Enterprise Group Consisting of designated Approval authority up to Rs. 0.2 billion (US\$ 5 million) Forum 1 executives as members or provided the proposal meets the minimum criteria as permanent invitees, stipulated by the Committee of Directors. including representative of Risk Management Group.

----- Small Enterprise  
Group Consisting of designated Approval authority up to Rs. 0.1 billion (US\$ 2 million) Forum 2 executives.  
provided the proposal meets the minimum criteria as stipulated by the Committee of Directors.

----- Small Enterprise  
Group Consisting of designated Approval authority up to Rs. 0.1 billion (US\$ 2 million) Forum 3 executives.  
provided the proposal meets all the criteria as stipulated by the Committee of Directors.

----- Retail Credit Forum  
1 Consisting of Executive Full approval authority for all retail loans. In respect of Director, Head - Retail corporate  
exposures on retail products, limits up to Rs. 0.5 Products and billion (US\$ 11 million) to Rs. 1.0 billion (US\$ 23  
million) Distribution Group and for various products like vehicle loans, consumer durable Head - Risk Management  
loans and corporate credit cards. Group.

----- Retail Credit Forum  
2 Consisting of Executive Approval authority for all retail credit products with Director and designated varying limits  
for each product subject to a maximum of Rs. executives including 0.25 billion (US\$ 6 million). representative of Risk  
Management Group.

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In all cases, subject to adherence to limits on ICICI Bank's capital funds(1) imposed by Reserve Bank of India as  
mentioned above. ----- (1) Capital funds consist of Tier 1 and Tier 2 capital, as defined in the Reserve Bank of  
India regulations, under Indian GAAP. See "Supervision and Regulation - Reserve Bank of India Regulations -  
Capital Adequacy Requirements". All new loans must be approved by the above committees / forums in accordance  
with their respective powers. In respect of retail and agricultural loans, powers have been delegated to individual  
executives subject to certain criteria and limits. Certain designated executives are also 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\$ 458,505); o temporary accommodation facilities not exceeding Rs. 20 million (US\$ 458,505); o  
intra-day limits not exceeding Rs.10.0 billion (US\$ 229 million); and o facilities fully secured by deposits, cash  
margin, letters of credit of approved banks or approved sovereign debt instruments not exceeding Rs. 5.0 billion (US\$  
115 million). Quantitative and Qualitative Disclosures About Market Risk Market risk is the possibility of 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. 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 Our board of directors 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 for the trading book to the Committee of Directors, within the broad parameters  
laid down by policies approved by the board. The Asset Liability Management Committee is responsible for managing  
interest 41

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rate risk on the banking book and liquidity risks reflected in the balance sheet. The Committee of Directors is  
responsible for formulating policies and risk controls for the trading book. The Asset Liability Management  
Committee is chaired by the Joint Managing Director. The Deputy Managing Director and Executive Directors are the  
other members of the Committee. The Committee generally meets on a monthly basis and reviews the interest rate and  
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 Structural Rate  
Risk Management Group and Balance Sheet Management Group are responsible for managing interest rate risk and  
liquidity risk, under the supervision of the Asset Liability Management Committee, on a day to day basis. The Risk  
Management Group recommends changes in risk policies and controls 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 by the Treasury Middle Office Group and reviewed periodically. 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. The value of our portfolio of traded and other debt securities is negatively impacted by an increase in interest rates, while our net interest income is generally positively 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 prepares interest rate risk reports on a fortnightly basis. These reports are submitted 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. 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. Our primary source of funding is deposits and to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for 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 at year-end fiscal 2005 were primarily floating rate loans where the rates are reset every quarter. Until December 31, 2003, we followed 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. Effective January 1, 2004, we have moved to a single benchmark prime rate structure for all loans other than specific categories of loans advised by the Indian Banks' Association (which include, among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities), with lending rates comprising the benchmark prime rate, term premia and transaction-specific credit and other charges. Interest rates on loans outstanding at December 31, 2003 continue to be based on the four-tier prime rate structure. 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 42

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 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, our asset-liability gap position. At March 31, 2005(1) ----- Less than or Greater than equal to one year and up Greater than Total year to five years five years

----- (in millions) Loans, net..... Rs. 562,383  
Rs. 320,339 Rs. 117,136 Rs. 999,858 Securities..... 226,507 107,518 127,197 461,222 Fixed  
assets..... 1,950 14,189 17,856 33,995 Other assets(2)..... 167,003 5,241 196,128  
368,372 ----- Total assets..... 957,843 447,287

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458,317	1,863,447	Stockholders' equity.....	203	12,436	115,357	127,996	Debt(2).....				
989,153	279,602	207,229	1,475,984	Other liabilities.....	49,147	30,949	179,371	259,467			
-----											
Total liabilities.....								1,038,503	322,987		
501,957	1,863,447	Total gap before risk management positions...	(80,660)	124,300	(43,640)	- Risk management positions(3).....					
			(20,466)	29,324	(8,858)	-----					
Total gap after risk management positions....								Rs.(101,126)	Rs. 153,624	Rs.(52,498)	Rs. -

===== (1) Assets and liabilities are classified into the applicable categories, based on residual maturity or re-pricing whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective from April 1, 2000. Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and a substantial part of fixed assets. 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.

(2) The categorization for these items is different from that reported in the financial statements. (3) The risk management positions comprise foreign currency and rupee swaps. The following table sets forth, at the date indicated, the amount of our loans with residual maturities greater than one year that had fixed and variable interest rates. At March 31, 2005 -----

		Fixed rate	Variable	Total loans		
-----	(in millions)	Loans.....	Rs. 423,266	Rs. 216,046	Rs. 639,312	43

The following table sets forth, using the balance sheet at year-end fiscal 2005 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2006, assuming a parallel shift in yield curve at year-end fiscal 2005. At March 31, 2005 -----

		Change in interest rates (in basis points) -----	(100)	(50)	50	100	(in millions, except percentages)	Rupee portfolio.....			
			Rs. (450)	Rs. (225)	Rs. 225	Rs. 450	Foreign currency portfolio....	(241)	(121)	121	241
-----											
Total.....								Rs (691)	Rs. (346)	Rs. 346	Rs. 241

----- Based on our asset and liability position at year-end fiscal 2005, the sensitivity model shows that net interest income from the banking book for fiscal 2006 would rise by Rs. 691 million (US\$ 16 million) if interest rates increased by 100 basis points during fiscal 2006. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points during fiscal 2006, net interest income for fiscal 2006 would fall by an equivalent amount of Rs. 691 million (US\$ 16 million). Based on our asset and liability position at year-end fiscal 2004, the sensitivity model showed that net interest income for fiscal 2005 would have risen by Rs. 287 million (US\$ 7 million) if interest rates had increased by 100 basis points during fiscal 2005. Interest rate risk numbers at year-end fiscal 2004 and 2005 were low primarily due to the low duration of government securities portfolio maintained by us and the large proportion of floating rate loans in the housing loans. 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 2005 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 2006, assuming a parallel shift in yield curve. At March 31, 2005

		Change in interest rates (in basis points) -----								
		Portfolio Size (100)	(50)	50	100					
-----										
(in millions) Government of India securities..						Rs. 7,476	Rs. 24	Rs. 12	Rs. (12)	Rs. (23)
Corporate debt securities.....						1,067	46	23	(22)	(43)
Total.....						Rs. 8,543	Rs. 70	Rs. 35	Rs. (34)	Rs. (66)

----- At year-end fiscal 2005, the total value of our rupee fixed income trading portfolio was Rs. 8.5 billion (US\$ 195 million).

The sensitivity model shows that if interest rates increase by 100 basis points during fiscal 2006, the value of the trading portfolio would fall by Rs. 66 million (US\$ 1.5 million). Conversely, if interest rates fell by 100 basis points during fiscal 2006, under the model, the value of this portfolio would rise by Rs. 70 million (US\$ 1.6 million). At year-end fiscal 2004, the total value of rupee fixed income trading portfolio was Rs. 10.0 billion (US\$ 229 million). The sensitivity model showed that if interest rates had increased by 100 basis points during fiscal 2005, the value of the trading portfolio would have fallen by Rs. 767 million (US\$ 18 million). The decrease at year-end fiscal 2005 was primarily due to the decrease in the portfolio to Rs. 8.5 billion (US\$ 195 million) from Rs. 10.0 44

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billion (US\$ 229 million) at year-end fiscal 2004 and the significantly lower duration of the portfolio at year-end fiscal 2005 compared to year-end fiscal 2004. 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 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 - Reserve Bank of India Regulations - 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 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 liquidity 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. 334.9 billion (US\$ 7.7 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 investment in equity 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. A temporary decline in value is excluded from the income statement and reflected directly in the stockholders' 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 2005, the fair value of trading account equity securities was Rs. 2.8 billion (US\$ 64 million). The fair value of our available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.4 billion (US\$ 193 million), was Rs. 33.3 billion (US\$ 763 million) at year-end fiscal 2005. At year-end fiscal 2004, the fair value of trading equity securities was Rs. 1.0 billion (US\$ 23 million). The fair value of the available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.6 billion (US\$ 197 million), was Rs. 31.0 billion (US\$ 710 million) at year-end fiscal 2004. 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. 45

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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 been 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. All the options are maintained within the specified limits. 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. In addition, there is an open foreign exchange position limit to minimize exchange rate risk. 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 We are 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 or equipment, fraud, inadequate training and employee errors. We attempt 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 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. 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 been 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\$ 22,925) 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. Operational Controls and Procedures for Internet Banking In order to open an Internet banking account, the customer must provide us with documentation to prove the customer's identity, such as a copy of the customer's passport, a photograph and specimen signature of the customer. After verification of this documentation, we open the Internet banking account and issue the customer a user ID and password to access his account online. 46

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Operational Controls and Procedures in Regional Processing Centers & Central Processing Centers To improve customer service at our physical locations, we handle transaction processing centrally by taking away such operations from branches. We have 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, we have centralized transaction processing on a nation-wide 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 postdated checks 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 non-resident Indian accounts, opening of new bank accounts for customers who seek web brokering services and recovery of service charges for accounts for holding shares in book-entry form. Operational Controls and Procedures in Treasury 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 consist 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. 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 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. 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. Anti-money Laundering Controls The Indian Parliament passed the Prevention of Money Laundering Act in 2002. Effective July 1, 2005, the provisions of this Act (as subsequently amended) have come into force. The Reserve Bank of India issued detailed guidelines to the banks on Know Your Customer and Anti-Money Laundering in November 2004 which superseded the prior instructions and were based on the recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence for banks by the Basel Committee on Banking Supervision. Banks are required to comply with these Reserve Bank of India guidelines by December 31, 2005. Our board of directors approved a group anti-money laundering policy in January 2004, which established the standards of anti-money laundering compliance. The group anti-money laundering policy was revised in December 2004 in view of the requirements of the November 2004 Reserve Bank of India guidelines. The group anti-money laundering policy is applicable to all our activities. The anti-money laundering regulatory requirements for overseas units are required to be provided separately. Our anti-money laundering standards are primarily based on two pillars, namely, know your customer and monitoring/reporting of suspicious transactions. The group anti-money laundering 47

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policy specifies a risk-based approach in implementing the anti-money laundering framework. The strategic business units are required to undertake risk profiling of various customer segments and products, and classify them into high, medium and low-risk categories. The anti-money laundering framework seeks to institute a process of customer identification and verification depending on the nature or status of the customer and the type of transaction. In respect of unusual or suspicious transactions or when the customer moves from a low-risk to high-risk profile, appropriate enhanced due-diligence measures are required to be adopted. The policy also requires that reports of suspicious transactions be submitted to the regulatory and law enforcement authorities. The Audit Committee of our board of directors supervises the implementation of the anti-money laundering framework. A money laundering reporting officer has been designated to monitor the day-to-day implementation of the anti-money laundering policy and procedures. Our committee of directors has also approved a customer acceptance policy, product and customer-specific Know Your Customer procedures and appropriate transaction monitoring procedures. Suitable training programs on awareness of anti-money laundering are organized for the employees on a periodic basis. Global

risk management framework We have adopted a global risk management framework for our international banking operations, including overseas branches, offshore banking units and subsidiaries. Under this framework, our credit, investment, asset liability management and anti-money laundering policies apply to all our overseas branches and offshore banking units, with modifications to meet local regulatory or business requirements. These modifications may be made only with the approval of our board of directors. All overseas banking subsidiaries are required to adopt risk management policy frameworks to be approved by their board of directors or an appropriate committee of their board of directors, based on applicable laws and regulations as well as our corporate governance and risk management framework. The overseas banking subsidiaries are required to adopt a process for formulation of policies which involves seeking the guidance and recommendations of the related groups in ICICI Bank. The Compliance and Audit Group plays an oversight role in respect of regulatory compliance. Key risk indicators pertaining to our international banking operations are presented to the Risk Committee of our board of directors on a quarterly basis. Audit The Internal Audit Group, which is part of the Compliance and 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 audit plan for every fiscal year is approved by the Audit Committee of our board of directors. The Internal Audit Group also has a dedicated team responsible for information technology security audits. The annual audit plan covers various components of information technology including applications, databases, networks and operating systems. 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 a process of concurrent audits, using external accounting firms. Concurrent audits are also carried out at centralized and regional processing centers operations to ensure existence of and adherence to internal controls. The Internal Audit Group has formed a separate International Banking Audit Group for audit of international branches, representative offices and subsidiaries. Legal Risk We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. See "Risk Factors - Risks Relating to Our Business - We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and ADSs" and "- regulatory changes or enforcement initiatives in India or any of 48

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the jurisdictions in which we operate may adversely affect our business and the price of our equity shares and ADSs." Based on a review of litigations with legal counsel, management believes that the outcome of such matters will not have a material adverse effect on our financial position, results of operations or cashflows. Derivative Instruments Risk We enter into interest rate and currency derivative transactions primarily for the purpose of hedging interest rate and foreign exchange mismatches and also engage in trading of derivative instruments on our own account. We provide 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. Our derivative transactions are subject to counterparty risk to the extent particular obligors are unable to make payment on contracts when due. Risk management in key subsidiaries 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 Commitments Committee comprising the Managing Director and CEO and relevant group heads, of ICICI Securities. ICICI Securities is a primary dealer and has government of India securities as a significant proportion of its portfolio. It has a corporate risk management group for managing principally the credit and market risks arising out of the various activities of the company. ICICI Prudential Life Insurance is exposed to business risks arising out of the nature of products and underwriting, and market risk arising out of the investments made out of the corpus of premiums collected and the returns guaranteed to policyholders. ICICI Prudential Life Insurance believes it has a well-developed framework for assessing and managing these risks. We believe it has the largest team of underwriters among private sector insurance companies in India. The key risks and the risk management framework are periodically reviewed by the Risk Management and



Audit Committee of its board of directors. The Investment Committee oversees investment-related risk management by approving and reviewing the implementation of the investment policy within the norms stipulated by the Insurance Regulatory and Development Authority. ICICI Prudential Life Insurance has an asset-liability management framework for its investment related risks. At year -end fiscal 2005, linked insurance plans were 70% of the portfolio. These are exposed to low market risk as the returns are linked to the value of underlying investments. In order to manage the interest rate risk on the non-linked portfolio, ICICI Prudential Life Insurance has hedged the single premium non-participating portfolio by duration matching, re-balanced at monthly intervals. For the participating portfolio, ICICI Prudential Life Insurance has adopted an asset allocation strategy which includes investments in equities. The equity portfolio is benchmarked to a stock market index. ICICI Prudential Life Insurance follows a disciplined approach to portfolio construction to manage the volatility of equity investments and achieve superior equity asset class returns over the long term. The portfolio largely comprises index stocks and is constructed with small limits for sector and stock deviation vis-a-vis index stock weights. In addition, there are limits on exposures to companies, groups and industries. ICICI Lombard General Insurance is principally exposed to risks arising out of the nature of business underwritten and credit risk on its investment portfolio. In respect of business risk, ICICI Lombard General Insurance seeks to diversify its insurance portfolio across industry sectors and geographical regions. It focuses on product segments that have historically experienced low loss ratios. It also has the ability to reduce the risk retained on its own balance sheet by re-insuring a part of the risks underwritten. Its investments are governed by the investment policy approved by its board of directors within the norms stipulated by the Insurance Regulatory and Development Authority. The Investment Committee oversees the implementation of this policy and reviews it periodically. Exposure to any single entity is normally restricted to 5.0% of the portfolio and to any industry to 10.0% of the portfolio. Investments in debt instruments are generally restricted to instruments with a domestic credit rating of AA or higher. 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 March 31, 2005 and concluded that, as of the date of their evaluation, ICICI Bank's 49

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 during the fiscal year ended March 31, 2005, 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. 1,075.8 billion (US\$ 24.7 billion) at year-end fiscal 2005, an increase of 35.3% over the gross loan portfolio of Rs. 795.3 billion (US\$ 18.2 billion) at year-end fiscal 2004. At year-end fiscal 2004, the gross loan portfolio increased 16.2% to Rs. 795.3 billion (US\$ 18.2 billion) as compared to the gross loan portfolio of Rs. 684.6 billion (US\$ 15.7 billion) at year-end fiscal 2003. At year-end fiscal 2005, approximately 86.1% of our gross loans were rupee loans. At year-end fiscal 2005, our balance outstanding in respect of loans outside India was Rs. 87.1 billion (US\$ 2.0 billion), representing approximately 8.1% of our total gross loan portfolio. 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)

	2001	2002	2003	2004	2005
(in millions) Wholesale banking(2)					
Rupee.....	410,556	385,143	316,801	326,946	428,782
Foreign currency.....	269,953	6,189	82,530	68,488	88,113
US\$	7,495	72,133	56,993	1,307	342,068
Rupee.....	44,442	42,225	74,422	80,505	135,573
Foreign currency.....	1,850	2,282	4,330	17,237	71,311
US\$	1,635	39,943	70,092	63,268	64,262
Rupee.....	17,862	16,015	13,353	306	306
Foreign currency.....	1,483	1,453	-	-	-
US\$	27,106	72,789	188,254	311,907	531,226

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12,178	Rupee	27,106	72,789	188,254	311,690	528,592	12,118	Foreign currency	- - -
217	2,634	60	Other(4)	12,457	10,346	18,959	70,059	68,660	1,574
									Rupee
									39,563
									83,135
									18,959
									70,044
									50,259
									1,152
									Foreign currency
									- - -
									15
									18,401
									422
									Gross loans
									Rupee
									549,195
									488,025
									592,197
									705,685
									926,420
									21,238
									Foreign currency
									85,863
									72,223
									92,443
									89,602
									149,338
									3,424
									Total gross loans
									635,058
									560,248
									684,640
									795,287
									1,075,758
									24,662
									Allowance for loan losses
									(33,035)
									(36,647)
									(54,219)
									(66,767)
									(75,900)
									(1,740)
									Net loans
									Rs. 602,023
									Rs. 523,601
									Rs. 630,421
									Rs. 728,520
									Rs. 999,858
									US\$ 22,922

===== (1)  
 Data for fiscal 2003, 2004 and 2005 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. (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 bills discounted and inter-corporate deposits. 50

Our gross consumer loans and credit card receivables increased from Rs. 311.9 billion (US\$ 7.2 billion), constituting 39.2% of our gross loans at year-end fiscal 2004 to Rs. 531.2 billion (US\$ 12.2 billion), constituting 49.4% of our gross loans at year-end fiscal 2005. Our gross foreign currency loans increased from Rs. 89.6 billion (US\$ 2.1 billion), constituting 11.3% of our total gross loans at year-end fiscal 2004 to Rs. 149.3 billion (US\$ 3.4 billion), constituting 13.9% of our total gross loans at year-end fiscal 2005. 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, including home loans, automobile loans, two wheeler loans, commercial business loans, personal loans and credit card receivables and agricultural financing. In general, our loans are over-collateralized. In India, there are no regulations stipulating loan-to-collateral limits. 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 Companies Act when our clients are constituted as companies. This registration amounts to a constructive public notice to other business entities. We may also take security of a pledge of financial assets like marketable securities, and obtain corporate guarantees and personal guarantees wherever appropriate. 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, or obtain corporate guarantees and personal guarantees wherever appropriate. A substantial portion of our loans to retail customers is also secured by a first and exclusive lien on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. Separately, in India, foreclosure on collateral of property generally requires a written petition to an Indian court or tribunal based on amounts sought to be recovered. 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 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, as amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security including over immovable property and recovery of dues, without reference to the courts or tribunals. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks". In case of consumer loans, we obtain post-dated checks towards repayment on pre-specified dates, which if dishonored entitle us to initiate criminal proceedings against the issuer of the checks. 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 regularly monitor the cash flows of our working capital loan customers 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. 51

**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 Management 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 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. With effect from June 1, 2004, banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., 20.0% of capital funds for an individual borrower and 45.0% of capital funds for a group of companies under same management), making appropriate disclosures in their annual reports. Exposure for funded facilities is calculated as the total committed credit and investment sanctions 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 100.0% of the committed amount or the outstanding non-funded amount whichever is higher. At year-end fiscal 2005, ICICI Bank was in compliance with these guidelines. 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)

	2001	2002	2003	2004
2005	(in millions, except percentages)			
Consumer loans and credit and receivables.....	Rs. 27,106 4.3%	Rs. 72,789 13.0%	Rs. 188,254 27.5%	Rs.311,907 39.2%
Iron and steel....	70,547 11.1	71,272 12.7	72,473 10.6	62,354 7.8
Crude petroleum and petroleum refining.....	54,822 8.6	32,099 5.7	24,556 3.6	20,807 2.6
Services.....	74,425 11.7	47,676 8.5	45,443 6.6	33,435 4.2
Textiles.....	43,579 9.9	4.1	47,052 7.4	40,867 7.3
Power.....	40,279 5.9	29,941 3.8	31,214 7.16	2.9
Telecom.....	66,368 10.5	61,159 10.9	56,091 8.2	45,199 5.7
Transport Equipment.....	31,062 7.12	2.9	20,244 3.2	25,547 4.6
Electronics.....	27,458 4.0	27,919 3.5	19,757 4.53	1.8
Non-ferrous metals	19,613 3.1	13,086 2.3	12,872 1.9	13,068 1.6
Other (2).....	14,114 3.24	1.3	4,473 0.7	6,536 1.2
	6,868 1.0	5,392 0.7	13,865 3.18	1.3
	235,376 37.0	171,400 30.6	189,624 27.7	227,026 28.60
	275,360	25.6		
	Gross loans..... Rs			
	635,058 100.0%	Rs.560,248 100.0%	Rs. 684,640 100.0%	Rs.795,287 100.0%
==== Allowance for loan losses.....	(33,035)	(36,647)	(54,219)	(66,767)
	(75,900)	(1,740)		
	Net loans..... Rs.602,023 Rs.523,601 Rs. 630,421 Rs.728,520 Rs. 999,858			
	US\$ 22,922			

Data for fiscal years 2003, 2004 and 2005 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. (2) Others principally include basic chemicals, fertilizers and pesticides, transportation, paper and paper products, electrical equipment, food products, petrochemicals, man-made fibres, machinery, sugar, plastics, non-ferrous metals, drugs, mining, rubber and rubber products, shipping, agriculture, construction, printing, mineral products, glass and glass products, watches, healthcare, gems and jewelry, leather, cement and wood products industries. Our gross loan portfolio at year-end fiscal 2005 increased by 35.3% compared to the gross loan portfolio at year-end fiscal 2004. The largest increase was in consumer loans and credit card receivables, which constituted 49.4% of gross loans at year-end fiscal 2005 compared to 39.2% at year-end fiscal 2004 and 27.5% at year-end 52

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fiscal 2003. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 5.2% at year-end fiscal 2005 compared to 7.8% at year-end fiscal 2004. Our gross loans to the crude petroleum and petroleum refining sector as a percentage of gross loans increased to 4.2% at year-end fiscal 2005 compared to 2.6% at year-end fiscal 2004. Consumer loans and credit card receivables accounted for 12.1% of our gross other impaired loans at year-end fiscal 2005. The iron and steel sector accounted for 7.4% of our gross restructured loans and 4.6% of our gross other impaired loans at year-end fiscal 2005. The power sector accounted for 1.8% of our gross restructured loans and 42.0% of our gross other impaired loans at year-end fiscal 2005. See also "-Impaired Loans". At year-end fiscal 2005, our 20 largest borrowers accounted for approximately 13.7% of our gross loan portfolio (gross of unearned income and security deposits), 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 3.5% of our gross loan portfolio. Geographic Diversity Our portfolios were geographically diversified throughout India, primarily reflecting the location of our corporate borrowers. The state of Maharashtra, which is the most industrialized state in India, accounted for the largest proportion of our gross loans outstanding at year-end fiscal 2005. 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. The agricultural sector is further bifurcated into direct finance to agriculture which mainly includes short-term crop loans and medium and long term loans provided directly to farmers for financing production and development needs and indirect finance to agriculture which mainly includes financing the distribution of fertilisers, pesticides, seeds, etc, financing distribution of inputs for the allied activities such as, cattle feed, poultry feed, etc. and various other specified categories. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector (including direct agriculture and indirect agriculture) and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit of Rs. 10 million on investment in plant and machinery, and an investment limit of Rs. 50 million in respect of certain specified items), 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. To ensure focus of the banks on the direct agricultural advances Reserve bank of India has stipulated that the lending under the indirect category should not exceed one-fourth of the agricultural sub-target of 18%, therefore banks are necessarily required to lend 13.5% of their net bank credit to the direct agricultural sector. 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 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. 53

At year-end fiscal 2005, our priority sector loans were Rs. 191.1 billion (US\$ 4.4 billion), constituting 54.5% of our residual net bank credit against the requirement of 50.0%. The following table sets forth our priority sector loans, classified by the type of borrower, at year-end fiscal 2005. % of residual net bank credit At March 31, at March 31,

	2005	2005	2005				
							(in millions, except percentages)
Small scale industries.....	Rs. 2,334	US\$ 54	0.7%	Others including small businesses..	121,100	2,776	34.5
Agricultural sector (1).....	67,632	1,550	19.3	Total.....	Rs.191,066	US\$ 4,380	54.5%

(1) Includes direct agriculture Rs. 45.88 billion constituting 13.1% of our residual net bank credit against the requirement of 13.5%. 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 2005, our export credit was Rs. 6.4 billion (US\$ 147 million), constituting 1.8% 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 2005, our housing finance qualifying as priority sector advances was Rs. 111.9 billion (US\$ 2.6 billion) and was well above the minimum requirement prescribed by the Reserve Bank of India. Loan Pricing As required by the Reserve Bank of India's guidelines and the advice issued by the Indian Banks' Association, effective January 1, 2004, we price our loans (other than fixed rate loans and certain categories of loans to individuals and agencies specified by the Indian Banks' Association, including among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities) with reference to a benchmark prime lending rate, called the ICICI Bank Benchmark Advance Rate. The Asset Liability Management Committee of our board of directors fixes the ICICI Bank Benchmark Advance Rate based on cost of funds, cost of operations and credit charge as well as yield curve factors, such as interest rate and inflation expectations, as well as market demand for loans of a certain term and our cost of funds. The ICICI Benchmark Advance Rate is 11.00% p.a. payable monthly, effective February 09, 2005. The lending rates comprise ICICI Benchmark Advance Rate, term premium and transaction-specific credit and other charges. 54

Impaired Loans The following discussion on impaired loans is based on US GAAP. For classification of impaired loans under Indian regulatory requirements, see "Supervision and Regulation - Reserve Bank of India Regulations - Loan Loss Provisions and Non-Performing Assets". Impact of Economic Environment on the Industrial Sector In 1991, India commenced a program of industrial liberalization involving, among other things, the abolition of

industrial licensing, reduction in import tariff barriers and greater access for foreign companies to the Indian markets. In the period following the opening up of the economy, a number of Indian companies commenced large projects in expectation of growth in demand in India. These projects generally had relatively high levels of debt relative to equity, given the inadequate depth in the equity capital markets in India at that time. However, the negative trends in the global marketplace in the late 1990s, particularly the South-east Asian economic crisis, a downturn in the commodities markets and recessionary conditions in various economies impaired the operating environment for the Indian industrial sector. The manufacturing sector was also impacted by increased competition arising from economic liberalization in India and volatility in industrial demand and growth. These factors led to stress on the operating performance of Indian corporations in certain sectors 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 have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favorable impact on the operations of corporations in several sectors.

**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. We conduct a comprehensive analysis of our corporate loan portfolio on a periodic basis for identification of impaired loans and determination of the allowance required for loan losses. 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 a substantial portion of the corporate loan portfolio. Corporate loans with an outstanding amount of greater than Rs. 100 million are selected across risk grades (generally adversely graded accounts) for a detailed review. In addition to the detailed review of large balance loans, we also classify our portfolio based on the overdue status of each account, after which we classify a loan as impaired if principal or interest has remained overdue for more than 90 days. Generally, when 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 had 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 normally 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 accrual status after a performance period. Consumer loans are classified by aggregating individual loans into various product categories. Total outstanding loans in a product category are then classified into time buckets based on ageing, that is, the number of days overdue. Consumer loans are generally identified as impaired when principal or interest has remained overdue for more than 90 days. Consumer loans when identified as impaired are placed on non-accrual status. 55

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The value of impaired corporate loans is measured as 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. We make allowances for our smaller balance homogeneous consumer loans by aggregating individual loans into various product categories. Total outstanding loans in a product category are then classified into time buckets based on ageing, that is, the number of days overdue. We establish an aggregate allowance for loan losses on our smaller-balance homogenous consumer loans (impaired and non-impaired loans) based on our estimate of probable losses inherent in the time buckets identified for each of the product categories. Our gross restructured loans

decreased 7.9% to Rs. 149.5 billion (US\$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US\$ 3.7 billion) at year-end fiscal 2004. Our gross restructured loans represented 13.9% of our gross loan portfolio at year-end fiscal 2005 and 20.4% of our gross loan portfolio at year-end fiscal 2004. This was primarily due to reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of certain loans to companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year. Gross other impaired loans decreased 40.9% to Rs. 29.7 billion (US\$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US\$ 1.2 billion) at year-end fiscal 2004. Our gross other impaired loans represented 2.8% of our gross loan portfolio at year-end fiscal 2005 and 6.3% of our gross loan portfolio at year-end fiscal 2004. This was primarily due to reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, as restructured loans, and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts. See also "-- Impact of Economic Environment on the Industrial Sector". As a percentage of net loans, net restructured loans were 9.6% at year-end fiscal 2005 compared to 16.7% at year-end fiscal 2004 and net other impaired loans were 1.4% at year-end fiscal 2005 compared to 3.9% at year-end fiscal 2004. During fiscal 2005, we transferred gross impaired loans of Rs. 24.5 billion (US\$ 562 million) to Asset Reconstruction Company (India) Limited (See "Overview of the Indian Financial Sector - Reserve Bank of India Regulations - Legislative Framework for Recovery of Debts due to Banks" and "Supervision and Regulation - Recent Structural Reforms - Regulations Relating to Sale of Assets to Asset Reconstruction Companies"), substantially none of which was recognized as a sale in our US GAAP financial statements. These loans were included in our restructured loans. The following table sets forth, at the dates indicated, our gross restructured rupee and foreign currency loan portfolio by business category. At March 31, -----

	2001	2002	2003	2004	2005
(in millions, except percentages)					
Wholesale banking(1).....	Rs. 37,726	Rs. 84,048	Rs. 135,421	Rs.149,724	Rs. 140,866
US\$	3,229				
Rupee.....	25,190				
Foreign currency.....	12,536	24,031	52,347	34,462	23,398
Working capital finance... 818	5,283	11,084	11,525	8,393	192
Rupee.....	818	5,283	11,084	11,525	8,393
Foreign currency.....	5,137	5,652	886	1,149	259
Leasing and related activities(2).....	5,137	5,652	886	1,149	259
Rupee.....	5,137	5,652	886	1,149	259
Foreign currency.....	-	-	-	-	-
Other(3).....	-	-	-	-	-
Rupee.....	-	-	-	-	-
Foreign currency.....	-	-	-	-	-
Total restructured loans Rupee.....	31,145	71,057	95,044	127,937	126,120
Foreign currency.....	12,536	24,031	52,347	34,462	23,398
Gross restructured loans..	43,681	95,088	147,391	162,398	149,518
Allowance for loan losses.....	(11,372)	(17,722)	(24,732)	(40,981)	(53,929)
Net restructured loans....	Rs. 32,309	Rs. 77,366	Rs. 122,659	Rs.121,417	Rs. 95,589
US\$	2,192				
Gross loan assets.....	Rs.635,058	560,248	684,640	Rs.795,287	1,075,758
US\$	24,662				
Net loan assets(4).....	602,023				
	523,601	630,421	728,520	999,858	22,922

Gross restructured loans as a percentage of gross loan assets..... 6.88% 16.97% 21.53% 20.42% 13.90% Net restructured loans as a percentage of net loan assets..... 5.37% 14.78% 19.45% 16.67% 9.56% ----- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities. (2) Includes leasing and hire purchase. (3) Other includes consumer loans and credit card receivables, bills discounted and inter-corporate deposits. (4) Net of provisions including unallocated provisions on lending assets not specifically identified as restructured loans or other impaired loans. 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, -----

	2001	2002	2003	2004	2005
(in millions, except percentages)					
Wholesale banking(1).....	Rs. 39,430	Rs. 48,093	Rs. 67,906	Rs. 42,842	Rs. 21,959
US\$	503				
Rupee.....	23,514	32,847			
Foreign currency.....	15,916	15,246	17,042	7,897	4,077
Working capital finance... 1,234	1,699	11,907	2,978	1,868	43
Rupee.....	1,234	1,699	11,907	2,978	1,868
Foreign currency.....	-	-	-	-	-

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-- Leasing and related activities(2).....	899	731	1,550	746	446	10	Rupee.....	899	731	1,550	746	446	10					
Foreign currency.....	-	-	-	-	-	-	Other(3).....	181	231	1,793	3,672	5,440	125					
3,672	5,440	125	Foreign currency.....	-	-	-	-	Total other impaired loans	Rupee.....	25,828	35,508	66,114	42,341					
25,636	588	Foreign currency.....	15,916	15,246	17,042	7,897	4,077	93										
-----																		
Gross other impaired loans.....													41,744	50,754				
83,156	50,238	29,713	681	Allowance for loan losses.....	(21,663)	(17,567)	(27,837)	(21,474)	(15,517)	(356)								
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Net other impaired loans..													Rs. 20,081	Rs. 33,187	Rs. 55,319	Rs. 28,764	Rs. 14,196	US\$ 325

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 loan assets..... RS.635,058 Rs. 560,248 Rs. 684,640 Rs.795,287 Rs.1,075,758 US\$ 24,662 Net loan assets(4).....  
 602,023 523,601 630,421 728,520 999,858 22,922 Gross other impaired loans as a percentage of gross loan  
 assets..... 6.57% 9.06% 12.15% 6.32% 2.76% Net other impaired loans as a percentage of net loan assets.....  
 3.34% 6.34% 8.77% 3.95% 1.42% ----- (1) Includes project finance, corporate finance and receivables financing,  
 excluding leasing and related activities. (2) Includes leasing and hire purchase. (3) Other includes consumer loans and  
 credit card receivables, bills discounted and inter-corporate deposits. (4) Net of provisions including unallocated  
 provisions on lending assets not specifically identified as restructured loans or other impaired loans. 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. 57

At March 31, -----	2001	2002	2003	2004	2005	-----	(in				
millions, except percentages)	Crude petroleum and refining...	Rs. 50	0.1%	Rs. 15	0.0%	Rs. 13	0.0%	Rs. 17,462	10.8%		
Rs. 24,609	US\$ 564	16.5%	Textiles.....	12,437	28.5	21,468	22.6	15,660	10.6		
16,356	10.1	14,874	341	9.9	Telecom.....	-	-	3,968	2.7		
8,674	5.3	12,639	290	8.5	Iron and steel ..	7,270	16.6	18,013	18.9		
52,295	35.5	31,839	19.6	11,102	255	7.4	Cement.....	888	2.0		
3,454	3.6	10,102	6.9	7,447	4.6	9,454	217	6.3	Transport equipment.....	418	
1.0	5,857	6.2	7,219	4.9	7,282	4.5	7,672	176	5.1	Metal products.....	761
1.7	636	0.7	1,030	0.7	6,210	3.8	6,564	150	4.4	Fertilizers and pesticides.....	141
0.3	3,695	3.9	3,168	2.1	6,308	3.9	5,933	136	4.0	Electronics.....	854
2.0	899	0.9	5,555	3.8	5,855	3.6	5,135	118	3.4	Petrochemicals...	937
2.1	853	0.9	3,793	2.6	2,685	1.7	4,739	109	3.2	Man-made fibers..	4,561
10.4	5,759	6.1	4,641	3.1	4,297	2.6	4,032	92	2.7	Machinery.....	902
2.1	1,336	1.4	3,773	2.6	3,674	2.3	3,759	86	2.5	Plastics.....	2,586
5.9	2,738	2.9	4,829	3.3	3,471	2.1	3,581	82	2.4	Services .....	1,605
3.7	2,710	2.8	4,589	3.1	2,915	1.8	3,561	82	2.4	Sugar.....	446
1.0	2,859	3.0	4,250	2.9	4,678	2.9	3,451	79	2.3	Power.....	2,278
5.2	915	0.9	1,229	0.9	1,284	0.8	2,694	62	1.8	Electrical equipment.....	1,035
2.4	1,713	1.8	1,086	0.7	1,957	1.2	2,499	57	1.7	Basic chemicals.....	1,306
3.0	1,991	2.1	1,983	1.3	2,886	1.8	2,209	51	1.5	Drugs.....	27
0.1	189	0.2	356	0.2	2,276	1.4	2,026	46	1.4	Paper and paper products.	2,211
5.1	6,076	6.4	5,669	3.8	6,971	4.3	1,953	45	1.3	Rubber and rubber products.....	169
0.4	460	0.5	449	0.3	500	0.3	640	15	0.4	Food products.....	707
1.6	434	0.5	550	0.4	589	0.4	367	8	0.2	Non-ferrous metals.....	180
0.4	1,337	1.4	1,164	0.8	1,144	0.7	124	3	0.1	Tea.....	-
-	299	0.3	375	0.3	951	0.6	120	3	0.1	Others (1) .....	1,912
4.4	11,382	12.0	9,645	6.5	14,687	9.0	15,782	362	10.6		

-----	Gross restructured
loans.....	Rs.43,681 100.0% Rs. 95,088 100.0% Rs.147,391 100.0% Rs.162,398 100.0% Rs.149,518 US\$3,428
100.0%	===== Aggregate allowance for loan losses.....
(11,372)	(17,722) (24,732)
(40,981)	(53,929) (1,236) -----
-----	Net restructured loans .....
Rs.32,309	
Rs. 77,366	Rs.122,659 Rs.121,417 Rs. 95,589 US\$2,192
=====	

----- (1) Others principally include ports, non-bank finance companies, construction, shipping, wood, glass, computer software, vegetable oil, health care, agriculture, infrastructure, fishing, real estate, floriculture, printing, leather, other chemicals, mining and mineral product. 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,

----- 2001 2002 2003 2004



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2005 ----- (in millions, except percentages) Power ..... Rs. - -% Rs. 6,009 11.9% Rs. 17,733 21.3% Rs. 11,890 23.7% Rs. 12,483 US\$ 286 42.0% Consumer loans & credit card receivables..... 32 0.1 191 0.4 1,402 1.7 3,566 7.1 5,449 125 18.3 Basic chemicals . 2,075 5.0 4,412 8.7 4,624 5.6 3,021 6.0 1,659 38 5.6 Iron and steel .. 5,894 14.1 5,899 11.6 8,481 10.2 5,632 11.2 1,366 31 4.6 Electrical equipment..... 1,652 4.0 2,008 4.0 3,178 3.8 1,873 3.7 962 22 3.2 Food products ... 2,415 5.8 1,389 2.8 1,323 1.6 1,126 2.2 734 17 2.5 Textiles..... 6,041 14.5 4,250 8.4 4,964 6.0 2,351 4.7 707 16 2.4 Transport equipment..... 761 1.8 715 1.4 790 1.0 1,784 3.6 669 15 2.3 58

Electronics..... 1,456 3.5 1,281 2.5 2,166 2.6 1,456 2.9 616 14 2.1 Paper and paper products..... 2,456 5.9 2,199 4.3 1,582 1.9 950 1.9 495 11 1.7 Construction..... 612 1.4 510 1.0 1,202 1.5 1,160 2.3 363 8 1.2 Services ..... 1,324 3.2 416 0.8 2,255 2.7 1,873 3.7 347 8 1.2 Plastics ..... 1,280 3.1 1,137 2.2 1,142 1.4 684 1.4 321 7 1.1 Metal products .. 2,970 7.1 2,628 5.2 7,003 8.4 1,124 2.2 230 5 0.8 Non-ferrous metals..... 503 1.2 447 0.9 447 0.5 253 0.5 222 5 0.7 Man-made fibers . 2,129 5.1 1,802 3.6 1,661 2.0 884 1.8 199 5 0.7 Other chemicals 45 0.1 92 0.2 357 0.4 259 0.5 193 4 0.6 Cement ..... 1,972 4.7 1,287 2.5 1,779 2.1 870 1.7 165 4 0.6 Machinery ..... 919 2.2 2,596 5.1 1,759 2.1 1,235 2.5 112 3 0.4 Rubber and rubber products..... 335 0.8 328 0.6 328 0.4 288 0.6 94 2 0.3 Drugs..... 2,401 5.7 2,544 5.0 2,588 3.2 412 0.8 82 2 0.3 Petrochemicals... 86 0.2 3,440 6.8 4,029 4.8 3,651 7.3 59 1 0.1 Fertilizers and pesticides.. 193 0.5 163 0.3 3,282 3.9 71 0.1 42 1 0.1 Sugar..... 1,461 3.5 722 1.4 1,262 1.5 70 0.1 8 - 0.0 Others (1)..... 2,732 6.5 4,289 8.4 7,819 9.4 3,755 7.5 2135 49 7.2

----- Gross other impaired loans..... Rs.41,744 100.0% Rs. 50,754 100.0% Rs. 83,156 100.0% Rs. 50,238 100.0% Rs. 29,713 US\$ 681 100.0% ===== Aggregate allowance for loan losses..... (21,663) (17,567) (27,837) (21,474) (15,517) (356) ----- Net other impaired loans...Rs. 20,081 Rs. 33,187 Rs. 55,319 Rs. 28,764 Rs. 14,196 US\$ 325 =====

----- (1) Includes clocks, gems & jewelry, shipping, agriculture, road, wood, fishing, trade, non-bank finance companies, computer software, leather, vegetable oil, health care, printing, crude petroleum and refining, glass, mineral product and mining. The largest proportion of our restructured and other impaired loans was to the crude petroleum and refining, textiles, telecom and power industries. There is a risk that restructured and other impaired loans in each of these and other sectors could increase if Indian economic conditions deteriorate, there is a negative trend in global commodity prices or projects under implementation are unable to achieve profitable commercial operations. Crude petroleum and refining. At year-end fiscal 2005, we had classified 54.5% of our total loans to the crude petroleum and refining sector as restructured loans. Restructured loans include loans to a large private sector refinery project, the implementation of which was delayed due to natural calamities and other factors, resulting in an overrun in the cost of the project compared to the original appraised cost. The Corporate Debt Restructuring Forum has approved the restructuring of this project. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Corporate Debt Restructuring Forum". 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, the small economic size and unviable capacity of several textile units and competitive pressures from other low cost textile producing countries. A substantial portion of our loans to this sector has been classified as impaired. At year-end fiscal 2005, we had classified 47.7% of our gross loans in this sector as restructured loans and 2.3% as other impaired loans. Telecommunications. At year-end fiscal 2005, we had classified 64.0% of our gross loans in this sector as restructured loans. Our restructured loans in this sector mainly include loans to a specific group of companies that have been restructured under the Corporate Debt Restructuring Forum. Power. At year-end fiscal 2005, we classified 8.7% of our total loans to the power sector as restructured loans and 40.2% as other impaired loans. Other impaired loans primarily include loans to a large private sector power generation project in the state of Maharashtra, the implementation of which was suspended on account of a dispute between the power project and the purchaser, the state electricity board. By consent of the parties, the High Court of Judicature at Bombay has allowed the sale of the assets of the project to a newly constituted company and ordered the distribution of the sale proceeds amongst the secured lenders to the project, including us. 59

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. Interest foregone (in billions) ----- Fiscal 2001.....Rs. 14.3 US\$ 0.3 Fiscal

2002..... 16.1 0.4 Fiscal 2003..... 17.9 0.4 Fiscal

2004..... 12.9 0.3 Fiscal 2005..... 10.9 0.3 During fiscal 2005,

interest income of Rs. 6.4 billion (US\$ 147 million) was recognized on impaired loans on a cash basis. Impaired Loans Strategy We place great emphasis on recovery and settlement of our stressed asset portfolio and impaired loans. 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; 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 work closely with other banks and financial institutions and use outside experts and specialized agencies for due diligence, valuation and legal advice to expedite early resolution. We also seek to leverage our corporate relationships to facilitate quicker resolution of impaired loans. 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 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, movement in our allowances for loan losses. 60

At March 31, -----	2001	2002	2003	2004	2005
----- (in millions) Aggregate allowance for loan losses at the beginning of the year.....	Rs. 34,085	Rs. 33,035	Rs. 36,647	Rs. 54,219	Rs. 66,767 US\$ 1,531
Less: Effect of deconsolidation of subsidiary on allowance for loan losses.....	(747)	- - - -	- - - -	- - - -	- - - -
Add: Effect of reverse acquisition on allowance for loan losses.....	- -	1,297	- - -	- - -	- - -
Add: Provisions for loan losses Wholesale banking(1).....	9,097	9,069	16,601	18,940	14,011 321
Working capital finance.....	479	513	2,237	77	(560) (13)
Leasing and related activities (2).....	249	6	231	(48)	348 8
Others (3).....	67	155	580	1,086	878 20
Total provisions for loan losses, net of releases of provisions as a result of cash collections.....	Rs. 9,892	Rs. 9,743	Rs. 19,649	Rs. 20,055	Rs. 14,677 US\$ 336
Loans charged-off.....	(10,195)	(6,131)	(3,374)	(7,507)	(5,544) (127)
----- Aggregate allowance for loan losses at the end of the year.....	Rs. 33,035	Rs. 36,647	Rs. 54,219	Rs. 66,767	Rs. 75,900 US\$ 1,740
Ratio of net provisions for loan losses during the period to average loans outstanding....	1.7%	1.6%	3.2%	3.0%	1.8% -----

(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 consumer loans and credit card receivables, bills discounted and

inter-corporate deposits. 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 corporate 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 - Critical Accounting Policies - Allowances for Loan Losses." 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. Our restructured and other impaired loan portfolio largely includes project finance and other term loans. These loans are generally fully secured and have full recourse to the borrower. In most cases other than working capital finance, 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. In respect of working capital finance loans, we have a security interest and first lien on all current assets and a second lien on all fixed 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. ICICI typically lent between 60.0% and 80.0% of the appraised value of the collateral. Hence, these loans have historically been sufficiently over-collateralized so that once collateral is realized we recover a substantial amount of our loan outstanding. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We maintain the impaired assets on our books for as long as the enforcement process is ongoing. Accordingly, an impaired asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than US banks under similar circumstances. While determining the allowance for loan losses we consider the time taken for realizing the collateral. Hence, while impaired loans may continue for a longer time in our portfolio we believe our allowance for loan losses on such loans is adequate. In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks". Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans, is individually evaluated for impairment. We establish an aggregate allowance for loan losses on our smaller balance homogenous (impaired and non-impaired loans) 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. For restructured and other impaired loans in excess of Rs. 100 million (US\$ 2 million), which were 88.8% of our gross restructured and other impaired loan portfolio at March 31, 2005, 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. 61

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**Settlement Cases** In settlement cases allowances are calculated as per the scheme of settlement on an individual basis. **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. **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 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 and Other Loans 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, 2005 ----- Percentage expected to be Impaired Gross

	Rs.	Percentage	Rs.	Percentage
101,713 Settlement cases.....	355	64.8	230	65.2
Non-enforcement BIFR cases.....	1,356	39.1	530	35.4
----- Total.....	Rs. 179,231	61.3%	Rs. 109,785	=====

----- We believe that the process for ascertaining allowance for loan losses described above adequately captures the known losses on our entire loan portfolio. We believe that our allowance for loan losses is adequate to cover all known losses in our portfolio. Subsidiaries and Affiliates Prior to the amalgamation, ICICI Bank had no subsidiaries. As we are the surviving legal entity in the amalgamation, the subsidiaries and affiliates of ICICI have become our subsidiaries and affiliates. The following table sets forth, for the period indicated, certain information relating to our direct subsidiaries and affiliates at year-end fiscal 2005. 62

Shareholding Total Stockholders' by ICICI Bank income equity Assets at Year of and direct in fiscal at March March 31, Name formation Activities subsidiaries 2005(1) 31, 2005(1) 2005(1)

	Rs.	Percentage	Rs.	Percentage
ICICI Securities February Investment banking	99.9%	Rs. 2,059	Rs. 4,600	Rs. 14,524
Limited(2) 1993 activities ICICI Venture Funds January Venture capital	100.0	733	354	464
management Company Limited ICICI Prudential Life July 2000 Life insurance	74.0	6,650	3,434	45,452
Company Limited(3) ICICI Lombard October 2000 General insurance	74.0	3,301	2,367	8,178
Company Limited(3) ICICI Home May Home and property	100.0	2,424	1,729	30,875
Company Limited marketing ICICI International January Offshore fund	100.0	5	23	26
ICICI Trusteeship April Trusteeship services	100.0	1	2	Services Limited 1999 - ICICI Investment March Investment management
100.0	7	118	123	Management 2000 Company Limited ICICI Bank UK February 2003 Commercial banking
100.0	833	4,249	43,444	Limited ICICI Bank Canada September 2003 Commercial banking
100.0	111	523	7,659	ICICI Distribution Finance October 1996 Consumer credit
100.0	50	539	630	Private Limited(4) financing Prudential ICICI June Investment manager
45.0	1,020	921	1,104	Asset Management 1993 for Prudential Company Limited(5) Mutual Fund Prudential ICICI June Trustee company for
44.8	4	9	11	Trust Limited(5) 1993 mutual fund

----- (1) All financial information is in accordance with US GAAP. (2) Consolidated. (3) The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were not consolidated under US GAAP in fiscal 2004 and fiscal 2005, due to substantive participative rights retained by the minority shareholders, and have been accounted for by the equity method. (4) Acquired by us in fiscal 2004. Subsequent to year-end fiscal 2005, the company merged with ICICI Home Finance Company Limited. (5) Subsequent to year-end fiscal 2005, ICICI Bank acquired additional 6.0% from Prudential plc in August 2005, taking ICICI Bank's shareholding to 51%. The following table sets forth, for the period indicated, information on other significant entities required to be consolidated

in our financial statements for fiscal 2005 under US GAAP. 63

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----- Shareholding  
by ICICI Bank and venture capital funds Stockholders' or trusts to Total equity/net which ICICI Bank income in assets  
at Assets at Date of was a majority fiscal March 31, March 31, Name formation Activities contributory 2005(1)  
2005(1) 2005(1)

----- (in millions,  
except percentages) 3i Infotech October Software consulting and 92.5%(4) Rs. 2,553 Rs. 1,350 Rs. 5,149  
Limited(2)(3) 1993 development and information (Formerly ICICI technology. Infotech Limited) ICICI Web Trade  
December Internet-based brokering 100.0 1,586 473 4,950 Limited(2)(3) 1999 services. ICICI OneSource December  
Business process outsourcing 99.6(5) 3,235 1,959 5,825 Limited(2)(3) 2001 and call center services. ICICI Equity  
March Investment in equity and 100.0 1,072 4,570 4,721 Fund 2000 equity-linked securities of mid sized Indian  
companies. ICICI Emerging September Investment in mid-sized and 98.9 55 3,838 3,864 Sector Fund 2002 early  
stage companies across sectors. ICICI Strategic February Mid-sized growth companies for 100.0 71 6,119 6,120  
Investments 2003 funding capacity expansion and Fund growth. ICICI Eco-Net December Investment in equity or  
92.0 (8) 723 723 Internet & 2000 equity-linked securities of Technology Fund early stage, unlisted internet and  
technology companies. ----- (1) All financial information is in accordance with US GAAP. (2) Consolidated. (3)  
Prior to the amalgamation, ICICI's entire interest in ICICI Web Trade Limited and majority interest in 3i Infotech  
Limited were transferred to ICICI Information Technology Fund and ICICI Equity Fund respectively. The majority  
interest in ICICI OneSource Limited and 3i Infotech Limited is currently held by ICICI Strategic Investments Fund  
and the minority interest by ICICI Bank. (4) The shareholding by ICICI Bank and venture capital funds or trusts to  
which ICICI Bank is a contributory was 54.3% at June 30, 2005. (5) Represents equity shareholding by ICICI Bank,  
and venture capital funds or trusts to which ICICI Bank was a contributory. The shareholding by ICICI Bank and  
venture capital funds or trusts to which ICICI Bank is a contributory, on a fully diluted basis (i.e. assuming conversion  
of participatory optionally convertible preference shares into equity) was approximately 61.3% at year-end fiscal  
2005. 64

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At year-end fiscal 2005, all of our 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 16  
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 Bank Canada, incorporated in Canada; o 3i  
Infotech Inc., incorporated in the US; o 3i Infotech Pte. Limited, incorporated in Singapore; o 3i Infotech Pty.  
Limited, incorporated in Australia; o 3i Infotech SDN BHD, 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; o ICICI OneSource Limited, UK, incorporated in the United Kingdom; and o First Ring  
Incorporated, incorporated in the US; o Accounts Solutions Group, LLC, incorporated in US; o Pipal research  
Corporation, incorporated in the US; o Sherpa Business Solutions Inc., incorporated in the United States 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. 3i Infotech Inc. and 3i Infotech Pte. Limited are wholly-owned subsidiaries  
of 3i Infotech Limited and are consolidated in its financial statements. 3i Infotech SDN BHD is a subsidiary of 3i  
Infotech Pte. Limited and is accounted for by the equity method in the financial statements of 3i Infotech Limited.  
During fiscal 2005, 3i Infotech Limited transferred its entire holding in 3i Infotech Pty. Limited to 3i Infotech Inc.,  
US. Semantik Solutions GmbH is a joint venture between 3i Infotech Limited, Fraunhofer ISST and Innova Business

Development and Holding GmbH. The shareholding of 3i Infotech Limited in Semantik Solutions GmbH is 50.0%. The financials of Semantik Solutions GmbH are consolidated in the financial statements of 3i 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. ICICI OneSource Limited also holds 99.8% of the equity shareholding of First Ring Incorporated. First Ring Incorporated holds 100% in Accounts Solutions Group. In fiscal 2005 ICICI OneSource Limited acquired 51% voting interest in Pipal Research Corporation, a US company. Pipal Research Corporation wholly owns Satvik Research and Analytics India Private Limited, a company incorporated in India. ICICI OneSource Limited, through its subsidiary company First Ring Inc, USA acquired all voting rights in Accounts Solutions Group, LLC, a US company. ICICI OneSource Limited also acquired a 90.01% voting interest in Rev IT Systems Private Limited, a company incorporated in India. Rev IT Systems Private Limited wholly owns Sherpa Business Solutions Inc, a US company. In fiscal 2005, ICICI Venture signed a 50:50 joint venture with Tishman Speyer Properties for pursuing development of commercial, residential and retail properties throughout India. 65

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Subsequent to year-end fiscal 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US\$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. In September 2005, 3i Infotech Limited acquired Innovative Business Solutions Inc., a US based specialty IT solutions company, for an aggregate consideration of US\$ 3.6 million. Technology We continue to endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain a competitive advantage and to improve our overall productivity and efficiency. Our technology initiatives are aimed at enhancing value, offering customers enhanced convenience and improved service while optimizing costs. Our focus on technology emphasizes: o Electronic and online channels to: o offer easy access to our products and services; o reduce distribution and transaction costs; o reach new target customers; o enhance existing customer relationships; and o reduce time to market. o Application of information systems to: o manage our large scale of operations efficiently; o effectively market to our target customers; o monitor and control risks; o identify, assess and capitalize on market opportunities; and o assist in offering improved products to customers. We also seek to leverage our domestic technology capabilities in our international operations. Technology Organization While we have dedicated technology groups for our products and services for retail and corporate customers, our enterprise-wide technology initiatives are coordinated by the Technology Management Group. The retail and corporate technology groups review the individual requirements of the various business groups while the technology management group aggregates the requirements of various business groups to ensure enterprise-wide consistency. Banking Application Software We use a banking application software that is flexible and scaleable and allows us to effectively and efficiently serve our growing customer base. Our upgraded core banking software is 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. We have a data center in Mumbai for centralized data base management, data storage and retrieval. Electronic and Online Channels We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped the differentiation of our products in the marketplace. Our branch banking software is flexible and scaleable and integrates well with its electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At year-end fiscal 2005, we had 1,910 ATMs across India. We were one of the first banks to offer online banking facilities to our customers. We now offer a number of online banking services to our customers for both corporate and retail products and services. Our telephone banking call centers employ approximately 2,600 phone banking officers, across two locations, at Mumbai and Hyderabad, which are operational round the clock. These telephone banking call centers use an Interactive Voice Response System. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship 66

with us. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities. We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended 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.

**High-Speed Electronic Communications Infrastructure** We have a nationwide data communications network linking all our channels and 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. We are moving towards multi protocol label switching (MPLS) as an alternative to lease lines, thus ensuring redundancy.

**Operations relating to Commercial Banking for Corporate Customers** We have successfully centralized our corporate banking back office operations and rolled out a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes. We have centralized the systems of the treasuries of all our international branches and subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained out of India.

**Customer Relationship Management** We have implemented a customer relationship management solution for automation of customer handling in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the telephone banking call centers as well as a large number of branches.

**Data Warehousing and Data Mining** We have a data warehouse for customer data aggregation. This data warehouse also provides a platform for data mining initiatives. We have implemented an Enterprise Application Integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative underpins our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It is also aimed to provide us with the valuable information to compile a unified customer view and creates various opportunities associated with cross-selling other financial products.

**Data center and disaster recovery system** While our primary data center is located in Mumbai, a separate disaster recovery data center has been set up in another city and is connected to the main data center in Mumbai. The disaster recovery data center can host critical banking applications in the event of a disaster at the primary site.

**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 competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We are the largest private sector bank in India and the second largest bank among all banks in the country, in terms of total assets, with total assets of Rs. 1,863.4 billion (US\$ 42.7 billion) at year-end fiscal 2005. We seek to gain a competitive advantage over our competitors through our larger size and scale of operations and by offering innovative products and services, the use of technology, building customer relationships and developing a team of highly motivated and skilled employees. We 67

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evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

**Commercial banking products and services for retail customers** In the retail markets, competition is primarily from Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in the aggregate had only 220 branches in India at the end of March 2005. Indian commercial banks have wide distribution networks but relatively less strong technological and marketing capabilities. We seek to compete in this market through a full product portfolio, effective distribution channels, which include agents, robust and centralized credit processes and collection mechanisms, experienced professionals and

superior technology. Commercial banks attract the majority of retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize 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 segmentation, we offer differentiated liability products to customers of various ages and income profiles. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits. Commercial banking products and services for corporate customers 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 time that we believe is 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, we believe our size, capital base, 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 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 and capabilities in understanding risks and policy related issues as well as our advisory, structuring and syndication services have allowed us to gain credibility with project sponsors, overseas lenders and policy makers. New business areas Our international strategy is focused on India-linked opportunities in the initial stages. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers like 68

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remittance services. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain a competitive advantage. We seek to leverage our technology capabilities developed in our domestic business to offer convenient and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporates in our international business. Our insurance joint ventures face competition from existing dominant public sector players as well as new private sector players. We believe that the key competitive strength of our insurance joint ventures is the combination of our experience in the Indian financial services industry with the global experience and skills of our joint venture partners. We believe that ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company have built strong product, distribution and risk management capabilities, achieving market leadership positions in their respective businesses. ICICI Prudential Life Insurance Company had a market share of 34% in new business written (excluding group insurance) by private sector life insurance companies in India during fiscal 2005. ICICI Lombard General Insurance had a market share of 25% among private sector general insurance companies in India during fiscal 2005. Employees At year-end fiscal 2005 we had 30,515 employees, compared to 18,942 employees at year-end fiscal 2004 and 15,179 employees at year-end fiscal 2003. Of these, 18,029 employees at year-end fiscal 2005 were employed by ICICI Bank, an increase from 13,549 at year-end fiscal 2004 and 10,617 at year-end fiscal 2003. Of our



30,515 employees at year-end fiscal 2005, 8,126 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. 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 we believe comprises some of the best talent in the industry. We continue to attract 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 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 and further amended in September 2004, up to 5.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock option entitles 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, where various training programs designed to meet the changing skill requirements of its employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offers courses conducted by faculty, both national and international, drawn from industry, academia and 69

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. 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 9.5% 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 consolidated entities. At March 31, ----- 2003 2004

	2003	2004	% to	% to	Number total	Number total	Number total
----- ICICI Bank.....	10,617	69.9%	13,549	71.5%	18,029	59.1%	ICICI OneSource.....
2,056	13.5	3,902	20.6	5,856	19.1	ICICI Home Finance.....	
1,302	8.6	(1) - 4,324	14.2	3i Infotech.....	147	1.0	1,141
6.0	1,813	5.9	ICICI Securities.....	927	6.1	146	0.8
172	0.6	Others.....	130	0.9	204	1.1	321
1.1	-----	Total number of employees...	15,179	100.0%	18,942	100.0%	30,515
100.0%							

===== (1) All employees of ICICI Home Finance became employees of ICICI Bank in August 2003. The increase in number of employees in fiscal 2005 was primarily in ICICI Bank and ICICI Home Finance, which have grown their distribution and operations

capabilities and ICICI OneSource, as a result of both organic and inorganic growth in its business. The following table sets forth, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities at August 31, 2005. ----- Number % to total ----- ICICI

ICICI Bank.....	22,406	60.5%	ICICI OneSource.....	7,363	19.9%	ICICI Home Finance.....	4,694	12.7%
Infotech.....	1,915	5.2%	ICICI Securities.....	173	0.5%	Others.....	451	1.2%
----- 37,002 100.0% -----			===== The increase in number of employees					

during the period April 1 to August 31, 2005 was primarily on account of an increase in recruitment of employees by ICICI Bank, ICICI Home Finance and ICICI OneSource. The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company have been accounted for under the equity method due to substantive participative rights retained by the minority shareholders. ICICI Prudential Life Insurance had 5,186 employees at year-end fiscal 2005 and 6,083 employees at August 31, 2005 compared to 3,298 employees at year-end fiscal 2004. ICICI Lombard General Insurance had 1,249 employees at year-end fiscal 2005 and 1,525 employees at August 31, 2005 compared to 555 employees at year-end fiscal 2004. 70

**Properties** Our registered office is located at Landmark, Race Course Circle, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India. We had a principal network consisting of 510 branches, 52 extension counters and 1,910 ATMs at year-end fiscal 2005. These facilities are located throughout India. 40 of these facilities are located on properties owned by us, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, We have 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. We also have one offshore banking unit each at Mumbai, Singapore and Bahrain. We have 873 apartments for our employees. We also provide residential and holiday home facilities to employees at subsidized rates. The net book value of all properties and equipment at year-end fiscal 2005 was Rs. 26.1 billion (US\$ 597 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 determined, may have a material adverse effect on our financial condition or results of operations. At year-end fiscal 2005, we had been assessed an aggregate of Rs. 28.0 billion (US\$ 642 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. Based on consultation with counsel and favourable decisions in our own or other cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessment and accordingly has not provided for these tax demands at year-end fiscal 2005. We have received favorable decisions from the appellate authorities with respect to Rs. 1.4 billion (US\$ 33 million) of the assessment. The income tax authorities have appealed these decisions to higher appellate authorities and the same are pending adjudication. In our appeal of the assessment of sales tax aggregating to Rs. 923 million (US\$ 21 million), we are relying on a favorable decision of the Supreme Court of India in respect of a writ petition filed by us. In our appeal of the assessments of income tax, interest tax and wealth tax aggregating to Rs 25.6 billion (US\$ 587 million), we are relying on favorable precedents of the appellate court and expert opinions. Of the Rs. 28.0 billion (US\$ 642 million), Rs. 11.1 billion (US\$ 254 million) relates to the disallowance of depreciation claim on leased assets. This is an industry wide issue involving multiple litigations across the country. 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 these transactions were tax planning tools and no depreciation was allowable. 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. The tax impact of this decision is Rs. 189 million (US\$ 4 million). We have appealed against this decision and based on judicial precedents and recent decisions of the Supreme Court and based on consultation with senior tax counsel and expert advice, we believe that we will receive a favorable decision in the

matter. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us. Accordingly, we have not provided for this tax demand but have disclosed it as a contingent liability in the financial statements. At August 31, 2005, there were 17 litigations (each involving a claim of Rs. 10.0 million and more) against us, in the aggregate amount of approximately Rs. 80.4 billion (US\$ 1.8 billion) (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). At August 31, 2005, two litigations were pending 71

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against our directors in an aggregate amount of Rs. 56.3 billion (US\$ 1.3 billion) (to the extent quantifiable). There were three litigations where amounts claimed from us are Rs. 1.0 billion (US\$ 23 million) or higher:

- o 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\$ 32 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 & CEO and Ms. Lalita D. Gupte, Joint Managing Director, for an amount of Rs. 56.3 billion (US\$ 1.3 billion) on the grounds that Mardia Chemicals had 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. The Debt Recovery Tribunal has admitted the counterclaim filed by Mardia Chemicals Limited. 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\$ 477 million) on the grounds of loss of investment and loss of profit on investment. ICICI Bank has filed its reply seeking dismissal of the suit and the matter is currently pending before the City Civil Court, Ahmedabad.
- o 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\$ 4 million) due from Esslon Synthetics. In May 2001, the guarantor filed a counter-claim for an amount of Rs. 1.0 billion (US\$ 23 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. Esslon Synthetics Limited has filed an application to amend the counterclaim in January 2004. ICICI Bank has filed its reply to the application for amendment. The application has been partly heard and is listed for further arguments.
- o ICICI had filed a recovery suit in 2001 in the Debt Recovery Tribunal, Mumbai against Dynamic Logistics Limited for Rs. 350 million (US\$ 8 million). Dynamic Logistics Limited filed a counterclaim for Rs. 1.3 billion (US\$ 30 million) in the Debt Recovery Tribunal, Mumbai. The matter is currently pending for hearing. Management believes, based on consultation with counsel, that the legal proceedings instituted by each of Mardia Chemicals, Esslon Synthetics and Dynamic Logistics Limited 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. Based on a review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our consolidated financial position, results of operations or cashflows. An arbitration proceeding in London that had been brought against us and other Indian lenders in connection with loans to a large power generation project in the state of Maharashtra with a claim in an aggregate amount of US\$ 534 million, has since been withdrawn and the matters relating to this arbitration proceeding treated as closed. 72

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**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA** The following tables set forth our summary financial and operating data on a consolidated basis. The summary data for fiscal 2003, fiscal 2004 and fiscal 2005 have been derived from our audited consolidated financial statements as of the end of and for each of these years prepared in accordance with US GAAP. The summary data for ICICI for fiscal 2001 and fiscal 2002 have been derived from the audited consolidated financial statements of ICICI as of the end of and each of these fiscal years prepared in accordance with US GAAP. Our consolidated financial statements for fiscal 2005 and fiscal 2004 including our consolidated statement of operations, consolidated statement of cash flows and consolidated statement of stockholders' equity and other comprehensive income were audited by KPMG India, independent accountants. 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 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. 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 was 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. 13.2 billion (US\$ 302 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US\$ 14 million), was recognized in the statement of stockholders' equity as a capital transaction. 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. 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. 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 was deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees were no longer consolidated but were accounted for by the equity method in fiscal 2003. 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 the net income or the 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. 73

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Year ended March 31, -----	2001	2002	2003	2004
2005 2005(1) -----				
(in millions, except per common share data)				
Selected income statement data: Interest income.....	Rs. 79,759	Rs. 78,600	Rs. 97,714	Rs. 90,688
Rs. 91,775 US\$ 2,105 Interest expense.....	(67,893)	(69,520)	(83,208)	(72,375)
	(68,409)	(1,569)		
----- Net interest income.....	11,866	9,080	14,506	18,313
536 Dividends.....	345	267	389	431
	485	11		
Net interest income, including dividends.....	12,211	9,347	14,895	18,744
losses.....	(9,892)	(9,743)	(19,649)	(20,055)
	(14,677)	(336)		
----- Net interest income/(loss), including dividends, after provisions for loan losses.....	2,319	(396)	(4,754)	
(1,311) 9,174 211 Non-interest income.....	9,243	8,148	13,253	36,678
	34,645	795		
----- Net revenue.....	11,562	7,752	8,499	35,367
expense.....	(5,479)	(7,596)	(18,609)	(27,101)
	(33,089)	(759)		
735 294 (958) (1,437) (577) (13) Equity in earnings/(loss) of affiliates.....				
Minority interest.....	1	83	24	28
	14			
----- Income/(loss) before income taxes and cumulative effect of accounting changes.....	6,819	533		
(11,044) 6,857 10,167 234 Income tax (expense)/benefit.....	(189)	(251)	3,061	(1,638)
	(1,637)	(38)		
----- Income /(loss) before cumulative effect of accounting changes, net of tax.....	6,630	282	(7,983)	5,219
tax(2).....	- 1,265			
(loss).....	Rs. 6,630	Rs. 1,547	Rs. (7,983)	Rs. 5,219
	Rs. 8,530	US\$ 196		
=====				
=====				
----- Per common share(3) Net income/(loss) from continuing operations - Basic(4).....	Rs. 16.88	Rs. 3.94	Rs. (14.18)	Rs. 8.50
from continuing operations - Diluted(5).....	16.81	3.94	(14.18)	8.43
	11.00	22.00	- 7.50	7.50
11.00 22.00 - 7.50 7.50 0.17 Book value.....	193.35	181.70	150.42	153.35
	173.73	3.98		
Common shares outstanding at end of period (in millions of common shares).....	393	393	613	616
shares outstanding - Basic (in millions of common shares).....	393	393	563	614
common shares outstanding - Diluted (in millions of common shares).....	393	393	563	619
	734			
----- (1) Rupee amounts for fiscal 2005 have been translated into US dollars using the noon buying rate of Rs. 43.62 = US\$ 1.00 in effect on March 31, 2005. (2) 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. The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed shall be recognized as goodwill. SFAS No. 141 specifies 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 need not be accounted separately. The excess of the fair value of the net assets over the cost of acquired entity is allocated pro rata to specified non-financial assets and remaining excess, if any, is recognized as an extraordinary gain. As of April 1, 2001, ICICI had an unamortized deferred credit of Rs. 1.3 billion (US\$ 29 million) relating to the 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 the accounting principle. 74				

(3) For fiscal years 2001 and 2002, based on the exchange ratio of 1:2 in which the shareholders of ICICI were issued shares of ICICI Bank, number of shares has been adjusted by dividing by two. Hence, these numbers are different from the numbers reported in the annual report on Form 20-F for fiscal 2002. (4) Represents net income/(loss) before dilutive impact. (5) 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. Options to purchase 2,546,675, 7,015,800, 12,610,275 and 1,098,225 equity shares granted to employees at a weighted average exercise price of Rs. 226.0, Rs. 81.3, Rs. 154.7 and Rs. 266.6 were outstanding in fiscal 2001, 2002, 2003 and 2004, 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 reported a net loss and accordingly all outstanding options at year-end fiscal 2003 are anti-dilutive. (6) 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, the interim dividend for fiscal 2002 was paid by ICICI during fiscal 2002. We declared a dividend of Rs. 7.50 per equity share for fiscal 2003 and fiscal 2004, which was paid out in August 2003 and September 2004, i.e., in fiscal 2004 and fiscal 2005 respectively. We declared a dividend of Rs. 8.50 per equity share for fiscal 2005, which was paid out in August 2005, i.e., fiscal 2006. 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, the dividend was US\$ 0.19 per equity share for fiscal 2005. (7) 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. 75

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, ----- 2001  
2002 2003 2004 2005 ----- Selected income statement data: Interest income.....  
11.29% 10.53% 8.63% 7.14% 5.87% Interest expense..... (9.61) (9.31) (7.35) (5.70) (4.37) -----  
----- Net interest income..... 1.68 1.22 1.28 1.44 1.50 Dividends..... 0.05  
0.04 0.03 0.03 0.03 ----- Net interest income, including dividends..... 1.73 1.25 1.32 1.48 1.53  
Provisions for loan losses..... (1.40) (1.31) (1.73) (1.58) (0.94) ----- Net interest  
income/(loss), including dividends, after provisions for loan losses..... 0.33 (0.05) (0.42) (0.10) 0.59  
Non-interest income..... 1.31 1.09 1.17 2.89 2.22 ----- Net  
revenue..... 1.64 1.04 0.75 2.79 2.81 Non-interest expense..... (0.78) (1.02) (1.64)  
(2.13) (2.12) Equity in earnings/(loss) of affiliates..... 0.10 0.04 (0.08) (0.11) (0.04) Minority  
interest..... 0.00 0.01 0.00 0.00 0.00 ----- Income/(loss) before income taxes and  
cumulative effect of accounting changes..... 0.97 0.07 (0.98) 0.54 0.65 Income tax (expense)/benefit  
(0.03) (0.03) 0.27 (0.13) (0.10) ----- Income/(loss) before cumulative effect of accounting  
changes, net of tax..... 0.94 0.04 (0.70) 0.41 0.55 Cumulative effect of accounting changes, net of  
tax..... - 0.17 - - - - - Net income/(loss)..... 0.94% 0.21% (0.70)%  
0.41% 0.55% ----- At March 31,

----- 2001 2002 2003 2004 2005 2005(1)  
----- (in millions, except percentages) Selected balance  
sheet data: Total assets..... Rs. 739,892 Rs. 743,362 Rs. 1,180,263 Rs. 1,409,131 Rs. 1,863,447 US\$ 42,720  
Securities..... 18,861 60,046 280,621 310,368 380,959 8,733 Loans, net(2)..... 602,023 523,601  
630,421 728,520 999,858 22,922 Troubled debt restructuring (restructured loans), net..... 32,309 77,366 122,659  
121,417 95,589 2,191 Other impaired loans, net..... 20,081 33,187 55,319 28,764 14,196 325 Total  
liabilities..... 663,829 671,754 1,087,926 1,313,556 1,733,383 39,738 Long-term debt..... 492,882  
511,458 400,812 373,449 367,499 8,425 Deposits..... 6,072 7,380 491,290 684,955 1,016,534 23,304  
Redeemable preferred stock(3)..... 698 772 853 944 1,044 24 Stockholders' equity..... 75,927 71,348 92,213  
94,525 127,996 2,935 Common stock ..... 3,924 3,922 6,127 6,164 7,368 169 Period average(4): Total  
assets..... 706,343 746,330 1,132,638 1,269,638 1,562,983 35,832 Interest-earning assets..... 615,164  
641,141 924,573 1,017,009 1,198,058 27,466 Loans, net(2)..... 570,989 591,398 606,496 662,752 799,169  
18,321 Total liabilities(5)..... 631,324 670,750 1,038,377 1,173,961 1,442,117 33,061 Interest-bearing  
liabilities..... 576,474 613,401 905,226 977,941 1,148,995 26,341 Long-term debt..... 462,916 504,103  
455,347 382,674 359,724 8,247 Stockholders' equity..... 75,019 75,580 94,261 95,678 120,866 2,771  
Profitability: Net income/(loss) as a percentage of: 76

At March 31, -----	2001	2002	2003	2004	2005
2005(1) ----- (in millions, except percentages)					
Average total assets.....	0.94%	0.21%	(0.70)%	0.41%	0.55%
- Average stockholders' equity....	8.84	2.05	(8.47)	5.45	7.06
- Average stockholders' equity (including redeemable preferred stock(6)).....	8.89	2.12	(8.31)	5.50	7.08
- Dividend payout ratio(7).....	52.90	635.20	88.10	64.57	-
- Spread(8)	1.19	0.93	1.38	1.52	1.71
- Net interest margin(9).....	1.93	1.42	1.57	1.80	1.95
- Cost-to-income ratio(10).....	25.54	43.42	66.11	48.90	56.57
- Cost-to-average assets ratio(11)..	0.78	1.02	1.64	2.13	2.12
- Capital: - Average shareholders' equity as a percentage of average total assets.....	10.62	10.13	8.32	7.54	7.73
- Average stockholders' equity (including redeemable preferred stock) as a percentage of average total assets(12).....	10.95	10.23	8.39	7.61	7.80
- At or for the year ended March 31, -----	2001	2002	2003	2004	2005
----- (in percentages)					
Asset quality: Net restructured loans as a percentage of net loans.....	5.37%	14.78%	19.45%	16.67%	9.56%
Net other impaired loans as a percentage of net loans.....	3.34	6.34	8.77	3.95	1.42
Allowance for loan losses on restructured loans as a percentage of gross restructured loans.....	26.03	18.64	16.78	25.23	36.07
Allowance for loan losses on other impaired loans as a percentage of gross impaired loans.....	51.89	34.61	33.48	42.74	52.22
Allowance for loan losses as a percentage of gross loans.....	5.20	6.54	7.92	8.40	7.06

----- (1) Rupee amounts at March 31, 2005 have been translated into US dollars using the noon buying rate of Rs. 43.62 = US\$ 1.00 in effect at March 31, 2005. (2) Net of allowance for loan losses, security deposits and unearned income in respect of restructured and other impaired loans and allowances for non-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 this restriction. (4) For fiscal years 2002, 2003, 2004 and 2005, 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, due to deconsolidation of ICICI Bank, the average balances are calculated as 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. 77

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(8) Represents 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. (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, dividend and non-interest income. (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's guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At March 31, 2005, ICICI Bank's total capital adequacy ratio was 11.78% with a Tier 1 capital adequacy ratio of 7.59% and a Tier 2 capital adequacy ratio of 4.19%. 78

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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 audited consolidated 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 in India and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers and by economic conditions in the United States and other countries influencing inflation and interest rates in India. 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 the effect of other acquisitions.

**Indian Economy** The rate of growth of GDP was 4.0% in fiscal 2003, 8.5% in fiscal 2004 and 6.9% in fiscal 2005. Growth in fiscal 2003 was impacted by a negative growth in the agriculture sector because of insufficient rainfall and resulting drought conditions prevailing in the country. The agriculture sector, which had recorded a negative growth of 7.0% in fiscal 2003 recorded a growth of 9.6% in fiscal 2004. In fiscal 2005, the growth of the agriculture sector declined to 1.1% because of insufficient rainfall in many parts of the country. This was partly offset by the sustained growth of the industrial and services sectors. The industrial sector grew by 6.4% in fiscal 2003, 6.5% in fiscal 2004 and 8.3% in fiscal 2005. The services sector grew by 7.9% in fiscal 2003, 8.9% in fiscal 2004 and 8.6% during fiscal 2005. During the first half of fiscal 2005, there was an increase in inflationary trends in India, primarily due to the increase in oil prices as well as prices of certain commodities. The full burden of the oil price increase has not yet been passed to the Indian consumers and has been largely absorbed by the government and government owned oil marketing companies. See also "Risk Factors - Risks Relating to India - A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business". The annual average rate of inflation measured by the Wholesale Price Index was 6.4% during fiscal 2005 compared to 5.4% during the previous year. The average annual rate of inflation decreased to 3.0% during fiscal 2006 (through August 27, 2005) from 8.7% during the corresponding period in the previous year. The average annual rate of inflation measured by the Consumer Price Index for industrial workers was 4.1% for July 2005. The Indian rupee depreciated by 0.14% against the US dollar during fiscal 2006 through September 9, 2005, moving from Rs. 43.75 per US\$ 1.00 at year-end fiscal 2005 to Rs. 43.81 per US\$ 1.00 on September 9, 2005. During fiscal 2005, the Indian rupee depreciated by 0.8% against the US dollar. It also depreciated against the pound sterling and the euro and appreciated against the Japanese yen. The impact of these and other factors and the overall growth in industry, agriculture and services during fiscal 2006 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, the value of our investment portfolio and our ability to implement our strategy.

**Banking Sector** According to the Reserve Bank of India's data, total deposits of all scheduled commercial banks increased by 12.4% in fiscal 2003, 17.7% in fiscal 2004, 14.3% in fiscal 2005 and 8.1% in fiscal 2006 (through August 5, 2005). 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 of scheduled commercial banks grew by 14.7% in fiscal 2003, 15.5% in fiscal 2004, 29.9% in fiscal 2005 and 7.7% in fiscal 2006 (through August 5, 2005). Credit growth in fiscal 2003 included 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. The increase in credit growth during fiscal 2005 was driven by the continued growth in retail credit as well as 79

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credit to the industrial and agricultural sectors. Also, after its conversion into a scheduled commercial bank with effect from October 11, 2004, Industrial Development Bank of India Limited's credit was included in total banking sector credit at year-end fiscal 2005. Excluding Industrial Development Bank of India Limited's credit, bank credit of scheduled commercial banks grew at 26.0% during fiscal 2005. Until fiscal 2005, there was 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 borrowers had access to



funding at competitive rates. Banks generally followed the direction of interest rates set by the Reserve Bank of India and adjusted both their deposit rates and lending rates downwards until fiscal 2005. The inflationary trends in fiscal 2005 resulted in an increase in benchmark secondary market yields on government securities. The Reserve Bank of India also increased the risk weight for housing loans from 50.0% to 75.0% and for consumer credit, including personal loans and credit cards, from 100% to 125%, as a temporary counter-cyclical measure given the rapid growth in these segments. The Reserve Bank of India increased the cash reserve ratio to 5.0% effective October 2, 2004. However, in its mid-term review of the annual policy statement for fiscal 2005 released in October 2004, the Reserve Bank of India raised the reverse repo rate (i.e., the annualized interest earned by the lender in a repurchase transaction between a bank and the Reserve Bank of India) by 25 basis points to 4.75% in response to inflationary pressures in the economy. In the annual policy statement for fiscal 2006 announced in April 2005, the Reserve Bank of India further raised the reverse repo rate by 25 basis points to 5.0%. As a result of these increases, banks have also raised their deposit and lending rates. The following table sets forth the bank rate, reverse repo rate, average deposit rates and average prime lending rates of five major public sector banks for the last six fiscal years. Average deposit Average prime Reverse rate for over one lending rate Fiscal year Bank rate repo rate year term (range) (range)

----- (in percentages)

2001.....	7.0%	7.0%	8.5-10.0%	11.0-12.0%	2002.....	6.50	6.0	8.0-8.5	11.0-12.0
2003.....	6.25	5.0	5.25-8.50	10.75-12.00	2004.....	6.0	4.5	5.00-6.25	10.50-11.50
2005.....	6.0	4.75	4.25-6.25	10.25-11.00	2006 (through August 31, 2005).....	6.0	5.0	5.25-6.25	10.25-10.75

----- Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2002, Annual Report 2003-2004 and Weekly Statistical Supplements and Annual Policy Statement 2005-06. 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 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 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. Following the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank. 80

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. 13.2 billion (US\$ 302 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US\$ 14 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\$ 323 million) including fair value of common stock issued on reverse acquisition of Rs. 12.0 billion (US\$ 275 million). Intangible assets of Rs. 5.5 billion (US\$ 126 million), relating to customer and deposit relationships is being amortized over a period of 10 years. Goodwill recognized in this transaction was Rs. 819 million (US\$ 19 million). Effect of Other Acquisitions In fiscal 2005, ICICI OneSource, an entity consolidated in our US GAAP financial statements, acquired business process outsourcing and research companies in India and United States, namely, Pipal Research Corporation, RevIT systems Private Limited and Accounts Solutions Group, LLC for an aggregate cash consideration of Rs. 2,140 million (US\$ 49 million). The

business combination resulted in goodwill of Rs. 2,004 million (US\$ 46 million) as the purchase price was more than the fair value of the assets acquired. In fiscal 2004, ICICI Bank acquired 100.0% ownership interest in Transamerica Apple Distribution Finance Private Limited for a cash consideration of Rs. 757 million (US\$ 17 million). In fiscal 2004, ICICI OneSource, an entity consolidated in our US GAAP financial statements, acquired 99.8% ownership interest in First Ring Inc. The business combination was accounted for by the purchase method and accordingly the consolidated financial statements for fiscal 2004 include the results of operations of First Ring Inc. The business combination resulted in goodwill of Rs. 616 million (US\$ 14 million) as the purchase price was more than the fair value of net assets acquired. 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\$ 3 million). The assets of Tricolor Infotech International Inc. amounted to Rs. 35 million (US\$ 802,384). The business combination was accounted for by the purchase method and accordingly the consolidated financial statements for fiscal 2003 include the results of operations of Tricolor Infotech International Inc. The business combination resulted in goodwill of Rs. 18 million (US\$ 412,655) as the purchase price was more than the fair value of net assets acquired. In fiscal 2003, ICICI OneSource 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, India for cash consideration aggregating Rs. 959 million (US\$ 22 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\$ 14 million) as the purchase price was more than the fair value of net assets acquired. During fiscal 2001, 3i Infotech (formerly ICICI Infotech Limited) 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. 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 81

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as goodwill. Adoption of SFAS No. 147 resulted in a reclassification of a previously recorded unidentifiable intangible asset of Rs. 581 million (US\$ 13 million) and deferred tax liability of Rs. 208 million (US\$ 5 million) to goodwill with effect from April 1, 2001. Further, as required by SFAS No. 147, ICICI reversed the amortization expense of Rs. 290 million (US\$ 7 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\$ 8 million) relating to acquisitions of certain software services companies in fiscal 2001, of which goodwill of Rs. 70 million (US\$ 2 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 was recorded during fiscal 2002, 2003 and 2004. 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 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\$ 29 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI, a diversified lending institution acquired by ICICI in fiscal 1997. 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. For certain information regarding the accounting treatment of ICICI's ownership in ICICI Bank in 2001 and 2002 and the change in accounting basis for our insurance subsidiaries in fiscal 2003, see "Selected Consolidated Financial and Operating Data". Results of Operations From fiscal 2002, we have experienced major changes and developments in our business and strategy. An understanding of these events and developments is necessary for an understanding of the discussion and analysis that follows. These changes are reflected in our financial statements in connection with or since the amalgamation of ICICI Limited into ICICI Bank. The first change reflects the impact of our history upon our average cost of funds. Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks. These include the prudential reserve and liquidity requirements, namely the statutory liquidity ratio and the cash reserve ratio. See "Supervision and Regulation - Legal Reserve Requirements". While we have benefited from the lower cost of funding as a bank as compared to ICICI as a non-bank financial institution, the imposition of the statutory liquidity ratio and the cash reserve ratio on the liabilities of ICICI have impacted our spread. As the average yield on investments in government of India securities and cash balances maintained with the Reserve Bank of India is typically lower than the yield on other interest-earning assets, our net interest margin has been adversely impacted. As a result, our net interest margin has been and is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI. We are expanding our deposit base and changing the mix of our liabilities away from the legacy ICICI liabilities towards the lower average cost deposits. The increase in investment in government securities has substantially increased our exposure to market risk. In a declining interest rate environment, we made gains on sale of government securities. A rise in interest rates would cause the value of our fixed income portfolio to decline and adversely affect the income from our treasury operations. See also "Risk Factors - Risks Relating to Our Business - Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance." Another key change reflects the implementation of our strategy to grow our retail loan portfolio. The results of our implementation of this strategy can be seen in the rapid growth in the retail loan portfolio. While we cannot guarantee that growth will continue at the same rate, we see continued significant demand for retail loans. Long-term project finance was a major proportion of ICICI's asset portfolio and continues to be a significant portion of our loan portfolio, though we have diversified our lending towards retail loans and working capital financing. Over the past several years, we and ICICI experienced a high level of impaired loans in our loan portfolio 82

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as a result of downturn in certain global commodity markets, increased competition in India, the high level of debt in the financing of projects and capital structures of Indian companies and high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, as well as delays experienced in enforcement of collateral when borrowers defaulted on their obligations to us. Our loan portfolio includes loans to projects under implementation and there are risks and uncertainties associated with the timely completion and viability of these projects. Our retail loans have grown rapidly and the level of impaired loans in our retail portfolio could increase if there is a rise in unemployment, prolonged recessionary conditions and a sharp and sustained rise in interest rates in India. See also "Risk Factors - Risks Relating to Our Business - If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer". In addition to the above, the directed lending norms of Reserve Bank of India require commercial banks to lend 40.0% of their net bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Prior to the amalgamation, the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending. Pursuant to the terms of Reserve Bank of India's approval to the amalgamation, we are required to maintain 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 advances. This additional requirement of 10.0% by way of priority sector advances will apply until such time as the aggregate priority sector advances reach a level of 40.0% of our 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". Consequences of Tsunami

The Tsunami wave which hit the east coast of India on December 26, 2004, while horrible in its human and emotional consequences, did not have a material adverse impact on our results and financial operations as our operations are concentrated in other areas of the country and in other sectors of the Indian economy. See also "Risk Factors - Risks Relating to India - Natural calamities could adversely affect the Indian economy, our business and the price of our equity shares and ADSs." In response to the crisis, we decided to facilitate contributions to the relief effort through our branches and other channels, including by waiving transaction charges, and we donated Rs. 50 million to the Fund. In addition, our employees have made donations out of their salaries to aid the relief and rehabilitation efforts.

**Average Balance Sheet** 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 year. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. 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 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. We did not recalculate tax-exempt 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.

Year ended March 31, -----	2003	2004	2005	-----	Interest	Average	-----
Interest	Average	Interest	Average	Average	income/	yield/	Average
expense	cost	expense	cost	balance	expense	cost	balance
----- (in millions, except							
percentages) ----- Assets: Cash,							
cash equivalents and trading assets: Rupee..... Rs. 58,204 Rs. 3,937 6.76% Rs. 68,104 Rs. 4,483 6.58% Rs.							
63,852	Rs. 3,022	4.73%	Foreign currency	.....	15,712	195	1.24
9,404	174	1.85	28,844	620	2.15	-----	
----- Total cash, cash equivalents and trading assets..... 73,916 4,132 5.59							
77,508	4,657	6.01	92,696	3,642	3.93	Securities--debt: Rupee	.....
244,161	16,633	6.81	276,432	15,261	5.52	-----	
295,720	14,843	5.02	Foreign currency	.....	- - -	317	3
0.95	10,474	405	3.87	-----			
6.81	-----						
5.52	----- Total securities--debt .. 244,161 16,633 276,749 15,264 306,194						
15,248	4.98	Loans, net: Rupee	.....	541,868	70,917	13.09	592,048
64,791	10.94	692,945	64,328	9.28	Foreign		
currency	.....	64,628	4,163	6.44	70,704	4,430	6.27
106,223	6,640	6.25	-----				
----- Total loans, net ..... 606,496 75,080 12.38 662,752 69,221 10.44 799,168 70,968 8.88							
Other interest income ... - 1,869 - 1,546 - 1,917 Interest-earning assets: Rupee							
.....	844,233	93,356	11.06	936,584	-----		
86,081	9.19	1,052,517	84,110	7.99	Foreign currency	.....	80,340
4,358	5.42	80,425	4,607	5.73	145,541	7,665	5.27
----- Total interest-earning assets..... 924,573							
97,714	10.57	1,017,009	90,688	8.92	1,198,058	91,775	7.66
Securities--equity: Rupee	.....	29,379	389	1.32	28,561	431	1.51
32,795	485	1.48	-----				
----- Total securities--equity..... 29,379 389 1.32 28,561 431 1.51 32,795 485 1.48							
Earning assets: Rupee							
.....	873,613	93,745	10.73	965,145	86,512	8.96	1,085,312
84,595	7.79	Foreign currency	.....	80,340	-----		
4,358	5.42	80,425	4,607	5.73	145,541	7,665	5.27
-----							
Total earning assets .... 953,953 98,103 10.28 1,045,570 91,119 8.71 1,230,853 92,260 7.50							
Cash and cash equivalents..... 45,585 - 54,929 - 73,807							
Acceptances	.....	26,496	-	50,706	-	82,225	Property and equipment ..
18,826	-	22,188	-	23,874	Other assets	.....	87,778
-	-	96,245	-	152,224	-----		

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Total non-earning assets.....	178,685	224,068	332,130	-----
Total assets .....	Rs. 1,132,638	Rs. 98,103	Rs. 1,269,638	Rs. 91,119
Rs. 1,562,983	92,260	=====	=====	=====

Year ended March 31,												
					2003	2004	2005					
				Interest	Average		Interest					
Average Interest	Average	Average income/	Average income/	Average income/	Yield/	balance	expense					
cost	balance	expense	cost	balance	expense	cost						
Liabilities: (in millions, except percentages) Savings account deposits: Rupee .....												
	Rs. 30,828	Rs. 914	2.96%	Rs. 56,843	Rs. 1,348							
	2.37%	Rs. 98,114	Rs. 2,178	2.22%	Foreign currency .....	46	- 0.67	71	- 0.42	130	1 0.46	-----
Total savings account deposits .....												
	30,874	914	2.96	56,914	1,348	2.37						
98,244	2,179	2.22	Time deposits: 84									

Year ended March 31, -----												
					2003	2004	2005					
				Interest	Average		Interest					
Interest Average	Average	Average income/	Average income/	Average income/	Yield/	balance	expense					
expense	cost	balance	expense	cost	balance	expense						
(in millions, except percentages) Rupee .....												
	315,688	24,688	7.82	454,896	28,918	6.36	562,577	29,641	5.27	Foreign currency .....		
	11,456	431	3.76	14,693	414	2.82	36,257	1,285	3.54	-----		
Total time deposits ....												
	327,144	25,119	7.68	469,589	29,332	6.25	598,834	30,926	5.16	Long-term debt: Rupee		
	390,602	45,661	11.69	330,443	36,425	11.02	291,969	28,236	9.67	Foreign currency .....		
	52,231	1,896	3.63	67,755	2,974	4.39	-----					
Total long-term debt ...												
	455,347	48,081	10.56	382,674	38,321	10.01	359,724	31,210	8.68	Redeemable preferred stock.....	813 82	
	10.09	899	91	10.12	994	100	10.06	Trading account and other liabilities: Rupee.....	75,983 8,590 11.31 48,020			
	2,960	6.16	47,666	3,047	6.39	Foreign currency.....	15,065 423 2.81 19,845 323 1.63 43,533 947 2.18					
Total trading account and other liabilities .....												
	91,048	9,013	9.90	67,865	3,283	4.84	91,199	3,994	4.38	Interest-bearing liabilities: Rupee .....	813,913 79,935	
	9.82	891,101	69,742	7.83	1,001,320	63,202	6.31	Foreign currency .....	91,313 3,274 3.59 86,840 2,633 3.03 147,675			
	5,207	3.53	-----									
Total interest-bearing												
	905,226	83,209		-----								
Non-interest-bearing deposits: Rupee .....												
	31,172	- 53,941	- 88,061	- Foreign currency .....	- - 149 - 353 - -----							
Total non-interest-bearing deposits .....												
	31,172	54,090	88,414	- Other liabilities .....	101,979							
	- 141,930	- 204,708	-----									
Total non-interest-bearing liabilities .....												
	133,151	196,020	293,122	- Total liabilities .....	Rs. 1,038,377 Rs. 83,209 Rs. 1,173,961 Rs. 72,375							
	Rs. 1,442,117	Rs. 68,409	-----									
Stockholders' equity....												
	Rs. 94,261	- Rs. 95,678	- Rs. 120,866	-----								
Total liabilities and stockholders' equity .....												
	Rs. 1,132,638	Rs. 83,209	Rs. 1,269,639	Rs. 72,375	Rs. 1,562,983	Rs. 68,409	=====					
	=====	=====	=====	=====	=====	=====	85					

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,

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changes, which are due to both volume and rate, have been allocated solely to volume. Fiscal 2004 vs. Fiscal 2003  
Fiscal 2005 vs. Fiscal 2004 -----

Increase (decrease) due to Increase (decrease) due to

----- Change in Change in Change in  
Change in average average average average Net change volume rate Net change volume rate

----- Interest income: (in millions)

Cash, cash equivalents and trading assets: Rupee ..... Rs. 546 Rs. 652 Rs. (106) Rs. (1,461) Rs. (201) Rs.  
(1,260) Foreign currency ..... (21) (117) 96 446 418 28

----- Total cash, cash equivalents and  
trading assets..... 525 535 (10) (1,015) 217 (1,232) Securities: Rupee ..... (1,372) 1,782 (3,154) (418)  
968 (1,386) Foreign currency ..... 3 3 - 402 393 9

----- Total securities ..... (1,369)

1,785 (3,154) (16) 1,361 (1,377) Loans: Rupee ..... (6,126) 5,491 (11,617) (463) 9,367 (9,830) Foreign  
currency ..... 267 381 (114) 2,210 2,220 (10)

----- Total loans ..... (5,859)

5,872 (11,731) 1,747 11,587 (9,840) Other interest income ..... (323) (323) - 371 371 -

----- Total interest income: Rupee  
..... (7,275) 7,602 (14,877) (1,971) 10,505 (12,476) Foreign currency ..... 249 267 (18) 3,058 3,031 27

----- Total interest income ..... Rs.

(7,026) Rs. 7,869 Rs.(14,895) 1,087 13,536 ( 12,449) Interest expense: Savings account deposits: Rupee .....  
Rs. 434 Rs. 617 Rs. (183) 830 916 (86) Foreign currency ..... - - - 1 - 1

----- Total savings account deposits

..... Rs. 434 Rs. 617 Rs. (183) 831 916 (85) Time deposits: Rupee ..... 4,230 8,850 (4,620) 723 5,673  
(4,950) Foreign currency ..... (17) 91 (108) 871 764 107

----- Total time deposits ..... 4,213

8,941 (4,728) 1,594 6,437 (4,843) Long-term debt: Rupee ..... (9,236) (6,631) (2,605) (8,189) (3,721) (4,468)  
Foreign currency ..... (524) (454) (70) 1,078 681 397

----- Total long-term debt .....

(9,760) (7,085) (2,675) (7,111) (3,040) (4,071) Redeemable preferred stock(1 9 9 - 9 10 (1) Trading account and other  
liabilities: Rupee ..... (5,630) (1,724) (3,906) 87 (23) 110 Foreign currency ..... (100) 78 (178) 624 515 109

----- Total trading account and other

liabilities ..... (5,730) (1,646) (4,084) 711 492 219 Total interest expense: Rupee ..... (10,193) 1,121  
(11,314) (6,540) 2,855 (9,395) Foreign currency ..... (641) (285) (356) 2,574 1,960 614

=====

Total interest expense ..... Rs. (10,834) Rs. 836 Rs.(11,670) (3,966) 4,815 (8,781) 86

Fiscal 2004 vs. Fiscal 2003 Fiscal 2005 vs. Fiscal 2004

----- Increase (decrease) due to  
Increase (decrease) due to -----

Change in Change in Change in Change in average average average average Net change volume rate Net change  
volume rate ----- Net interest income:

Rupee ..... 2,918 6,481 (3,563) 4,569 7,650 (3,081) Foreign currency ..... 890 552 338 484 1,071 (587)

=====

Total net interest income .. Rs. 3,808 Rs. 7,033 Rs. (3,225) 5,053 8,721 (3,668)

----- (1) Banks in India are not allowed to issue preferred stock. However, we have been currently exempted from  
this restriction. 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,

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	2001	2002	2003	2004	2005
(in millions, except percentages) Interest					
income.....	Rs. 79,759	Rs. 78,600	Rs. 97,714	Rs. 90,688	Rs. 91,775
Average interest-earning assets.....	615,164	641,141	924,573	1,017,009	1,198,058
Interest expense.....	83,208	72,375	68,409	576,474	613,401
Average interest-bearing liabilities.....	706,343	746,330	1,132,638	1,269,638	1,562,983
Average total assets.....	87.09%	85.91%	81.63%	80.10%	76.65%
Average interest-earning assets as a percentage of average total assets.....	81.61	82.19	79.92	77.03	73.51
Average interest-bearing liabilities as a percentage of average total assets.....	106.71	104.52	102.14	103.99	104.27
Yield.....	12.97	12.26	10.57	8.92	7.66
Rupee.....	13.66	12.98	11.06	9.19	7.99
Foreign currency.....	9.04	7.17	5.42	5.73	5.27
Cost of funds.....	11.78	11.33	9.19	7.40	5.95
Rupee.....	12.77	12.26	9.82	7.83	6.31
Foreign currency.....	6.84	6.34	3.59	3.03	3.53
Spread (1).....	1.19	0.93	1.38	1.52	1.71
Rupee.....	0.89	0.72	1.24	1.36	1.68
Foreign currency.....	2.19	0.84	1.84	2.69	1.74
Net interest margin (2).....	1.93	1.42	1.57	1.80	1.95
Rupee.....	1.93	1.69	1.59	1.74	1.99
Foreign currency.....	1.90	-0.48	1.35	2.45	1.69

----- (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. 87

Fiscal 2005 to Fiscal 2004 Summary Net income after tax amounted to Rs. 8.5 billion (US\$ 196 million) for fiscal 2005 compared to Rs. 5.2 billion (US\$ 120 million) for fiscal 2004, primarily due to a 27.6% increase in net interest income (excluding dividends) before provisions for loan losses to Rs. 23.4 billion (US\$ 536 million) for fiscal 2005 from Rs. 18.3 billion (US\$ 420 million) for fiscal 2004, and a decrease of 26.8% in provision for loan losses offset, in part, by a 22.1% increase in non-interest expense. o Net interest income (excluding dividends) before provisions for loan losses increased 27.6% to Rs. 23.4 billion (US\$ 536 million) for fiscal 2005 from Rs. 18.3 billion (US\$ 420 million) for fiscal 2004, reflecting an increase of 18.6% in the average volume of interest-earning assets and an increase in net interest margin by 15 basis points. o Non-interest income decreased by 5.5% for fiscal 2005 to Rs. 34.6 billion (US\$ 794 million) from Rs. 36.7 billion (US\$ 841 million) for fiscal 2004, primarily due to a decrease in trading account revenue and a decrease in gains from securities transactions offset by an increase in income from fees, commission and brokerage. o Non-interest expense increased 22.1% for fiscal 2005 to Rs. 33.1 billion (US\$ 759 million) from Rs. 27.1 billion (US\$ 621 million) for fiscal 2004, primarily due to a 28.9% increase in administration expenses and a 13.2% increase in salary expenses. o Provisions for loan losses decreased 26.8% to Rs. 14.7 billion (US\$ 336 million) for fiscal 2005 from Rs. 20.1 billion (US\$ 460 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. o Gross restructured loans decreased 7.9% to Rs. 149.5 billion (US\$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US\$ 3.7 billion) at year-end fiscal 2004. Gross other impaired loans decreased 40.8% to Rs. 29.7 billion (US\$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US\$ 1.2 billion) at year-end fiscal 2004. o Total assets increased 32.2% to Rs. 1,863.4 billion (US\$ 42.7 billion) at year-end fiscal 2005 compared to Rs. 1,409.1 billion (US\$ 32.3 billion) at year-end fiscal 2004. Net Interest Income The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends. Year ended March 31, ----- 2004/2005

	2004	2005	2005 % change
(in millions, except percentages) Interest			
income .....	Rs. 90,688	Rs. 91,775	US\$ 2,105 1.2%
Interest expense .....	(72,375)	(68,409)	(1,569) (5.5)
Net interest income, excluding income from dividends .....	Rs.		

18,313 Rs. 23,366 US\$ 536 27.6% =====  
 Net interest income (excluding dividend) increased 27.6% to Rs. 23.4 billion (US\$ 536 million) in fiscal 2005 from Rs. 18.3 billion (US\$ 420 million) in fiscal 2004 reflecting mainly the following: o an increase of Rs. 115.9 billion (US\$ 2.7 billion) or 12.4% in the average volume of interest-earning rupee assets; 88

o an increase of Rs. 65.1 billion (US\$ 1.5 billion) or 81.0% in the average volume of interest-earning foreign currency assets; o an increase of 25 basis points in rupee net interest margin to 2.0% in fiscal 2005 from 1.7% in fiscal 2004 o a decrease of 76 basis points in foreign currency net interest margin to 1.7% in fiscal 2005 from 2.5% in fiscal 2004. The average volume of interest-earning rupee assets increased by 12.4% or Rs. 115.9 billion (US\$ 2.7 billion) to Rs. 1,052.5 billion (US\$ 24.1 billion) during fiscal 2005 from Rs. 936.6 billion (US\$ 21.5 billion) during fiscal 2004, primarily due to the increase in the average volume of loans. The average volume of loans increased by 20.6% to Rs. 799.2 billion (US\$ 18.3 billion) in fiscal 2005 from Rs. 662.8 billion (US\$ 15.2 billion) in fiscal 2004. The average volume of rupee loans increased by 17.0% or Rs. 100.9 billion (US\$ 2.3 billion) to Rs. 692.9 billion (US\$ 15.9 billion) at year-end fiscal 2005 from Rs. 592.0 billion (US\$ 13.6 billion) at year-end fiscal 2004. This increase in average loans was primarily due to increased disbursements of retail finance loans offset, in part, by sell-down/securitization and repayments of loans. The average volume of foreign currency loans increased 50.2% to Rs. 106.2 billion (US\$ 2.4 billion) at year-end fiscal 2005 from Rs. 70.7 billion (US\$ 1.6 billion) at year-end fiscal 2004. Our gross loans increased 35.3% to Rs. 1,075.8 billion (US\$ 24.7 billion) at year-end fiscal 2005, from Rs. 795.3 billion (US\$ 18.2 billion) at year-end fiscal 2004, primarily due to the increase in gross consumer loans and credit card receivables. Gross rupee loans at year-end fiscal 2005 increased 31.3% to Rs. 926.4 billion (US\$ 21.2 billion) compared to Rs. 705.7 billion (US\$ 16.2 billion) at year-end fiscal 2004. Gross consumer loans and credit card receivables at year-end fiscal 2005 increased 70.3% to Rs. 531.2 billion (US\$ 12.2 billion) from Rs. 311.9 billion (US\$ 7.2 billion) at year-end fiscal 2004, driven by the growth in the consumer credit market and our continued strategic focus on this area. Our project and corporate finance and working capital finance loans increased 16.4% to Rs. 462.5 billion (US\$ 10.6 billion) at year-end fiscal 2005 compared to Rs. 397.3 billion (US\$ 9.1 billion) at year-end fiscal 2004. Gross foreign currency loans at year-end fiscal 2005 increased 66.7% to Rs. 149.3 billion (US\$ 3.4 billion) compared to Rs. 89.6 billion (US\$ 2.1 billion) at year-end fiscal 2004 primarily due to an increase in loans at our branch in Singapore and our subsidiary in the United Kingdom. Investment in government of India securities increased by Rs. 50.0 billion (US\$ 1.1 billion) to Rs. 340.9 billion (US\$ 7.8 million) at year-end fiscal 2005 from Rs. 291.0 billion (US\$ 6.7 billion) at year-end fiscal 2004 primarily due to compliance with the statutory liquidity ratio on ICICI Bank's liabilities. The average volume of cash, cash equivalents and trading account assets increased by 19.6% to Rs. 92.7 billion (US\$ 2.1 billion) in fiscal 2005 from Rs. 77.5 billion (US\$ 1.8 billion) in fiscal 2004. Trading account assets increased by Rs. 383 million (US\$ 9.0 million) to Rs. 75.5 billion (US\$ 1.7 billion) at year-end fiscal 2005 from Rs. 75.2 billion (US\$ 1.7 billion) at year-end fiscal 2004. Cash and cash equivalents increased by Rs. 56.7 billion (US\$ 1.3 billion) to Rs. 155.6 billion (US\$ 3.6 billion) at year-end fiscal 2005 from Rs. 99.0 billion (US\$ 2.3 billion) at year-end fiscal 2004. Total interest income (excluding dividend) increased 1.2% to Rs. 91.8 billion (US\$ 2.1 billion) for fiscal 2005 from Rs. 90.7 billion (US\$ 2.1 billion) for fiscal 2004 primarily due to an increase of 12.4% in the average volume of interest-earning rupee assets to Rs. 1,052.5 billion (US\$ 24.1 billion) during fiscal 2005 from Rs. 936.6 billion (US\$ 21.5 billion) during fiscal 2004 offset, in part, by a decline of 120 basis points in the yield on interest-earning rupee assets. The yield on interest-earning rupee assets decreased 120 basis points to 8.0% in fiscal 2005 from 9.2% in fiscal 2004. There was a decline of 156 basis points in the yield on loans to 8.9% in fiscal 2005 from 10.4% in fiscal 2004 primarily due to origination of new loans at lower rates in line with the reduction in lending rates and the decline in our cost of funding, and a reduction in higher yield loans. The yield on our interest-earning foreign currency assets decreased to 5.3% for fiscal 2005 from 5.7% for fiscal 2004. Total interest expense decreased 5.5% to Rs. 68.4 billion (US\$ 1.6 billion) during fiscal 2005 from Rs. 72.4 billion (US\$ 1.7 billion) during fiscal 2004 primarily due to a decline of 145 basis points in the cost of liabilities offset, in part by a 17.5% increase in average interest-bearing liabilities to Rs. 1,149.0 billion (US\$ 26.3 billion) in 89



fiscal 2005 from Rs. 977.9 billion (US\$ 22.4 billion) in fiscal 2004. The average cost of rupee liabilities decreased 152 basis points to 6.3% in fiscal 2005 from 7.8% in fiscal 2004 primarily due to repayment of high cost borrowings. Average deposits, with an average cost of 4.2% for fiscal 2005, constituted 68.4% of total average interest-bearing liabilities compared to 59.4% of the total average interest-bearing liabilities with an average cost of 5.3% for fiscal 2004. While the average cost of long-term rupee debt decreased to 9.7% from 11.0%, the average cost of short-term rupee borrowings increased to 6.4% in fiscal 2005 compared to 6.2% in fiscal 2004. The average cost of foreign currency liabilities increased to 3.5% for fiscal 2005 from 3.0% for fiscal 2004. The foreign currency spread decreased 95 basis points to 1.7% for fiscal 2005 from 2.7% for fiscal 2004. The net interest margin increased by 15 basis points to 2.0% for fiscal 2005 from 1.8% for fiscal 2004 as rupee net interest margin increased by 25 basis points. A 1.5% decline in the cost of funds was offset, in part, by a 1.3% decline in the yield on average interest-earning assets. While our margin has increased, it still continues to be lower than that of other banks in India primarily due to maintenance of the statutory liquidity ratio and cash reserve ratio on ICICI's liabilities, which were not subject to these ratios prior to the amalgamation. The average cost of our total deposits, including non-interest bearing deposits, was 4.2% for fiscal 2005 compared to 5.3% for fiscal 2004. While our cost of deposits is in line with the cost of deposits of other banks in India, our total cost of funding is higher compared to other banks in India as a result of the higher-cost borrowings of ICICI.

**Non-Interest Income** The following table sets forth, for the periods indicated, the principal components of non-interest income. Year ended March 31, ----- 2005/2004

	2004	2005	2005 % change	
				(in millions, except percentages)
Fees, commission and brokerage.....	Rs. 8,988	Rs. 15,660	74.2%	Trading account revenue (1).....
286	7	(93.5)		Securities transactions (2).....
12,800	5,925	135	(53.7)	Foreign exchange transactions (3).....
2,130	49	3.3		Gain on sale of loans.....
4,687	5,414	124	15.5	Software development and services.....
1,731	40	91.7		Profit on sale of certain premises and equipment.....
345	33	1	(90.4)	Other
income.....	2,461	3,466	80	40.8
				Total non-interest income.....
	Rs. 36,678	Rs. 34,645	US\$ 795	(5.5)%

=====  
 ----- (1) Primarily reflects income from trading in government of India securities and corporate debt securities. (2) Primarily reflects capital gains/(losses) realized on the sale of securities, including fixed income and equity, venture capital investments and revenues from our investment banking subsidiary less other than temporary diminution. (3) Arises primarily from purchase and sale of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts. Non-interest income decreased by 5.5% for fiscal 2005 to Rs. 34.6 billion (US\$ 795 million), from Rs. 36.7 billion (US\$ 841 million) for fiscal 2004 primarily due to a decrease in trading account revenue and income on securities transactions, offset by an increase in income from fees, commission and brokerage. Fees, commission and brokerage increased 74.2% to Rs. 15.7 billion (US\$ 359 million) for fiscal 2005 from Rs. 9.0 billion (US\$ 206 million) for fiscal 2004 with growth across all our fee generating businesses. The large increase was primarily due to growth in retail liability product income such as account servicing charges, and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. During fiscal 2005 we increased charges and introduced new charges for some of the services that we offer to our deposit customers. During fiscal 2005 there was a significant increase in business volumes of transaction banking services such as bankers acceptances, bank guarantees and cash management services. Trading account revenue and gain on securities transactions decreased 64.0% to Rs. 6.2 billion (US\$ 142 million) for fiscal 2005 from Rs. 17.2 billion (US\$ 395 million) for fiscal 2004 as interest rates increased during this 90

period. The yield on 10-year government of India securities increased by 152 basis points to 6.68% during fiscal 2005. During fiscal 2004, the yield on 10-year government of India securities had declined by 105 basis points as compared to March 31, 2003 and we had capitalized on this decline to realize a high level of trading account revenue and gains

on fixed income securities. The level of trading account revenue and gain on securities transactions is volatile as it depends on specific market conditions which may or may not be favorable. In fiscal 2005, gain on the sale of loans (including credit substitutes) increased by 15.5% to Rs. 5.4 billion (US\$ 124 million) from Rs. 4.7 billion (US\$ 107 million) in fiscal 2004. We 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. Income from software development and services increased 91.7% to Rs. 1.7 billion (US\$ 40 million) for fiscal 2005 from Rs. 903 million (US\$ 21 million) for fiscal 2004 primarily due to the addition of new clients and increased sales of software products by 3i Infotech Limited (formerly ICICI Infotech Limited). Other income has increased on account of an increase in income from transaction processing services, earned by ICICI OneSource Limited to Rs. 3.2 billion (US\$ 74 million) for fiscal 2005 from Rs. 1.8 billion (US\$ 40 million) for fiscal 2004. Non-Interest Expense The following table sets forth, for the periods indicated, the principal components of non-interest expense. Year ended March 31,

	2005/2004	2004	2005	2005 % change
(in millions, except percentages)				
Employee expense: Salaries				
Rs. 7,198	Rs. 10,005	US\$ 229	39.0%	Employee benefits
				2,778 1,287 30 (53.7)
				Total employee expense
				9,976 11,292 259 13.2
Premises and equipment				expense
6,029	7,156	164	18.7	Administration and other expense
				10,411 14,037 322 34.8
Amortization of				goodwill and intangible assets
685	604	14	(11.8)	Total non-interest
				expense
				Rs. 27,101 33,089 US\$ 759 22.1%

Non-interest expense increased by 22.1% in fiscal 2005 to Rs. 33.1 billion (US\$ 759 million) from Rs. 27.1 billion (US\$ 621 million) in fiscal 2004 primarily due to an increase in administration expense and salary expenses. Employee expenses increased 13.2% to Rs. 11.3 billion (US\$ 259 million) in fiscal 2005 from Rs. 10.0 billion (US\$ 229 million) in fiscal 2004, primarily due to increase in the number of employees in ICICI Bank Limited to 18,029 employees at year-end fiscal 2005 from 13,549 employees at year-end fiscal 2004. The increase in employees is commensurate with the growth in our retail business. We had implemented an Early Retirement Option Scheme for 1,495 employees in fiscal 2004, for which we incurred an expense of Rs. 1.9 billion (US\$ 44 million) on account of ex-gratia payments, termination benefits and leave encashment. Premises and equipment expense increased 18.7% to Rs. 7.2 billion (US\$ 164 million) in fiscal 2005 from Rs. 6.0 billion (US\$ 138 million) in fiscal 2004, primarily due to increased maintenance and depreciation expenses on premises, branches, ATMs, computers and computer software. The increase is also due to an increase in the number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. Administrative and other expenses increased 34.8% to Rs. 14.0 billion (US\$ 322 million) in fiscal 2005 from Rs. 10.4 billion (US\$ 239 million) in fiscal 2004, primarily due to an increase in advertisement expense, repairs and maintenance and retail business expenses in line with the increase in business volumes and increased expenses of the Internet-based brokering services subsidiary and our business process outsourcing subsidiary. The number of ATM's increased from 1,790 at year-end fiscal 2004 to 1,910 at year-end fiscal 2005. 91

Provisions for Loan Losses The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans. At March 31,

	2005/2004	2004	2005	2005 % change
(in millions, except percentages)				
Gross restructured loans				
Rs. 162,398	Rs. 149,518	US\$ 3,428	(7.9)%	Allowance for loan losses
				on restructured loans
(40,981)	(53,929)	(1,236)	31.6	Net restructured
				loans
121,417	95,589	2,192	(21.3)	Gross other impaired
				loans
50,238	29,713	681	(40.9)	Allowance for loan losses on other impaired loans
				(21,474) (15,517)
				(356) (27.7)
				Net other impaired loans
				28,764 14,196 325 (50.6)
				Gross restructured and other impaired loans
				212,636 179,231 4,109
				(15.7) Allowance for loan losses(1)
				(62,455) (69,446) (1,592) 11.2
				Net
				restructured and other impaired loans
				150,181 109,785 2,517 (26.9)

Gross total loans.....	795,287	1,075,758	24,662	35.3	Net total loans.....	728,520	999,858
22,922	37.2	Gross restructured loans as a percentage of gross loans.....	20.42%	13.90%	Gross other impaired loans as a percentage of gross loans.....	6.32	2.76
		Net restructured loans as a percentage of net loans.....	16.67	9.56	Net other impaired loans as a percentage of net loans.....	3.95	1.42
		Allowance for loan losses on restructured loans as a percentage of gross restructured loans.....	25.23	36.07	Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans.....	42.74	52.22
		Allowance on loan losses as a percentage of gross loans(2).....	8.40	7.06	----- (1) Excludes allowances on non-impaired loans. (2) Includes allowances on non-impaired loans. The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses. Year ended March 31, -----		
		% change -----	(in millions, except percentages) Total provisions for the year.....				
			Rs. 20,055	Rs. 14,677	US\$ 336	(26.8)%	Provision for loans losses as a percentage of net Loans.....
			2.75%	1.47%	Gross restructured loans decreased 7.9% to Rs. 149.5 billion (US\$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US\$ 3.7 billion) at year-end fiscal 2004 primarily due to the reclassification of certain loans as		

unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of loans to certain companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year. Gross other impaired loans decreased 40.9% to Rs. 29.7 billion (US\$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US\$ 1.2 billion) at year-end fiscal 2004 primarily due to the reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, as restructured loans, and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts. As a percentage of net loans, net restructured loans were 9.6% at year-end fiscal 2005 and 16.7% at year-end fiscal 2004 and net other impaired loans were 1.4% at year-end fiscal 2005 and 4.0% at year-end fiscal 2004. Provisions for loan losses for fiscal 2005 decreased 26.8% to Rs. 14.7 billion (US\$ 336 million) from Rs. 20.1 billion (US\$ 460 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. The coverage ratio on gross restructured loans increased to 36.1% at year-end fiscal 2005 from 25.2% at year-end fiscal 2004 primarily due to the reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of loans to certain companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured. The coverage ratio on other impaired loans increased to 52.2% at year-end fiscal 2005 from 42.7% at year-end fiscal 2004. 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 considered to be impaired if interest or principal was overdue for more than 180 days. From fiscal 2004, an asset is classified as impaired when principal or interest has remained overdue for more than 90 days. In addition, delays or shortfalls in loan repayments are evaluated along with other factors to determine if a loan should be placed on non-accrual status. Generally, loans with delinquencies below 90 days are placed on non-accrual status. 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, on placement of the loan 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 of cash 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 had 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 normally 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 accrual status after a performance period. Consumer loans are generally identified as impaired when principal or interest has remained overdue for more than 90 days. Consumer loans when identified as impaired are placed on non-accrual status. The value of impaired loans is measured as 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. 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 amongst others. For restructured and other impaired loans in excess of Rs. 100 million (US\$ 2 million), 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 restructured and other impaired loan portfolio, we follow the 93

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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 may be subject to delays of up to 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. Income Tax Expense Income tax expense amounted to Rs. 1.6 billion (US\$ 38 million) for fiscal 2005 and was at the same level in fiscal 2004. The effective rate of tax expense was 16.1% for fiscal 2005 compared to the effective tax expense of 23.9% for fiscal 2004. The effective tax rate of 16.1% for fiscal 2005 was lower compared to statutory tax rate of 36.6% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate. The Indian Finance Act 2005 imposes an additional income tax on companies called a "Fringe Benefits Tax", or FBT. Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and subjects the Bank to tax at a rate of 30%, exclusive of applicable surcharge and cess. FBT and other similar taxes enacted in the future by the government of India could adversely affect our profitability. This tax is effective from April 1, 2005.

Financial Condition Assets The following table sets forth, at the dates indicated, the principal components of assets. At March 31, ----- 2005/2004 2004 2005 2005 % change ----- (in millions, except percentages)

Cash and cash equivalents.....	Rs. 98,985	Rs. 155,639	US\$ 3,568	57.2%	Trading account assets (1) .....	75,155	75,538	1,732	0.5
Securities, excluding venture capital investments (2) .....	305,226	377,027	8,643	23.5	Venture capital investments .....	5,142	3,932	90	(23.5)
Investments in affiliates .....	3,619	4,725	108	30.6	Loans, net: Rupee .....	705,685	926,420	21,238	31.3
Foreign currency .....	89,602	149,338	3,424	66.7	Less: Allowances .....	(66,767)	(75,900)	(1,740)	13.7
Total loans, net .....	728,520	999,858	22,922	37.2	Acceptances .....	65,142	74,116	1,699	13.8
Property and equipment .....	23,183	26,055	597	12.4	Other assets .....	104,159	146,557	3,361	40.7
Total assets .....	Rs. 1,409,131								
	Rs. 1,863,447	US\$ 42,720	32.2%	=====	=====	=====	=====	=====	94

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----- (1) Primarily includes government of India securities, corporate debt securities and mutual fund securities. (2) Primarily includes government of India securities and to a much smaller extent, corporate debt securities and equity securities. Our total assets increased 32.2% to Rs. 1,863.4 billion (US\$ 42.7 billion) at year-end fiscal 2005 compared to Rs. 1,409.1 billion (US\$ 32.3 billion) at year-end fiscal 2004, primarily due to an increase in loans, securities and cash and cash equivalents. Our net loans increased 37.2% to Rs. 999.9 billion (US\$ 22.9 billion) at year-end fiscal 2005 compared to Rs. 728.5 billion (US\$ 16.7 billion) at year-end fiscal 2004. Gross consumer loans and credit card receivables at year-end fiscal 2005 increased 42.2% to Rs. 531.2 billion (US\$ 12.2 billion) from Rs. 311.9 billion (US\$ 7.2 billion) at year-end fiscal 2004 in accordance with our strategy to grow our retail asset portfolio. Securities, excluding venture capital investment increased 23.5% to Rs. 377.0 billion (US\$ 8.6 billion) at year-end fiscal 2005 from Rs. 305.2 billion (US\$ 7.0 billion) at year-end fiscal 2004. Venture capital investments declined 23.5% to Rs. 3.9 billion (US\$ 90 million) at year-end fiscal 2005 compared to year-end fiscal 2004 primarily due to the sale of investments. Cash, cash equivalents and trading account assets increased 32.8% to Rs. 231.1 billion (US\$ 5.3 billion) at year-end fiscal 2005 from Rs. 174.1 billion (US\$ 4.0 billion) at year-end fiscal 2004 due to an increase in call lending volumes at year-end fiscal 2005 as well as higher term lending by foreign branches. Investment in affiliates increased to Rs. 4.7 billion (US\$ 108 million) at year-end fiscal 2005 from Rs. 3.6 billion (US\$ 83 million) at year-end fiscal 2004. Acceptances increased 13.8% to Rs. 74.1 billion (US\$ 1.7 billion) at year-end fiscal 2005 from Rs. 65.1 billion (US\$ 1.5 billion) at year-end fiscal 2004 reflecting our focus on increasing revenues from non-fund based businesses. Property and equipment increased to Rs. 26.1 billion (US\$ 597 million) at year-end fiscal 2005 from Rs. 23.2 billion (US\$ 531 million) at year-end fiscal 2004. The increase was primarily due to additions in buildings and equipment of ICICI Bank Limited. This increase was commensurate with the increase in number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. Other assets increased 40.7% to Rs. 146.6 billion (US\$ 3.4 billion) at year-end fiscal 2005 from Rs. 104.2 billion (US\$ 2.4 billion) at year-end fiscal 2004. Certain securities sold on the last day of the year in the ordinary course of business for which the settlement was pending have contributed to this increase. At year-end fiscal 2005, other assets included deferred tax asset of Rs. 12.1 billion (US\$ 278 million), intangible assets (including goodwill) of Rs. 11.6 billion (US\$ 266 million) and Rs. 3.7 billion (US\$ 86 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. At March 31,

	2004/2005	2004	2005	2005	% change
----- (in millions, except percentages)					
Deposits .....		Rs. 684,955			
Rs. 1,016,534 US\$ 23,304	48.4%	Trading account liabilities.....	26,079	24,258	556 (7.0)
Short-term borrowings .....	57,364	91,951	2,108	60.3	Acceptances .....
.....	311,668	284,979	6,533	(8.6)	Foreign currency .....
.....					61,781
.....					82,520
.....					1,892
.....					33.6
.....					Total long-term debt .....
.....					373,449
.....					367,499
.....					8,425
.....					(1.6)
.....					Other liabilities
.....					85,443
.....					140,096
.....					3,212
.....					64.0
.....					Taxes and dividends payable .....
.....					20,180
.....					17,885
.....					410
.....					(11.4)
.....					95

Redeemable preferred stock(1)..... 944 1,044 24 10.6 ----- Total liabilities .....

1,313,556 1,733,383 39,738 32.0 Minority interest ..... 1,050 2,068 47 97.0 Stockholders' equity .....

94,525 127,996 2,935 35.4 ----- Total liabilities and stockholders' equity..... Rs.

1,409,131 Rs. 1,863,447 US\$ 42,720 32.2% =====

(1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue. Deposits increased by 48.4% to Rs. 1,016.5 billion (US\$ 23.3 billion) at year-end fiscal 2005 from Rs. 685.0 billion (US\$ 15.7 billion) at year-end fiscal 2004. This significant growth in deposits was primarily achieved 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 our network of

branches, extension counters and ATMs. Our long-term debt decreased 1.6% to Rs. 367.5 billion (US\$ 8.4 billion) at year-end fiscal 2005 from Rs. 373.4 billion (US\$ 8.6 billion) at year-end fiscal 2004 on account of an 8.6% decrease in long-term rupee debt offset by a 33.6% increase in long-term foreign currency debt. Our short-term borrowings increased 60.3% to Rs. 92.0 billion (US\$ 2.1 billion) at year-end fiscal 2005 compared to Rs. 57.4 billion (US\$ 1.3 billion) at year-end fiscal 2004. Trading account liabilities decreased to Rs. 24.3 billion (US\$ 556 million) at year-end fiscal 2005 compared to Rs. 26.1 billion (US\$ 598 million) at year-end fiscal 2004. Taxes and dividends payable decreased 11.4% to Rs. 17.9 billion (US\$ 410 million) at year-end fiscal 2005 from Rs. 20.2 billion (US\$ 463 million) at year-end fiscal 2004. The carrying amount of redeemable preferred stock increased to Rs. 1,044 million (US\$ 24 million) at year-end fiscal 2005 from Rs. 944 million (US\$ 22 million) at year-end fiscal 2004. Minority interest increased to Rs. 2,068 million (US\$ 47 million) at year-end fiscal 2005 from Rs. 1,050 million (US\$ 24 million) at year-end fiscal 2004. Stockholders' equity increased 35.4% at year-end fiscal 2005 to Rs. 128.0 billion (US\$ 2.9 billion) from Rs. 94.5 billion (US\$ 2.2 billion) at year-end fiscal 2004. Fiscal 2004 to Fiscal 2003 Summary Net income after tax amounted to Rs. 5.2 billion (US\$ 120 million) in fiscal 2004 compared to a loss of Rs. 8.0 billion (US\$ 183 million) in fiscal 2003, primarily due to a 176.8% increase in non-interest income to Rs. 36.7 billion (US\$ 841 million) in fiscal 2004 from Rs. 13.3 billion (US\$ 304 million) in fiscal 2003 and a 26.2% increase in net interest income (excluding dividends) before provisions for loan losses to Rs. 18.3 billion (US\$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US\$ 333 million) in fiscal 2003. We made a profit on average assets of 0.4% for fiscal 2004 compared to a net loss on average assets of 0.7% for fiscal 2003 and a profit on average stockholders' equity of 5.5% for fiscal 2004 compared to a net loss on average stockholders' equity of 8.5% for fiscal 2003. o Net interest income (excluding dividends) before provisions for loan losses increased 26.2% to Rs. 18.3 billion (US\$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US\$ 333 million) in fiscal 2003, reflecting an increase of 10.0% in the average volume of interest-earning assets and increase of 14 basis points in the spread. o Non-interest income increased by 176.8% in fiscal 2004 to Rs. 36.7 billion (US\$ 841 million) from Rs. 13.3 billion (US\$ 304 million) in fiscal 2003, primarily due to increase in gains from securities transactions by Rs. 13.1 billion (US\$ 301 million) and increase in income from fees, commission and brokerage by Rs. 3.6 billion (US\$ 82 million). o Non-interest expense increased 45.6% in fiscal 2004 to Rs. 27.1 billion (US\$ 621 million) from Rs. 18.6 billion (US\$ 427 million) in fiscal 2003, primarily due to 85.3% increase in employee expenses (employee expenses in fiscal 2004 includes Early Retirement Option expense of Rs. 1.9 billion (US\$ 44 million)) and 33.5% increase in administration expenses. o Provisions for loan losses increased to Rs. 20.1 billion (US\$ 460 million) in fiscal 2004 from Rs. 19.6 billion (US\$ 450 million) in fiscal 2003.

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o Gross restructured loans increased 10.2% to Rs. 162.4 billion (US\$ 3.7 billion) at year-end fiscal 2004 from Rs. 147.4 billion (US\$ 3.4 billion) at year-end fiscal 2003. Gross other impaired loans decreased 40.0% to Rs. 50.2 billion (US\$ 1.2 billion) at year-end fiscal 2004 from Rs. 83.2 billion (US\$ 1.9 billion) at year-end fiscal 2003. o Total assets increased 19.4% to Rs. 1,409.1 billion (US\$ 32.3 billion) at year-end fiscal 2004 compared to Rs. 1,180.3 billion (US\$ 27.1 billion) at year-end fiscal 2003 with trading account assets increasing by 89.6% and loans increasing by 15.6%.

Net Interest Income The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends. Year ended March 31, -----

	2004/2003	2003	2004	2004	% change	
Interest income .....		Rs. 97,714	Rs. 90,688	US\$ 2,079	(7.2)%	Interest expense .....
(83,208)	(72,375)	(1,659)	(13.0)			Net interest income, excluding income from dividends .....
		Rs. 14,506	Rs. 18,313	US\$ 420	26.2%	

===== Net interest income (excluding dividends) increased 26.2% to Rs. 18.3 billion (US\$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US\$ 333 million) in fiscal 2003 reflecting mainly the following: o an increase of Rs. 92.4 billion (US\$ 2.1 billion) or 10.9% in the average volume of interest-earning rupee assets; o an increase of Rs. 85 million (US\$ 2 million) or 0.1% in the average volume of interest-earning foreign currency assets; o an increase in rupee spread to 1.4% in fiscal 2004 from 1.2% in fiscal 2003; and o an increase in foreign currency spread to 2.7% in fiscal 2004 from 1.8% in fiscal 2003. The average volume of

interest-earning rupee assets increased by 10.9% or Rs. 92.4 billion (US\$ 2.1 billion) to Rs. 936.6 billion (US\$ 21.5 billion) during fiscal 2004 from Rs. 844.2 billion (US\$ 19.4 billion) during fiscal 2003, primarily due to the increase in the volume of loans. Our average volume of loans increased by 9.3% to Rs. 662.8 billion (US\$ 15.2 billion) in fiscal 2004 from Rs. 606.5 billion (US\$ 13.9 billion) in fiscal 2003. The average volume of rupee loans increased by 9.3% or Rs. 50.2 billion (US\$ 1.2 billion) to Rs. 592.0 billion (US\$ 13.6 billion) in fiscal 2004 from Rs. 541.9 billion (US\$ 12.4 billion) in fiscal 2003. This increase in average loans was primarily due to increased disbursements of retail finance loans offset, in part, by sell-down/securitization and repayments of loans. The average volume of foreign currency loans increased 9.4% to Rs. 70.7 billion (US\$ 1.6 billion) in fiscal 2004 from Rs. 64.6 billion (US\$ 1.5 billion) in fiscal 2003. Our gross loans increased 16.2% to Rs. 795.3 billion (US\$ 18.2 billion) at year-end fiscal 2004 from Rs. 684.6 billion (US\$ 15.7 billion) at year-end fiscal 2003. Gross rupee loans at year-end fiscal 2004 increased 19.2% to Rs. 705.7 billion (US\$ 16.2 billion) compared to Rs. 592.2 billion (US\$ 13.6 billion) at year-end fiscal 2003. Gross consumer loans and credit card receivables at year-end fiscal 2004 increased 65.7% to Rs. 311.9 billion (US\$ 7.2 billion) from Rs. 188.3 billion (US\$ 4.3 billion) at year-end fiscal 2003. Our project and corporate finance and working capital finance loans decreased 13.4% to Rs. 400.2 billion (US\$ 9.2 billion) at year-end fiscal 2004 compared to Rs. 462.3 billion (US\$ 10.6 billion) at year-end fiscal 2003. 97

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Investment in government of India securities increased by Rs. 20.2 billion (US\$ 463 million) to Rs. 291.0 billion (US\$ 6.7 billion) at year-end fiscal 2004 from Rs. 270.8 billion (US\$ 6.2 billion) at year-end fiscal 2003 primarily due to compliance with the statutory liquidity ratio on ICICI Bank's liabilities. The average volume of cash, cash equivalents and trading account assets increased by 4.9% to Rs. 77.5 billion (US\$ 1.8 billion) in fiscal 2004 from Rs. 73.9 billion (US\$ 1.7 billion) in fiscal 2003. Cash, cash equivalents and trading account assets increased by 55.4% to Rs. 174.1 billion (US\$ 4.0 billion) at year-end fiscal 2004 from Rs. 112.1 billion (US\$ 2.6 billion) at year-end fiscal 2003. Trading account assets increased by Rs. 35.5 billion (US\$ 814 million) primarily due to deployment of surplus cash in reverse repurchase transactions. While both interest income and interest expense declined in line with the declining interest rate trend in the market, interest expense declined more sharply than interest income. Total interest income (excluding dividend) decreased 7.2% to Rs. 90.7 billion (US\$ 2.1 billion) for fiscal 2004 from Rs. 97.7 billion (US\$ 2.2 billion) for fiscal 2003 primarily due to a decline of 187 basis points in the yield on interest-earning rupee assets, off-set, in part, by an increase of 10.9% in the average interest-earning rupee assets to Rs. 936.6 billion (US\$ 21.5 billion) in fiscal 2004 from Rs. 844.2 billion (US\$ 19.4 billion) in fiscal 2003. The yield on interest-earning rupee assets decreased 187 basis points to 9.2% in fiscal 2004 from 11.1% in fiscal 2003 primarily due to a general decline in interest rates in the economy. There was a decline of 194 basis points in the yield on loans from 12.4% in fiscal 2003 to 10.4% in fiscal 2004. Total interest expense decreased 13.0% to Rs. 72.4 billion (US\$ 1.7 billion) in fiscal 2004 from Rs. 83.2 billion (US\$ 1.9 billion) in fiscal 2003 primarily due to a decline of 1.8% in the cost of liabilities off-set, in part by 8.0% increase in average interest bearing liabilities to Rs. 977.9 billion (US\$ 22.4 billion) in fiscal 2004 from Rs. 905.2 billion (US\$ 20.8 billion) in fiscal 2003. The average cost of rupee liabilities decreased 199 basis points to 7.8% in fiscal 2004 from 9.8% in fiscal 2003 primarily due to increase in lower cost deposits and a general decline in interest rates in fiscal 2004. Average interest-bearing deposits, with an average cost of 5.8% in fiscal 2004, constituted 53.8% of total average interest-bearing liabilities compared to 39.6% of the total average interest-bearing liabilities with an average cost of 7.3% in fiscal 2003. While the average cost of long-term rupee debt decreased to 11.0% from 11.7%, the average cost of short-term rupee borrowings decreased to 6.2% in fiscal 2004 from 11.3% in fiscal 2003. The average cost of foreign currency liabilities decreased 56 basis points to 3.0% in fiscal 2004 from 3.6% in fiscal 2003. The foreign currency spread increased 85 basis points to 2.7% in fiscal 2004 from 1.8% in fiscal 2003. The yield on our interest-earning foreign currency assets increased 31 basis points to 5.7% in fiscal 2004 from 5.4% in fiscal 2003. The spread increased by 14 basis points to 1.5% in fiscal 2004 from 1.4% in fiscal 2003 as rupee spread increased by 12 basis points and foreign currency spread increased by 85 basis points. As a result of the 1.8% decline in the cost of funds, offset, in part by a 1.7% decline in the yield on average interest-earning assets, net interest margin increased to 1.8% for fiscal 2004 from 1.6% for fiscal 2003. Non-Interest Income The following table sets forth, for the periods indicated, the principal components of non-interest income. Year ended March 31,

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	2004/2003	2003	2004	2004	% change
(in millions, except percentages) Fees, commission and brokerage....					
Rs. 5,397	Rs. 8,988	US\$ 206	66.5%	Trading account revenue (1).....	3,075 4,433 102 44.2
				Securities transactions (2).....	(322) 12,800 293 -
				Foreign exchange transactions (3).	92 2,061 47 2,140.2
				Gain on sale of loans.....	3,120 4,687 108 50.2
				Software development and services.	1,062 903 21 (15.0)
				Profit on sale of certain premises and equipment.....	16 345 8 2,056.3
				Other income.....	813 2,461 56 202.7
				Total non-interest income.....	Rs. 13,253 Rs. 36,678 US\$ 841 176.8%
===== 98					

----- (1) Primarily reflects income from trading in government of India securities and corporate debt securities. (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 purchase and sale of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts. Non-interest income increased by 176.8% in fiscal 2004 to Rs. 36.7 billion (US\$ 841 million), from Rs. 13.3 billion (US\$ 304 million) in fiscal 2003 primarily due to an increase in gains from securities transactions, an increase in income from foreign exchange transactions and increase in income from fees, commission and brokerage. Fees, commission and brokerage increased 66.5% to Rs. 9.0 billion (US\$ 206 million) in fiscal 2004 from Rs. 5.4 billion (US\$ 124 million) in fiscal 2003 primarily due to growth in retail banking fee income arising from credit cards and retail liability product income like account servicing charges, and an increase in transaction banking fee income from corporate banking. Trading account revenue primarily consisted of income from trading in government of India securities and corporate debt securities. Trading account revenue increased 44.2% to Rs. 4.4 billion (US\$ 102 million) during fiscal 2004 compared to Rs. 3.1 billion (US\$ 70 million) in fiscal 2003 due to an increase in trading profits on government of India securities and corporate debt securities as a result of the declining interest rate environment. The gain on securities transactions increased by Rs. 13.1 billion (US\$ 301 million) to Rs. 12.8 billion (US\$ 293 million) during fiscal 2004 as compared to a loss of Rs. 322 million (US\$ 7 million) in fiscal 2003 primarily due to an increase in net gains realized on securities available for sale to Rs. 13.7 billion (US\$ 315 million) from Rs. 1.8 billion (US\$ 42 million) in fiscal 2003 as we capitalized on a declining interest rate environment and also realized capital gains on the sale of investments primarily relating to ICICI's project finance portfolio. The 10-year government of India securities rate declined by 105 basis points to 5.16% at year-end fiscal 2004 from 6.21% at year-end fiscal 2003. The benchmark S&P CNX Nifty index of the National Stock Exchange of India almost doubled from 977.0 at April 1, 2003 to 1,771.9 at March 31, 2004. This level of trading account revenue and gain on securities transactions is a result of specific market conditions and may not be repeated in future periods. Income from foreign exchange transactions increased by Rs. 2.0 billion (US\$ 45 million) to Rs. 2.1 billion (US\$ 47 million) in fiscal 2004 from Rs. 92 million (US\$ 2 million) in fiscal 2003, primarily due to our enhanced focus on this segment. In fiscal 2004, gain on the sale of loans (including credit substitutes) increased by 50.2% to Rs. 4.7 billion (US\$ 108 million) from Rs. 3.1 billion (US\$ 72 million) in fiscal 2003. We 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. Income from software development and services decreased 15.0% to Rs. 903 million (US\$ 21 million) in fiscal 2004 from Rs. 1.1 billion (US\$ 24 million) in fiscal 2003. Non-interest income also included a gain of Rs. 345 million (US\$ 8 million) on the sale of premises and equipment in fiscal 2004 as compared to Rs. 16 million (US\$ 366,804) in fiscal 2003. Other income has also increased on account of increase in income from transaction processing services rendered by the ICICI OneSource Limited to Rs. 1.8 billion (US\$ 40 million) in fiscal 2004 from Rs. 696 million (US\$ 16 million) in fiscal 2003. 99



Non-Interest Expense The following table sets forth, for the periods indicated, the principal components of non-interest expense. Year ended March 31, ----- 2004/2003 2003 2004 2004 % change ----- (in millions, except percentages) Employee expense: Salaries..... Rs. 4,686 Rs. 7,198 US\$ 165 53.6% Employee benefits..... 697 2,778 64 298.6 ----- Total employee expense..... 5,383 9,976 229 85.3 Premises and equipment expense ... 4,784 6,029 138 26.0 Administration and other expense . 7,797 10,411 238 33.5 Amortization of goodwill and intangible assets..... 645 685 16 6.2 ----- Total non-interest expense.....

Rs. 18,609 Rs. 27,101 US\$ 621 45.6% ===== Non-interest expense increased by 45.6% in fiscal 2004 to Rs. 27.1 billion (US\$ 621 million) from Rs. 18.6 billion (US\$ 427 million) in fiscal 2003 primarily due to an increase in employee expenses and administration expense. Employee expenses increased 85.3% to Rs. 10.0 billion (US\$ 229 million) in fiscal 2004 from Rs. 5.4 billion (US\$ 123 million) in fiscal 2003, primarily due to increase in the number of employees to 18,942 at year-end fiscal 2004 from 15,179 at year-end fiscal 2003. The increase in employees is commensurate with the growth in our retail business. We had implemented an Early Retirement Option Scheme for 1,495 employees in July 2003. An amount of Rs. 1.9 billion (US\$ 44 million) has been expensed (included in employee benefits) on account of the ex-gratia payments under the Early Retirement Option Scheme, termination benefits and leave encashment in excess of the provisions made (net of tax benefits). Premises and equipment expense increased 26.0% to Rs. 6.0 billion (US\$ 138 million) in fiscal 2004 from Rs. 4.8 billion (US\$ 110 million) in fiscal 2003, primarily due to increased maintenance and depreciation expenses on premises, branches, ATM's, computers and computer software. The number of ATM's increased from 1,675 at year-end fiscal 2003 to 1,790 at year-end fiscal 2004 and the number of branches and extension counters increased from 446 at year-end fiscal 2003 to 469 at year-end fiscal 2004. Administrative and other expenses increased 33.5% to Rs. 10.4 billion (US\$ 239 million) in fiscal 2004 from Rs. 7.8 billion (US\$ 179 million) in fiscal 2003, primarily due to an increase in the retail business expenses and increase in general business volumes. Provisions for Loan Losses The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans. At March 31, ----- 2004/2003 2003 2004 2004 % change ----- (in millions, except percentages) Gross restructured loans..... Rs. 147,391 Rs. 162,398 US\$ 3,723 10.2% Allowance for loan losses on restructured loans..... (24,732) (40,981) (939) 65.7 ----- Net restructured loans..... 122,659 121,417 2,784 (1.0) ----- Gross other impaired loans..... 83,156 50,238 1,151 (39.6) Allowance for loan losses on other impaired loans..... (27,837) (21,474) (492) (22.9) ----- Net other impaired loans..... 55,319 28,764 659 (48.0) ----- Gross restructured and other impaired loans..... 230,547 212,636 4,875 (7.8) Allowance for loan losses(1)..... (52,569) (62,455) (1,432) (18.8) ----- 100

Net restructured and other impaired loans..... 177,978 150,181 3,443 (15.6) ----- Gross total loans..... 684,640 795,287 18,232 16.16 Net total loans..... 630,421 728,520 16,702 15.6 Gross restructured loans as a percentage of gross loans..... 21.53% 20.42% Gross other impaired loans as a percentage of gross loans..... 12.15 6.32 Net restructured loans as a percentage of net loans..... 19.45 16.67 Net other impaired loans as a percentage of net loans..... 8.77 3.95 Allowance for loans losses on restructured loans as a percentage of gross restructured loans..... 16.78 25.23 Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans... 33.48 42.74 Allowance on loan losses as a percentage of gross loans(2).... 7.92 8.40 ----- (1) Excludes allowances on non-impaired loans. (2) Includes allowances on non-impaired loans. The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses. Year ended March 31, ----- 2004/2003 2003 2004 2004 % change ----- (in millions, except percentages) Total provisions for the year..... Rs. 19,649 Rs. 20,055 US\$ 460 2.1% Provision for loans losses as a percentage of net loans..... 3.12% 2.75% Gross

restructured loans increased 10.2% during fiscal 2004 to Rs. 162.4 billion (US\$ 3.7 billion) at year-end fiscal 2004, from Rs. 147.4 billion (US\$ 3.4 billion) at year-end fiscal 2003 primarily due to restructuring of loans to companies in the crude petroleum and refining and telecom industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, offset, in part, by reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts as per the contractual terms of repayment of the loan. Gross other impaired loans decreased 39.6% during fiscal 2004 to Rs. 50.2 billion (US\$ 1.2 billion) at year-end fiscal 2004, from Rs. 83.2 billion (US\$ 1.9 billion) at year-end fiscal 2003 primarily due to reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year as restructured loans and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts as per the contractual terms of repayment of the loan. As a percentage of net loans, net restructured loans were 16.7% at year-end fiscal 2004 compared to 19.5% at year-end fiscal 2003 and net other impaired loans were 3.9% at year-end fiscal 2004 compared to 8.8% at year-end fiscal 2003. During fiscal 2004, we transferred impaired loans of Rs. 23.0 billion (US\$ 527 million) to Asset Reconstruction Company (India) Limited (See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to banks" and "Supervision and Regulation - Reserve Bank of India Regulations - Regulations Relating to Sale of Assets to Asset Reconstruction Companies"), of which Rs. 2.0 billion (US\$ 46 million) was recognized as a sale in our US GAAP financial statements and Rs. 21.0 billion (US\$ 481 million) is included in our restructured loans. Provisions for loan losses for fiscal 2004 increased 2.1% to Rs. 20.1 billion (US\$ 460 million) from Rs. 19.6 billion (US\$ 450 million) in fiscal 2003. The coverage ratio on gross restructured loans increased to 25.2% at year-end fiscal 2004 from 16.8% at year-end fiscal 2003. The coverage ratio on other impaired loans increased to 42.7% at year-end fiscal 2004 from 33.5% at year-end fiscal 2003. Income Tax Expense Income tax expense amounted to Rs. 1.6 billion (US\$ 38 million) in fiscal 2004 compared to income tax benefit of Rs. 3.1 billion (US\$ 70 million) in fiscal 2003. The effective rate of tax expense was 23.9% in fiscal 2004 101

compared to effective rate of tax benefit of 27.7% in fiscal 2003. The effective tax rate of 23.9% in fiscal 2004 was lower compared to statutory tax rate of 35.9% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate. See Note 29 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, ----- 2004/2003 2003 2004 2004 % change ----- (in millions, except percentages) Cash and cash equivalents..... Rs. 72,453 Rs. 98,985 US\$ 2,269 36.6% Trading account assets (1) ..... 39,634 75,155 1,723 89.6 Securities, excluding venture capital investments (2) ..... 276,917 305,226 6,997 10.2 Venture capital investments ..... 3,704 5,142 118 38.8 Investments in affiliates ..... 2,615 3,619 83 38.4 Loans, net: Rupee ..... 594,955 705,685 16,178 18.6 Foreign currency ..... 89,685 89,602 2,054 (0.1) Less: Allowances ..... (54,219) (66,767) (1,530) 23.1 ----- Total loans, net ..... 630,421 728,520 16,702 15.6 Acceptances ..... 43,252 65,142 1,493 50.6 Property and equipment ..... 21,215 23,183 532 9.3 Other assets ..... 90,052 104,159 2,388 15.7 ----- Total assets ..... Rs. 1,180,263 Rs. 1,409,131 US\$ 32,305 19.4%

===== (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. Our total assets increased 19.4% to Rs. 1,409.1 billion (US\$ 32.3 billion) at year-end fiscal 2004 compared to Rs. 1,180.3 billion (US\$ 27.1 billion) at year-end fiscal 2003, primarily due to an increase in loans, trading account assets and investments. Our net loans increased 15.6% to Rs. 728.5 billion (US\$ 16.7 billion) at year-end fiscal 2004 compared to Rs. 630.4 billion (US\$ 14.5 billion) at year-end fiscal 2003, reflecting a 18.6% increase in gross rupee loans, a 0.1% decrease in gross foreign currency loans and a 23.1% increase in allowance for loan losses. Gross consumer loans and credit card receivables increased 65.7% to Rs. 311.9 billion (US\$ 7.2 billion) at year-end fiscal 2004 from Rs. 188.3 billion (US\$ 4.3 billion) at year-end fiscal 2003 in accordance with our strategy to grow our retail asset portfolio. Securities, excluding venture capital investment

increased 10.2% to Rs. 305.2 billion (US\$ 7.0 billion) at year-end fiscal 2004 from Rs. 276.9 billion (US\$ 6.3 billion) at year-end fiscal 2003 primarily due to investments in government securities for meeting the statutory liquidity ratio requirement. Cash, cash equivalents and trading account assets increased 55.4% to Rs. 174.1 billion (US\$ 4.0 billion) at year-end fiscal 2004 from Rs. 112.1 billion (US\$ 2.6 billion) at year-end fiscal 2003 primarily due to an increase in reverse repurchase transactions by Rs. 29.6 billion (US\$ 678 million) from Rs. 5.4 billion (US\$ 124 million) at year-end fiscal 2003 to Rs. 35.0 billion (US\$ 802 million) at year-end fiscal 2004. Under the reverse repurchase 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 lower risk while

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yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for liquidity management. Investment in affiliates increased to Rs. 3.6 billion (US\$ 83 million) at year-end fiscal 2004 from Rs. 2.6 billion (US\$ 60 million) at year-end fiscal 2003 due to additional investment in ICICI Prudential Life Insurance Company Limited. Acceptances increased 50.6% to Rs. 65.1 billion (US\$ 1.5 billion) at year-end fiscal 2004 from Rs. 43.3 billion (US\$ 992 million) at year-end fiscal 2003 reflecting our focus on increasing revenues from non-fund based businesses. Property and equipment increased to Rs. 23.2 billion (US\$ 532 million) at year-end fiscal 2004 from Rs. 21.2 billion (US\$ 486 million) at year-end fiscal 2003. Other assets increased 15.7% to Rs. 104.2 billion (US\$ 2.4 billion) at year-end fiscal 2004 from Rs. 90.1 billion (US\$ 2.1 billion) at year-end fiscal 2003. At year-end fiscal 2004, other assets included advance tax of Rs. 33.5 billion (US\$ 768 million), deferred tax asset of Rs. 7.9 billion (US\$ 182 million), intangible assets of Rs. 4.5 billion (US\$ 103 million) and Rs. 4.8 billion (US\$ 111 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. At March 31, ----- 2004/2003 2003 2004 2004 %

change -----	(in millions, except percentages)			
Deposits .....	Rs. 491,290	Rs. 684,955	US\$ 15,703	39.4%
Trading account liabilities.....	26,086	26,079	598	(0.0)
Short-term borrowings .....	42,095	57,364	1,315	36.3
Acceptances .....	43,252	65,142	1,493	50.6
Long-term debt:				
Rupee .....	350,633	311,668	7,145	(11.1)
Foreign currency .....	50,179	61,781	1,416	23.1
----- Total long-term debt .....	400,812	373,449	8,561	(6.8)
Other liabilities .....	66,658	85,443	1,959	28.2
Taxes and dividends payable .....	16,880	20,180	463	19.5
Redeemable preferred stock(1).....	853	944	22	10.7
----- Total liabilities .....	1,087,926	1,313,556		
Minority interest .....	124	1,050	24	746.8
Stockholders' equity .....	92,213	94,525	2,167	2.5
----- Total liabilities and stockholders' equity.....	Rs. 1,180,263	Rs. 1,409,131		
US\$ 32,305	19.4%	=====		

(1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue. Deposits increased by 39.4% to Rs. 685.0 billion (US\$ 15.7 billion) at year-end fiscal 2004 from Rs. 491.3 billion (US\$ 11.3 million) at year-end fiscal 2003. This significant growth in deposits was primarily achieved 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. Our long-term debt decreased 6.8% to Rs. 373.5 billion (US\$ 8.6 billion) at year-end fiscal 2004 from Rs. 400.8 billion (US\$ 9.2 billion) at year-end fiscal 2003 on account of 11.1% decrease in long-term rupee debt and 23.1% increase in long-term foreign currency debt. Our short-term borrowings increased 36.3% to Rs. 57.4 billion (US\$ 1.3 billion) at year-end fiscal 2004 compared to Rs. 42.1 billion (US\$ 965 million) at year-end fiscal 2003. Trading account liabilities decreased marginally by Rs. 7 million (US\$ 160,477) at year-end fiscal 2004 compared to year-end fiscal 2003. Taxes and dividends payable increased 19.5% to Rs. 20.2 billion (US\$ 463 million) at year-end 103

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fiscal 2004 from Rs. 16.9 billion (US\$ 387 million) at year-end fiscal 2003. The carrying amount of redeemable preferred stock increased to Rs. 944 million (US\$ 22 million) at year-end fiscal 2004 from Rs. 853 million (US\$ 20 million) at year-end fiscal 2003. Minority interest increased to Rs. 1.1 billion (US\$ 24 million) at year-end fiscal 2004 from Rs. 124 million (US\$ 3 million) at year-end fiscal 2003. Stockholders' equity increased 2.5% at year-end fiscal 2004 to Rs. 94.5 billion (US\$ 2.2 billion) from Rs. 92.2 billion (US\$ 2.1 billion) at year-end fiscal 2003. Off Balance Sheet Items, Commitments and Contingencies Foreign Exchange and Derivative Contracts We enter into foreign exchange forwards, options, swaps and other derivative products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. 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 of SFAS No. 133 and SFAS No. 138 effective April 1, 2001, all derivatives have been recorded as assets or liabilities on the balance sheet at their respective fair values with unrealized gains or 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. The following table sets forth, at the dates indicated, the notional amount of derivative contracts. Notional principal amounts Balance sheet credit exposure (1)

	At March 31		At March 31		At March 31		At March 31	
	2003	2004	2005	2005	2003	2004	2005	2005
	(in millions)							
Interest rate products: Swap agreements..	Rs. 324,893	Rs.1,456,182	Rs 1,352,576	US\$ 31,008	Rs. 137	Rs. 1,552	Rs. 582	US\$ 13
Others .....	- 43,073							
Total interest rate products...	Rs. 324,893	Rs.1,499,255	Rs.1,831,674	US\$ 41,991	Rs. 137	Rs. 1,595	Rs. 576	US\$ 13
Foreign exchange products: Forward contracts	Rs. 277,280	Rs. 620,415	Rs. 867,644	US\$ 19,891	Rs. (116)	Rs. 398		
Swap agreements..	14,611	46,724	97,496	2,235	539	263	Rs. 1,830	US\$ 42
Others.....	- 44,401							
Total foreign exchange products.....	Rs. 291,891	Rs. 711,540	Rs. 965,140	US\$ 22,126	Rs. 423	Rs. 316	Rs. 1,608	US\$ 37

(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. 1,831.7 billion (US\$ 42.0 billion) at year-end fiscal 2005 compared to Rs. 1,499.3 billion (US\$ 34.4 billion) at year-end fiscal 2004. The notional principal amount of foreign exchange products increased to Rs. 965.1 billion (US\$ 22.1 billion) at year-end fiscal, 2005 compared to Rs. 711.5 billion (US\$ 16.3 billion) at year-end fiscal 2004. This significant increase in the volumes of interest rates swaps and foreign exchange forward contracts was primarily due to increased transactions carried out by us on behalf of our customers and growth in the market for such products. Market volumes have also increased significantly during this period. As an active player and market-maker in swap and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination/cancellation of existing transactions, we have seen a substantial increase in the notional principal of our swap portfolio during this period. An interest rate swap does not entail exchange of notional principal and the cash flow arises on account of the difference between the interest rate pay and receive legs of the swap which is generally much lower than the notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is 104

covered by an exactly opposite transaction entered into with another counter-party, the net market risk of the two transactions will be zero whereas, the notional principle of the portfolio will be the sum of both transactions.

**Securitization** We primarily securitize commercial loans through "pass-through" securitizations. In fiscal 2005, we securitized loans and credit substitutes which resulted in gains of Rs. 5.1 billion (US\$ 116 million) compared to Rs. 4.2 billion (US\$ 97 million) in fiscal 2004. The gains are reported as a component of gain on sale of loans and credit substitutes. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. The securitizations are either with or without recourse. In certain cases, we may enter into derivative transactions such as written put options and interest rate swaps with the transferees. In certain cases, we write 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 pre-determined exercise price. At year-end fiscal 2005, we had sold loans and credit substitutes with an aggregate put option exercise price of Rs. 57.2 billion (US\$ 1.3 billion) compared to Rs. 38.3 billion (US\$ 877 million) at year-end fiscal 2004.

**Variable Interest Entities** During the year, we transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company set up under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and guidelines issued by the Reserve Bank of India. The trusts/funds (which are separate legal entities) issued security receipts to us and other transferors as consideration for the transaction. Certain transfers did not qualify for sale accounting under SFAS No. 140 and continue to be reflected as loans on our balance sheet. Other transfers qualified for sale accounting but were impacted by FIN 46/FIN 46R. We have consolidated entities in which we are the primary beneficiary at year-end fiscal 2005. Funds/trusts which are VIEs but in which we are not the primary beneficiary have not been consolidated. Our venture capital subsidiary is accounted for pursuant to specialized industry guidance applicable to investment companies. Pursuant to this guidance, investment holdings are accounted for at estimated fair value irrespective of the level of equity ownership. Some of these investment holdings may be deemed to be VIEs as defined in FIN 46R. The FASB permitted non-registered investment companies to defer consolidation of VIEs in which they are involved until the proposed Statement of Position on the clarification of the scope of the Investment Company Audit Guide is finalized. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46R to provide an exception for companies that qualify to apply the revised Audit Guide. We applied this deferral provision and did not consolidate additional assets in potential VIEs in which we are involved at year-end fiscal 2005. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46R, we will assess the effect of such guidance on our venture capital subsidiary.

**Loan Commitments** We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 37.8 billion (US\$ 867 million) at year-end fiscal 2005 compared to Rs. 73.9 billion (US\$ 1.7 billion) at year-end fiscal 2004. 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. 604 million (US\$ 14 million) at year-end fiscal 2005 compared to Rs. 294 million (US\$ 7 million) at year-end fiscal 2004 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers. 105

**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, for non-cancelable leases. Lease rental commitments for fiscal (in millions)

----- 2006..... Rs. 866

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2007.....	835	2008.....	829
2009.....	813	2010.....	690
.....	3,225	Total minimum lease commitments	Rs. 7,258

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 relating to other types of financial instruments. We have the same appraisal process for guarantees as that for any other loan product. Guarantees increased by 31.2% to Rs. 160.5 billion (US\$ 3.7 billion) at year-end fiscal 2005 from Rs. 122.3 billion (US\$ 2.8 billion) at year-end fiscal 2004. The following table sets forth, at the dates indicated, guarantees outstanding. At March 31,

-----	2004/2003	2005/2004	2003	2004	% change	2005
2005 % change	(in millions, except percentages)					
Financial guarantees(1)....	Rs. 69,076	Rs. 57,344	(17.0)%	Rs. 60,672	US\$ 1,391	5.8%
Performance guarantees(2)..	Rs. 37,042	65,000	73.8	99,808	2,288	53.6
-----	----- Total guarantees .....					
Rs. 106,478	Rs. 122,344	14.9%	Rs. 160,480	US\$ 3,679	31.2%	=====

----- (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 2005. Payments due by period ----- Less than More than Contractual Obligations Total 1

year 1-3 years	3-5 years	5 years	-----	-----	-----	-----	-----	(in millions)
Long term debt obligations....	Rs. 368,152	Rs. 88,889	Rs. 118,217	Rs. 87,663	Rs. 73,383	Operating lease obligations...	7,258	866
Guarantees	Financial guarantees....	60,672	35,040	10,000	6,228	9,404	Performance guarantees..	99,808
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Total.....	Rs. 535,890	Rs. 162,242	Rs. 169,420	Rs. 112,692	Rs. 91,536	=====	=====	=====

===== 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 Basel Committee of Banking Supervision, Bank of 106

International Settlements in 1988. ICICI Bank is required to maintain a 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 2005, 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 11.8%. Using the same basis of calculation, at year-end fiscal 2005, ICICI Bank's Tier 1 capital adequacy ratio was 7.6% and its Tier 2 capital adequacy ratio was 4.2%. ICICI Bank raised additional Tier 1 capital through a public issue of equity shares aggregating to Rs. 32.5 billion (US\$ 745 million) in fiscal 2005. 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, 2005 ----- (in millions) Tier 1 capital ..... Rs. 102,463 US\$ 2,349 Tier 2 capital ..... 56,566 1,297 ----- Total capital ..... Rs. 159,029 US\$ 3,646 ===== On- balance sheet risk weighted assets ..... Rs. 1,080,528 US\$ 24,771 Off-balance sheet risk weighted assets ..... 207,968 4,768 ----- Risk weighted assets on trading book 61,672 1,414 ===== Total risk weighted assets ..... Rs. 1,350,168 US\$ 30,953 ===== Tier 1 capital adequacy ratio ..... 7.6% Tier 2 capital adequacy ratio ..... 4.2 ----- Total capital adequacy ratio ..... 11.8% ----- From time to time, we may access the capital markets through additional equity or debt offerings to increase our capital resources. 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 the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, 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. From time to time, we may buy back some of our outstanding bonds at our discretion in the open market or in privately negotiated transactions depending on market conditions, interest rates and other factors. 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. 107

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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. 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 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. Until September 17, 2004, under the Reserve Bank of India's cash reserve ratio requirements, we were 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 increased the cash reserve ratio to 5.0% in two stages (4.75% effective September 18, 2004 and 5.0% effective October 2, 2004). 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 our 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 monitor 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 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. The outlook from Standard and Poor is stable. Moody's has a positive outlook on our Baa3 foreign currency senior debt rating, a stable outlook on our Baa3 subordinated debt rating and also a stable outlook on our Ba2 ratings on foreign currency deposits. 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. See also "Risk Factors - Risks Relating to Our Business - We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds". 108

Capital Expenditure The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets. Fiscal 2003

	Fiscal 2003		Fiscal 2004	
	Cost at March	Deletions/ Net	Cost at March	Deletions/ Net
assets at March 31, 31, 2002 transfers transfers Depreciation 2003				
(in millions) Land	Rs. 1,336	Rs. 199	Rs. 1,535	Rs. 79
Buildings	Rs. 4,224 (238) 930	Rs. 10,264 235	Rs. 11,194 1,611 (492) 1,302	Rs. 11,011 252
Equipment, furniture and others	Rs. 5,727	Rs. 7,808 (874)	Rs. 12,661	Rs. 3,950 (212)
Construction in progress	Rs. 469	Rs. 1,010 (402)	Rs. 1,077 (89)	Rs. 988
Total	Rs. 14,740	Rs. 13,241	Rs. 26,467	Rs. 5,640
	US\$ 33	US\$ 486	US\$ 30	US\$ 531

(1) Includes equipment and furniture, and others category as specified in Note 13 to our consolidated financial statements. Fiscal 2005

	Fiscal 2005		Fiscal 2006	
	Cost at March	Deletions/ Net	Cost at March	Deletions/ Net
assets at March 31, 31, 2004 transfers transfers Depreciation 2005				
(in millions) Land	Rs. 1,526	Rs. 190	Rs. 1,526	Rs. 190
Buildings	Rs. 12,313	Rs. 2,292 (50) 1,788	Rs. 12,767	Rs. 293
Equipment, furniture and others(1)	Rs. 16,399	Rs. 4,932 (230) 10,423	Rs. 10,678	Rs. 245
Construction in progress	Rs. 988	Rs. 440 (191)	Rs. 7	Rs. 1,230
Total	Rs. 31,226	Rs. 7,854	Rs. 31,226	Rs. 7,854
	US\$ 597	US\$ 597	US\$ 597	US\$ 597

(1) Includes equipment and furniture, and others category as specified in Note 13 to our consolidated financial statements. Our capital expenditure on property and equipment was Rs. 7.9 billion (US\$ 180 million) for fiscal 2005. Capital expenditure of Rs. 4.9 billion (US\$ 113 million) on equipment, furniture and others included Rs. 1.7 billion (US\$ 40 million) on computers and software. The increase of Rs. 2.9 billion (US\$ 66 million) in the value of net assets was primarily due to additions in buildings, equipment and furniture of ICICI Bank Limited. This increase was commensurate with the increase in number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. 109

Significant Changes Except as stated in this annual report, no significant changes have occurred to us since the date of the fiscal 2005 consolidated financial statements contained in this annual report. Segment Revenues and Assets Our operations are classified into the following segments: commercial banking segment, investment banking segment and others. 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 includes ICICI Bank's treasury operations and the operations of ICICI Securities, and deals in the debt, equity and money markets and provides corporate advisory



products such as mergers and acquisition advice, loan syndication advice and issue management services. Others consist of various operating segments that do not meet the requirements to be reported as an individual reportable segment as defined in SFAS No. 131 on Disclosure about Segments of an Enterprise and Related Information. 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 our retail loan operations, which are part of the commercial banking segment. The segment-wise information presented below is consistent with the management reporting. Commercial Banking Segment Fiscal 2005 compared to Fiscal 2004 Net income of the commercial banking segment was Rs. 4.3 billion (US\$ 99 million) in fiscal 2005 as compared to a net loss of Rs. 4.4 billion (US\$ 100 million) in fiscal 2004, primarily due to an increase in net interest income by Rs. 5.7 billion (US\$ 131 million) and non-interest income by Rs. 5.5 billion (US\$ 126 million) in fiscal 2005 as compared to fiscal 2004 and lower provisions for loan losses of Rs. 14.7 billion (US\$ 337 million) for fiscal 2005 compared to Rs. 20.0 billion (US\$ 459 million) for fiscal 2004, offset, in part by an increase of Rs. 6.0 billion (US\$ 138 million) in non-interest expense. Net interest income, including dividends, increased 32.3% to Rs. 23.4 billion (US\$ 537 million) for fiscal 2005 from Rs. 17.7 billion (US\$ 406 million) for fiscal 2004 primarily due to replacement of higher cost liabilities of ICICI Limited with relatively lower cost deposits resulting in a positive impact on the net interest income. Provisions for loan losses decreased 26.7% to Rs. 14.7 billion (US\$ 337 million) for fiscal 2005 from Rs. 20.0 billion (US\$ 459 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. Non-interest income increased 33.7% to Rs. 21.9 billion (US\$ 502 million) in fiscal 2005 from Rs. 16.4 billion (US\$ 375 million) in fiscal 2004. The large increase was primarily due to growth in retail liability product income like account servicing charges and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. During the year we increased charges and introduced new charges for some of the services that we offer to our deposit customers. There was a significant increase in business volume of transaction banking services like bankers acceptances, bank guarantees and cash management services. Non-interest expense increased 30.9% to Rs. 25.5 billion (US\$ 584 million) in fiscal 2005 from Rs. 19.5 billion (US\$ 446 million) in fiscal 2004 primarily due to an increase in salary and other administration expenses. Fiscal 2004 compared to Fiscal 2003 The commercial banking segment incurred a net loss of Rs. 4.4 billion (US\$ 100 million) in fiscal 2004 and a net loss of Rs. 7.8 billion (US\$ 180 million) in fiscal 2003, primarily due to provisions for loan losses of Rs. 20.0 billion (US\$ 459 million) in fiscal 2004 and Rs. 19.6 billion (US\$ 450 million) in fiscal 2003 respectively. The decrease in net loss in fiscal 2004 in comparison with fiscal 2003 was primarily due to an increase in non-interest income partly offset by an increase in non-interest expense. 110

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Net interest income, including dividends, increased 13.7% to Rs. 17.7 billion (US\$ 406 million) in fiscal 2004 from Rs. 15.6 billion (US\$ 357 million) in fiscal 2003 primarily due to the benefit of lower funding costs. Non-interest income increased 217.6% to Rs. 16.4 billion (US\$ 375 million) in fiscal 2004 from Rs. 5.2 billion (US\$ 118 million) in fiscal 2003 primarily due to a greater focus on fee income and increased gains on investments held as credit substitutes. Non-interest expense increased 57.6% to Rs. 19.5 billion (US\$ 446 million) in fiscal 2004 from Rs. 12.4 billion (US\$ 283 million) in fiscal 2003 primarily due to enhanced operations and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call centre expenses and technology expenses. Investment Banking Segment Fiscal 2005 compared to Fiscal 2004 Net income for the investment banking segment decreased 57.9% to Rs. 4.7 billion (US\$ 108 million) in fiscal 2005 compared to Rs. 11.2 billion (US\$ 256 million) in fiscal 2004, primarily due to a decrease in trading account revenue and a decrease in gains from securities transactions. Trading account revenue and gain on securities transactions decreased 64.0% to Rs. 6.2 billion (US\$ 142 million) for fiscal 2005 from Rs. 17.2 billion (US\$ 395 million) for fiscal 2004 as a result of an increase in interest rates during the year. The yield on 10-year government of India securities increased by 1.52% to 6.68% during fiscal 2005. See also

"Risk Factors - Risks Relating to Our Business - Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance". During fiscal 2004, the yield on 10-year government of India securities had declined by 105 basis points. Net interest income, including dividends, decreased to Rs. 688 million (US\$ 16 million) in fiscal 2005 from Rs. 1.2 billion (US\$ 28 million) in fiscal 2004. Non-interest expense decreased 22.4% to Rs. 3.7 billion (US\$ 84 million) in fiscal 2005 from Rs. 4.7 billion (US\$ 108 million) in fiscal 2004. Fiscal 2004 compared to Fiscal 2003 Net income for the investment banking segment increased 809.5% to Rs. 11.2 billion (US\$ 256 million) in fiscal 2004 compared to Rs. 1.2 billion (US\$ 28 million) in fiscal 2003, primarily due to an increase in non-interest income partly offset by an increase in non-interest expense. Net interest income, including dividends, increased to Rs. 1.2 billion (US\$ 28 million) in fiscal 2004 from a loss of Rs. 2.1 billion (US\$ 49 million) in fiscal 2003 primarily due to reduction in premium amortization expenses consequent to sale of certain government securities acquired at fair value at the time of amalgamation. These securities were marked up on the date of amalgamation due to decline in the interest rates subsequent to their purchase. Provision for loan losses was Rs. 15 million (US\$ 343,879) in fiscal 2004 compared to Rs. 4 million (US\$ 91,701) in fiscal 2003. Non-interest income increased 147.4% to Rs. 17.4 billion (US\$ 399 million) in fiscal 2004 from Rs. 7.0 billion (US\$ 161 million) in fiscal 2003 primarily due to higher income on the fixed income portfolio in a favorable interest rate environment and favorable equity markets. Non-interest expense increased 50.1% to Rs. 4.7 billion (US\$ 108 million) in fiscal 2004 from Rs. 3.2 billion (US\$ 72 million) in fiscal 2003. Related party transactions ICICI Bank has transactions with its affiliates and directors/employees. The following represent the significant transactions between ICICI Bank and related parties including our affiliates, directors or employees: Insurance services During fiscal 2005, we paid insurance premium to ICICI Lombard General Insurance Company and its affiliates amounting to Rs. 322 million (US\$ 7 million) compared to Rs. 219 million (US\$ 5 million) in fiscal 2004 and received insurance claims amounting to Rs. 17 million (US\$ 389,729) compared to Rs. 86 million (US\$ 2 million) in fiscal 2004. 111

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Lease of premises and facilities During fiscal 2005, we received the following amounts for lease of premises, facilities and other administrative costs, Rs. 121 million (US\$ 3 million) from ICICI Prudential Life Insurance Company, compared to Rs. 198 million (US\$ 4 million) in fiscal 2004, Rs. 19 million (US\$ 435,580) from Prudential ICICI Asset Management Company, compared to Rs. 6 million (US\$ 137,552) in fiscal 2004 and Rs. 131 million (US\$ 3 million) from ICICI Lombard General Insurance Company, compared to Rs. 91 million (US\$ 2 million) in fiscal 2004. Secondment of employees During fiscal 2005, we received Rs. 1 million (US\$ 22,925) from ICICI Prudential Life Insurance Company for seconded employees, compared to Rs. 0.6 million (US\$ 13,755) in fiscal 2004 and Rs. 8 million (US\$ 183,402) from ICICI Lombard General Insurance Company, compared to Rs. 14 million (US\$ 320,954) in fiscal 2004. Asset management services During fiscal 2005, we provided asset management services to TCW and earned fees of Rs. 5 million (US\$ 114,626) compared to Rs. 14 million (US\$ 320,954) in fiscal 2004. Deposits and borrowings During fiscal 2005, we paid Rs. 74 million (US\$ 2 million) interest on bonds/deposits/call borrowings to its affiliated companies, compared to Rs. 27 million (US\$ 618,982) in fiscal 2004. Interest and Dividend During fiscal 2005, we received a dividend of Rs. 218 million (US\$ 5 million) from our affiliates compared to Rs. 172 million in fiscal 2004 (US\$ 4 million). Employee loans ICICI Bank has advanced housing, vehicle and general purpose loans to employees, bearing interest ranging from 2.5% to 6%. The tenure of these loans range from five 5 years to 25 years. The loans are generally secured by the assets acquired by the employees. Outstanding employee loan balances at year-end fiscal 2005 of Rs. 4,539 million (US\$ 104 million) were included in other assets compared to Rs. 3,766 million (US\$ 86 million) at year-end fiscal 2004. Referral fees During fiscal 2005 we received Rs. 280 million (US\$ 6 million) in referral fees from our insurance affiliates compared to Rs. 243 million (US\$ 6 million) in fiscal 2004. Purchase of investments During fiscal 2005, we purchased Rs. 7,574 million (US\$ 174 million) of investments from our affiliates, compared to Rs. 2,843 million in fiscal 2004 (US\$ 65 million). Sale of investments During fiscal 2005, we sold Rs. 4,518 (US\$ 104 million) of investments to our affiliates compared to Rs. 971 million (US\$ 22 million) in fiscal 2004. 112

Related party balances The following balances payable to/receivable from related parties were included in the balance sheet: At March 31, ----- 2004 2005 ----- (in millions) Loans..... Rs. 20 Rs. 9 Other assets..... 3,353 62 Deposits..... 700 1,621 Other liabilities..... 50 23

**Critical Accounting Policies** In order to understand our financial condition and results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those policies. Our accounting and reporting policies are in accordance with US GAAP and conform to standard accounting practices relevant to our products and services and the businesses in which we operate. US GAAP requires 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. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation. We have identified three critical accounting policies, based on the judgments and estimates required in the application of these policies. These include valuation of securities and accounting for derivative transactions and hedging activities, allowance for loan losses and accounting for securitization transactions. 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".

**Allowance for loan losses** The allowance for loan losses represents management's estimate of probable losses inherent in the portfolio. We have developed appropriate policies and procedures for assessing the adequacy of the allowance for loan losses that reflect our careful evaluation of credit risk considering all information available to us. In developing this assessment, we must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown, such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses. 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. Loans identified as trouble debt restructuring or other impaired with a balance of Rs. 100 million and above are individually reviewed and an allowance is determined based on the difference between the loan's carrying value and the loan's fair value. Fair value is based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral, less disposal costs, if the loan is collateral dependent. No other allowance is provided on impaired loans that are individually reviewed. Each portfolio of smaller-balance, homogenous loans, including consumer loans and credit card receivables, is evaluated for impairment. The allowance for loan losses attributed to these loans is established by a process that includes an estimate of probable losses inherent in the portfolio. These include historical delinquency and credit loss experience and current trends and conditions. 113

These evaluation processes are subject to numerous estimates and judgments. The use of different estimates or assumptions could produce different results. We regularly monitor qualitative and quantitative trends in the loan portfolio, including changes in the levels of restructured loans and other impaired loans. The distribution of the allowance as described above does not diminish the fact that the entire allowance is available to absorb credit losses in the loan portfolio. Our principal focus, therefore, is on the adequacy of the total allowance for loan losses. **Valuation of Securities and Accounting for Derivatives Transactions and Hedging Activities** Our securities are classified into available for sale securities, trading securities, venture capital investments and non-readily marketable securities. The classification into available for sale and trading securities is based on management's intention at the time of purchase. 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 for reasons other than those specified in SFAS No. 115. Further, we offer derivative

products to our customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. The derivatives market in India is evolving and our derivative volumes have increased significantly since the amalgamation. The fair values of quoted securities are determined based on market prices. The fair value of securities for which quoted market prices are not available is estimated as follows:

- o The fair value of unquoted government of India securities is estimated based on the yields to maturity of these securities published by certain agencies approved by the Reserve Bank of India.
- o The fair value of other unquoted securities and preference shares is computed based on the mark-up, based on the credit rating of the issuer by a credit rating agency, over the yields to maturity for government of India securities, as published by certain agencies approved by the Reserve Bank of India.
- 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 values of the respective mutual fund 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.

Changes in values of available-for-sale securities are recognized net of taxes as a component of stockholders' equity, unless the value is impaired and the impairment is not considered to be temporary. Impairment losses that are not considered temporary are recognized in the income statement. We conduct regular reviews to assess whether other-than-temporary impairment exists. Changes in the fair values of trading account assets are recognized in the income statement. Equity securities, forming part of our securities portfolio, are considered as publicly traded if they have been traded on a securities exchange within six months prior to the relevant fiscal year-end. The fair value of such securities is the last quoted price. Non-readily marketable equity securities are recorded at cost and a provision is made for other than temporary diminution. Equity securities acquired by conversion of loans in a troubled debt restructuring are stated at their fair values and accounted for in the same manner as equity investments acquired for cash. 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 subsidiary. 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. Since the valuations are inherently uncertain, these estimated values may differ 114

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significantly from the values that would have been used had a ready market for the investments existed. Changes in fair values of venture capital investments are recognized in the income statement. 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. 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. We also hedge our own exchange rate risk related to our foreign currency trading portfolio with products from banking counterparties. 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 of the hedge. In addition, we assess both at the inception of the hedge and on an ongoing 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 it is either determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction 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 impact our estimate of fair value in the future, potentially affecting principal trading revenues. Similarly, pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could 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 required to be recorded as secured borrowings with a pledge of collateral, and such secured borrowings are required to be 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 financial models or quoted market prices or sale value 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, impact the amount and timing of gains and losses recognized and the valuation of retained interests, and the use of different financial models or assumptions could produce different financial results. 115

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**Recently Issued Accounting Standards** Accounting changes and error corrections In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154") which replaces Accounting Principles Board ("APB") Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28". SFAS No. 154 applies to all voluntary changes in accounting principles and provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principles and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

**Share based payment** On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123(R) would be applicable to all awards granted, modified or settled in the first reporting period under US GAAP that begins after June 15, 2005. Statement 123(R) permits public companies to adopt its requirements using one of two methods: A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The company plans to adopt Statement 123 using the modified-prospective method. As permitted by Statement 123, the company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the

impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in our consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. Other-than-temporary impairments of securities In November 2003, the Financial Accounting Standards Board ("FASB") ratified a consensus on the disclosure provisions of Emerging Issues Task Force ("EITF") Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." In March 2004, the FASB reached a consensus regarding the application of a three-step impairment model to determine whether investments accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and other cost method investments are other-than-temporarily impaired. However, with the issuance of FASB Staff Position EITF 03-1-1, 116

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the provisions of the consensus relating to the measurement and recognition of other-than-temporary impairments have been deferred pending reassessment by the FASB. The remaining provisions of this standard, which primarily relate to disclosure, have been applied to all investments accounted for in accordance with SFAS No. 115 and other cost method investments. We cannot determine the impact of EITF 03-1 until after the FASB completes its reassessment. Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities. SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstance) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 did not have a material impact on our consolidated financial statements. Derivative Instruments and Hedging Activities In April 2003, the FASB issued SFAS No. 149, Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. Adoption of SFAS No. 149 did not have a material impact on our consolidated financial statements. 117

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**MANAGEMENT Directors and Executive Officers** Our board of directors, consisting of 16 members at September 23, 2005, is responsible for the management of our business. Our organizational documents provide for a minimum of three directors and a maximum of 21 directors, excluding the government director and the debenture director (defined below), if any. We may, subject to the provisions of our organizational documents and the Companies Act, change the minimum or maximum number of directors by a resolution which is passed at a general meeting by a majority of the present and voting shareholders. In addition, under the Banking Regulation Act, the Reserve Bank of India may require us to convene a meeting of our shareholders for the purposes of appointing new directors to our board of directors. The Banking Regulation Act requires that at least 51% of the directors should have special knowledge or practical experience in banking and areas relevant to banking including accounting, finance, agriculture and small scale industry. All of our directors are professionals with special knowledge of one or more of the above areas. Of the 16 directors, five are directors who are in our wholtime employment, or wholtime directors. The appointment of wholtime directors requires the approval of the Reserve Bank of India and the shareholders. Under the terms of the 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 our board, currently Mr. Vinod Rai. Of the remaining 10 independent directors, Mr. N. Vaghul is the non-executive chairman of our board, Mr. T.S. Vijayan is the Managing Director of

Life Insurance Corporation of India which is among ICICI Bank's large institutional shareholders, one director is a consultant, one is a technocrat-entrepreneur, one is a chartered accountant and business advisor, one is a professor of finance, one is a retired company executive, one is from a financial holding company with investments in insurance and investment management and two are from industrial companies. Of the 11 non-whole-time directors, three have specialized knowledge in respect of agriculture and rural economy or small-scale industry. The Reserve Bank of India has also prescribed 'fit and proper' criteria to be considered while appointing persons as directors of banking companies. Our directors are required to make declarations confirming their ongoing compliance of the 'fit and proper' criteria. Our board of directors has reviewed the declarations received from the directors in this regard and determined that all our directors satisfy the 'fit and proper' criteria. Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors, excluding the government director and the debenture director, are subject to retirement by rotation. One-third of these directors must retire from office at each annual meeting of shareholders. A retiring director is eligible for re-election. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than whole-time directors may hold office continuously for a period exceeding eight years. Our organizational documents also provide that we may execute trust deeds in respect of our debentures under which the trustee or trustees may appoint a director, known as the debenture director. The debenture director is not subject to retirement by rotation and may only be removed as provided in the relevant trust deed. Currently, there is no debenture director on our board of directors. Our board of directors appointed Mr. T.S. Vijayan, Managing Director, Life Insurance Corporation of India and Mr. Sridar Iyengar, a chartered accountant and business advisor as non-whole-time directors effective April 30, 2005. The shareholders have approved their appointments at the annual general meeting held on August 20, 2005. Mr. S.B. Mathur, Chairman of Life Insurance Corporation of India resigned from the Board effective March 4, 2005 consequent to his retirement from Life Insurance Corporation of India and Mr. P.C. Ghosh, Chairman, General Insurance Corporation of India resigned from the Board effective May 6, 2005 consequent to his retirement from General Insurance Corporation of India. Mr. Uday Chitale who was appointed as a non-whole-time director effective August 21, 1997 retired from our board effective August 21, 2005 on completion of eight years as a non-whole-time director as provided in the Banking Regulation Act. Mr. N. Vaghul was appointed as a director on March 27, 2002. He was appointed as non-whole-time chairman of the board effective May 3, 2002 for a period of three years. The board at its meeting on April 30, 2005 reappointed him as non-whole-time chairman of the board until April 30, 2009 which has been approved by the Reserve Bank of India. 118

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Our board of directors had appointed Ms. Chanda Kochhar and Dr. Nachiket Mor as Executive Directors effective April 1, 2001, Mr. K.V. Kamath and Ms. Lalita D. Gupte, previously non-whole-time directors on our board, as Managing Director & CEO and Joint Managing Director respectively, effective May 3, 2002 and Ms. Kalpana Morparia as Executive Director, effective May 3, 2002. Our board subsequently re-appointed Ms. Lalita D. Gupte, whose tenure of appointment was until June 23, 2004, as Joint Managing Director till October 31, 2006. Our board designated Ms. Kalpana Morparia as Deputy Managing Director effective February 1, 2004. The board and the shareholders have approved the following re-appointments with respect to the whole-time directors of the Bank: o Mr. K. V. Kamath, Managing Director & CEO, on the expiry of his current term, i.e., from May 1, 2006, until April 30, 2009. o Ms. Kalpana Morparia, Deputy Managing Director, on the expiry of her current term, i.e., from May 1, 2006, until May 31, 2007 (up to the date of retirement). o Ms. Chanda Kochhar and Dr. Nachiket Mor, Executive Directors, on the expiry of their current terms, i.e., from April 1, 2006, until March 31, 2011. These re-appointments are subject to the approval of the Reserve Bank of India. In order to comply with the provisions of the Companies Act and our organizational documents, Ms. Lalita D. Gupte and Ms. Kalpana Morparia will be subject to retirement by rotation if at any time the number of non-rotational directors exceeds one-third of the total number of directors. If they are re-appointed as directors immediately upon retirement by rotation, they will continue to hold their offices as whole-time directors, and the retirement by rotation and re-appointment shall not be deemed to constitute a break in their appointment. Our other executive officers may hold office until they retire, unless they are discharged earlier by us. 119

Our board of directors at September 23, 2005 had the following members:

----- Name, Designation  
and Profession Age Date of Appointment Other appointments

----- Mr. Narayanan  
Vaghul 69 March 27, 2002 Chairman Chairman Asset Reconstruction Company (India) Limited GIVE Foundation  
Chairman: Himatsingka Seide Limited Agriculture & Small Enterprises Business ICICI Knowledge Park Committee  
Mahindra Industrial Park Limited Board Governance & Remuneration Pratham India Education Initiative Committee  
Pratham Tamil Nadu Education Initiative Business Strategy Committee Director Credit Committee Air India Limited  
Risk Committee Air India Air Transport Services Limited Air India Engineering Services Limited Profession: Apollo  
Hospitals Enterprise Limited Development Banker Azim Premji Foundation Hemogenomics Private Limited Mittal  
Steel Europe SA Mittal Steel Company NV Mittal Steel Caribbean Mahindra & Mahindra Limited Nicholas Piramal  
India Limited Technology Network (India) Private Limited Wipro Limited

----- Mr. Sridar Iyengar 58  
April 30, 2005 Director American India Foundation Profession: Foundation for Democratic Reforms in India Inc.  
Business Advisor Infosys Technologies Limited Progeon Limited Rediff.com Rediff Holdings Inc. TiE Inc.

----- Mr. Lakshmi Niwas  
Mittal 55 May 3, 2002 Director Artha Limited Profession: Galmatias Limited Industrialist Irish Ispat Limited Ispat  
Inland Holdings Inc. Ispat Inland Inc. Ispat Inland L.P. Ispat (US) Holdings Inc. LNM Capital Limited Lucre Limited  
Mittal Canada Inc. Mittal Steel Annaba Spa Mittal Steel Company N.V. Mittal Steel Company Limited Mittal Steel  
Europe SA Mittal Steel Galati SA Mittal Steel Holdings NV 120

----- Name, Designation  
and Profession Age Date of Appointment Other appointments

----- Mittal Steel  
Holdings BV Mittal Steel Lazaro Cardenas SA de CV Mittal Steel Mexico SA de CV Mittal Steel Ostrava a.s. Mittal  
Steel Point Lisas Limited Mittal Steel Poland S.A. Mittal Steel Skopje (CRM) a.d. Mittal Steel Skopje (HRM) a.d.  
Mittal Steel South Africa Limited Mittal Steel Tebessa Spa Mittal Steel Temirtau JSC Mittal Steel Zenica Nestor  
Limited Nuav Limited Pratham UK Limited Tommyfield Limited

----- Mr. Anupam  
Pradip Puri 59 May 3, 2002 Director Dr. Reddy's Laboratories Limited Profession: Godrej Consumer Products  
Limited Management Consultant Mahindra-British Telecom Limited Mahindra & Mahindra Limited Patni Computer  
Systems Limited

----- Mr. Vinod Rai 57 January 3, 2003 Director Additional Secretary (Financial Sector) Bank of Baroda IFCI Limited  
Ministry of Finance, Government of India Infrastructure Development Finance Company Limited Profession: Small  
Industries Development Bank of India Government Service

----- Mr. Somesh  
Ramchandra Sathe 60 January 29, 1998 Managing Director Arbes Tools Private Limited Profession: ESSP Meditek  
Private Limited Technocrat Entrepreneur Sukeshan Equipments Private Limited

----- Mr. Mahendra  
Kumar Sharma 58 January 31, 2003 Vice-Chairman Hindustan Lever Limited Chairman: Chairman Fraud Monitoring  
Committee Vasishti Detergents Limited Share Transfer & Shareholders'/Investors' Director Grievance Committee  
Hind Lever Trust Limited Indexport Limited Profession: Lever India Exports Limited Company Executive Lever  
Associated Trust Limited Nepal Lever Limited Toc Disinfectants Limited

----- Mr. Priya Mohan Sinha 65 January 22, 2002 Chairman Bata



India Limited Profession: Director Professional Manager Azim Premji Foundation Indian Oil Corporation Limited  
121

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----- Name, Designation  
and Profession Age Date of Appointment Other appointments

----- Lafarge India  
Limited Wipro Limited

----- Prof. Marti  
Gurunath Subrahmanyam 59 May 3, 2002 Director Infosys Technologies Limited Profession: Nexgen Financial  
Holdings Limited Professor Nexgen Re Limited Nomura Asset Management (U.S.A.), Inc. Supply Chain Inc. The  
Animi Offshore Fund Limited The Animi Offshore Concentrated Risk Fund Usha Communication Inc. Director -  
Board of Governors National Institute of Securities Markets Director - Advisory Board Metahelix Life Sciences  
Private Limited Microcredit Foundation of India

----- Mr. T.S. Vijayan  
52 April 30, 2005 Managing Director Life Insurance Corporation of India Profession: Director Company Executive  
LIC HFL Care Homes Limited

----- Mr. V. Prem Watsa  
55 January 29, 2004 Chairman & CEO Fairfax Financial Holdings Limited Profession: Chairman Company Executive  
4129768 Canada Inc. Crum & Foster Holdings Corp. Northbridge Financial Corporation TIG Holdings, Inc. President  
1109519 Ontario Limited 810679 Ontario Limited FFHL Share Option 1 Corp. The Sixty Two Investment Company  
Limited Vice-President FFHL Group Limited Vice-President & Secretary Hamblin Watsa Investment Counsel  
Limited Director Hudson Insurance Company Lindsey Morden Acquisitions Lindsey Morden Group Inc. Odyssey Re  
Holdings Corp. The Sixty Four Foundation The Sixty Three Foundation 122

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----- Name, Designation  
and Profession Age Date of Appointment Other appointments

----- Mr. Kundapur  
Vaman Kamath 57 April 17, 1996 Chairman Managing Director & CEO ICICI Bank Canada (Managing Director  
ICICI Bank UK Limited Chairman: effective May 3, 20 ICICI Lombard General Insurance Company Limited  
Committee of Directors ICICI Prudential Life Insurance Company Limited ICICI Securities Limited Profession:  
ICICI Venture Funds Management Company Company Executive Limited Investment Credit Bank Limited Liability  
Company Director Indian Institute of Management, Ahmedabad Visa International Asia Pacific Regional Board  
Director - Board of Governors Indian Institute of Information Technology Member - Governing Board Indian School  
of Business ----- Ms.

----- Ms.  
Lalita Dileep Gupte 56 September 12, 1994 Director Joint Managing Director (Joint Managing Dir ICICI Bank  
Canada effective May 3, 20 ICICI Bank UK Limited Chairperson: ICICI Lombard General Insurance Company  
Limited Asset Liability Management Committee ICICI Prudential Life Insurance Company Limited ICICI Securities  
Limited Profession: ICICI Venture Funds Management Company Company Executive Limited Investment Credit  
Bank Limited Liability Company

----- Ms. Kalpana  
Morparia 56 May 3, 2002 Chairperson Deputy Managing Director ICICI Investment Management Company Limited  
Profession: Director Company Executive ICICI Lombard General Insurance Company Limited ICICI Prudential Life  
Insurance Company Limited ICICI Securities Limited ICICI Venture Funds Management Company Limited

----- Ms. Chanda

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Kochhar 43 April 1, 2001 Chairperson Executive Director ICICI Home Finance Company Limited Director  
 Profession: ICICI Prudential Life Insurance Company Limited Company Executive 123

----- Name, Designation  
 and Profession Age Date of Appointment Other appointments  
 ----- Dr. Nachiket Mor  
 41 April 1, 2001 Director Executive Director ICICI Home Finance Company Limited ICICI Knowledge Park  
 Profession: ICICI Securities Limited Company Executive ICICI Venture Funds Management Company Limited  
 Pratham India Education Initiative  
 ----- 124

The executive officers of ICICI Bank at August 31, 2005 were as follows: -----

-----	Name	Age	Designation	Years	Total Bonus	
Stock Share- Total stock	Responsibilities of work	remuneration for fiscal	options options	holdings		
options options experience in fiscal 2005(2)	granted granted at August	granted outstanding 2005(1) in fiscal in April	31, 2005 till at August 2005(4) 2005 (3) August 31, 31, 2005(5) 2005(5)	-----	-----	
-----	Mr. K.V.	57	Managing Director	34	14,620,489	
4,492,800 250,000 250,000 68,500 1,025,000 936,000	Kamath & CEO	Ms. Lalita D.	56	Joint Managing	34 9,078,324	
3,369,600 165,000 165,000 119,991 795,000 637,500	Gupte	Director -International Banking	Ms. Kalpana	56	Deputy	
Managing 30 9,748,575 2,652,000 150,000 150,000 21,190 640,000 620,000	Morparia	Director - Corporate Centre	Ms. Chanda D.	43	Executive Director	
21 5,874,007 2,028,000 125,000 125,000 160,200 505,000 300,000	Kochhar -	Retail Banking	Dr. Nachiket	41	Executive Director	
18 7,023,546 2,028,000 125,000 125,000 6,000 502,000 275,000	Mor - Wholesale Banking	Mr. Balaji	40	Senior General	16 6,268,195 3,000,000 75,000 75,000 38,500 330,000	
187,500 Swaminathan	Manager	Mr. Bhargav	39	Senior General	15 4,184,663 2,100,000 75,000 75,000 20,600	
248,475 222,475	Dasgupta	Manager	Mr. K. Ramkumar	44	Senior General	
20 4,627,731 2,220,000 37,500 75,000	15,650 180,000 147,000	Manager	Ms. Madhabi	39	Senior General	
16 4,375,671 2,400,000 75,000 75,000 1,411	279,900 222,450	Puri-Buch	Manager	Mr. Nagesh	46	Senior General
20 4,061,046 2,220,000 37,500 45,000 37,253	202,500 141,300	Pinge	Manager	Mr. P. H.	53	Senior General
33 4,707,611 - - - 22,000 154,700 22,000	Ravikumar	Manager (currently seconded to National Commodities & Derivatives Exchange Limited)	Mr. Pravir	50	Senior General	
30 4,547,497 1,920,000 80,000 37,500 15,000 139,500 124,500	Vohra	Manager	Ms. Ramni	53	Senior General	
29 5,158,323 2,142,000 37,500 37,500 39,500 282,000 208,500	Nirula	Manager	Mr. Sanjiv	54	Senior General	
30 4,805,831 2,356,200 37,500 37,500 37,289 223,000 183,000	Kerkar	Manager	Mr.V.	37	Senior General	
15 4,827,508 2,400,000 75,000 75,000 36,210 259,900 157,150	Vaidyanathan	Manager	Ms. Vishakha	36	Chief Financial	
12 4,206,405 1,800,000 37,500 75,000 34,955 210,975 167,520	Mulye	Officer and Treasurer (1) Including ICICI Bank's contribution to the superannuation fund, provident fund and leave travel allowance and excluding bonus payable for fiscal 2004 which was paid in fiscal 2005. Includes aggregate leave travel allowance availed during the year: K.V. Kamath - Rs. 3,350,000 (US\$ 76,800), Ms. Lalita D. Gupte - Rs. Nil (US\$ Nil), Kalpana Morparia - Rs. 125				

1,900,000 (US\$ 43,558), Chanda D. Kochhar - Rs. Nil (US\$ Nil), Nachiket Mor - Rs. 812,500 (US\$ 18,627) and all other executive officers Rs. 4,788,750 (US\$ 109,783). (2) Bonus for fiscal 2005 was paid in fiscal 2006. (3) Executive

officers and directors as a group held around 0.5% of ICICI Bank's equity shares as of this date. (4) Each stock option, once exercised, is equivalent to one equity share of ICICI Bank. ICICI Bank granted these stock options to its executive officers at no cost. See "-Compensation and Benefits to Directors and Officers- Employee Stock Option Scheme" for a description of the other terms of these stock options. (5) In accordance with the Scheme of Amalgamation, directors and employees of ICICI have received stock options in ICICI Bank equal to half the number of the outstanding unexercised stock options they held in ICICI with the exercise price of these options being equal to twice the exercise price for the ICICI stock options exchanged. The stock options mentioned above include ICICI stock options converted into ICICI Bank stock options on this basis. Mr. K.V. Kamath is a mechanical engineer and a post-graduate in business management from the Indian Institute of Management, Ahmedabad. He joined ICICI in 1971 and worked in the areas of project finance, leasing, resources and corporate planning. In 1988, he left ICICI to join the Asian Development Bank, where he worked for six years. In January 1995, he joined a private sector group in Indonesia as advisor to its chairman. Mr. Kamath joined the board of directors of ICICI in October 1995. He was appointed Managing Director & CEO of ICICI in May 1996 and was re-appointed in May 2001. Mr. Kamath was a non-wholetime director on the board of ICICI Bank from April 1996. Effective May 3, 2002 our board appointed Mr. Kamath as Managing Director & CEO. Our board and shareholders have approved his re-appointment as Managing Director & CEO until April 30, 2009 on the expiry of his tenure of appointment on April 30, 2006, subject to the approval of the Reserve Bank of India. Ms. Lalita D. Gupte has a Bachelor of Arts degree and also holds a Masters degree in management science from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai. She joined ICICI in 1971, where she worked in the areas of project finance, leasing, resources and treasury, and credit operations. She joined the board of directors of ICICI in June 1994 as Executive Director and was designated as Deputy Managing Director in 1996. In April 1999, she was designated as the Joint Managing Director and Chief Operating Officer of ICICI. From July 2001, she was designated as Joint Managing Director and Chief Operating Officer - International Business. Ms. Gupte was a non-wholetime director on the board of ICICI Bank from September 1994. Effective May 3, 2002, our board appointed Ms. Gupte as Joint Managing Director. Our board and shareholders have approved her re-appointment as Joint Managing Director until October 31, 2006 on the expiry of her tenure of appointment on June 23, 2004. She is currently in charge of the international operations. Ms. Kalpana Morparia holds Bachelor's degrees in science and law. She worked in the legal department of ICICI from 1975 to 1994. From 1996, when she was designated as General Manager, she was in charge of the legal, planning, treasury and corporate communications departments. In 1998, she was designated a Senior General Manager of ICICI. She joined the board of directors of ICICI in May 2001. Effective May 3, 2002 our board appointed Ms. Morparia as an Executive Director. Effective February 1, 2004, our board designated her as Deputy Managing Director. She is currently in charge of the Corporate Centre which includes the strategy, risk management, legal, finance, treasury, secretarial, human resources management, corporate communications and facilities management and administration functions. Our board and shareholders have approved her re-appointment as a wholetime director until May 31, 2007 on the expiry of her current term of appointment on April 30, 2006, subject to the approval of the Reserve Bank of India. Ms. Chanda D. Kochhar holds a management degree from the Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate credit, infrastructure financing, e-commerce, strategy and retail finance. Ms. Kochhar was designated a Senior General Manager of ICICI in 2000 and was in charge of its retail business. She was appointed to our board as an Executive Director in April 2001. She is currently responsible for the retail banking operations. Our board and shareholders have approved her re-appointment as a wholetime director until March 31, 2011 on the expiry of her current term of appointment on March 31, 2006, subject to the approval of the Reserve Bank of India. Dr. Nachiket Mor holds a post-graduate diploma in finance management from the Indian Institute of Management, Ahmedabad and a Doctorate of Philosophy in Financial Economics from the University of Pennsylvania, Philadelphia, USA. He started his career as an officer in the corporate planning and policy cell of 126

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ICICI in 1987. He has worked in the areas of project and corporate finance, corporate planning and treasury. Dr. Mor

was designated a Senior General Manager of ICICI in 2000 and was in charge of treasury. He was appointed to our board of directors as an Executive Director in April 2001. He is currently responsible for wholesale banking. Our board and shareholders have approved his re-appointment as a wholetime director until March 31, 2011 on the expiry of his current term of appointment on March 31, 2006, subject to the approval of the Reserve Bank of India. Mr. Balaji Swaminathan is a graduate in commerce from Calcutta University, a chartered accountant and a cost and works accountant. Mr. Balaji Swaminathan started his career with KPMG International in 1989. He worked in KPMG India as Partner/Director from 1994 to 2001. He joined ICICI in August 2001 as its Chief Financial Officer and was the Chief Financial Officer of ICICI up to March 31, 2002. He was the Chief Financial Officer of ICICI Bank from April 1, 2002 to March 31, 2003. Currently, he is responsible for corporate banking. Mr. Bhargav Dasgupta is an engineer and has a post graduate degree in management from Indian Institute of Management, Bangalore. He joined ICICI in 1992 in the project finance department. In 2003 he was designated a Senior General Manager of ICICI Bank. Currently, he is responsible for international banking. Mr. K. Ramkumar is a science graduate from Madras University with post-graduate diploma in industrial relations and labor laws. He worked with ICI India before joining ICICI in 2001 in the human resources department. In 2004, he was designated as Senior General Manager of ICICI Bank and he is currently in charge of human resources management, facilities management and administration and retail infrastructure. Ms. Madhabi Puri-Buch is a graduate in mathematical economics and has a post-graduate degree in management from the Indian Institute of Management, Ahmedabad. She joined ICICI in 1989 in the project finance department. She left ICICI in 1992 and worked in ANZ Grindlays Bank and ORG MARG Research before joining ICICI again in January 1997 in the planning and treasury department. In 2003 she was designated a Senior General Manager of ICICI Bank. Currently, she is responsible for operations and service delivery, wholesale banking products and technology and the corporate brand management function. Mr. Nagesh Pinge is a commerce and law graduate from Mumbai University, and a chartered accountant. He joined ICICI in 1983 in the leasing department. He left ICICI in 1989 and worked in other financial services companies before joining ICICI again in April 1998 in the risk management department. He was designated as Senior General Manager in 2004 and is currently in charge of compliance and audit. Mr. P.H. Ravikumar is a graduate from Osmania University and is a Certified Associate of the Indian Institute of Bankers. Mr. Ravikumar started his career with Bank of India in 1972. He joined ICICI Bank in 1994. He was designated as Senior Executive Vice-President in 1998 and was in charge of treasury, foreign exchange and credit. Mr. Ravikumar joined ICICI in April 2001 as a Senior General Manager. He is currently on secondment to the National Commodity & Derivatives Exchange Limited as its Managing Director. Mr. Pravir Vohra is a post-graduate in economics from Delhi University. He was Joint President in 3i Infotech Limited (formerly ICICI Infotech Limited) before he joined ICICI Bank in 2002. He was designated as Senior General Manager in 2005 and he is currently in charge of the technology management and retail technology. Ms. Ramni Nirula is a post-graduate in management studies from Delhi University. She joined ICICI in 1975 and held various positions in the northern regional office of ICICI. She was designated as Senior General Manager of ICICI in fiscal 2000. She was the Managing Director & CEO of ICICI Securities from January 1, 2003 to January 31, 2004. She is currently responsible for government banking, rural and micro-banking and agri-business. Mr. Sanjiv Kerkar is a chemical engineer and holds a management degree from the Jammalal Bajaj Institute of Management Studies, University of Mumbai. He worked with ICICI from 1979 to 1993. Mr. Kerkar worked with Asian Finance and Investment Company from 1993 to 1996. In 1996, he re-joined ICICI and was designated a Senior General Manager of ICICI in 1998. Currently, Mr. Kerkar heads the Organizational Excellence Group, which is responsible for our quality initiatives. Mr. V. Vaidyanathan has Bachelor's and Master's degrees in business administration from Birla Institute of Technology & Science, Ranchi. He worked in Citibank N.A. before joining ICICI in 2000 in the personal financial 127

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services division. In 2003 he was designated a Senior General Manager of ICICI Bank. Currently, he is responsible for retail products and distribution. Ms. Vishakha Mulye is a commerce graduate from Mumbai University, and a chartered accountant. Ms. Mulye joined ICICI in 1993 in the project finance department. She was designated as Senior General Manager in 2004. Currently she is our Chief Financial Officer and Treasurer. Corporate Governance Our corporate governance policies recognize the accountability of the board and the importance of making the board

transparent to all its constituents, including employees, customers, investors and the regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities. Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management. Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. Our board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of our board include: o approving corporate philosophy and mission; o participating in the formulation of strategic and business plans; o reviewing and approving financial plans and budgets; o monitoring corporate performance against strategic and business plans, including overseeing operations; o ensuring ethical behavior and compliance with laws and regulations; o reviewing and approving borrowing limits; o formulating exposure limits; and o keeping shareholders informed regarding plans, strategies and performance. To enable our board of directors to discharge these responsibilities effectively, executive management gives detailed reports on our performance to the board on a quarterly basis. Our board functions either as a full board or through various committees constituted to oversee specific operational areas. These board committees meet regularly. The constitution and main functions of the various committees are given below.

**Agriculture & Small Enterprises Business Committee** The Agriculture & Small Enterprises Business Committee comprises four independent Directors - Mr. N. Vaghul, Mr. Somesh R. Sathe, Mr. M.K. Sharma and Mr. P.M. Sinha. Mr. N. Vaghul is the Chairman of the Committee. The functions of the Agriculture & Small Enterprises Business Committee include review of our business strategy in the agri-business and small enterprises segments and review of the quality of the agricultural lending and small enterprises finance credit portfolio. 128

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**Audit Committee** The Audit Committee comprises three independent directors - Mr. Sridar Iyengar, who is a chartered accountant, Mr. M.K. Sharma and Mr. Somesh R. Sathe. In view of the retirement of Mr. Uday Chitale, the committee will appoint a Chairman at its next Meeting. Mr. M.K. Sharma was appointed as Alternate Chairman of the Committee effective July 22, 2004. Our board of directors has determined that Mr. Sridar Iyengar qualifies as an audit committee financial expert. The Audit Committee provides direction to the audit and risk management function and monitors the quality of the internal and statutory audit. The responsibilities of the Audit Committee include overseeing of the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and fixation of their remuneration, review of the annual financial statements before submission to our board, review of the adequacy of internal control systems and the internal audit function, review of customer service initiatives and functioning of customer service council, review of compliance with the inspection and audit reports of Reserve Bank of India and reports of statutory auditors, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit. In addition, as required by Rule 10A-3 under the Exchange Act, the Audit Committee is empowered to appoint and oversee the work of any registered public accounting firm, establish procedures for the receipt and treatment of complaints regarding accounting and auditing matters, engage independent counsel and provide for appropriate funding for compensation to be paid to any advisors. All audit and non-audit services to be provided by our principal accountants are pre-approved by the Audit Committee before such services are provided to us.

**Board Governance & Remuneration Committee** The Board Governance & Remuneration Committee comprises five independent directors - Mr. N. Vaghul, Mr. Anupam Puri, Mr. P. M. Sinha, Mr. M.K. Sharma and Prof Marti G. Subrahmanyam. Mr. N. Vaghul is the Chairman of the Committee. The functions of the Board Governance & Remuneration Committee include recommendation of appointments to our board, evaluation of the performance of the Managing Director & CEO and other wholetime Directors on pre-determined parameters, recommendation to our board of the remuneration

(including performance bonuses and perquisites) to wholtime directors, approving the policy for and quantum of bonus payable to the members of the staff, framing guidelines for the employees stock option scheme and recommendation of grant of stock options to the staff and wholtime directors of ICICI Bank and its subsidiary companies. Business Strategy Committee The Business Strategy Committee comprises five directors - Mr. N. Vaghul, Mr. Anupam Puri, Mr. M. K. Sharma, Mr. P. M. Sinha and Mr. K. V. Kamath. The majority of the members of this Committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee. The functions of the Business Strategy Committee are to approve the annual income and expenditure and capital expenditure budgets for presentation to our board for final approval and to review and recommend to our board our business strategy. Credit Committee The Credit Committee comprises four directors - Mr. N. Vaghul, Mr. Somesh R. Sathe, Mr. M. K. Sharma and Mr. K. V. Kamath. The majority of the members of the committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee. The functions of this Committee include review of developments in key industrial sectors and approval of credit proposals in accordance with the authorization approved by our board. 129

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Fraud Monitoring Committee The Fraud Monitoring Committee was constituted by our board effective May 1, 2004. The Committee comprises five Directors - Mr. Somesh R. Sathe, Mr. M.K. Sharma, Mr. K.V. Kamath, Ms. Kalpana Morparia and Ms. Chanda D. Kochhar. Mr. M.K. Sharma is the Chairman of the Committee. The functions of the Fraud Monitoring Committee include monitoring and review of all instances of frauds involving Rs.10.0 million (US\$ 229,253) and above. Risk Committee The Risk Committee comprises five directors - Mr. N. Vaghul, Mr. Sridar Iyengar, Prof. Marti G. Subrahmanyam, Mr. V. Prem Watsa and Mr. K. V. Kamath. The majority of the members of this committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee. This Committee reviews risk management policies in relation to various risks (credit, portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy and regulatory and compliance issues in relation thereto. Share Transfer & Shareholders'/Investors' Grievance Committee The Share Transfer & Shareholders'/Investors' Grievance Committee comprises four directors - Mr. M.K. Sharma, Mr. Somesh R. Sathe, Ms. Kalpana Morparia and Ms. Chanda D. Kochhar. Mr. M.K. Sharma, an independent director, is the Chairman of the Committee. The functions and powers of the Share Transfer & Shareholders'/Investors' Grievance Committee include approval and rejection of transfer or transmission of equity and preference shares, bonds, debentures and securities, issue of duplicate certificates, allotment of shares and securities issued from time to time, including those under stock options, review and redressal of shareholders' and investors' complaints, delegation of authority for opening and operation of bank accounts for payment of interest, dividend and redemption of securities and the listing of securities on stock exchanges. Committee of Directors The Committee of Directors comprises all five wholtime directors and Mr. K.V. Kamath, Managing Director & CEO is the Chairman of the Committee. The powers of the Committee of Directors include review of performance against targets for various business segments, credit approvals as per authorization approved by our board, approvals in respect of borrowing and treasury operations and premises and property related matters. Asset-Liability Management Committee The Asset Liability Management Committee comprises the Joint Managing Director, Deputy Managing Director and two Executive Directors and Ms. Lalita D. Gupte, Joint Managing Director is the Chairperson of the Committee. The functions of the Committee include management of ICICI Bank's balance sheet, review of the asset-liability profile with a view to manage the interest rate risk and deciding the deposit rates and prime lending rate of ICICI Bank. Code of ethics We have adopted a Code of Business Conduct and Ethics for our directors and all our employees, which is filed as an exhibit to this report. In fiscal 2005, we have not made any amendments to any provision of the Code that is applicable to our executive officers, nor have we granted a waiver from any provision of the Code to any of our executive officers. 130

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Principal Accountant Fees and Services The total fees (excluding service tax and out of pocket expenses) paid to our

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	Year ended March 31, 2004	Year ended March 31, 2005
principal accountant relating to audit of consolidated financial statements for fiscal 2004 and fiscal 2005 and the fees for other professional services billed in fiscal 2004 and fiscal 2005 are as follows: Convenience translation into US\$		
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2005 -----		
(in millions) Audit of ICICI Bank Limited and its subsidiaries.....	Rs. 28.1	Rs. 31.8
presented in Indian Rupees....	0.2	6.7
Non-audit services Tax services Tax compliance.....	153,709	Sub-total.....
offshore banking license.....	28.3	38.5
Sub-total.....	882,566	
Total.....	0.7	1.5
	35,335	Application for
	1.0	-- Other services.....
	2.1	2.0
	44,085	
	3.8	3.5
	79,420	-----
	32.2	42.0
	961,986	=====

Fees for "other services" are principally fees related to certification services to one of our subsidiaries. Our Audit Committee approved the fees paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2005 and fees for other professional services billed in fiscal 2005. Our Audit Committee preapproves all major assignments undertaken for us by KPMG. Summary Comparison of Corporate Governance Practices The following is a summary comparison of significant differences between our corporate governance practices and those required by the NYSE for US issuers. Independent directors. A majority of our board are independent directors, as defined under applicable Indian legal requirements. Under these requirements, directors are not independent if they have any material pecuniary relationship or transactions with us, our management or our subsidiaries. We have not made a determination as to whether our directors would be considered independent under the NYSE rules. Though the judgment on independence must be made by our board, there is no requirement that our board affirmatively make such determination, as required by the NYSE rules. Further, one of our directors is a representative of the Indian government, as required by the terms of the loan and guarantee facilities provided by the Indian government. Non-management directors meetings. Though there is no such requirement under applicable Indian legal requirements, our non-management directors meet separately before each board meeting. Board Governance and Remuneration Committee and the Audit Committee. The members of our Board Governance and Remuneration Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our board are described above and comply with the spirit of the NYSE requirements for US issuers. Corporate Governance Guidelines. Under NYSE rules, US issuers are required to adopt and disclose corporate governance guidelines addressing matters such as standards of director qualification, responsibilities of directors, director compensation, director orientation and continuing education, management succession and annual 131

performance review of the board of directors. As a foreign private issuer, we are not required to adopt such guidelines. Compensation and Benefits to Directors and Officers Remuneration Under ICICI Bank's organizational documents, each non-wholetime director, except the government director, is entitled to receive remuneration for attending each meeting of our board or of a board committee. The amount of remuneration payable to non-wholetime directors is set by our board from time to time in accordance with limitations prescribed by the Indian Companies Act or the government of India. The remuneration for attending each board or committee meeting is currently fixed at Rs. 20,000 (US\$ 459). In addition, ICICI Bank reimburses directors for travel and related expenses in connection with board and committee meetings and related matters. If a director is required to perform services for ICICI Bank beyond attending meetings, ICICI Bank may remunerate the director as determined by our board of directors and this remuneration may be either in addition to or as substitution for the remuneration discussed above. We have not paid any remuneration to non-wholetime directors other than the remuneration for attending each meeting of our board or of a board committee. Non-wholetime directors are not entitled to the payment of any benefits at the end of their term of office. Our board or any committee thereof may fix within the range stated below, the salary payable to the wholetime directors. Mr. K.V. Kamath, Managing Director & CEO.....Rs. 600,000 - Rs. 1,050,000 (US\$ 13,755 to US\$ 24,072) per month Ms. Lalita D. Gupte, Joint Managing Director.....Rs. 400,000 - Rs. 900,000 (US\$ 9,170 to US\$ 20,633) per month Ms. Kalpana Morparia, Deputy Managing Director...Rs. 300,000 - Rs. 900,000 (US\$6,877 to US\$ 20,633) per month Ms.

Chanda D. Kochhar, Executive Director.....Rs. 200,000 - Rs. 500,000 (US\$ 4,585 to US\$ 11,463) per month Dr. Nachiket Mor, Executive Director.....Rs. 200,000 - Rs. 500,000 (US\$ 4,585 to US\$ 11,463) per month We are required to obtain specific approval of the Reserve Bank of India for the actual monthly salary and performance bonus paid each year to the wholetime directors. The Reserve Bank of India has approved the payment of performance bonus to our wholetime directors for fiscal 2005 and the monthly salary payable for fiscal 2006. None of the service contracts with our directors provide for benefits upon termination of engagement. The wholetime directors are entitled to perquisites (evaluated pursuant to Indian Income-Tax Rules, wherever applicable, and otherwise at actual cost to ICICI Bank), such as furnished accommodation, gas, electricity, water and furnishings, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, payment of income-tax on perquisites by ICICI Bank to the extent permissible under the Indian Income-tax Act, 1961 and the Rules framed thereunder, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits, in accordance with the scheme(s) and rule(s) applicable to employees of ICICI Bank from time to time. Where accommodation is not provided, each of the wholetime directors is eligible for a house rent allowance of Rs. 50,000 (US\$ 1,146) per month and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by ICICI Bank. The total compensation paid by ICICI Bank to its wholetime directors and executive officers, Mr. K.V. Kamath, Ms. Lalita D. Gupte, Ms. Kalpana Morparia, Ms. Chanda D. Kochhar, Dr. Nachiket Mor, Mr. Sanjiv Kerkar, Ms. Ramni Nirula, Mr. P.H. Ravikumar, Mr. Balaji Swaminathan, Mr. Bhargav Dasgupta, Mr. M. N. Gopinath, Mr. N. S. Kannan, Ms. Madhabi Puri Buch, Mr. K. Ramkumar, Mr. Nagesh Pinge, Mr. V. Vaidyanathan and Ms. Vishakha Mulye in fiscal 2005 was Rs. 137 million (US\$ 3 million) including bonus for fiscal 2004 to wholetime directors and other executive officers paid in fiscal 2005. Bonus Each year, our board of directors awards discretionary bonuses to employees and wholetime directors on the basis of performance and seniority. The performance of each employee is evaluated through a performance management appraisal system. The aggregate amount paid by ICICI Bank for bonuses to all eligible employees and wholetime directors for fiscal 2005 was Rs. 1.21 billion (US\$ 28 million). This amount was paid in fiscal 2006. 132

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Employee Stock Option Scheme On January 24, 2000, our board approved an employee stock option scheme to attract, encourage and retain high performing employees. ICICI Bank's shareholders approved this scheme at the extraordinary general meeting on February 21, 2000. This scheme was drafted in accordance with guidelines issued by the Securities and Exchange Board of India. Under this scheme, up to 5.0% of our issued equity shares at March 31, 2000 could be allocated to employee stock options. The employee stock option scheme as amended by the Scheme of Amalgamation restricted the maximum number of options granted to any eligible employee (as defined below) to 0.05% of our issued equity shares at the time of the grant, and the aggregate of all such options to 5.0% of our issued equity shares following the amalgamation. In April 2004, our board approved the recommendation of the Board Governance & Remuneration Committee to modify the limit of the aggregate number of options that could be granted under the employee stock option scheme to 5.0% of our issued capital as on the date of grant. The shareholders approved the modification at our annual general meeting held on September 20, 2004. Under the stock option scheme, eligible employees are entitled to apply for equity shares. An eligible employee is a permanent employee or a director of ICICI Bank or of its subsidiaries or its holding company. ICICI Bank has no holding company. The options granted for fiscal 2003 and earlier vest annually in a graded manner over a three-year period, with 20.0%, 30.0% and 50.0% of the grants vesting each year, commencing not earlier than 12 months from the date of grant. Options granted for fiscal 2004 and thereafter vest in a graded manner over a four-year period with 20.0%, 20.0%, 30.0% and 30.0% of grants vesting each year, commencing from the end of 12 months from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The exercise price for options granted prior to June 30, 2003 is equal to the market price of our equity shares on the date of grant on the stock exchange, which recorded the highest trading volume on the date of grant. On June 30, 2003, the Securities and Exchange Board of India revised its guidelines on employee stock options. While the revised guidelines provided that companies were free to determine the exercise price of stock options granted by them, they prescribed accounting



rules and other disclosures, including expensing of stock options in the income statement, which are applicable to our Indian GAAP financial statements, in the event the exercise price was not equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. Effective July 22, 2004, the Securities and Exchange Board of India revised this basis of pricing to the latest available closing price, prior to the date of the meeting of the board of directors in which options are granted, on the stock exchange which recorded the highest trading volume on that date. The exercise price for options granted by ICICI Bank on or after June 30, 2003, but before July 22, 2004 is equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. The exercise price of options granted on or after July 22, 2004 is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options. 133

The following table sets forth certain information regarding the stock option grants ICICI Bank has made under its employee stock option scheme. ICICI Bank granted all of these stock options at no cost to its employees. ICICI Bank has not granted any stock options to its non-wholetime directors.

Date of grant	Number of options granted	Exercise price
February 21, 2000.....	1,713,000	Rs. 171.90
US\$ 3.94 April 26, 2001.....	1,580,200	170.00 3.90
March 27, 2002.....	3,155,000	120.35 2.76
April 25, 2003.....	7,338,300	132.05 3.03
July 25, 2003.....	147,500	157.03 3.60
October 31, 2003.....	6,000	222.40
5.10 April 30, 2004.....	7,539,500	300.10 6.88
September 20, 2004.....	15,000	275.20 6.31
April 30, 2005.....	4,906,180	359.95 8.25
August 20, 2005.....	70,600	498.20 11.42

ICICI also had an employee stock option scheme for its directors and employees and the directors and employees of its subsidiary companies, the terms of which were substantially similar to the employee stock option scheme of ICICI Bank. The following table sets forth certain information regarding the stock option grants made by ICICI under its employee stock option scheme prior to the amalgamation. ICICI granted all of these stock options at no cost to its employees. ICICI had not granted any stock options to its non-wholetime directors.

Date of grant	Number of options granted	Exercise price (1)
August 3, 1999.....	2,323,750	Rs. 85.55 US\$ 1.96
April 28, 2000.....	2,902,500	133.40 3.06
November 14, 2000.....	20,000	82.90 1.90
May 3, 2001.....	3,145,000	82.00 1.88
August 13, 2001.....	60,000	52.50 1.20
March 27, 2002.....	6,473,700	60.25 1.38

(1) The exercise price is equal to the market price of ICICI's equity shares on the date of grant. However, the share options granted on August 3, 1999 were accounted as a variable plan resulting in a compensation cost of Rs. 97 million (US\$ 2 million) which is being amortized over the vesting period. In accordance with the Scheme of Amalgamation, directors and employees of ICICI and its subsidiary companies received stock options in ICICI Bank equal to half the number of their outstanding unexercised stock options in ICICI. The exercise price for these options is equal to twice the exercise price for the ICICI stock options. All other terms and conditions of these options are similar to those applicable to ICICI Bank's stock options pursuant to its employee stock option scheme. The following table sets forth certain information regarding the options granted by ICICI Bank (including options granted by ICICI adjusted in accordance with the Scheme of Amalgamation) at August 31, 2005. 134

Particulars ICICI Bank	
Options granted.....	33,933,755
Options vested.....	17,283,736
Options exercised.....	11,555,804
Options forfeited/lapsed.....	3,186,365
Extinguishment or modification of options.....	None
Amount realized	

by sale of options..... Rs. 1,725,660,773 Total number of options in force..... 19,191,586 In April 2000, 3i Infotech Limited (formerly ICICI Infotech Limited) approved an employee stock option plan. Under the plan, 3i Infotech is authorized to issue up to 5.0% of its issued equity shares at the time of grant of the options to an eligible employee and 25.0% of its issued equity shares at the time of grant of the options, in aggregate, to all the eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over a three-year period with 20.0%, 30.0% and 50.0% of the options vesting at the end of each year from the date of grant of the options. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. During fiscal 2005, 3i Infotech consolidated its equity shares and re-denominated the face value of its equity shares from Rs. 5 per share to Rs. 10 per share. The number of stock options and their grant prices were also changed accordingly. In April 2005, 3i Infotech made an initial public offering of shares and its shares were listed on stock exchanges in India. 3i Infotech had granted a total of 3,844,050 options from fiscal years 2001 through fiscal year 2005 at the fair value of the underlying shares on the respective grant dates, ranging from Rs. 75 (US\$ 1.72) per share to Rs. 200 (US\$ 4.59) per share. The fair values were determined by an external valuation specialist and represented management's best estimates considering all known factors. In fiscal 2005, 3i Infotech granted 3,645,775 options in addition to the above, prior to its initial public offering, at Rs. 100 (US\$ 2.29) per share. Of the stock options granted since fiscal 2001, 910,820 were forfeited by year-end fiscal 2005. Of the stock options granted since fiscal 2001, 2,443,050 were granted to our directors and executive officers. In October 2002, the board of directors of ICICI Venture Funds Management Company approved a Carry Plan for its employees. The Carry Plan provides for ICICI Venture Funds Management Company to directly pay carry from the performance fee earned by it from the funds managed or advised on by it, to its employees through specific carry trusts created for the purpose. Pursuant to the approval of the board of directors of ICICI Venture Funds Management Company, carry documents have been finalized and the Carry Plan is being implemented. ICICI OneSource has two employee stock option plans. Under the first of these plans, the Compensation Committee of ICICI OneSource is authorized to issue stock options to eligible employees of ICICI OneSource and its subsidiaries, up to 10.0% of the paid up share capital of ICICI OneSource. Eligible employees are granted an option to purchase equity shares of ICICI OneSource at pre-determined exercise price, subject to vesting conditions. The options vest in a graded manner over a four-year period with 25.0% of the options vesting at the end of first year and 12.5% of the options vesting every six months. The options granted may be exercised within nine years from the date of grant. The terms and conditions of the second plan are essentially similar to the first plan, except the following: o The aggregate number of shares to be allotted under the new employee stock option plan, to all persons resident outside India shall not exceed 5.0% of the fully diluted share capital of ICICI OneSource. o The exercise period, within which the employees would exercise the options, would be five years from the date of the grant. 135

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The aggregate of stock options to be granted to the employees and directors of ICICI OneSource under both the employee stock option plans may not exceed 10.0% of the fully diluted share capital of ICICI OneSource. ICICI OneSource had granted 3,855,000 options during fiscal 2003 under the first employee stock option plan, at the fair value of Rs. 11.25 per equity share. ICICI OneSource granted 14,120,500 options and 825,000 options during fiscal 2004 under the second employee stock option plan, at the fair value of Rs. 12.89 per equity share and Rs. 18.53 per equity share respectively. ICICI OneSource also granted 375,000 options during fiscal 2004, under the first employee stock option plan, at the fair value of Rs. 12.83 per equity share. ICICI OneSource further granted 200,000 and 3,830,000 stock options during the fiscal 2005 under the second employee stock option plan at the fair value of Rs. 18.53 and Rs. 19.85 per equity share, respectively. The fair values for the fiscal years 2003, 2004 and 2005 have been determined either by an external valuation specialist or based on the highest valuation of the ICICI OneSource received from prospective investors who had indicated their willingness to invest in ICICI OneSource at that valuation. As the shares of ICICI OneSource are not quoted on stock exchanges, the fair value represents management's best estimates considering all known factors. In fiscal 2005, ICICI Prudential Life Insurance Company Limited approved an employee stock option scheme. Under the scheme, ICICI Prudential is authorized to issue options up to 3.0% of its issued capital as on the date of grant. In fiscal 2005, ICICI Prudential issued 3,169,500

founder employee options which vest over a three-year period, with 50% of the options vesting at the end of one year from the date of grant, 25% at the end of the second year and 25% at the end of the third year and authorized the issue of 3,661,250 options for fiscal 2005 that will vest in four equal installments starting from the end of one year from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The exercise price for founder employee options is Rs. 45 (US\$ 1.04) per equity share. The exercise price for options granted for fiscal 2005 is Rs. 51 (US\$ 1.17) per equity share. Currently, the shares of ICICI Prudential are not quoted on stock exchanges and hence the fair value represents management's best estimates considering all known factors and taking into account prevalent practices for valuation of life insurers. ICICI Lombard General Insurance Company has approved an employee stock option plan under which it is authorised to issue up to 0.10% of its issued equity shares at the time of grant of the options to an eligible employee in a financial year and 5% of its issued equity shares at the time of grant of the options, in aggregate, to all the eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over a four-year period with 20%, 20%, 30% and 30% of the options vesting at the end of each year from the date of grant of the options. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. ICICI Lombard has granted 3,399,560 options during fiscal 2006 at the fair value of the underlying shares, on the grant date, of Rs. 35 (US\$ 0.80) per equity share. In addition, ICICI Lombard has also granted 917,500 one-time founders stock options during fiscal 2006 at the same rate, which would vest in a graded manner over a two-year period, with 50% of the grants vesting each year, commencing from the end of 12 months from the date of grant. The fair value for fiscal year 2006, has been determined by an external valuation specialist. As the shares of ICICI Lombard are not quoted on stock exchanges, the fair value, as determined by the valuation specialist represents management's best estimates considering all known factor. Loans ICICI Bank has internal rules and regulations to grant loans to employees and wholtime directors to acquire certain assets such as property, vehicles and other consumer durables. ICICI Bank's loans to employees have been made at interest rates ranging from 2.5% to 3.5% per annum and are repayable over fixed periods of time. The loans are generally secured by the assets acquired by the employees. ICICI Bank had given loans to its employees for purchasing its shares in the offering made by ICICI in June 1997 at the public offering price. Bank of Madura had also given loans to employees for purchasing preferential shares in the offering made by Bank of Madura in August 1995. Pursuant to the Banking Regulation Act, ICICI Bank's non-wholtime directors are not eligible for any loans. At year-end fiscal 2005, there were loans of Rs. 4.5 billion (US\$ 103 million), compared to loans of Rs. 3.8 billion (US\$ 87 million) at year-end fiscal 2004, outstanding to ICICI Bank employees. This amount included loans of Rs. 70 million (US\$ 2 million), compared to Rs. 27 million (US\$ 618,982) at year-end fiscal 2004, to certain of its directors and executive officers (including employees who became executive officers during fiscal 2005), made on the same terms, including interest rates and collateral, as loans to other employees. 136

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Gratuity Under Indian law, ICICI Bank is required to pay a gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from ICICI, employees inducted from Bank of Madura and employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura. The gratuity funds for employees inducted from ICICI and Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpus of these funds at year-end fiscal 2005 based on their unaudited financial statements was Rs. 478 million (US\$ 11 million). The gratuity fund for employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura, is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover. The total corpus of the funds at year-end fiscal 2005 was Rs. 184 million (US\$ 4 million) compared to Rs. 89 million (US\$ 2 million) at year-end fiscal 2004. Superannuation Fund ICICI Bank contributes 15.0% of the total annual salary of each employee to a

superannuation fund for ICICI Bank employees. The fund is administered by the Life Insurance Corporation of India. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment. The total corpus of the superannuation fund was Rs. 812 million (US\$ 19 million) at year-end fiscal 2005 compared to Rs. 683 million (US\$ 16 million) at year-end fiscal 2004. Subsequent to year end fiscal 2005, the superannuation fund is being administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Insurance Company Limited. Provident Fund ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpuses of the funds for employees inducted from Bank of Madura, and other employees of ICICI Bank, based on the latest audited figures, at year-end fiscal 2005 were Rs. 338 million (US\$ 8 million), and Rs. 1.7 billion (US\$ 39 million) respectively. ICICI Bank made aggregate contributions of Rs. 280 million (US\$ 6 million) to these funds during fiscal 2005, compared to Rs. 236 million (US\$ 5 million) in fiscal 2004. Pension Fund Out of the employees inducted from Bank of Madura and employed with ICICI Bank at end of fiscal 2005, 433 employees opted for pensions and 595 employees opted for a provident fund. For employees who opted for a provident fund, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff of Bank of Madura) is credited to the provident fund every month. For employees who opted for pensions, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff of Bank of Madura) is credited to the pension fund every month. These funds are managed by in-house trustees. The investments of the funds are made 137

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according to rules prescribed by the government of India. The accounts of the fund are audited by independent auditors. The employees who opted for pensions are entitled to a monthly pension from the day after their retirement. ICICI Bank also gives a cash option to employees, allowing them to receive the present value of one-third of their monthly pension in total satisfaction. Upon death of an employee, family members are entitled to payment of a family pension pursuant to the rules in this regard. The corpus of the fund at year-end fiscal 2005 was Rs. 923 million (US\$ 21 million), compared to Rs. 961 million (US\$ 22 million) at year-end fiscal 2004. Interest of Management in Certain Transactions Except as otherwise stated in this annual report, no amount or benefit has been paid or given to any of our directors or executive officers. 138

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**OVERVIEW OF THE INDIAN FINANCIAL SECTOR** The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the government of India and its various ministries and the Reserve Bank of India, and has not been prepared or independently verified by us. This is the latest available information to our knowledge at September 20, 2005. Introduction The Reserve Bank of India, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following: o commercial banks; o long-term lending institutions; o non-bank finance companies, including housing finance companies; o other specialized financial institutions, and state-level financial

institutions; o insurance companies; and o mutual funds. Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The government of India's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999. See "--Banking Sector Reform--Committee on Banking Sector Reform (Narasimham Committee II)". This discussion presents an overview of the role and activities of the Reserve Bank of India and of each of the major participants in the Indian financial system, with a focus on the commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed.

**Reserve Bank of India** The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's money supply and foreign exchange and also serves as a bank for the government of India and for the country's commercial banks. In addition to these traditional central banking roles, the Reserve Bank of India undertakes certain developmental and promotional roles. The Reserve Bank of India issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The Reserve Bank of India requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the Reserve Bank of India's role as the regulatory and supervisory authority of India's financial system and its impact on us, see "Supervision and Regulation".

**Commercial Banks** Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. At year-end fiscal 2005, there were 284 scheduled commercial banks in the country, with a network of 68,116 branches serving approximately Rs. 17.53 trillion (US\$ 401.9 billion) in deposit accounts. 139

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**Scheduled commercial banks** are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 69.5% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

**Public Sector Banks** Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks and 196 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 47,320 branches, and accounted for 70.4% of the outstanding gross bank credit and 74.0% of the aggregate deposits of the scheduled commercial banks at year-end fiscal 2005. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest bank in India. At year-end fiscal 2005, the State Bank of India and its seven associate banks had 13,722 branches. They accounted for 24.2% of aggregate deposits and 23.1% of outstanding gross bank credit of all scheduled commercial banks. Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. There were 196 regional rural banks at year-end fiscal 2005 with 14,433 branches, accounting for 3.5% of aggregate deposits and 2.8% of gross bank credit outstanding of scheduled commercial banks.

**Private Sector Banks** After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks which showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including ICICI Bank. These banks are collectively known as the "new" private sector banks. At the end of June 2005, there were nine "new" private sector banks. A merger between two of these banks, Centurion Bank and Bank of Punjab, has

been announced and will be effective October 1, 2005. In addition, 21 private sector banks existing prior to July 1993 were operating at year-end fiscal 2005. At year-end fiscal 2005, private sector banks accounted for approximately 18.1% of aggregate deposits and 20.0% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,143 branches accounted for 9.0% of the total branch network of scheduled commercial banks in the country. At the year-end fiscal 2005, ICICI Bank accounted for approximately 5.3% of aggregate deposits and 8.0% of non-food credit outstanding of the scheduled commercial banks. Foreign Banks At the year-end fiscal 2005, there were 31 foreign banks with 220 branches operating in India. Foreign banks accounted for 4.4% of aggregate deposits and 6.7% of outstanding gross bank credit of scheduled commercial banks at year-end fiscal 2005. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of the parent bank. In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks. The Reserve Bank of India issued a notification on "Roadmap for presence of foreign banks in India" on February 28, 2005, announcing the following measures with respect to the presence of foreign banks: 140

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o During the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries. o In addition, during the first phase, foreign banks would be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring. o For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under-banked areas. During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance.

**Cooperative Banks**  
Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, the Reserve Bank of India undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently the Reserve Bank of India is responsible for supervision and regulation of urban cooperative banks, and the National Bank for Agriculture and Rural Development for state cooperative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003, which has been introduced in the Indian Parliament, provides for the regulation of all cooperative banks by the Reserve Bank of India. See also "-- Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". In its Annual Policy Statement for fiscal 2005, the Reserve Bank of India announced that it proposed to consider issuance of fresh licenses to urban cooperative banks only after a comprehensive policy on urban cooperative banks was in place, including an appropriate legal and regulatory framework for the sector. In the mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India announced that a vision document for the future role of urban cooperative banks is being evolved to ensure depositors' interests and avoid contagion while providing useful service to local communities. With respect to structural issues, the Reserve Bank of India has stated that it would be encouraging growth of strong and viable entities within this sector through consolidation. A task force appointed by the government of India to examine the reforms required in the cooperative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for cooperative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for fiscal 2006, the Finance Minister accepted the recommendations of the Task Force in principle and proposed to call state governments for consultation and begin to implement the recommendations in the states willing

to do so. In the Annual Policy Statement for fiscal 2006, the Reserve Bank of India has stated that it is in the process of preparing a medium-term framework for urban cooperative banks up to 2010. Long-Term Lending Institutions The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India, IFCI Limited, Industrial Investment Bank of India as well as ICICI prior to the amalgamation. 141

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The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities, including into: o fee-based activities like investment banking and advisory services; and o short-term lending activity including issuing corporate finance and working capital loans. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. See "-- Recent Structural Reforms - Universal Banking Guidelines". In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956 on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a period of five years from the statutory liquidity ratio. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005. Non-Bank Finance Companies There are over 10,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with the Reserve Bank of India. The non-bank finance companies may be categorized into entities which take public deposits and those which do not. The companies which accept public deposits are subject to strict supervision and capital adequacy requirements of the Reserve Bank of India. ICICI Securities Limited, our subsidiary, is a non-bank finance company, which does not accept public deposits. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by the Reserve Bank of India and converted itself into Kotak Mahindra Bank. Over the past few years, certain non-bank finance companies have defaulted to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending. See also "-- Reforms of the Non-Bank Finance Companies". Housing Finance Companies Housing finance companies form a distinct sub-group of the non-bank finance companies. As a result of the various incentives given by the government for investing in the housing sector in recent years, the scope of this business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. We are a major housing finance provider and also have a housing finance subsidiary, ICICI Home Finance Company Limited. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. 142

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**Other Financial Institutions** Specialized Financial Institutions In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. They include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited and the Infrastructure Development Finance Corporation Limited. State Level Financial Institutions State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises. Insurance Companies Currently, there are 29 insurance companies in India, of which 14 are life insurance companies, 14 are general insurance companies and one is a re-insurance company. Of the 14 life insurance companies, 13 are in the private sector and one is in the public sector. Among the general insurance companies, eight are in the private sector and five are in the public sector including the Export Credit Guarantee Corporation of India Limited, which is a central government enterprise providing insurance to exporters and counter-guarantees to banks for credit given to exporters. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company Limited and our general insurance joint venture, ICICI Lombard General Insurance Company Limited, are both major players in their respective segments. During fiscal 2005, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 181.0 billion (US\$ 4.1 billion) and Rs. 253.4 billion (US\$ 5.8 billion) respectively. The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs. 1.0 billion (US\$ 22.9 million) to carry on the business of life insurance or general insurance or Rs. 2.0 billion (US\$ 45.9 million) to carry on exclusively the business of reinsurance. In the monetary and credit policy for fiscal 2001, the Reserve Bank of India issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of impaired loans and the performance of their existing subsidiary companies. The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26% (or such other percentage as may be prescribed), after a period of 10 years from the date of commencement of business or within such period as may be prescribed by the Indian government. The Indian government, while presenting its budget for fiscal 2005, proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this requires an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not been implemented as yet. 143

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**Mutual Funds** At the end of August 2005, there were 30 mutual funds in India with total assets under management of Rs. 1,957.3 billion (US\$ 44.6 billion). From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and the Reserve Bank of India. From 1987



onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. In this year, the SEBI (Mutual Fund) Regulation 1993 was issued by the Securities and Exchange Board of India, under which all mutual funds (except for the Unit Trust of India) were to be registered and governed. The industry is now regulated by a more comprehensive SEBI (Mutual Fund) Regulation, 1996 which replaced the SEBI (Mutual Fund) Regulation, 1993. The total number of private sector mutual funds at the end of August 2005 was 24 with a 79.0% market share in terms of total assets under management. In 2001, Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the government of India implemented a package of reform measures for Unit Trust of India, including guaranteeing redemption and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two mutual funds structured in accordance with the regulations of the Securities and Exchange Board of India, one comprising assured return schemes and the other comprising net asset value based schemes.

Impact of Liberalization on the Indian Financial Sector Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Indian government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the government of India and from funds guaranteed by the government of India originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies. The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The Reserve Bank of India has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential norms applicable to banks.

Banking Sector Reform Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, impaired assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered. 144

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Committee on the Financial System (Narasimham Committee I) The Committee on the Financial System (The Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organizational issues, accounting practices and operating procedures, were implemented by the government of India. The major recommendations that were implemented included the following: o with fiscal stabilization and the government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of the banks' net demand and time liabilities that were required to be invested in government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997; o similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with the Reserve Bank of India was reduced from 15.0% in the pre-reform period to 4.5%. In a circular dated September 11, 2004, the Reserve Bank of India has raised the cash reserve ratio to 4.75%

with effect from September 18, 2004 and 5.0% with effect from October 2, 2004; o special tribunals were created to resolve bad debt problems; o most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and o substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs. 217.5 billion (US\$ 5.0 billion). The stronger public sector banks were given permission to issue equity to further increase capital. Committee on Banking Sector Reform (Narasimham Committee II) The second Committee on Banking Sector Reform (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The Reserve Bank of India accepted and began implementing many of these recommendations in October 1998. Recent Structural Reforms Proposed Amendments to the Banking Regulation Act Legislation seeking to amend the Banking Regulation Act has been introduced in the Indian Parliament. As presently drafted, the main amendments propose to: o permit banking companies to issue non-redeemable and redeemable preference shares that will not carry any voting rights; o make prior approval of the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid up capital by any individual or firm or group; o prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. Lending to directors and to companies with directors common to the banking company is already prohibited; o remove the minimum statutory liquidity ratio requirement of 25.0%, giving the Reserve Bank of India discretion to reduce the statutory liquidity ratio to less than 25.0%. See also "Supervision and Regulation - Legal Reserve Requirements - Statutory Liquidity Ratio"; o bring mergers of non-bank finance companies with banking companies into the governance of the Indian Banking Regulation Act. Mergers of non-bank finance companies with banking companies are currently governed by the Indian Companies Act, 1956. The Banking Regulations (Amendment) and Miscellaneous Provisions Bill, 2003 will, if passed, require mergers of non-bank finance companies with banking 145

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companies to be approved by the majority of the shareholders of both companies and by the Reserve Bank of India. It also provides, if the merger is approved, for dissenting shareholders at their option to be paid in exchange for their shares the value of their shares as determined by the Reserve Bank of India; o bring all cooperative banks under the supervision of the Reserve Bank of India; and o remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company. Legislative Framework for Recovery of Debts due to Banks In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, has received registration from the Reserve Bank of India and commenced operation in August 2003. Several petitions challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. The government of India, while announcing its budget for fiscal 2005, proposed to amend the Act to further strengthen the recovery process. In November 2004, the government of India issued an ordinance amending the Securitisation Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended,

now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the Securitisation Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See "Supervision and Regulation - Reserve Bank of India Regulations - Regulations relating to Sale of Assets to Asset Reconstruction Companies." Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed. Corporate Debt Restructuring Forum To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the 146

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Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Universal Banking Guidelines Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. Pension Reforms Currently, there are three categories of pension schemes in India: pension schemes for government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the government (the Public Provident Fund to which contribution may be made up to a maximum of Rs. 70,000 or US\$ 1,605 per annum) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme. In 1998, the government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to

suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the government announced that a high level committee would be formulated to design a contribution-based pension scheme for new government recruits. The government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the government announced that it would be mandatory for its new employees (excluding defense personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the government announced that the new pension scheme would be applicable to all new recruits to Indian government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional, developmental and regulatory functions with respect to the pension sector. The Union Budget for fiscal 2006 has recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the government would issue guidelines for such investment. 147

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**Credit Policy Measures** As part of its effort to continue bank reform, the Reserve Bank of India has announced a series of measures in its monetary and credit policy statements aimed at deregulating and strengthening the financial system.

**Annual Policy Statement for Fiscal 2005** In its annual policy statement for fiscal 2005 announced in May 2004, the Reserve Bank of India kept the bank rate and reverse repo rate (the annualized interest earned by the lender in a repurchase transaction between two banks or between a bank and the Reserve Bank of India) unchanged at 6.0% and 4.5% respectively and introduced the following key measures:

- o Banks were permitted to raise long-term bonds with a minimum maturity of five years to the extent of their exposure of residual maturity of more than five years to the infrastructure sector;
- o the scope of definition of infrastructure lending was expanded to include construction relating to projects involving agro-processing and supply of inputs to agriculture, construction of preservation and storage facilities for processed agro-products and construction of educational institutions and hospitals;
- o measures were announced to facilitate the flow of credit to agricultural and related sectors by including loans for storage facilities and securitized agricultural loans as priority sector advances;
- o resident individuals were permitted to remit freely up to US\$ 25,000 per calendar year, for any current or capital account transaction or a combination of these. Indian corporates and partnership firms are allowed to invest up to 100.0% of their net worth overseas;
- o banks were permitted, under exceptional circumstances, with the approval of their Boards, to consider enhancement of the exposure to the borrower up to a maximum of 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosures in its annual report; and
- o a graded higher provisioning requirement according to the age of non-performing assets, which are included under "doubtful for more than three years" category, was introduced with effect from March 31, 2005. See "Supervision and Regulation".

**Mid-term Review of the Annual Policy Statement for Fiscal 2005** In the mid-term review of the annual policy statement announced in October 2004, the Reserve Bank of India raised the reverse repo rate by 25 basis points to 4.75% with effect from October 27, 2004. The bank rate, however, was kept unchanged at 6.0%. The following measures were also introduced:

- o ceiling on non resident external deposit rates were raised to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 50 basis points from the existing level of USD LIBOR/SWAP rates; and
- o as a temporary counter-cyclical measure, the risk weight was increased from 50.0% to 75.0% in the case of housing loans and from 100.0% to 125.0% in the case of consumer credit including personal loans and credit cards.

**Annual Policy Statement for Fiscal 2006** In its annual policy statement for fiscal 2006 announced in April 2005, the Reserve Bank of India:

- o raised the reverse repo rate by 25 basis points to 5.0% and reduced the spread between the reverse repo and the repo rate to 100 basis points from

125 basis points; o proposed to issue guidelines for voluntary mergers between private sector banks and non-banking finance companies (see "Supervision and Regulation - Reserve Bank of India Regulations"); and 148

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o urged banks to refocus on deposit mobilization and to empower depositors. It also proposed to set up an independent Banking Codes and Standards Board of India in order to (i) ensure a comprehensive code of conduct for fair treatment of customers; (ii) issue guidelines prescribing card issuing banks to ensure transparency and disclosure of information; and (iii) widen the authority of the Banking Ombudsman to cover individual grievances relating to non-adherence to the fair practices code evolved by Indian Banks Association. Reforms of the Non-Bank Finance Companies The standards relating to income recognition, provisioning and capital adequacy were prescribed for non-bank finance companies in June 1994. The registered non-bank finance companies were required to achieve a minimum capital adequacy of 6.0% by year-end fiscal 1995 and 8.0% by year-end fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, the Reserve Bank of India announced in July 1996 certain liberalization measures under which the non-bank finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-bank finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-bank finance companies has been revised uniformly upwards and since April 1999, 15.0% of public deposits must be maintained. From January 1, 2000 the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0% of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-bank finance companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003. Efforts have also been made to integrate non-bank finance companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-bank finance companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-bank finance companies set up by the government of India submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-bank finance companies. Accepting these recommendations, the Reserve Bank of India issued new guidelines for non-bank finance companies, which were as follows: o a minimum net owned fund of Rs. 2.5 million (US\$ 57,313) is mandatory before existing non-bank finance companies may accept public deposits; o a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds; o permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-bank finance companies with different ratings were specified; and o non-bank finance companies were advised to restrict their investments in real estate to 10.0% of their net owned funds. In the monetary and credit policy for fiscal 2000, the Reserve Bank of India stipulated a minimum capital base of Rs. 20 million (US\$ 458,505) for all new non-bank finance companies. In the government of India's budget for fiscal 2002, the procedures for foreign direct investment in non-bank finance companies were substantially liberalized. During fiscal 2003, the Reserve Bank introduced a number of measures to enhance the regulatory and supervisory standards of non-bank finance companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-bank finance companies to take up insurance agency business. 149

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**SUPERVISION AND REGULATION** The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India, from time to time, issues guidelines to be followed by the bank. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP. Reserve Bank of India Regulations Commercial banks in India are required under the Banking Regulation Act to obtain a license from the Reserve Bank of India to carry on banking business in India. Before granting the license, the Reserve Bank of India must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the bank. The Reserve Bank of India can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India. ICICI Bank, being licensed as a banking company, is regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires ICICI Bank to furnish statements, information and certain details relating to its business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. The Reserve Bank of India has set up a Board for Financial Supervision, under the chairmanship of the Governor of the Reserve Bank of India. The appointment of the auditors of banks is subject to the approval of the Reserve Bank of India. The Reserve Bank of India can direct a special audit in the interest of the depositors or in the public interest. Regulations relating to the Opening of Branches Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the Reserve Bank of India to open new branches. Permission is granted based on factors such as the financial condition and history of the company, its management, adequacy of capital structure and earning prospects and the public interest. The Reserve Bank of India may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to ICICI Bank by the Reserve Bank of India, ICICI Bank is required to have at least 25.0% of its branches located in rural and semi-urban areas. A rural area is defined as a center with a population of less than 10,000. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000. These population figures relate to the 1991 census conducted by the government of India. In September 2005, the Reserve Bank of India issued a new branch authorization policy in terms of which the existing system of granting authorizations for opening individual branches from time to time will be replaced by a system of aggregated approvals on an annual basis. The Reserve Bank of India will discuss with individual banks their branch expansion strategies and plans over the medium term. The term "branch" for this purpose has been defined to also include extension counters, offsite ATMs, administrative offices and back offices as well as call centers where banking transactions are undertaken. While processing authorization requests, the Reserve Bank of India will give importance to the availability of banking services in under-banked areas, credit flow to the priority sector and efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank's regulatory compliance, quality of governance, risk management and relationships with subsidiaries and affiliates. Capital Adequacy Requirements ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which, based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998, require ICICI Bank to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier 1 capital. The total capital of a banking company is classified into Tier 1 and Tier 2 capital. Tier 1 capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserve pursuant to the Indian 150

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Income-tax Act as reduced by equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, the Reserve Bank of India issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier 1 capital. Tier 2 capital consists of undisclosed reserves, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves

(allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier 2 capital and total subordinated debt considered as Tier 2 capital cannot exceed 50.0% of Tier 1 capital. Tier 2 capital cannot exceed Tier 1 capital. Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit/ guarantees and documentary credits are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open position limits of the bank carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. In December 2004, the Reserve Bank of India increased the risk weights on housing loans from 50.0% to 75.0% and on consumer credit including personal loans and credit card receivables from 100.0% to 125.0% as a temporary counter-cyclical measure given the rapid growth of these segments. In July 2005, the Reserve Bank of India increased the risk weights on capital market exposure and exposure to commercial real estate from 100.0% to 125.0%. In April 2005, the Reserve Bank of India issued draft guidelines on securitization, which if implemented in their present form would require a significantly higher level of capital to be maintained for securitized assets. Effective March 31, 2001, banks and financial institutions were required to assign a risk weight of 2.5% in respect of the entire investment portfolio to cover market risk, over and above the existing risk weights for credit risk in non-government and non-approved securities. In fiscal 2002, with a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the Reserve Bank of India advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years, by fiscal 2006. This reserve has to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier 2 capital. In June 2004, the Reserve Bank of India issued guidelines on capital for market risk. The guidelines prescribe the method of computation of risk-weighted assets in respect of market risk. The aggregate risk weighted assets are required to be taken into account for determining the capital adequacy ratio. Banks are required to maintain a capital charge for market risk in respect of their trading book exposure (including dividend) by year-end fiscal 2005 and securities included under available for sale category by year-end fiscal 2006. In April 2005, the Reserve Bank of India specified that banks which have maintained capital of at least 9.0% of the risk weighted assets for both credit risk and market risk for investments under the held for trading and available for sale categories, open gold position limit, open foreign exchange position limit, trading positions in derivatives and derivatives entered into for hedging trading book exposures may treat the balance in excess of 5.0% in the investment fluctuation reserve as Tier 1 capital. Banks satisfying the above criteria may also transfer the amount in excess of the said 5.0% in the investment fluctuation reserve to the statutory reserve. In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines, which are proposed to be effective from April 1, 2006, specify that all banks in India will adopt the standardized approach for credit risk and the basic indicator approach for operational risk with effect from March 31, 2007. After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

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**Loan Loss Provisions and Non-Performing Assets** In April 1992, the Reserve Bank of India issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, which are revised from time to time. These guidelines are applied for the calculation of impaired assets and loan loss provisions under Indian GAAP. The principal features of these Reserve Bank of India guidelines, which have been

implemented with respect to ICICI Bank's loans, debentures, lease assets, hire purchases and bills are set forth below.

**Asset Classification** An impaired asset (also called non-performing assets pursuant to the Reserve Bank of India guidelines) is an asset in respect of which any amount of interest or principal is overdue for more than 90 days (180 days until year-end fiscal 2003). In particular, an advance is an impaired asset where: o interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan; o the account remains "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit; o the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted; o interest and/or principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes; and o any amount to be received remains overdue for a period of more than 90 days in respect of other accounts. Interest in respect of non-performing assets is not recognized or credited to the income account unless collected. Non-performing assets are classified as described below.

**Sub-Standard Assets.** Assets that are non-performing assets for a period not exceeding 12 months (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

**Doubtful Assets.** Assets that are non-performing assets for more than 12 months (18 months until year-end fiscal 2004). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

**Loss Assets.** Assets on which losses have been identified by the bank or internal or external auditors or the Reserve Bank India inspection but the amount has not been written off fully. There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing. The Reserve Bank of India also has separate guidelines for restructured loans. A fully secured restructured standard asset can be restructured by reschedulement of principal repayment and/or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines are applicable to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. 152

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To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. See "Overview of the Indian Financial Sector - Recent Structural Reforms -- Corporate Debt Restructuring Forum".

**Provisioning and Write-Offs** Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- o **Standard Assets.** A general provision of 0.25% is required.
- o **Sub-Standard Assets.** A general provision of 10.0% is required. However, unsecured exposures which are identified as substandard would attract an additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.
- o **Doubtful Assets.** A 100.0% write-off is required to be taken against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers. Until year-end fiscal 2004, in cases where there was a secured portion of the asset, depending upon the period for which the asset remained doubtful, a 20.0% to 50.0% provision was required to be taken against the secured asset as follows:
  - o Up to one year: 20.0% provision
  - o One to three years: 30.0% provision
  - o More than three years: 50.0% provision

In July 2004, the Reserve Bank of India introduced additional provisioning requirements for non-performing assets classified as 'doubtful for more than three years'. Effective year-end fiscal 2005, 100.0% provision is required for the secured portion of assets classified as doubtful for more than three years on or after April 1, 2004. For the secured portion of assets classified as doubtful for more than three years at year-end fiscal, 2004, a provision of 60.0% is required to be made by year-end fiscal 2005, 75.0% by year-end fiscal 2006 and 100.0% by



year-end fiscal 2007. o Loss Assets. The entire asset is required to be written off or provided for, i.e. a 100.0% provision. o Restructured Assets. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Regulations relating to Making Loans The provisions of the Banking Regulation Act govern the making of loans by banks in India. The Reserve Bank of India issues directions covering the loan activities of banks. Some of the major guidelines of Reserve Bank of India, which are now in effect, are as follows: o The Reserve Bank of India has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment. o Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its board of directors. Banks are required to declare a benchmark prime lending rate based on various parameters including cost of funds, operating expenses, capital charge and profit margin. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs. 200,000 (US\$ 4,585) to any one entity (other than certain permitted types of loans including loans to individuals for acquiring residential property, loans for purchase of consumer durables and other non-priority sector personal loans) must not exceed the prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of 153

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creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by the Reserve Bank of India. o In terms of Section 20(1) of the Banking Regulation Act, a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956, or a government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that `loans or advances' shall not include any transaction which Reserve Bank of India may specify by general or special order as not being a loan or advance for the purpose of such section. ICICI Bank is in compliance with these requirements. Legislation introduced in the Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. See also "Overview of the Indian Financial Sector--Recent Structural Reforms--Proposed Amendments to the Banking Regulation Act". There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose. In June 2005, the Reserve Bank of India issued guidelines requiring banks to put in place a policy for exposure to real estate with the approval of their boards. The policy is required to include exposure limits, collaterals to be considered, collateral cover and margins and credit authorization. The Reserve Bank of India has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India. Regulations relating to Sale of Assets to Asset Reconstruction Companies The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (as subsequently amended) provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on `without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part

of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts Due to Banks". Guidelines on Sale and Purchase of Non-performing Assets In July 2005, the Reserve Bank of India issued guidelines on sales and purchases of non-performing assets between banks, financial institutions and non-bank finance companies. These guidelines require that the board of 154

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directors of the bank must establish a policy for purchases and sales of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the non-performing asset on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller. Directed Lending Priority Sector Lending The Reserve Bank of India requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the National Bank for Agriculture and the Rural Development. These deposits can be for a period of one year or five years. Prior to the amalgamation, the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending. Pursuant to the terms of the Reserve Bank of India's approval of the amalgamation, ICICI Bank is required to maintain a total of 50.0% of its net bank credit on the residual portion of its advances (i.e., the portion of its total advances excluding advances of ICICI at year-end fiscal 2002) in the form of priority sector advances. This additional requirement of 10.0% by way of priority sector advances will apply until such time as the aggregate priority sector advances reach a level of 40.0% of the total net bank credit of ICICI Bank. Export Credit The Reserve Bank of India also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit. ICICI Bank provides export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. Credit Exposure Limits As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the Reserve Bank of India has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). The limits currently set by the Reserve Bank of India are as follows:

- o The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e., up to 50.0% of capital funds. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.
- o Capital funds is the total capital as defined under capital adequacy norms (Tier 1 and Tier 2 capital).
- o Non-fund based exposures are calculated at 100.0% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective April 1, 2003. At year-end fiscal 2005, ICICI Bank was in compliance with these guidelines. 155

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To ensure that exposures are evenly spread, the Reserve Bank of India requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodical review by the banks. ICICI Bank has fixed a ceiling of 15.0% on its exposure to any one industry (other than retail loans) and monitors its exposures accordingly. Regulations relating to Investments and Capital Market Exposure Limits Pursuant to the Reserve Bank of India guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 5.0% of total advances (including commercial paper) at March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity oriented mutual funds should not exceed 20.0% of the bank's net worth. However the exposure to capital markets in excess of 5.0% is permitted by the Reserve Bank of India on a case by case basis. Pursuant to the terms of the Reserve Bank of India's approval for the amalgamation, ICICI's project finance related investments are excluded from the computation of these limits for a period of five years from the amalgamation. In addition, the Reserve Bank of India has approved the exclusion of specific equity investments acquired by conversion of debt under restructuring schemes approved by the Corporate Debt Restructuring Forum. In November 2003, Reserve Bank of India issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10.0% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year with a sub-ceiling of 5.0% for investments in bonds of public sector undertakings. These guidelines do not apply to investments in security receipts issued by securitization or reconstruction companies registered with Reserve Bank of India and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines were effective April 1, 2004, with provision for compliance in a phased manner by January 1, 2005. In April 1999, the Reserve Bank of India, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier 2 capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier 2 capital and free reserves. In July 2004, the Reserve Bank of India imposed a ceiling of 10.0% of capital funds (Tier 1 plus Tier 2 capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier 1 capital of the investing bank or financial institution, are subject to a 100.0% risk weight for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets has been increased to 125.0% from 100.0% in July 2005. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the Reserve Bank of India with a roadmap for reduction of the exposure. We have equity shareholding in excess of the prescribed limits in two Indian private sector banks, Federal Bank Limited and South Indian Bank Limited, and are in dialogue with the Reserve Bank of India for reduction of our shareholding. Consolidated Supervision Guidelines In fiscal 2003, the Reserve Bank of India issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are: Consolidated Financial Statements. Banks are required to prepare consolidated financial statements intended for public disclosure. Consolidated Prudential Returns. Banks are required to submit to the Reserve Bank of India, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding 156

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insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms: o Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects); o Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects); o Deduction from Tier 1 capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and o Consolidated capital market exposure limit of 2.0% of consolidated advances and 10.0% of consolidated net worth. ICICI Bank is in compliance with these guidelines, except for the consolidated capital market exposure limits. ICICI Bank has submitted to the Reserve Bank of India that the limit of 2.0% of consolidated advances and 10.0% of consolidated net worth effectively reduces the standalone capital market exposure limit of 5.0% of advances and 20.0% of net worth. See also "-- Credit Exposure Limits". In June 2004, the Reserve Bank of India published the report of a working group on monitoring of financial conglomerates, which proposed the following framework: o identification of financial conglomerates that would be subjected to focused regulatory oversight; o monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties; o identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and o formalising a mechanism for inter-regulatory exchange of information. The proposed framework covers entities under the jurisdiction of the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority. The Reserve Bank of India has identified ICICI Bank and its related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to the Reserve Bank of India. Banks' Investment Classification and Valuation Norms The key features of the Reserve Bank of India guidelines on categorization and valuation of banks' investment portfolio are given below. o The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Held to maturity includes securities acquired with the intention of being held up to maturity; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available for sale includes securities not included in held to maturity and held for trading. Banks should decide the category of investment at the time of acquisition. o Held to maturity investments compulsorily include (a) recapitalization bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures. 157

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o Profit on the sale of investments in the held to maturity category is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement. o The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities. o Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category. o Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement. o Shifting of investments from or to held to maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the board of directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available for sale is generally not permitted. In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the

investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 25.0% of their demand and time liabilities. In the meanwhile, the Reserve Bank of India has permitted banks to exceed the limit of 25.0% of investments for the held to maturity category provided the excess comprises only statutory liquidity ratio investments and the aggregate of such investments in the held to maturity category do not exceed 25.0% of the demand and time liabilities. The Reserve Bank of India has permitted banks to transfer additional securities to the held to maturity category as a one time measure during fiscal 2005, in addition to the transfer permitted under the earlier guidelines. The transfer would be done at the lower of acquisition cost, book value or market value on the date of transfer. Held to maturity securities are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value. Available for sale and held for trading securities are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated. Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for. Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets. Limit on Transactions through Individual Brokers Guidelines issued by the Reserve Bank of India require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The Reserve Bank of India specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the Reserve Bank of India has stipulated that the board of directors of the bank concerned should ratify such action. Prohibition on Short-Selling The Reserve Bank of India does not permit short selling of securities by banks. The Reserve Bank of India has permitted banks to sell government of India securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is 158

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contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle. Subsidiaries and Other Financial Sector Investments We need the prior permission of the Reserve Bank of India to incorporate a subsidiary. We are required to maintain an "arms' length" relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we are not able or not permitted to do so ourselves. We have to observe the prudential norms stipulated by the Reserve Bank of India, from time to time, in respect of our underwriting commitments. Pursuant to such prudential norms, our underwriting or the underwriting commitment of our subsidiaries under any single obligation shall not exceed 15.0% of an issue. We also need the prior specific approval of the Reserve Bank of India to participate in the equity of financial services ventures including stock exchanges and depositories notwithstanding the fact that such investments may be within the ceiling (lower of 30.0% of the paid-up capital of the investee company and 30.0% of the investing bank's own paid up capital and reserves) prescribed under Section 19(2) of the Banking Regulation Act. Our investment in a subsidiary, financial services company or financial institution cannot exceed 10.0% of our paid-up capital and reserves and our aggregate investments in all such companies and financial institutions put together cannot exceed 20.0% of our paid-up capital and reserves. Regulations relating to Deposits The Reserve Bank of India has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, ICICI Bank is permitted by the Reserve Bank of India to pay an additional interest of 1.0% over the interest payable on deposits from the public. Domestic time deposits have a minimum maturity of seven days. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years. Starting April 1998, the Reserve Bank of India has permitted banks the flexibility to offer varying rates of interests on

domestic deposits of the same maturity subject to the following conditions: o Time deposits are of Rs. 1.5 million (US\$ 34,388) and above; and o Interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank. ICICI Bank stipulates a minimum balance of Rs. 10,000 (US\$ 229) for a non-resident rupee savings deposit. Interest rates on non-resident rupee term deposits of one to three years maturity are not permitted to exceed the LIBOR/SWAP rates for US dollar of corresponding maturity plus 50 basis points. Interest rates on non-resident rupee savings deposits are not permitted to exceed the LIBOR/SWAP rate plus 50 basis points for six months maturity on US dollar deposits and are fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter.

Regulations relating to Knowing the Customer and Anti-Money Laundering The Reserve Bank of India issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks are required to have a customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing a banking relationship or carrying out a financial transaction or when the bank has a doubt about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking 159

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relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In August 2005, the Reserve Bank of India has simplified the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 in a year in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged. The Indian Parliament had enacted the Prevention of Money Laundering Act in 2002. This Act has been amended and implemented with effect from July 1, 2005. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. In addition the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to the Reserve Bank of India. In December 2004, the Indian Parliament passed the Unlawful Activities (Prevention) Amendment Ordinance/Act, 2004 incorporating the provisions considered necessary to deal with various facets of terrorism. The Narcotic Drugs and Psychotropic Substances Act, 1985 deals with drug related proceeds of crime. Regulations on Asset Liability Management At present, the Reserve Bank of India's regulations for asset liability management require banks to draw up asset-liability gap statements separately for rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. These statements have to be submitted to the Reserve Bank of India on a quarterly basis. The Reserve Bank of India has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the Reserve Bank of India has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. In respect of other time periods, up to one year, Reserve Bank of India has directed banks to lay down internal norms in respect of negative liquidity gaps. Foreign Currency Dealership The Reserve Bank of India has granted ICICI Bank a full-fledged authorized dealers' license to deal in foreign exchange through its designated branches. Under this license, ICICI Bank has been granted permission to: o engage in foreign exchange transactions in all currencies; o open and maintain foreign currency accounts abroad; o raise foreign currency and rupee denominated deposits from non resident Indians; o grant foreign currency loans to on-shore and off-shore corporations; o open documentary credits; o grant import and export loans; o handle collection of bills, funds transfer services; o issue guarantees; and o enter into derivative transactions and risk management activities that are incidental to its normal functions authorized under its

organizational documents. ICICI Bank's foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, ICICI Bank is required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. 160

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Authorized dealers, like ICICI Bank, are required to determine their limits on open positions and maturity gaps in accordance with the Reserve Bank of India's guidelines and these limits are approved by the Reserve Bank of India. Further, ICICI Bank is permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions. Ownership Restrictions The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like ICICI Bank, cannot exceed 74.0% of the paid-up capital and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital. The Reserve Bank of India's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to equivalent of 5.0% or more of its total paid up capital. Reserve Bank of India, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, Reserve Bank of India may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more and up to 30.0% of a private sector bank's paid-up capital, Reserve Bank of India may consider additional factors, including but not limited to: o the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank, o the business record and experience of the applicant including any experience of acquisition of companies, o the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and o in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community. While granting acknowledgment for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of the bank's operations. In February 2005, the Reserve Bank of India issued guidelines on ownership and governance in private sector banks. This policy became effective on February 28, 2005. The key provisions of the guidelines on ownership are: o No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10.0% of the paid, up equity capital of a private sector bank and any higher level of acquisition would require the Reserve Bank of India's prior approval; o In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10.0% in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated; o The Reserve Bank of India may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry; o Banks would be responsible for compliance of the "fit and proper" criteria for shareholders on an ongoing basis; and 161

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o Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance. The Reserve Bank of India has recently announced guidelines stating that these regulations would also

apply in the event an existing shareholder's shareholding exceed the specified limit as a result of a rights issue of shares where other shareholders do not subscribe to the issue. Restrictions on Payment of Dividends In May 2005, the Reserve Bank of India issued guidelines stating that a bank may declare dividends only if all of the following conditions are met: o Capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend. o Net non-performing asset ratio is less than 7.0%. o The bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc. o The proposed dividend will be paid out of the current year's profit. o The Reserve Bank of India has not placed any explicit restrictions on the bank for declaration of dividends. In case the bank does not meet the capital adequacy norms, but has a capital adequacy ratio of at least 9.0% for the accounting year for which it proposes to declare a dividend, it would be eligible to do so if its net non-performing asset ratio is less than 5.0%. Banks that are eligible to declare dividends under the above rules can do so subject to the following: o The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio. o In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio. o The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio. Regulations on Mergers of Private Sector Banks and Banks and Non-banking Finance Companies In May 2005, the Reserve Bank of India issued guidelines to facilitate mergers between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for amalgamation, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of amalgamation to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of amalgamation on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to the Reserve Bank of India norms. The approved scheme needs to be submitted to the Reserve Bank of India for valuation and sanction in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, the guidelines specify that 162

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the non-banking finance company has to comply with Know Your Customer norms for all accounts and all relevant norms issued by the Reserve Bank of India and the Securities and Exchange Board of India. The non-banking finance company should also conform to insider trading norms issued by the Securities and Exchange Board of India, whether it is listed or not, in order to regulate the promoter's trading of shares before and after the amalgamation discussion period. Credit Information Bureaus The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about persons who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the Reserve Bank of India specifies may access such disclosed credit information. Deposit Insurance Demand and time deposits of up to Rs. 100,000 (US\$ 2,293) accepted by Indian banks have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the Reserve Bank of India. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer. Statutes Governing Foreign Exchange and Cross-Border Business Transactions The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering. The



Reserve Bank of India issued guidelines on External Commercial Borrowings vide its Master Circular in July 2004, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 the Reserve Bank of India has announced that external commercial borrowing proceeds can be utilized for overseas direct investment in joint ventures/wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures/wholly owned subsidiaries abroad. Further utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments, acquisitions in India or real estate investments. Legal Reserve Requirements Cash Reserve Ratio A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the Reserve Bank of India. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to section 42 of the Reserve Bank of India Act. Effective October 2, 2004, the cash reserve ratio is 5.0%. The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio: o inter-bank liabilities; o liabilities to primary dealers; and o refinancing from the Reserve Bank of India and other institutions permitted to offer refinancing to banks. The Reserve Bank of India pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and pays interest on the balance at 3.5% per annum. 163

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The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight. Statutory Liquidity Ratio In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the Reserve Bank of India from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. At present, the Reserve Bank of India requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003 recently introduced in the Indian Parliament proposes to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the Reserve Bank of India the freedom to fix the Statutory Liquidity Ratio below this level. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". Requirements of the Banking Regulation Act Prohibited Business The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. Reserve Fund Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the Reserve Bank of India within 21 days, explaining the circumstances leading to such appropriation. The government of India may, on the recommendation of the Reserve Bank of India, exempt a bank from requirements relating to its reserve fund. Payment of Dividend Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalized expenses (including preliminary expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The Indian government may exempt banks from this provision by issuing a notification on the recommendation of the Reserve Bank of India. We have been exempted from this provision in respect of expenses relating to the Early Retirement Option offered by us in fiscal 2004. We have obtained permission from the Reserve Bank of India to write off these expenses over a five-year period in our Indian GAAP accounts. Further, the payment of the dividend by banks is subject to the eligibility criteria specified by the Reserve Bank of India from time to time. Restriction on Share Capital and Voting Rights Banks can issue only ordinary shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company. Only banks incorporated before January 15, 1937 can issue preferential shares. Prior to the amalgamation, ICICI had preference share capital of Rs. 3.5 billion (US\$ 81 million). The government of India, on the recommendation of the Reserve Bank of India, has granted an

exemption to ICICI Bank which allows the inclusion of preference capital in the capital structure of ICICI Bank for a period of five years, though ICICI Bank is a bank incorporated after January 15, 1937. Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10.0% on the maximum voting power exercisable by an shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". 164

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Restrictions on Investments in a Single Company No bank may hold shares in any company exceeding 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less.

Regulatory Reporting and Examination Procedures The Reserve Bank of India is empowered under the Banking Regulation Act to inspect a bank. The Reserve Bank of India monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the Reserve Bank of India, banks are required to report to the Reserve Bank of India on aspects such as: o assets, liabilities and off-balance sheet exposures; o the risk weighting of these exposures, the capital base and the capital adequacy ratio; o the unaudited operating results for each quarter; o asset quality; o concentration of exposures; o connected and related lending and the profile of ownership, control and management; and o other prudential parameters. The Reserve Bank of India also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. ICICI Bank has been and at present also, is, subject to the on-site inspection by the Reserve Bank of India at yearly intervals. The inspection report, along with the report on actions taken by ICICI Bank, has to be placed before our board of directors. On approval by our board of directors, we are required to submit the report on actions taken by it to the Reserve Bank of India. The Reserve Bank of India also discusses the report with the management team including the Managing Director & CEO. The Reserve Bank of India also conducts on-site supervision of selected branches of ICICI Bank with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors ICICI Bank is required to obtain prior approval of the Reserve Bank of India before it appoints its chairman and managing director and any other wholetime directors and fixes their remuneration. The Reserve Bank of India is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure the proper management of ICICI Bank. Further, the Reserve Bank of India may order meetings of our board of directors to discuss any matter in relation to ICICI Bank, appoint observers to such meetings and in general may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of the shareholders of ICICI Bank to elect new directors. ICICI Bank cannot appoint as a director any person who is a director of another banking company. In July 2004, the Reserve Bank of India issued guidelines on 'fit and proper' criteria for directors of banks. Issue of Bonus Shares ICICI Bank would require the prior permission of Reserve Bank of India and its shareholders' approval to issue bonus shares.

Penalties The Reserve Bank of India may impose penalties on banks and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment. A press release has been issued by the Reserve Bank of India giving details of the circumstances under which the penalty is imposed on 165

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the bank along with the communication on the imposition of the penalty in public domain. The bank is also required to disclose the penalty in its annual report.

Assets to be Maintained in India Every bank is required to ensure that its assets in India (including import-export bills drawn in India and Reserve Bank of India approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

Restriction on Creation of Floating Charge Prior approval of the Reserve Bank of India is required for creating floating charge on ICICI Bank's undertaking or property. Currently, all ICICI Bank's borrowings including bonds are unsecured. Secrecy Obligations ICICI Bank's obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its customers. ICICI Bank cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule: o where disclosure is required to be made under any law; o where there is an obligation to disclose to the public; o where ICICI Bank needs to disclose information in its interest; and o where disclosure is made with the express or implied consent of the customer. ICICI Bank is required to comply with the above in furnishing any information to any parties. ICICI Bank is also required to disclose information if ordered to do so by a court. The Reserve Bank of India may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings. Regulations governing Offshore Banking Units The government and Reserve Bank of India have permitted banks to set up Offshore Banking Units in Special Economic Zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. ICICI Bank has an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The key regulations applicable to offshore bank units include, but are not limited to, the following: o No separate assigned capital is required. However, the parent bank is required to provide a minimum of US\$ 10 million to its offshore banking unit. o Offshore Banking Units are exempt from cash reserve ratio requirements. o Reserve Bank of India may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank. o An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999. o All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units. o Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by Reserve Bank of India in respect of overseas branches of Indian banks as well as within the overall risk 166

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management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals. o Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies. o Offshore banking units may operate and maintain balance sheets only in foreign currency. o The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations. o Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds. Regulations and Guidelines of the Securities and Exchange Board of India The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. ICICI Bank is subject to Securities and Exchange Board of India regulations for its capital issuances, as well as its underwriting, custodial, depository participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for its registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. ICICI Bank is required to adhere to a code of conduct applicable for these activities. Public Financial Institution Status ICICI was a public financial institution under the Indian Companies Act, 1956. The special status of public financial institutions is also recognized under other statutes including the Indian Income-tax Act, 1961, Sick Industrial Companies (Special Provisions) Act, 1985 and Recovery of Debts Due to Banks and Financial Institutions Act, 1993. ICICI Bank is not a public financial institution. As a public financial institution, ICICI was entitled to certain benefits under various statutes. These benefits included the following: o For income tax purposes, ICICI's deposits and bonds were prescribed modes for investing and depositing surplus money by charitable and religious trusts. Since ICICI Bank is a scheduled bank, its deposits and bonds are also prescribed modes for investment by religious and charitable trusts. o The government of India had permitted non-government provident, superannuation and gratuity funds to

invest up to 40.0% of their annual accretion of funds in bonds and securities issued by public financial institutions. Further, the trustees of these funds could at their discretion invest an additional 20.0% of such accretions in these bonds and securities. These funds can invest up to only 10.0% of their annual accretion in bonds and securities issued by private sector banks, such as ICICI Bank.

- o Indian law provides that a public financial institution cannot, except as provided by law or practice, divulge any information relating to, or to the affairs of, its customers. ICICI Bank has similar obligations relating to maintaining secrecy arising out of common law principles governing its relationship with its customers.
- o The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of debt recovery tribunals for recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under this Act, the procedures for recoveries of debt were simplified and time frames were fixed for speedy disposal of cases. Upon establishment of the debt recovery tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances. This Act applies to banks as well as public financial institutions and therefore applies to ICICI Bank. ICICI's cessation as a public financial institution would have constituted an event of default under certain of ICICI's loan agreements related to its foreign currency borrowings. Prior to the amalgamation becoming 167

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effective, such event of default was waived by the respective lenders pursuant to the terms of such foreign currency borrowing agreements.

**Special Status of Banks in India** The special status of banks is recognised under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the Securitisation Act. As a bank, ICICI Bank is entitled to certain benefits under various statutes including the following:

- o The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.
- o The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies, to the Board for Industrial and Financial Reconstruction. Under the Act, other than the Board of Directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR.
- o The Securitisation Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitisation Act.

**Income Tax Benefits** As a banking company, ICICI Bank is entitled to certain tax benefits under the Indian Income-tax Act including the following:

- o ICICI Bank is allowed a deduction of up to 40.0% of its taxable business income derived from the business of long-term financing (defined as loans and advances extended for a period of not less than five years) which is transferred to a special reserve, provided that the total amount of this reserve does not exceed two times the paid-up share capital and general reserves. ICICI Bank is entitled to this benefit because it is a financial corporation. Effective fiscal 1998, if a special reserve is created, it must be maintained and if it is utilized, it is treated as taxable income in the year in which it is utilized.
- o ICICI Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5% of ICICI Bank's total business income, computed before making any deductions permitted pursuant to Chapter VIA of the Indian Income-tax Act, and to the extent of 10.0% of the aggregate average advances made by its rural branches computed in the manner prescribed. ICICI Bank has the option of claiming a deduction in respect of the provision made by it for any assets classified pursuant to the Reserve Bank of India's guidelines as doubtful or loss assets to the extent of 10.0% of the amount of such assets as on the last day of the year.
- o ICICI Bank is eligible to issue tax saving bonds approved in accordance with the provisions of the Indian Income-tax Act. The subscription to such bonds by certain categories of investors is a prescribed mode of investing for the purposes of availing of a tax rebate.
- o For income tax purposes, ICICI Bank's deposits and bonds are

prescribed modes of investing and depositing surplus money by charitable and religious trusts. Regulations governing Insurance Companies ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, the subsidiaries of ICICI Bank offering life insurance and non-life insurance respectively, are subject to the provisions of the Insurance 168

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Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, solvency margin requirements, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests. In May 2002, the Indian parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents. Regulations governing International Operations Our international operations are governed by regulations in the countries in which we have a presence. Overseas Banking Subsidiaries Our wholly-owned subsidiary in the United Kingdom, ICICI Bank UK Limited is authorized by the Financial Services Authority, which granted our application under Part IV of the Financial Services and Markets Act, 2000 on August 8, 2003. Our wholly-owned subsidiary in Canada, ICICI Bank Canada, was incorporated on September 12, 2003 as a Schedule II Bank in Canada. ICICI Bank Canada has obtained the approval of the Canada Deposit Insurance Corporation (CDIC) for deposit insurance and is regulated by the Office of the Superintendent of Financial Institutions. Our wholly-owned subsidiary in Russia, Investment Credit Bank, is regulated by the Central Bank of the Russian Federation. Offshore Branches In Singapore, we have an offshore branch, regulated by the Monetary Authority of Singapore. The Branch is allowed to accept deposits from Singapore residents with a minimum size of US\$ 100,000 or S\$ 250,000. It is also subject to minimum reserve requirements with respect to its Domestic Banking Unit book. The Asian Currency Unit book is not subject to reserve requirements, but the Branch is required to maintain minimum adjusted capital funds of S\$ 10 million. In Bahrain, we have an offshore branch, regulated by the Bahrain Monetary Agency. The branch is permitted to transact banking business with approved financial institutions within Bahrain and individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Representative Offices Our representative office in New York in the United States is licensed and regulated by the State of New York Banking Department and the Federal Reserve Board. Our representative office in Dubai in the United Arab Emirates is regulated by the Central Bank of the United Arab Emirates. Our representative office in Shanghai in China is regulated by the China Banking Regulatory Commission. Our representative office in Bangladesh is regulated by the Bangladesh Bank. Our representative office in South Africa is regulated by the South African Reserve Bank. 169

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**EXCHANGE CONTROLS Restrictions on Conversion of Rupees** There are restrictions on the conversion of rupees into dollars. Before February 29, 1992, the Reserve Bank of India determined the official value of the rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60.0% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40.0% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain specified priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, the Reserve Bank of India announced relaxations in payment restrictions in case of a number of transactions. Since August 1994, the government of India has substantially complied with its obligations owed to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument in managing the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical

treatment. In December 1999, the Indian parliament passed the Foreign Exchange Management Act, 1999, which became effective on June 1, 2000, replacing the earlier Foreign Exchange Regulation Act, 1973. This legislation indicated a major shift in the policy of the government with regard to foreign exchange management in India. While the Foreign Exchange Regulation Act, 1973 was aimed at the conservation of foreign exchange and its utilization for the economic development of the country, the objective of the Foreign Exchange Management Act, 1999 was to facilitate external trade and promote the orderly development and maintenance of the foreign exchange market in India. The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The Reserve Bank of India has also permitted authorized dealers to freely allow remittances by individuals up to US\$ 25,000 per calendar year for any permissible current or capital account transactions or a combination of both. Restrictions on Sale of the Equity Shares underlying the ADSs and Repatriation of Sale Proceeds ADSs issued by Indian companies to non-residents have free transferability outside India. Under current Indian regulations and practice, approval of the Reserve Bank of India is not required for the sale of equity shares underlying the ADSs by a non-resident of India to a resident of India if the sale has been executed on a recognized stock exchange in India through a registered broker at the prevailing market price. Approval of the Reserve Bank of India is neither required for a sale of shares of a company other than a company engaged in financial services sector, even if the transfer is other than on a recognized stock exchange in India or through a registered broker, as long as conditions generally prescribed by Reserve Bank of India are complied with. The same restrictions apply to a renunciation of rights to a resident of India. Approval of the Reserve Bank of India is neither required for sale of shares under the portfolio investment scheme prescribed by the Reserve Bank of India provided the sale is made on a recognized stock exchange and through a registered stock broker. If a sale of equity shares has taken place in terms of the Reserve Bank of India guidelines and other applicable regulations, as briefly described in the previous paragraph, then provided the shares were held on repatriation basis and a no objection/tax clearance certificate from income tax authority has been obtained, the sale proceeds may be freely remitted. If a sale was made pursuant to specific approval of Reserve Bank of India then sale proceeds can be remitted as per the terms of such an approval. If the equity shares underlying the ADSs are sold under the portfolio investment scheme then the sale proceeds may be remitted through an authorized dealer, without the approval of the Reserve Bank of India provided that the equity shares are sold on a recognized stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority has been produced. 170

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After the announcement of India's budget for fiscal 2002, the Reserve Bank of India issued certain notifications for the liberalization of the capital account. Pursuant to the notifications, in contrast to prior regulations, two-way fungibility in ADS/GDR issues of Indian companies was introduced, subject to sectoral caps, wherever applicable. An Indian company may sponsor an issue of ADSs with an overseas depository against shares held by its shareholders at a price to be determined by the lead manager. The proceeds of the issue have to be repatriated to India within a period of one month. The sponsoring company must comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the government of India from time to time. The sponsoring company must also furnish full details of the issue in the prescribed forms to the Reserve Bank of India within 30 days from the date of closure of the issue. The Reserve Bank of India has issued a notification under the provisions of the Foreign Exchange Management Act, 1999 permitting a registered broker in India to purchase shares of any Indian company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs provided that: o the shares are purchased on a recognized stock exchange; o the Indian company has issued ADSs; o the shares are purchased with the permission of the custodian of the ADSs of the concerned Indian company and are deposited with the custodian; o

the number of shares so purchased shall not exceed the number of ADSs converted into underlying shares and shall be subject to sectoral caps as applicable; and o the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the government of India from time to time. On November 23, 2002, the government of India's Ministry of Finance issued Operative Guidelines for Disinvestment of Shares by the Indian Companies in the Overseas Market through the Issue of ADSs. Under these guidelines, the shareholders may divest their holdings in the overseas market through the mechanism of a sponsored ADS issue by the Indian company. The holdings which may be divested are holdings in Indian companies which are listed either in India or on an overseas exchange. The divestment process is initiated when the Indian company whose shares are being offered for divestment in the overseas market sponsors an ADS issue against the block of existing shares offered by the shareholders under these guidelines. Such ADS issues against existing shares offered for divestment must also comply with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, if the ADSs are cancelled and the underlying shares are to be registered with the company. Such divestment would result in foreign equity investment and would also need to conform to the foreign direct investment sectoral policy. All mandatory approvals including those under the Companies Act, 1956 and the approval of the Foreign Investment Promotion Board for foreign equity induction through the offer of existing shares would have to be obtained. The Reserve Bank of India has permitted Indian companies to retain abroad for any period, the funds raised through an issue of ADSs, in order to meet their future foreign exchange requirement. Further, pending repatriation or utilization, the Indian company may invest the foreign currency funds raised in: o deposits or certificates of deposit or other products offered by banks who have been rated not less than AA(-) by Standard and Poor's Ratings Service/Fitch IBCA or Aa3 by Moody's Investors Service; o deposits with an overseas branch of an authorized dealer in India; and o treasury bills and other monetary instruments of one-year maturity having a minimum rating as indicated above. The Reserve Bank of India has permitted resident shareholders of Indian companies, who offer their shares for conversion to ADSs, to receive the sale proceeds in foreign currency. However, the conversion to such ADSs should have the approval of the Foreign Investment Promotion Board. Further, the sale proceeds received by residents are 171

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also permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) accounts or to their rupee accounts in India at their option. 172

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**MARKET PRICE INFORMATION** Equity Shares Our outstanding equity shares are currently listed and traded on the Bombay Stock Exchange or the BSE and on the National Stock Exchange of India Limited or the NSE. At August 31, 2005, 740 million equity shares were outstanding. The prices for equity shares as quoted in the official list of each of the Indian stock exchanges are in Indian rupees. The following table shows: o the reported high and low closing prices quoted in rupees for our equity shares on the NSE; and o the reported high and low closing prices for our equity shares, translated into US dollars, based on the noon buying rate on the last business day of each period presented.

Price per equity share(1)	High	Low	High	Low
Annual prices: Fiscal 2001.....	247.45	109.20	5.28	2.33
Fiscal 2002 .....	188.35	67.95	3.86	1.39
Fiscal 2003 .....	161.75	110.55	3.40	2.32
Fiscal 2004 .....	348.25	120.80	8.02	2.78
Fiscal 2005 .....	413.05	230.40	9.47	5.28
Quarterly prices: Fiscal 2004: First Quarter.....	150.15			
Second Quarter.....	204.50	145.10	4.47	3.17
Third Quarter.....	302.20	204.40		
Fourth Quarter.....	348.25	267.75	8.02	6.17
Fiscal 2005: First Quarter.....	319.35			
Second Quarter.....	295.35	234.40	6.43	5.11
Third Quarter.....	374.00	285.35		
Fourth Quarter.....	413.05	337.50	9.47	7.74
Fiscal 2006: First Quarter.....	433.95			

359.95 9.97 8.27 Second Quarter (through September 23, 2005)..... 593.00 421.25 13.54 9.62 Monthly prices: March 2005..... 413.05 372.25 9.47 8.53 April 2005..... 425.45 359.95 9.78 8.28 May 2005..... 402.55 360.35 9.23 8.26 June 2005..... 433.95 392.15 9.97 9.01 July 2005..... 534.45 421.25 12.31 9.71 August 2005 ..... 538.40 467.95 12.24 10.64 September 2005 (through September 23, 2005)..... 593.00 481.50 13.54 10.99 ----- (1) Data from the NSE. The prices quoted on the BSE may be different. At September 23, 2005 the closing price of equity shares on the NSE was Rs. 578.00 equivalent to US\$ 13.20 per equity share (US\$ 26.39 per ADS on an imputed basis) translated at the noon buying rate of Rs. 43.80 per US\$ 1.00 on September 23, 2005. 173

At September 2, 2005, there were approximately 415,316 holders of record of our equity shares, of which 115 had registered addresses in the United States and held an aggregate of approximately 102,689 equity shares. ADSs Our ADSs, each representing two equity shares, were originally issued in March 2000 in a public offering and are listed and trade on the New York Stock Exchange under the symbol IBN. The equity shares underlying the ADSs are listed on the BSE and the NSE. At August 31, 2005, ICICI Bank had approximately 101 million ADSs, equivalent to 201 million equity shares, outstanding. At this date, there were 107 record holders of ICICI Bank's ADSs, out of which 105 have registered addresses in the United States. The following table sets forth, for the periods indicated, the reported high and low closing prices on the New York Stock Exchange for our outstanding ADSs traded under the symbol IBN. Price per ADS ----- High Low ----- Annual prices: Fiscal

2001.....	18.75	4.62	Fiscal 2002.....	7.50	2.70	Fiscal			
2003.....	8.26	4.84	Fiscal 2004.....	18.33	5.27	Fiscal			
2005.....	22.65	11.25	Quarterly prices: Fiscal 2004: First Quarter.....	7.27					
5.27			Second Quarter.....	10.56	7.23	Third Quarter.....	17.91	10.90	Fourth
Quarter.....	18.33	13.50	Fiscal 2005: First Quarter.....	17.25	11.57	Second			
Quarter.....	13.91	11.25	Third Quarter.....	20.45	13.76	Fourth			
Quarter.....	22.65	18.27	Fiscal 2006: First Quarter.....	22.23	18.08	Second			
Quarter (through September 23, 2005).....	26.94	22.00	Monthly prices: March 2005.....						
22.50	18.87	April 2005.....	20.75	18.08	May 2005.....	20.21	18.50		
June 2005.....	22.23	19.80	July 2005.....	26.41	22.00	August			
2005.....	25.65	22.77	September 2005 (through September 23, 2005).....	26.94	23.35	See			

also "Risk Factors - Risks relating to the ADSs and Equity Shares - Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs". 174

**RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES** India strictly regulates ownership of Indian companies by foreigners. Foreign investment in Indian securities, including the equity shares represented by the ADSs, is generally regulated by the Foreign Exchange Management Act, 1999, which permits transactions involving the inflow or outflow of foreign exchange and empowers the Reserve Bank of India to prohibit or regulate such transactions. The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. Under the foreign investment rules, the following are the restrictions on foreign ownership applicable to us: o Foreign investors may



own up to 74.0 % of our equity shares subject to conformity with guidelines issued by the Reserve Bank of India from time to time. This limit is under the so-called automatic route and does not require specific approval of the Foreign Investment Promotion Board. This limit includes foreign direct investment, ADSs, Global Depository Receipts and investment under the Portfolio Investment Scheme by foreign institutional investors and non-resident Indians, and also includes shares acquired by subscription to private placements and public offerings and acquisition of shares from existing shareholders.

- o Under the Issue of Foreign Currency Convertible Bonds and Equity Shares (Through Depository Receipt Mechanism) Scheme, 1993, foreign investors may purchase ADSs or GDRs, subject to the receipt of all necessary government approvals at the time the depository receipt program is set up.
- o Under the portfolio investment scheme, (i) foreign institutional investors, subject to registration with the Securities and Exchange Board of India and the Reserve Bank of India, may hold in aggregate up to 49.0% of our paid-up equity capital, provided that no single foreign institutional investor may own more than 10.0% of our total paid-up equity capital; and (ii) the shareholding of an individual non-resident Indian or overseas corporate body is restricted to 5.0% of our total paid-up equity capital.
- o The Reserve Bank of India's guidelines relating to acquisition by purchase or otherwise of shares of a private sector bank, if such acquisition results in any person owning or controlling 5.0 % or more of the paid up capital of the bank, are also applicable to foreign investors investing in our shares. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see "Supervision and Regulation - Reserve Bank of India Regulations - Ownership Restrictions".
- o Since we have joint ventures in the insurance sector, applications for foreign direct investment in ICICI Bank when required by applicable law or regulation, have to be addressed to the Reserve Bank of India for consideration in consultation with the Insurance Regulatory and Development Authority in order to ensure that the 26% limit of foreign shareholding applicable for the insurance sector is not breached. Pursuant to a circular dated November 29, 2001, the Reserve Bank of India notified that, as of that date, overseas corporate bodies are not permitted to invest under the portfolio investment scheme, though they may continue to hold investments that have already been made under the portfolio investment scheme until such time as these investments are sold on the stock exchange. An Indian company may sponsor an issue of ADSs with an overseas depository against shares held by its shareholders at a price to be determined by the lead manager. The proceeds of the issue must be repatriated to India within a period of one month. The sponsoring company must comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the government of India from time to time. The sponsoring company must

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also furnish full details of the issue in the prescribed forms to the Reserve Bank of India within 30 days from the date of closure of the issue. On November 23, 2002, the government of India's Ministry of Finance issued Operative Guidelines for Disinvestment of Shares by the Indian Companies in the Overseas Market through the Issue of ADSs. Under these guidelines, the shareholders may divest their holdings in the overseas market through the mechanism of a sponsored ADS issue by the Indian company. The holdings which may be divested are holdings in Indian companies which are listed either in India or on an overseas exchange. The divestment process is initiated when the Indian company whose shares are being offered for divestment in the overseas market sponsors an ADS issue against the block of existing shares offered by the shareholders under these guidelines. Such ADS issues against existing shares offered for divestment must also comply with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, if the ADSs are cancelled and the underlying shares are to be registered with the company. Such divestment would result in foreign equity investment and would also need to conform to the foreign direct investment sectoral policy. All mandatory approvals including those under the Companies Act, 1956 and the approval of the Foreign Investment Promotion Board for foreign equity induction through the offer of existing shares, would have to be obtained. The Reserve Bank of India has issued a notification under the provisions of the Foreign Exchange Management Act, 1999 permitting a registered broker in India to purchase shares of any Indian company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs, provided that:

- o the shares are purchased on a recognized stock exchange;
- o the Indian company has issued ADSs;
- o the shares are purchased with the permission of the custodian of the ADSs of the concerned Indian company

and are deposited with the custodian; o the number of shares so purchased shall not exceed the number of ADSs converted into underlying shares and shall be subject to sectoral caps as applicable; and o the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the government of India from time to time. We obtained the approval of the Foreign Investment Promotion Board for our ADS offering in March 2000 and sponsored ADS offering in March 2005 which were foreign direct investments. The investments through the portfolio investment scheme in the secondary market in India by foreign institutional investors, non-resident Indians and overseas corporate bodies and investments through the foreign direct investment scheme are distinct schemes that are available concurrently. As of September 23, 2005, foreign investors owned approximately 73.3% of our equity in total, of which 27.2% was through the ADS program. As an investor in ADSs, you do not need to seek the specific approval from the government of India to purchase, hold or dispose of your ADSs. In the ADS offerings, we obtained the approval of the government of India's Department of Company Affairs and the relevant stock exchanges. Equity shares which have been withdrawn from the depository facility and transferred on our register of shareholders to a person other than the depository or its nominee may be voted by that person provided the necessary procedural requirements have been met. However, you may not receive sufficient advance notice of shareholder meetings to enable you to withdraw the underlying equity shares and vote at such meetings. Notwithstanding the foregoing, if a foreign institutional investor, non-resident Indian or overseas corporate body were to withdraw its equity shares from the ADS program, its investment in the equity shares would be subject to the general restrictions on foreign ownership noted above and may be subject to the portfolio investment restrictions. Secondary purchases of securities of a banking company in India by foreign direct investors or 176

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investments by non-resident Indians, overseas corporate bodies and foreign institutional investors above the ownership levels set forth above require government of India approval on a case-by-case basis. It is unclear whether similar case-by-case approvals of ownership of equity shares withdrawn from the depository facility by foreign institutional investors, non-resident Indians and overseas corporate bodies would be required. You will be required to make a public offer to the remaining shareholders if you withdraw your equity shares from the ADS program and your direct or indirect holding in us exceeds 15.0% of our total equity under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997. ADSs issued by Indian companies to non-residents have free transferability outside India. Under current Indian regulations and practice, approval of the Reserve Bank of India is not required for the sale of equity shares underlying the ADSs by a non-resident of India to a resident of India if the sale has been executed on a recognized stock exchange in India through a registered broker at the prevailing market price. Approval of the Reserve Bank of India is neither required for a sale of shares of a company other than a company engaged in financial services sector, even if the transfer is other than on a recognized stock exchange in India or through a registered broker, as long as conditions generally prescribed by Reserve Bank of India are complied with. The same restrictions apply to a renunciation of rights to a resident of India. Approval of the Reserve Bank of India is neither required for sale of shares under the portfolio investment scheme prescribed by the Reserve Bank of India provided the sale is made on a recognized stock exchange and through a registered stock broker. Any new issue of equity shares of a banking company, either through the automatic route or with the specific approval of the Foreign Investment Promotion Board, does not require further approval of the Reserve Bank of India, but must comply with certain reporting requirements. 177

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**DIVIDENDS** Under Indian law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount

recommended by the board of directors. Dividends may be paid out of the company's profits for the fiscal year in which the dividend is declared or out of undistributed profits of prior fiscal years. ICICI Bank paid dividends consistently every year from fiscal 1996, the second year of its operations. ICICI Bank paid the dividend for fiscal 2002 as an interim dividend during fiscal 2002 itself and accordingly there was no dividend outflow during fiscal 2003 in respect of dividends declared for fiscal 2002. For fiscal 2003, we paid a dividend, excluding dividend tax, of Rs. 7.50 (US\$ 0.17) per equity share aggregating to Rs. 4.6 billion (US\$ 105 million) which was paid in fiscal 2004. For fiscal 2004, we paid a dividend, excluding dividend tax, of Rs. 7.50 (US\$ 0.17) per equity share aggregating to Rs. 5.4 billion (US\$ 125 million). The amount of Rs. 5.4 billion (US\$ 125 million) excludes the impact of the issue of 6,992,187 equity shares on May 24, 2004 through the exercise of the overallotment option in the issue of equity shares in April 2004. The dividend for fiscal 2004 was paid in fiscal 2005. For fiscal 2005, we paid a dividend, excluding dividend tax, of Rs. 7.50 (US\$ 0.17) per equity share and a special dividend, excluding dividend tax, of Rs. 1.00 (US\$ 0.02) per equity share to mark the completion of 50 years in finance by ICICI group aggregating to Rs. 6.3 billion (US\$ 145 million), which we paid out in August 2005. The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the fiscal year by ICICI Bank, each exclusive of dividend tax. This may be different from the dividend declared for the year. Dividend per Total amount of equity share dividends paid ----- (in millions) Dividend paid during the fiscal year 2001..... 1.50 247 2002(1) ..... 4.00(1) 881 2003..... - - 2004..... 7.50 4,598 2005..... 7.50 5,507 ----- (1) Includes dividend of Rs. 2.00 per share declared for each of the fiscal years 2001 and 2002. Dividend income is tax-exempt in the hands of shareholders. However, we are required to pay a tax on distributed profits. We were required to pay a 13.1% tax (including surcharge) on distributed profits in fiscal 2005. In fiscal 2006, we are required to pay a 14.0% tax (including surcharge) on distributed profits. Future dividends will depend upon our revenues, cash flow, financial condition, the regulations of the Reserve Bank of India and other factors. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs rank pari passu with existing equity shares. At present, we have equity shares issued in India and equity shares represented by ADSs. Pursuant to guidelines issued by the Securities and Exchange Board of India in February 2000, with respect to equity shares issued by us during a particular fiscal year, dividends declared and paid for such fiscal year are paid in full and are no longer prorated from the date of issuance to the end of such fiscal year. Before paying any dividend on its shares, we are required under the Indian Banking Regulation Act to write off all capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets) under Indian GAAP. Before declaring dividends, we are required to transfer at least 20.0% of the balance of profits of each year before payment of dividend to a reserve fund. The government of India may, however, on the recommendation of the Reserve Bank of India, exempt us from such a requirement. As per the revised guidelines issued by Reserve Bank of India, only those banks, which comply with certain minimum prudential 178

requirements with respect to capital adequacy, net non-performing asset ratio and other criteria, are eligible to declare dividends without prior approval of Reserve Bank of India. Further, the guidelines prescribe a matrix for the maximum permissible range of dividend payout ratios with a ceiling of 40.0%, excluding dividend tax, for banks. Banks, which comply with the prudential requirements of the above guidelines, but desire to declare dividends higher than the specified ceiling must obtain prior approval of Reserve Bank of India for declaration of such higher dividend. In case any bank does not meet the criteria prescribed above, it has to obtain the prior approval of Reserve Bank of India before declaring any dividend. For a description of the revised guidelines issued by the Reserve Bank of India, please see "Supervision and Regulation - Restrictions on Payment of Dividends". We also need the prior approval from the Reserve Bank of India to pay an interim dividend. For a description of the tax consequences of dividends paid to shareholders, see "Taxation -- Indian Tax -- Taxation of Distributions". The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the year, each exclusive of dividend tax, for ICICI, prior to the amalgamation. This may be different from the dividend

declared for the year. Dividend per Total amount of equity share(1) dividends paid ----- (in millions) Dividend paid during the fiscal year 1999..... Rs. 11.00 Rs. 2,618  
 2000..... 11.00 2,641 2001..... 11.00 3,505 2002(2)..... 22.00 8,639  
 ----- (1) 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 the annual report on Form 20-F for fiscal 2002. (2) Includes dividend of Rs. 11.00 per share declared for each of the fiscal years 2001 and 2002, both of which were paid during fiscal 2002. 179

**TAXATION Indian Tax** The following discussion of material Indian tax consequences to investors in ADSs and equity shares who are not resident in India whether of Indian origin or not (each a "non-resident") is based on the provisions of the Indian Income-tax Act, 1961 (the "Income-tax Act"), including the special tax regime for ADSs contained in Section 115AC, which has been extended to cover additional ADSs that an investor may acquire in an amalgamation or restructuring of the company, and certain regulations implementing the Section 115AC regime. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of described herein may be amended or modified by future amendments to the Income-tax Act. The summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of ADSs and equity shares by non-resident investors. Potential investors should, therefore, consult their own tax advisers regarding the tax consequences of such acquisition, ownership and sale, including the tax consequences under Indian law, the law of the jurisdiction of their residence, any tax treaty between India and their country of residence, and in particular the application of the regulations implementing the Section 115AC regime. Residence For the purpose of the Income-tax Act, an individual is a resident of India during any fiscal year, if he (i) is in India in that year for 182 days or more or (ii) having been in India for a period or periods aggregating 365 days or more during the four years preceding that fiscal year, is in India for a period or periods aggregating 60 days or more in that fiscal year. The period of 60 days is substituted by 182 days in the case of an Indian citizen or person of Indian origin who being resident outside India comes on a visit to India during the fiscal year or an Indian citizen who leaves India for the purposes of his employment during the fiscal year. A company is resident in India in any fiscal year if it is registered in India or the control and management of its affairs is situated wholly in India in that year. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India. Taxation of Distributions Dividends paid are not subject to any Indian withholding or other tax. However, we are required to pay tax at the rate of 14.025% on the dividends distributed by us. The dividend so paid is not taxable under section 115AC in the hands of the ADS holders. Taxation on Redemption of ADSs The acquisition of equity shares upon redemption of ADSs by a non-resident investor will not give rise to a taxable event for Indian tax purposes. Taxation on Sale of ADSs or Equity Shares Any transfer of ADSs outside India by a non-resident investor to another non-resident investor will not give rise to Indian capital gains tax in the hands of the transferor. Subject to any relief under any relevant double taxation treaty, gain arising from the sale of an equity share will generally give rise to a liability for Indian capital gains tax in the hands of the transferor. Such tax is required to be withheld at source. Where the equity share has been held for more than 12 months (measured from the date of advice of redemption of the ADS by the Depository as specified below), the rate of tax is 10.2% (including education cess) where the total income does not exceed Rs. 1,000,000 (US\$ 22,925) or 11.22% (including applicable surcharges and an additional surcharge by way of education cess) where the total income exceeds Rs. 1,000,000 (US\$ 22,925). Where the equity share has been held for 12 months or less, the rate of tax varies and the gain will be subject to tax at normal rates of income-tax applicable to non-residents under the provisions of the Income-tax Act, subject to a maximum of 41.82% (including applicable surcharges and education cess) in the case of foreign companies. The actual rate depends on a number of factors, including without limitation the nature of the non- 180

resident investor. The Finance (No. 2) Act, 2004, introduced the securities transaction tax effective October 1, 2004 which is levied on transactions of purchase /sale of equity shares entered into on a recognized stock exchange in India at the specified rates in accordance with the provisions of Chapter VII there under. The transaction of sale of equity shares entered into a recognised stock exchange in India settled by actual delivery or transfer will be subject to securities transaction tax at the rate of 0.1%, on the value of the transaction, payable by the seller and buyer respectively. In cases where securities transaction tax is payable by the seller, the resulting long-term capital gains would be exempt from tax and short-term capital gains would be taxable at a lower tax rate of 10.2% (including education cess) where the total income does not exceed Rs. 1,000,000 (US\$ 22,925) or 11.22% (including applicable surcharges and an additional surcharge by way of education cess) where the total income exceeds Rs. 1,000,000 (US\$ 22,925). For transactions that are not subject to securities transaction tax, the normal capital gains tax regime will apply. During the period the underlying equity shares are held by non-resident investors on a transfer from the Depository upon redemption, the provisions of the double taxation treaty entered into by the government of India with the country of residence of the non-resident investors will apply in determining the taxation of any capital gains arising on a transfer of the equity shares. The double taxation treaty between the United States and India does not provide US residents with any relief from Indian tax on capital gains. For purposes of determining the amount of capital gains arising on a sale of an equity share for Indian tax purposes, the cost of acquisition of an equity share received upon redemption of an ADS will be the price of the share prevailing on the Stock Exchange, Mumbai or the National Stock Exchange on the date on which the Depository advises the custodian of such redemption, not the acquisition cost of the ADS being redeemed. The holding period of an equity share received upon redemption of an ADS will commence on the date of advice of redemption by the Depository. Rights Distributions to non-resident investors of additional ADSs or equity shares or rights to subscribe for equity shares made with respect to ADSs or equity shares are not subject to Indian tax in the hands of the non-resident investor. It is unclear as to whether capital gains derived from the sale of rights outside India by a non-resident investor that is not entitled to exemption under a tax treaty to another non-resident investor will be subject to Indian capital gains tax. If the rights are deemed by the Indian tax authorities to be situated within India, as our situs is in India, then the capital gains realized on the sale of rights will be subject to customary Indian capital gains taxation as discussed above. Stamp Duty Upon the issuance of the equity shares underlying the ADSs, we are required to pay a stamp duty of 0.1% per share of the issue price. A transfer of ADSs is not subject to Indian stamp duty. Normally, upon the receipt of equity shares in physical form from the depository in exchange for ADSs representing such equity shares, a non-resident investor would be liable for Indian stamp duty applicable on re-issuance in physical form, which is the same as stamp duty payable on the original issuance in physical form subject to a maximum of Rs. 20 per share certificate. Similarly, a sale of equity shares in physical form by a non-resident investor would also be subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee, that is, the purchaser. However, our equity shares are compulsorily delivered in non-physical form except for trades up to 500 shares only, which may be delivered in physical form. Under Indian stamp law, no stamp duty is payable on the acquisition or transfer of equity shares in non-physical form. The State of Maharashtra has, inter alia, provided that transactions effected by a trading member of a stock exchange through a stock exchange are subject to payment of stamp duty. As per the Finance Act, 2004, all delivery based sales on a recognized stock exchange in India of inter-alia all equity shares shall attract transaction tax at the rates of 0.1% of the value of the securities transacted. Other Taxes At present, there are no taxes on wealth, gifts or inheritance which apply to the ADSs or underlying equity shares. 181

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Service Tax Brokerage fees paid to stockbrokers in connection with the sale or purchase of shares which are listed on any recognized stock exchange in India are subject to a service tax at a rate of 10.2% (including applicable education cess). The stockbroker is responsible for collecting the service tax and paying it to the relevant authority. United States Tax The following discussion describes certain US federal income tax consequences of the acquisition,

ownership and sale of ADSs or equity shares that are generally applicable to US investors. For these purposes, you are an US investor if, for US federal income tax purposes, you are: 1. a citizen or resident of the United States; 2. a corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any political subdivision of the United States; or 3. an estate or trust the income of which is includable in gross income for US federal income tax purposes regardless of its source. This discussion only applies to ADSs or equity shares that you own as capital assets. Please note that this discussion does not discuss all of the tax consequences that may be relevant in light of your particular circumstances. In particular, it does not address investors subject to special rules, including: 1. insurance companies; 2. tax-exempt entities; 3. dealers and certain traders in securities; 4. certain financial institutions; 5. persons who own the ADSs or equity shares as part of an integrated investment (including a straddle, hedging or conversion transaction) comprised of the ADS or equity shares, and one or more other positions for US federal income tax purposes; 6. persons whose functional currency is not the US dollar; 7. persons who own, actually or constructively, 10.0% or more of ICICI Bank's voting stock; or 8. partnerships or other entities classified as partnerships for US federal income tax purposes. This discussion is based on the tax laws of the United States currently in effect (including the Internal Revenue Code of 1986, as amended, referred to as the "Code"), Treasury Regulations, Revenue Rulings and judicial decisions. These laws may change, possibly with retroactive effect. This discussion is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. Furthermore, the US Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for US investors of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate US investors. Accordingly, the analysis of the creditability of Indian taxes and the availability of the reduced tax rate for dividends received by certain non-corporate US investors, each described below, could be affected by actions taken by parties to whom ADSs are pre-released. For US federal income tax purposes, if you own an ADS, you will generally be treated as the owner of the equity shares underlying the ADS. 182

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Please consult your tax adviser with regard to the application of the US federal income tax laws to the ADSs or equity shares in your particular circumstances, including the passive foreign investment company rules described below, as well as any tax consequences arising under the laws of any state, local or other taxing jurisdiction. This discussion assumes that ICICI Bank is not, and will not become, a passive foreign investment company (as discussed below).

**Taxation of Dividends** Dividends you receive on the ADSs or equity shares, other than certain pro rata distributions of ADSs or equity shares or rights to acquire ADSs or equity shares, will generally constitute foreign source dividend income for US federal income tax purposes. The amount of the dividend you will be required to include in income will equal the US dollar value of the Rs., calculated by reference to the exchange rate in effect on the date the payment is received by the depositary (in the case of ADS) or by you (in the case of equity shares) regardless of whether the payment is converted into US dollars on the date of receipt. If you realize gain or loss on a sale or other disposition of rupees, it will be US source ordinary income or loss. If you are a corporate US investor, you will not be entitled to claim a dividends-received deduction for dividends paid by ICICI Bank. Subject to applicable limitations, if you are a non-corporate US investor, dividends paid to you in taxable years beginning before January 1, 2009 will be taxable at a maximum rate of 15.0%. If you are a non-corporate US investor, you should consult your own tax adviser to determine whether you are subject to any special rules that limit your ability to be taxed at this favorable rate.

**Taxation of Capital Gains** You will recognize capital gain or loss for US federal income tax purposes on the sale or exchange of ADSs or equity shares in the same manner as you would on the sale or exchange of any other shares held as capital assets. The gain or loss will generally be US source income or loss. You should consult your own tax advisers about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited. Under certain circumstances as described under "Taxation - Indian Tax - Taxation on Sale of ADSs or Equity Shares", you may be subject to Indian tax upon the disposition of equity shares. You should consult your own tax adviser with respect to your ability to credit this Indian tax against your US federal income tax liability. Passive Foreign Investment Company Rules 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 (a "PFIC") for its taxable year that ended March 31, 2005 or in the foreseeable future. In general, a foreign corporation is a PFIC for any taxable year in which (i) 75.0% or more of its gross income consists of passive income (such as dividends, interest, rents and royalties) or (ii) 50.0% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. Since there can be no assurance that the proposed regulations will be finalized in their current form, the manner of the application of the proposed regulations is not entirely clear, and the composition of ICICI Bank's income and assets 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 were treated as a PFIC for any year during your holding period and you have not made the mark-to-market election, as described below, you will be subject to special rules generally intended to eliminate any benefits from the deferral of US federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of ADSs or equity shares, including, under certain circumstances, a disposition pursuant to an otherwise tax-free reorganization, gain recognized by you would be allocated ratably over your holding period for the ADSs or equity shares. The amounts allocated to the taxable year of the disposition and to any year before ICICI Bank became a passive foreign investment company would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to such taxable year. Further, any distribution in respect of ADSs or equity shares in excess of 183

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125.0% of the average of the annual distributions on ADSs or equity shares received by you during the preceding three years or your holding period, whichever is shorter, would be subject to taxation as described above. If the ADSs or equity shares are "regularly traded" on a "qualified exchange", you may make a mark-to-market election. The ADSs or equity shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs or equity shares, as the case may be, are traded on a qualified exchange on at least 15 days during each calendar quarter. A "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service has not yet identified specific foreign exchanges that are "qualified" for this purpose. The New York Stock Exchange on which the ADSs are traded is a qualified exchange for US federal income tax purposes. If you make the election, you generally will include as ordinary income the excess, if any, of the fair market value of the ADSs or equity shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the ADSs or equity shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If you make the election, your basis in the ADSs or equity shares will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of ADSs or equity shares will be treated as ordinary income. If you own ADSs or equity shares during any year in which ICICI Bank is a PFIC, you must file Internal Revenue Service Form 8621. In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15.0% dividend rate discussed above with respect to payment of dividends to certain non-corporate US investors would not apply. Information reporting and backup withholding Payment of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) you are a corporation or other exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to you will be allowed as a credit against your US federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

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PRESENTATION OF FINANCIAL INFORMATION ICICI Bank and ICICI prepared their historical financial statements in accordance with Indian generally accepted accounting principles. Starting in fiscal 2000, ICICI Bank published in its annual shareholders' report its financial statements in US GAAP as well as in Indian GAAP. Starting in fiscal 1999, ICICI published in its annual shareholders' report its financial statements in US GAAP as well as in Indian GAAP. The financial information in this annual report has been prepared in accordance with US GAAP, unless indicated otherwise. Our fiscal year, like ICICI Bank's and ICICI's fiscal year prior to the amalgamation, ends on March 31 of each year so all references to a particular fiscal year are to the year ended March 31 of that year. Our financial statements, including the notes to these financial statements, audited by KPMG India, independent accountants, are set forth at the end of this annual report. 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. 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 contained in this annual report for fiscal 2003, 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 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 being recognized as the accounting acquirer. 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. 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 was deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees have not been consolidated from fiscal 2003 but have been accounted for by the equity method. Prior period financial statements have been restated and as a result, the financial statements for fiscal 2002 and fiscal 2001 contained in this annual report are not the same as those contained in our annual report for fiscal 2002 and fiscal 2001. There was no resultant impact on net income or stockholders' equity for fiscal 2002. Although we have translated in this annual report certain rupee amounts 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 earlier in this annual report, 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 31, 2005. 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 31, 2005 was Rs. 43.62 per US\$ 1.00. 185

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ADDITIONAL INFORMATION Memorandum and Articles of Association Objects and Purposes Pursuant to Clause III. A. 1 of ICICI Bank's Memorandum of Association, ICICI Bank's main objective is to carry on the business of banking in any part of India or outside India. Directors' Powers ICICI Bank's directors' powers include the following:

- o Article 140 of the Articles of Association provides that no director of ICICI Bank shall, as a director, take any part



in the discussion of or vote on any contract or arrangement if such director is directly or indirectly concerned or interested. o Directors have no powers to vote in absence of a quorum. o Article 83 of the Articles of Association provides that the directors may raise and secure the payment of amounts in a manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of ICICI Bank (both present and future) including its uncalled capital. Amendment to Rights of Holders of Equity Shares Any change to the existing rights of the equity holders can be made only by amending the Articles of Association which would require a special resolution of the shareholders, which must be passed by not less than three times the number of votes cast against the resolution. Change in Control Provisions Article 59 of the Articles of Association provides that the board of directors may at their discretion decline to register or acknowledge any transfer of shares in respect of shares upon which we have a lien. Moreover, the board of directors may refuse to register the transfer of any shares if the total nominal value of the shares or other securities intended to be transferred by any person would, together with the total nominal value of any shares held in ICICI Bank, exceed 1% of the paid up equity share capital of the merged entity or if the board of directors is satisfied that as a result of such transfer, it would result in the change in the board of directors or change in the controlling interest of ICICI Bank and that such change would be prejudicial to the interests of ICICI Bank. However, under the Indian Companies Act, the enforceability of such transfer restrictions is unclear. 186

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Documents on Display The documents concerning us which are referred to herein may be inspected at the Securities and Exchange Commission ("SEC"). You may read and copy any document filed or furnished by us at the SEC's public reference rooms in Washington D.C., New York and Chicago, Illinois or obtain them by mail upon payment of prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov), which contains, in electronic form, each of the reports and other information that we have filed electronically with the SEC. Information about ICICI Bank is also available on the web at [www.icicibank.com](http://www.icicibank.com). Incorporation by Reference We incorporate by reference the information disclosed under "Description of Equity Shares" and "Description of the American Depositary Shares" in ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132). 187

### **Index to Consolidated Financial Statements**

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## The Board of Directors and Stockholders ICICI Bank Limited

We have audited the accompanying consolidated balance sheets of ICICI Bank Limited and subsidiaries (the Company) as of March 31, 2004 and 2005, and the related consolidated statements of operations, stockholders' equity and other comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICICI Bank Limited and subsidiaries as of March 31, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

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

Mumbai, India  
April 30, 2005

KPMG

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## ICICI Bank Limited and Subsidiaries

### Consolidated balance sheets

*In millions, except share data*

	As of March 31		Convenience translation into US\$, As of March 31, 2005
	2004	2005	
<b>Assets</b>			
Cash and cash equivalents	Rs. 98,985	Rs. 155,639	US\$ 3,568
Trading assets	75,155	75,538	1,732
Securities:			
Available for sale	296,605	369,818	8,478
Non-readily marketable equity securities	8,621	7,209	165
Venture capital investments	5,142	3,932	90
Investments in affiliates	3,619	4,725	108

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Loans, net of allowance for loan losses, security deposits and unearned income	728,520	999,858	22,922
Customers' liability on acceptances	65,142	74,116	1,699
Property and equipment, net	23,183	26,055	597
Assets held for sale	4,829	3,741	86
Goodwill	5,403	7,407	170
Intangible assets, net	4,513	4,199	96
Deferred tax assets	7,937	12,111	278
Interest and fees receivable	6,529	17,211	395
Other assets	74,948	101,888	2,336
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>Rs. 1,409,131</b>	<b>Rs. 1,863,447</b>	<b>US\$ 42,720</b>
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Interest bearing deposits	Rs. 611,178	Rs. 889,626	US\$ 20,395
Non-interest bearing deposits	73,777	126,908	2,909
Trading liabilities	26,079	24,258	556
Short-term borrowings	57,364	91,951	2,108
Bank acceptances outstanding	65,142	74,116	1,699
Long-term debt	373,449	367,499	8,425
Redeemable preferred stock	944	1,044	24
Taxes and dividends payable	20,180	17,885	410
Deferred tax liabilities	614	550	13
Other liabilities	84,829	139,546	3,199
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>Rs. 1,313,556</b>	<b>Rs. 1,733,383</b>	<b>US\$ 39,738</b>
	<hr/>	<hr/>	<hr/>
Commitments and contingencies (Note 29)			
<b>Minority interest</b>	<b>1,050</b>	<b>2,068</b>	<b>47</b>
<b>Stockholders' equity:</b>			
Common stock at Rs. 10 par value: 800,000,000 and 1,550,000,000 shares authorized as of March 31, 2004 and 2005; Issued and outstanding 616,391,905 and 736,738,564 shares as of March 31, 2004 and 2005, respectively	6,164	7,368	169
Additional paid-in capital	65,341	96,818	2,220
Retained earnings	18,279	20,581	472
Deferred compensation costs	-	(60)	(1)
Accumulated other comprehensive income	4,741	3,289	75
	<hr/>	<hr/>	<hr/>
<b>Total stockholders' equity</b>	<b>94,525</b>	<b>127,996</b>	<b>2,935</b>
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 1,409,131</b>	<b>Rs. 1,863,447</b>	<b>US\$ 42,720</b>
	<hr/>	<hr/>	<hr/>

See accompanying notes to the consolidated financial statements.

## ICICI Bank Limited and Subsidiaries

### Consolidated statements of operations

In millions, except share data

	Year ended March 31			Convenience translation into US\$, Year ended March 31, 2005
	2003	2004	2005	
<b>Interest and dividend income</b>				
Interest and fees on loans	Rs. 75,080	Rs. 69,221	Rs. 70,968	US\$ 1,627
Interest and dividends on securities	17,022	15,695	15,733	361
Interest and dividends on trading assets	2,754	3,232	1,946	45
Interest on balances and deposits with banks	1,151	1,148	1,512	35
Other interest income	2,096	1,823	2,101	48
<b>Total interest and dividend income</b>	<b>98,103</b>	<b>91,119</b>	<b>92,260</b>	<b>2,116</b>
<b>Interest expense</b>				
Interest on deposits	26,033	30,680	33,105	759
Interest on long-term debt	48,163	38,412	31,310	718
Interest on short-term borrowings	3,829	1,374	2,037	47
Interest on trading liabilities	3,114	1,815	1,747	40
Other interest expense	2,069	94	210	5
<b>Total interest expense</b>	<b>83,208</b>	<b>72,375</b>	<b>68,409</b>	<b>1,569</b>
<b>Net interest income</b>	<b>14,895</b>	<b>18,744</b>	<b>23,851</b>	<b>547</b>
Provision for loan losses	19,649	20,055	14,677	336
<b>Net interest income/ (loss) after provision for</b>				
<b>loan losses</b>	<b>(4,754)</b>	<b>(1,311)</b>	<b>9,174</b>	<b>211</b>
<b>Non-interest income</b>				
Fees, commission and brokerage	5,397	8,988	15,660	359
Net gain on trading activities	3,075	4,433	286	7
Net gain/(loss) on venture capital investments	(1,278)	357	62	1
Net gain on other securities	956	12,443	5,863	134
Net gain on sale of loans and credit substitutes	3,120	4,687	5,414	124
Foreign exchange income	92	2,061	2,130	49
Software development and services	1,062	903	1,731	40
Gain on sale of property and equipment	16	345	33	1
Transaction processing services	696	1,756	3,219	74
Other non-interest income	117	705	247	6

<b>Total non-interest income</b>	<b>13,253</b>	<b>36,678</b>	<b>34,645</b>	<b>795</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	5,383	9,976	11,292	259
General and administrative expenses	12,581	16,440	21,193	486
Amortization of intangible assets	645	685	604	14
<b>Total non-interest expense</b>	<b>18,609</b>	<b>27,101</b>	<b>33,089</b>	<b>759</b>
<b>Income/(loss) before equity in loss of affiliates, minority interest, income taxes</b>	<b>(10,110)</b>	<b>8,266</b>	<b>10,730</b>	<b>247</b>
Equity in loss of affiliates	(958)	(1,437)	(577)	(13)
Minority interest	24	28	14	-
<b>Income/(loss) before income taxes</b>	<b>(11,044)</b>	<b>6,857</b>	<b>10,167</b>	<b>234</b>
Income tax (expense)/benefit	3,061	(1,638)	(1,637)	(38)
<b>Net income/(loss)</b>	<b>Rs. (7,983)</b>	<b>Rs. 5,219</b>	<b>Rs. 8,530</b>	<b>US\$ 196</b>

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## ICICI Bank Limited and Subsidiaries

**Consolidated statements of operations (Continued)***In millions, except share data*

	Year ended March 31			Convenience translation into US\$, Year ended March 31, 2005
	2003	2004	2005	
<b>Earnings per equity share: (Rs.)</b>				
Basic	Rs. (14.18)	Rs. 8.50	Rs. 11.72	US\$ 0.27
Diluted	(14.18)	8.43	11.60	0.27
<b>Weighted average number of equity shares used in computing earnings per equity share (millions)</b>				
Basic	563	614	728	
Diluted	563	619	734	

*See accompanying notes to the consolidated financial statements.*

## ICICI Bank Limited and Subsidiaries

### Consolidated statements of stockholders' equity and other comprehensive income In millions, except share data

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings
	No. of shares (1)	Amount	No. of shares	Amount		
<b>Balance as of March 31, 2002</b>	<b>392,672,724</b>	<b>Rs. 3,922</b>	-	-	<b>Rs. 42,036</b>	<b>Rs. 26</b>
Common stock issued on reverse acquisition	118,962,731	1,190	-	-	10,838	
Fair value of stock options assumed on reverse acquisition	-	-	-	-	409	
Treasury stock arising due to reverse acquisition	101,395,949	-	(101,395,949)	(8,204)	8,204	
Sale of treasury stock	-	1,015	101,395,949	8,204	3,336	
Common stock issued on exercise of stock options	3,000	-	-	-	-	
Increase in carrying value on direct issuance of stock by subsidiary	-	-	-	-	40	
Amortization of compensation	-	-	-	-	-	
Comprehensive income	-	-	-	-	-	
Net income/ (loss)	-	-	-	-	-	(7)
Net unrealized gain/(loss) on securities, net of realization (net of tax)	-	-	-	-	-	
Translation adjustments (net of nil tax)	-	-	-	-	-	
Comprehensive income/ (loss)	-	-	-	-	-	
<b>Balance as of March 31, 2003</b>	<b>613,034,404</b>	<b>Rs. 6,127Rs.</b>	-	<b>Rs.</b>	<b>Rs. 64,863</b>	<b>Rs. 18</b>
Common stock issued on exercise of stock options	3,370,604	34	-	-	478	
Receipt of calls in arrears	-	3	-	-	-	
Forfeiture of shares	(13,103)	-	-	-	-	
Amortization of compensation	-	-	-	-	-	
Comprehensive income	-	-	-	-	-	
Net income/(loss)	-	-	-	-	-	5
Net unrealized gain/(loss) on securities, net of realization (net of tax)	-	-	-	-	-	
Translation adjustments (net of nil tax)	-	-	-	-	-	
Comprehensive income/ (loss)	-	-	-	-	-	
Cash dividends declared (Rs.7.5 per common share)	-	-	-	-	-	(5)
<b>Balance as of March 31, 2004</b>	<b>616,391,905</b>	<b>Rs. 6,164Rs.</b>	-	<b>Rs.</b>	<b>Rs. 65,341</b>	<b>Rs. 18</b>
Common stock issued, net of issue expenses	115,920,758	1,159	-	-	30,771	
Common stock issued on exercise of stock options	4,480,121	45	-	-	605	
Compensation related to employee stock option plan	-	-	-	-	108	
Forfeiture of shares	(54,220)	-	-	-	(7)	

Amortization of compensation	-	-	-	-	-
Comprehensive income	-	-	-	-	-
Net income/(loss)	-	-	-	-	-
Net unrealized gain/(loss) on securities, net of realization (net of tax)	-	-	-	-	-
Translation adjustments (net of nil tax)	-	-	-	-	-
Comprehensive income/ (loss)	-	-	-	-	-
Cash dividends declared (Rs.7.5 per common share)	-	-	-	-	(6)
<b>Balance as of March 31, 2005</b>	<b>736,738,564</b>	<b>Rs. 7,368Rs.</b>	<b>- Rs.</b>	<b>Rs.96,818</b>	<b>Rs.20</b>
<b>Balance as of March 31, 2005 (US\$)</b>		<b>169</b>	<b>-</b>	<b>-</b>	<b>2,220</b>

See accompanying notes to the consolidated financial statements.

1) Restated for reverse acquisition.

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## ICICI Bank Limited and Subsidiaries

### Consolidated statements of cash flows

In millions, except share data

	Year ended March 31,			Convenience translation into US\$ Year ended March 31, 2005
	2003	2004	2005	
<b>Operating activities</b>				
Net income/(loss)	Rs. (7,983)	Rs. 5,219	Rs. 8,530	US\$ 196
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:				
Provision for loan and other credit losses	19,649	20,055	14,677	336
Depreciation	2,438	2,791	3,560	82
Amortization of intangibles and deferred income	5,815	(1,902)	(1,005)	(23)
Amortization of discounts and expenses on borrowings	607	856	272	6
Deferred income tax	(4,348)	(2,046)	(1,766)	(40)
Unrealized loss/(gain) on trading assets	(1,126)	(835)	1,840	42

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Unrealized loss/(gain) on venture capital investments	1,278	(499)	(62)	(1)
Other than temporary decline in value of other securities	2,098	944	663	15
Undistributed equity in (earning)/loss of affiliates	958	1,631	577	13
Minority interest.	(24)	(28)	(14)	
(Gain)/loss on sale of property and equipment, net	(16)	(345)	(33)	(1)
(Gain)/loss on sale of securities available for sale	(956)	(12,443)	(5,863)	(134)
Gain on sale of loans	(2,795)	(4,687)	(5,414)	(124)
Change in assets and liabilities				
Trading account assets .	29,944	(34,686)	(2,223)	(51)
Interest and fees receivable	(2,990)	5,943	(10,682)	(245)
Other assets	(34,295)	(18,535)	(30,616)	(702)
Trading account liabilities	(13,656)	(7)	(1,821)	(42)
Taxes payable	5,830	3,300	(2,295)	(53)
Other liabilities	4,663	18,750	55,849	1,280
<b>Net cash (used in)/provided by operating activities</b>	<b>5,091</b>	<b>(16,524)</b>	<b>24,174</b>	<b>554</b>
<b>Investing activities</b>				
Purchase of available for sale securities.	(717,765)	(270,405)	(329,174)	(7,546)
Purchase of venture capital investments	(1,268)	(3,097)	(3,399)	(78)
Purchase of non-readily marketable equity securities	(1,150)	(561)	(3,292)	(75)
Proceeds from sale of available for sale securities	684,769	255,316	261,110	5,986
Proceeds from sale of venture capital investments	207	2,157	4,671	107
Proceeds from sale of non-readily marketable equity securities	-	1,358	4,704	108
Origination of loans, net	(108,023)	(237,709)	(497,107)	(11,396)
Proceeds from sale of loans	51,780	128,269	218,566	5,011
Purchase of property and equipment	(6,943)	(5,740)	(6,664)	(153)
Proceeds from sale of property and equipment	504	1,305	265	6
Investments in affiliates	(1,691)	(2,635)	(1,684)	(39)
Payment for business acquisition, net of cash acquired	98,487	(1,322)	(1,957)	(45)
<b>Net cash (used in)/provided by investing activities</b>	<b>(1,093)</b>	<b>(133,064)</b>	<b>(353,961)</b>	<b>(8,114)</b>



## ICICI Bank Limited and Subsidiaries

### Consolidated statements of cash flows (Continued)

In millions, except share data

	Year ended March 31,			Convenience translation into US\$ Year ended March 31, 2005
	2003	2004	2005	
<b>Financing activities</b>				
Increase in deposits, net	Rs. 158,290	Rs. 193,741	Rs. 331,636	US\$ 7,603
Proceeds/ repayment from short-term borrowings, net	(30,118)	15,269	34,587	793
Proceeds from issuances of long-term debt	10,631	114,712	86,725	1,988
Repayment of long-term debt	(124,979)	(142,931)	(92,947)	(2,131)
Proceeds from issuance of common stock	13,155	515	32,668	749
Cash dividends paid	-	(5,186)	(6,228)	(143)
<b>Net cash provided by/(used in) financing activities</b>	<b>26,979</b>	<b>176,120</b>	<b>386,441</b>	<b>8,859</b>
Net increase/(decrease) in cash and cash equivalents	30,977	26,532	56,654	1,299
Cash and cash equivalents at the beginning of the year	41,476	72,453	98,985	2,269
<b>Cash and cash equivalents at the end of the year</b>	<b>Rs. 72,453</b>	<b>Rs. 98,985</b>	<b>Rs. 155,639</b>	<b>US\$ 3,568</b>
<b>Supplementary information:</b>				
Cash paid for:				
Taxes	Rs. 1,027	Rs. 3,313	Rs. 8,401	US\$ 193
Non-cash items:				
Foreclosed assets	673	1,087	3,677	84
Conversion of loan to equity shares	4,495	1,162	2,385	55
Change in unrealized gain/(loss) on securities available for sale, net	3,731	1,858	(1,426)	(33)
Acquisitions				
Fair value of net assets acquired, excluding cash and cash equivalents	(37,948)	642	1,957	45
Shares issued	118,965,731	-	-	-
Treasury stock	8,204	-	-	-

*See accompanying notes to the consolidated financial statements*

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements

#### 1. Significant accounting policies

##### Overview

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

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

##### Principles of consolidation

The consolidated financial statements include the accounts of ICICI Bank and all of its subsidiaries. The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, are accounted for under the equity method, and the pro rata share of their income (loss) is included in income. Income from investments in less than 20%-owned companies is recognized when dividends are received. The Company consolidates entities deemed to be Variable Interest Entities (VIEs) where the Company is determined to be the primary beneficiary under FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). All significant intercompany accounts and transactions are eliminated on consolidation.

##### Basis of preparation

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

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

from these estimates.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Foreign currencies

The consolidated financial statements are reported in Indian rupees (Rs.), the national currency of India. The functional currency of each entity within the Company is determined based on the economic environment in which the entity operates.

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

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

Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2005, have been translated into United States dollar at the noon buying rate in New York City on March 31, 2005, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve of New York of US\$ 1 = Rs. 43.62. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other certain rate on March 31, 2005, or at any other certain date.

#### Revenue recognition

Interest income is accounted on an accrual basis except in respect of impaired loans, where it is recognized on a cash basis. Income under direct finance leasing arrangements are accrued in a manner to provide a fixed rate of return on outstanding investments. Customer payments under lease or hire purchase operations which do not meet the provisions for classification as direct finance leasing arrangements are accrued on a straight line basis over the contractual minimum lease payment period.

Fees for guarantees and letters of credit are amortized over the contracted period of the commitment.

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

#### Cash equivalents

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Securities and trading activities

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

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

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

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

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

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

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

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Loans

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

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

The Company identifies a commercial loan as impaired and places it on non-accrual status when it is probable that it will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. A commercial loan is also considered to be impaired and placed on a non-accrual basis if interest or principal is greater than 90 days overdue. Delays or shortfalls in loan payments are evaluated along with other factors to determine if a loan should be classified as impaired. The decision to classify a loan as impaired is also based on an evaluation of the borrower's financial condition, collateral, liquidation value and other factors that affect the borrower's ability to pay.

The Company classifies a loan as a restructured loan where it has made concessionary modifications, that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. Such loans are placed on non-accrual status. Generally, at the time a loan is placed on non-accrual status, interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on non-accrual loans is recognized as interest income only to the extent that cash is received. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which the Company classified as non-accrual, the loan is returned to accrual status. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period.

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

#### Allowance for loan losses

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

contractual effective rate and the fair value of collateral. Allowances recognized by the Company on account of reductions of future interest rates as a part of troubled debt restructurings are accreted as a credit to the provision for loan losses over the tenor of the restructured loan.

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## ICICI Bank Limited and Subsidiaries

### **Notes to the consolidated financial statements (*Continued*)**

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

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

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

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

### **Transfers and servicing of financial assets**

The Company transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognized and gains/losses are recorded only if the transfer qualifies as a sale under SFAS No. 140. Transfers that do not meet the criteria for a sale under SFAS No. 140, are required to be recorded as secured borrowings with a pledge of collateral, and such secured borrowings are required to be reported as a component of other borrowings.

Recourse and servicing obligations and put options written are recorded as proceeds of the sale. For a transfer of financial assets to be considered a sale, financial assets transferred by the Company must have been isolated from the seller, even in bankruptcy or other receivership; the purchaser must have the right to sell the assets transferred or the purchaser must be a qualifying special purpose entity meeting certain significant restrictions on its activities, whose investors have the right to sell their ownership interests in the entity; and the seller must not continue to control the assets transferred through an agreement to repurchase them or have a right to cause the assets to be returned (known as a call option).

The Retained interests in the securitization include subordinated interest-only strips and subordinated tranches. Retained beneficial interests in the loans and servicing rights are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization. The fair values are determined using either financial models, quoted market prices or sales of similar assets.

**Loans held-for-sale**

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

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**ICICI Bank Limited and Subsidiaries****Notes to the consolidated financial statements (*Continued*)****Derivatives instruments and hedging activities**

The Company may designate a derivative as either a hedge of the fair value of a recognized fixed rate asset or liability or an unrecognized firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of future cash flows of a floating rate asset or liability (cash flow hedge) or a foreign-currency fair value or cash flow hedge (foreign currency hedge). All derivatives are recorded as assets or liabilities on the balance sheet at their respective fair values with unrealized gains and losses recorded either in accumulated other comprehensive income or in the consolidated statement of operations, depending on the purpose for which the derivative is held. Derivatives that do not meet the criteria for designation as a hedge under Statement of Financial Accounting Standard No.133 [Accounting for Derivative Instruments and Hedging Activities] (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 consolidated statement of operations.

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

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

The Company discontinues hedge accounting prospectively when either it is determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability.

When a cash flow hedge is discontinued but the hedged cash flow or forecasted transaction is still expected to occur, gains and losses that were accumulated in other comprehensive income are amortized or accreted into the consolidated statement of operations. Gains and losses are recognized in the consolidated statement of operations immediately if the cash flow hedge was discontinued because a forecasted transaction becomes

probable not to occur.

The Company may occasionally enter into a contract (host contract) that contains a derivative that is embedded in the financial instrument. If required, an embedded derivative is separated from the host contract and accounted for as a free standing derivative. The derivative may be designated as a hedging instrument subject to the requirements of SFAS No. 133. otherwise, the derivative is recorded as a freestanding derivative.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### **Guarantees and indemnifications**

In November 2002, the FASB issued Financial Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002. Accordingly, the required disclosures are included in Note 30 to the consolidated financial statements of the Company. The recognition and measurement provisions of FIN 45 were adopted effective January 1, 2003 and did not have a material impact on the consolidated financial statements of the Company.

#### **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation. The cost of additions, capital improvements and interest during the construction period are capitalized, while maintenance and repairs are charged to expense when incurred. Property and equipment held to be disposed off are reported as assets held for sale at the lower of carrying amount or fair value, less cost to sell.

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

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

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

#### **Assets held for sale**

Assets held for sale represent assets acquired through foreclosure of loans and are accounted for at the lower of cost or fair value.

#### **Impairment of long-lived assets**



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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Goodwill and intangible assets

The Company does not amortize goodwill but instead tests goodwill for impairment at least annually. The annual impairment test did not indicate an impairment loss for either of the years ended March 31, 2005 or March 31, 2004.

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

The useful life of other intangible assets is as follow:

	<b>No. of years</b>
Customer-related intangibles	3-10
Other intangibles	5

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 and deferred tax liability to goodwill with effect from April 1, 2001.

#### Liabilities and Equity

On July 1, 2003, the Company adopted SFAS No 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No.150 establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an issuer classify a financial instrument that is within scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise effective July 1, 2003, and did not have any impact on the Company's consolidated financial statements.

#### Income taxes

The Company accounts for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the amount for financial reporting and tax

basis of assets and liabilities, using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of operations 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.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### **Issue of shares by subsidiary/affiliate**

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

#### **Trading assets and liabilities**

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

#### **Employee benefit plans**

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

#### **Stock-based compensation**

The Company uses the intrinsic value based method of Accounting Principle Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations including FASB Interpretation No. 44, Accounting for Certain transactions involving Stock Compensation an interpretation of APB Opinion 25, issued in March 2000, to account for its employee stock-based compensation plans. Compensation cost for fixed and variable stock based awards is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. Compensation cost for fixed awards is measured at the grant date, while compensation cost for variable awards is estimated until the number of shares an individual is entitled to receive and the exercise price are known (measurement date).

Recently, the FASB issued SFAS No. 123 (Revised 2004) "Share Based Payment" requiring companies to change their accounting policies to record the fair value of stock options issued to employees as an expense. Currently, the Bank does not deduct the expense of stock option grant from its income statement based on the fair value method as the Bank has adopted pro-forma disclosure provisions of SFAS No. 123 "Accounting for Stock based Compensation". The Bank is required to adopt SFAS No. 123 (R) for period beginning after June 15, 2005. Had

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

	Year ended March 31,		
	2003	2004	2005
<b>Net income/(loss) (in millions)</b>			
As reported	Rs. (7,983).	Rs. 5,219	Rs. 8,530
Add: Stock based employee compensation expense included in reported net income, net of tax effects	7	-	48
Less : Stock based employee compensation expense determined under fair value based method, net of tax effects	(358)	(309)	(478)
Pro forma net income/ (loss)	(8,334)	4,910	8,100
<b>Earnings/ (loss) per share: Basic (in Rs. )</b>			
As reported	(14.18)	8.50	11.72
Pro forma	(14.80)	8.00	11.13
<b>Earnings/ (loss) per share: Diluted (in Rs. )</b>			
As reported	(14.18)	8.43	11.60
Pro forma	(14.80)	7.93	11.02

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

	Year ended March 31,		
	2003	2004	2005
Dividend yield	1.7%	4.1%	2.7%
Expected life	10 years	10 years 5.1% -	3-6 years
Risk free interest rate	8.9%	5.9%	4.6%-6.1%
Volatility	54%	40%	39%
<b>Dividends</b>			

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

### Earnings/ (Loss) per share

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

### Reclassifications

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 2. Acquisitions

##### Reverse acquisition

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

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

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

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

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

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

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

### **Other acquisitions**

During the year ended March 31, 2005, the Company recorded a goodwill of Rs. 2,004 million (US\$ 46 million) in relation to the acquisitions of business process outsourcing and research companies in India and United States for an aggregate cash consideration of Rs. 2,140 million (US\$ 49 million). The revenue and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company. The Company has also entered into a contract with some of these companies acquired to pay additional amounts if, certain criteria are met. Further in one of the acquisitions, the Company has the option to acquire a majority stake in property companies owned by the sellers.

During the year ended March 31, 2004, the Company recorded goodwill of Rs. 616 million in relation to acquisitions of certain finance and service companies for an aggregate cash consideration of Rs. 757 million. The revenues and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company.

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## ICICI Bank Limited and Subsidiaries

### **Notes to the consolidated financial statements (Continued)**

During the year ended March 31, 2003, the Company acquired certain software development and services companies in India and the United States for an aggregate cash consideration of Rs. 959 million. The transactions were accounted for under the purchase method of accounting and resulted in goodwill of Rs. 617 million.

### **Pro forma information**

Pro forma results of the operations for the years ended March 31, 2004 and 2005 as if the acquisitions had been made at the beginning of the periods is given below. The pro forma results include estimates and assumptions which management believes are reasonable. However, these do not reflect any benefits from economies or synergies, which might be achieved from combining the operations. The pro forma consolidated results of operations include adjustments to give effect to amortization of acquired intangible assets other than goodwill. The pro forma information is not necessarily indicative of the operating results that would have occurred had the purchase been made at the beginning of the periods presented.

	<b>Year ended March 31,</b>	
	<b>2004</b>	<b>2005</b>
Revenues (in millions)	Rs. 128,508	Rs 127,620
Net income/(loss) (in millions)	5,292	8,532
EPS (Basic) (in Rs.)	8.62	11.72

### **3. Cash and cash equivalents**

Cash and cash equivalents as of March 31, 2005, includes deposits with the Reserve Bank of India of Rs. 57,966 million (2004: Rs. 49,633 million) including Rs. 57,966 million (2004: Rs. 46,016 million) in accordance with the guidelines governing minimum cash reserve requirements and interest-bearing deposits with other banks of Rs. 51,105 million (2004: Rs. 28,404 million). The balances maintained with the Reserve Bank of India towards cash reserve requirements are subject to withdrawal and usage restrictions.

#### 4. Trading assets

A listing of the trading assets is set out below.

	<b>As of March 31</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in millions)</b>	
Government of India securities	Rs. 30,374	Rs. 6,934
Securities purchased under agreements to resell	34,974	24,000
Corporate debt securities	6,403	3,202
Equity securities	1,018	3,222
Mutual fund units	-	37,383
Fair value of derivative and foreign exchange contracts	2,386	797
<b>Total</b>	<b>Rs. 75,155</b>	<b>Rs. 75,538</b>

As of March 31, 2005, trading assets include Government of India (GOI) securities amounting to Rs. 144 million (2004: Rs. 768 million), which are held as and towards repurchase transactions undertaken and telegraphic transfer drawing arrangements.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements *(Continued)*

#### 5. Securities

The portfolio of securities is set out below.

	<b>As of March 31, 2004</b>				
	<b>Amortized cost</b>	<b>Gross unrealized gain</b>	<b>Gross unrealized loss</b>	<b>Fair value</b>	<b>Amortized cost</b>
	<b>(in millions)</b>				
<b>Available for sale</b>					
Corporate debt securities	Rs. 18,791	Rs. 183	Rs. (154)	Rs. 18,820	Rs. 25,714
Other government securities	256,284	4,488	(192)	260,580	335,991

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Total debt securities	275,075	4,671	(346)	279,400	361,705
Equity securities	15,475	2,072	(342)	17,205	5,809
<b>Total securities available for sale</b>	<b>Rs. 290,550</b>	<b>Rs. 6,743</b>	<b>Rs. (688)</b>	<b>Rs. 296,605</b>	<b>Rs. 367,514</b>

**Non-readily marketable equity securities (1)** Rs. 8,621 Rs. 7,209

**Venture capital investments (2)** Rs. 5,142

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

2) Represents venture capital investments held by venture capital subsidiaries of the Company. During the year ended March 31, 2005, as part of its ongoing evaluation of its securities portfolio, the Company recorded an impairment charge of Rs. 663 million (2004: Rs. 944 million, 2003: Rs. 2,098 million) for other than temporary decline in value of available for sale and non-readily marketable equity securities.

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

The portfolio of credit substitutes is set out below.

As of March 31, 2004				As of March 31, 2005			
Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
(in millions)							
Available for sale	Rs. 49,103	Rs. 1,330	Rs. (364)	Rs. 50,069	Rs. 30,733	Rs. 744	Rs. (209)
<b>Other than temporary impairment</b>							
							Rs. 31,268

The Company has determined that the unrealized losses on the Company's investments in equity and debt securities are temporary in nature. The Company conducts a review each year to identify and evaluate investments that have indications of possible impairment. An investment in an equity or debt security is impaired if its fair value falls below its cost and the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include length of time and extent to which fair value has been below cost; the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the investment for a period sufficient to allow for any anticipated recovery. The Company's review of impairment generally entails:

- identification and evaluation of investments that have indications of possible impairment;

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ICICI Bank Limited and Subsidiaries

Notes to the consolidated financial statements (Continued)

- analysis of individual investments that have fair values less than 75% of amortized cost, including consideration of the length of time the investment has been in an unrealized loss position;

- discussion of evidential matter, including an evaluation of factors or triggers that would or could cause individual investments to qualify as having other-than temporary impairment and those that would not support other-than temporary impairment; and
- documentation of the results of these analyses, as required under business policies.

The fair value of the investment in equity and debt securities in an unrealized loss position as of March 31, 2005 is set out below.

Description of Securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(in millions)						
Corporate debt securities	Rs. 7606	Rs. 111	Rs. 598	Rs. 48	Rs. 8,204	Rs. 159
Government securities	110,505	4,649	274	45	110,780	4,694
Credit substitutes	3,886	64	437	143	4,323	209
Equity Securities	51	174	-	-	51	174
<b>Total</b>	<b>Rs. 122,048</b>	<b>Rs. 4,998</b>	<b>Rs. 1,309</b>	<b>Rs. 236</b>	<b>Rs. 123,358</b>	<b>Rs. 5,236</b>

#### ***Income from securities available for sale***

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

	Year ended March 31,		
	2003	2004	2005
(in millions)			
Interest	Rs. 16,633	Rs. 15,264	Rs. 15,248
Dividends	389	431	485
<b>Total</b>	<b>Rs. 17,022</b>	<b>Rs. 15,695</b>	<b>Rs. 15,733</b>
Gross realized gain	Rs. 6,845	Rs. 16,211	Rs. 7,897
Gross realized loss	(5,022)	(2,467)	(1,309)
<b>Total</b>	<b>Rs. 1,823</b>	<b>Rs. 13,744</b>	<b>Rs. 6,588</b>

#### ***Income from credit substitutes available for sale***

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

Year ended March 31,	
2004	2005
(in million)	



Interest	Rs. 6,003	Rs. 2,820
Dividends	45	159
<b>Total</b>	<b>Rs. 6,048</b>	<b>Rs. 2,979</b>
Gross realized gain	Rs. 733	Rs. 627
Gross realized loss	(108)	(64)
<b>Total</b>	<b>Rs. 625</b>	<b>Rs. 563</b>

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Maturity profile of debt securities

A listing of each category of available for sale debt securities as of March 31, 2005, by maturity is set out below.

	<b>Available for sale</b>	
	<b>Amortized cost</b>	<b>Fair value</b>
	<b>(in millions)</b>	
<b>Corporate debt securities</b>		
Less than one year	Rs. 5,033	Rs. 5,041
One to five years	14,620	14,624
Five to ten years	5,672	5,551
Greater than ten years	389	404
<b>Total corporate debt securities</b>	<b>Rs. 25,714</b>	<b>Rs. 25,620</b>
<b>GOI securities</b>		
Less than one year	Rs. 57,949	Rs. 57,918
One to five years	138,687	138,084
Five to ten years	84,739	83,265
Greater than ten years	54,616	54,730
<b>Total GOI securities</b>	<b>Rs. 335,991</b>	<b>Rs. 333,997</b>

<b>Total debt securities</b>	<b>Rs. 361,705</b>	<b>Rs. 359,617</b>
<b>Credit substitutes</b>		
Less than one year	Rs. 6,232	Rs. 6,256
One to five years	14,462	14,589
Five to ten years	5,818	6,229
Greater than ten years	4,221	4,194
<b>Total credit substitutes</b>	<b>Rs. 30,733</b>	<b>Rs. 31,268</b>

## 6. Repurchase transactions

The Company has undertaken repurchase and reverse repurchase transactions in GOI securities. The average level of repurchase transactions outstanding during the year ended March 31, 2005, was Rs. 11,773 million (2004: Rs. 7,551 million). The average level of reverse repurchase transactions outstanding during the year ended March 31, 2005, was Rs. 14,316 million (2004: Rs. 1,010 million). As of March 31, 2005, outstanding repurchase and reverse repurchase transactions were Rs. 13,076 (2004: Nil) and Rs. 24,000 million (2004: Rs. 34,974 million) respectively.

## 7. Investments in affiliates

### Insurance companies

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

The carrying value of the investment in these companies as of March 31, 2005, was Rs. 4,294 million (2004: Rs. 3,165 million). The Company's equity in the loss of these affiliates for the year ended March 31, 2005 was Rs. 645 million (2004: Rs. 1,561 million, 2003: Rs. 971 million).

The summarized balance-sheets and statements of operations of these entities as of and for the year ended March 31, 2005 is set out below.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Balance sheet

As of March 31,			
2004		2005	
ICICI Prulife	ICICI Lombard	ICICI Prulife	ICICI Lombard

	(Rs. millions)			
Cash and cash equivalents	Rs. 318	Rs. 629	Rs. 2,033	Rs. 500
Securities	8,186	3,366	11,026	4,703
Assets held to cover linked liabilities	8,650	-	26,541	-
Other assets	2,597	1,639	5,852	2,975
<b>Total assets</b>	<b>Rs. 19,751</b>	<b>Rs. 5,634</b>	<b>Rs. 45,452</b>	<b>Rs. 8,178</b>
	Rs.			
Provision for linked liabilities	8,650	Rs. -	Rs. 26,541	Rs. -
Other liabilities	8,827	3,516	15,477	5,811
Stockholders' equity	2,274	2,118	3,434	2,367
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 19,751</b>	<b>Rs. 5,634</b>	<b>Rs. 45,452</b>	<b>Rs. 8,178</b>

**Statement of income**

As of March 31,

	2004		2005	
	ICICI Prulife	ICICI Lombard	ICICI Prulife	ICICI Lombard
	(in millions)			
Interest income	Rs. 630	Rs. 184	Rs. 661	Rs. 218
Interest expense	-	-	-	-
Net interest income	630	184	661	218
Insurance premium	3,516	790	5,744	2,154
Other Non-interest income	491	754	245	929
Non-interest expense	(6,764)	(1,622)	(7,483)	(2,827)
Income tax (expense)/ benefit	(97)	(9)	(477)	(37)
<b>Net income/(loss)</b>	<b>Rs. (2,224)</b>	<b>Rs. 97</b>	<b>Rs. (1,310)</b>	<b>Rs. 437</b>

**Others**

The other affiliates of the Company are Prudential ICICI Asset Management Company Limited (Pru-ICICI), Prudential ICICI Trust Limited (Pru-Trust), TCW/ICICI Investment Partners LLC (TCW) and Semantik Solutions GmbH, Germany. The carrying value of the investment in such affiliates as of March 31, 2005, was Rs. 431 million (2004: Rs. 454 million). The Company's equity in the income of such affiliates for the year ended March 31, 2004, was Rs.70 million (2004: Rs. 123 million, 2003: Rs. 13 million).

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 8. Loans

A listing of loans by category is set out below.

	<b>As of March 31,</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in millions)</b>	
Project and corporate finance <sup>(1)(2)</sup>	Rs. 319,646	Rs. 329,169
Working capital finance (including working capital term loans)	80,505	135,573
Lease financing	26,165	18,400
Consumer loans and credit card receivables	309,006	526,515
Other	70,059	68,660
<b>Gross loans</b>	<b>Rs. 805,381</b>	<b>Rs. 1,078,317</b>
Unearned income	(7,482)	68
Security deposits	(2,612)	(2,627)
<b>Loans, net of unearned income and security deposits</b>	<b>Rs. 795,287</b>	<b>Rs. 1,075,758</b>
Allowances for loan losses	(66,767)	(75,900)
<b>Loans, net</b>	<b>Rs. 728,520</b>	<b>Rs. 999,858</b>

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

2) Includes Rs. 31,268 million (2004: Rs. 50,069 million) of credit substitutes classified as loans. Project and corporate finance loans are generally secured by property, plant and equipment and other tangible assets. Generally, the working capital loans are secured by a first lien on current assets, principally comprising inventory and receivables. Additionally, in certain cases the Company may obtain additional security for working capital loans through a first or second lien on property and equipment, pledge of financial assets like marketable securities and corporate/personal guarantees.

#### **Lease financing**

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

**As of March  
31,**

	<b>2005</b>
	<b>(in millions)</b>
Gross finance receivables for the year ending March 31,	
2006	Rs. 8,558
2007	1,810
2008	2,530
2009	2,292
2010	1,846
Thereafter	1,364
	Rs. 18,400
Unearned income	(2,420)
Security deposits	(2,627)
<b>Investment in lease financing</b>	<b>Rs. 13,353</b>

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements *(Continued)*

#### ***Maturity profile of loans***

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

	<b>As of March 31,</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in millions)</b>	
Less than one year	Rs. 186,326	Rs. 280,702
One to five years	365,924	442,789
Greater than five years	226,966	336,426
<b>Total</b>	<b>Rs. 779,216</b>	<b>Rs. 1,059,917</b>

#### ***Interest and fees on loans***

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

	As of March 31,		
	2003	2004	2005
	(in millions)		
Project and corporate finance	Rs. 45,307	Rs. 31,242	Rs. 23,723
Working capital finance (including working capital term loans)	8,241	6,760	7,234
Lease financing	2,484	1,438	1,221
Consumer loans and credit card receivables	15,372	26,097	36,551
Other	3,676	3,684	2,239
<b>Total</b>	<b>Rs. 75,080</b>	<b>Rs. 69,221</b>	<b>Rs. 70,968</b>

**Restructured loans**

The Company classifies a loan as a restructured loan where it has made concessionary modifications that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. As of March 31, 2005, the Company had committed to lend Rs. 2,892 million (2004: Rs. 13,684 million), to borrowers who are parties to troubled debt restructurings.

**Impaired loans, including restructured loans**

A listing of restructured loans is set out below.

	As of March 31,	
	2004	2005
	(in millions)	
Project and corporate finance	Rs. 149,724	Rs. 140,866
Working capital finance (including working capital term loans)	11,525	8,393
Other	1,149	259
<b>Restructured loans</b>	<b>Rs. 162,398</b>	<b>Rs. 149,518</b>
Allowance for loan losses	(40,981)	(53,929)
<b>Restructured loans, net</b>	<b>Rs. 121,417</b>	<b>Rs. 95,589</b>
<b>Restructured loans:</b>		
With a valuation allowance	Rs. 162,398	Rs. 149,518
Without a valuation allowance	-	-
<b>Restructured loans</b>	<b>Rs. 162,398</b>	<b>Rs. 149,518</b>

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

A listing of other impaired loans is set out below.

	As of March 31,	
	2004	2005
	(in millions)	
Project and corporate finance	Rs. 42,842	Rs. 21,959
Working capital finance (including working capital term loans)	2,978	1,868
Lease financing	746	446
Consumer loans and credit card receivables	3,672	5,440
<b>Other impaired loans</b>	<b>Rs. 50,238</b>	<b>Rs. 29,713</b>
Allowance for loan losses	(21,474)	(15,517)
<b>Other impaired loans, net</b>	<b>Rs. 28,764</b>	<b>Rs. 14,196</b>
<b>Other impaired loans:</b>		
With a valuation allowance	Rs. 50,238	Rs. 29,713
Without a valuation allowance	-	-
<b>Other impaired loans</b>	<b>Rs. 50,238</b>	<b>Rs. 29,713</b>

During the year ended March 31, 2005, interest income of Rs. 6,398 million (2004: Rs. 9,072 million, 2003: Rs. 2,358 million) was recognized on impaired loans on a cash basis. Gross impaired loans (including restructured loans) averaged Rs. 195,934 million during the year ended March 31, 2005 (2004: Rs. 221,592 million).

#### Concentration of credit risk

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

The Company's 20 largest borrowers, based on gross outstanding balances, totaled approximately Rs. 147,597 million as of March 31, 2005 (2004: Rs. 149,620 million), which represented 13.7% (2004: 18.6%) of the gross loans outstanding. The single largest borrower as of March 31, 2005 was Rs. 23,636 million (2004: Rs. 17,448 million) which represented 2.2% (2004: 2.2%) of the gross loans outstanding. The largest group of companies under the same management control accounted for approximately 3.5% (2004: 4.5%) of our total gross loans outstanding.

#### 9. Allowance for loan losses

##### *Changes in the allowance for loan losses*

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

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
<b>Allowance for loan losses at the beginning of the year</b>	<b>Rs. 36,647</b>	<b>Rs. 54,219</b>	<b>Rs. 66,767</b>
Effect of reverse acquisition on allowance for loan losses	1,297	-	-
Provisions for loan losses, net of releases of provisions as a result of cash collections	19,649	20,055	14,677
Loans charged-off	Rs. 57,593 (3,374)	Rs. 74,274 (7,507)	Rs. 81,444 (5,544)
<b>Allowance for loan losses at the end of the year</b>	<b>Rs. 54,219</b>	<b>Rs. 66,767</b>	<b>Rs. 75,900</b>

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 10. Securitization activity

The Company primarily securitizes commercial loans through [pass-through] securitizations. After the securitization, the Company generally continues to maintain customer account relationships and services loans transferred to the securitization trust. The securitizations are either with or without recourse. In a few cases, the Company may enter into derivative transactions such as written put options and interest rate swaps with the transferees.

During the year ended March 31, 2005, the Company securitized loans and credit substitutes with a carrying value of Rs. 217,430 million (2004: Rs. 128,269 million), which resulted in gains of Rs. 5,067 million (2004: Rs. 4,248 million, 2003: Rs. 2,070 million). The gains are reported as a component of gain on sale of loans and credit substitutes.

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

As of March 31, 2005, the Company sold loans and credit substitutes with an aggregate put option exercise price of Rs. 57,208 million (2004: Rs. 38,267 million). Subsequent to their initial issuance, such options are recorded at fair values with changes reported in the consolidated statement of operations.



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The following table summarizes certain cash flows received from and paid to securitization trusts during the year ended March 31, 2005:

	<b>Auto loans</b>	<b>Personal loans</b>	<b>Two wheeler loans</b>	<b>Mortgage loans</b>	<b>Corporate loans</b>	<b>Others</b>
	(in millions)					
Principal securitized	Rs. 75,764	Rs. 16,478	Rs. 7,920	Rs. 70,487	Rs. 42,937	Rs. 3,370
Pre-tax gains	1,576	1,051	322	713	1,188	217
Proceeds from securitization	75,764	16,478	7,920	70,487	44,337	3,580
Servicing fees received	-	-	-	-	-	-
Cash flows received on retained interests and other cash flows	2,021	1,066	322	2,945	-	-
Closing balance of retained interest on March 31, 2005	4,501	3,183	918	6,442	-	-
Cash collateral not included above	3,689	1,259	474	1,813	95	-

Auto loans, personal loans, two wheeler loans and mortgage loans form part of consumer loans.

Key assumptions during the year ended March 31, 2005 in measuring the fair value of retained interests at the date of sale or securitization

	<b>Auto loans</b>	<b>Personal loans</b>	<b>Two wheeler loans</b>	<b>Mortgage loans</b>
Discount rate	8.35% - 16.22%	19.03% - 24.07%	18.19% - 20.77%	7.98% - 9.53%
Constant prepayment rate (per annum)	3.96% - 39%	12% - 51%	12.00%	6.00% - 10.00%
Anticipated net credit losses (per annum)	0.55% - 3.50%	3.00%	2.00%	0.25% - 0.30%

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ICICI Bank Limited and Subsidiaries

Notes to the consolidated financial statements (Continued)

At March 31, 2005, the sensitivity of the fair value to adverse changes of 10% and 20% in each of the key assumptions were as follows:

	<b>( in millions)</b>
<b>Carrying value of retained interests</b>	<b>Rs. 17,713</b>
Discount Rate	
10%	(230)
20%	(446)
Constant prepayment rate (per annum)	
10%	(214)
20%	(415)
Anticipated net credit losses (per annum)	
10%	(192)
20%	(382)

As at March 31, 2005 Bank has a outstanding servicing asset of Rs. 81 million and servicing liability of Rs. 200 million. The following table summarises the movement in servicing asset and servicing liability

	<b>Servicing asset</b>	<b>Servicing liability</b>
	<b>(in millions)</b>	
Balance as on March 31, 2004	Rs. 8	Rs. 149
Additions during the year	146	193
Amortisation during the year	(73)	(142)
<b>Balance as on March 31, 2005</b>	<b>Rs. 81</b>	<b>Rs. 200</b>

## 11. Variable Interest Entities

During the year, the Company transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company. The trusts/funds (which are separate legal entities) issued Security Receipts (□SRs□) to the Company and other transferors as consideration for the transaction. The trusts/funds have been set up by the asset reconstruction company under a recently enacted debt recovery legislation in India and aim to improve the recoveries of banks from impaired assets by aggregating lender interests and speeding up enforcement of security interest by lenders. Certain transfers involving 113 loans (2004: 33 loans) amounting to Rs. 17.36 billion (2004: Rs. 7.13 billion), did not qualify for sale accounting under SFAS No. 140 and continue to be reflected as loans on the balance sheet of the Company. Other transfers qualified for sale accounting but were impacted by FIN 46/ FIN 46R.

The funds/trusts to which these loans have been transferred are VIEs within the definition contained in FIN 46. The Company is the □Primary Beneficiary□ of 10 trusts/funds and accordingly has consolidated these entities at March 31, 2005. These trusts relate to the transfers of 10 loans (2004: 9 loans) amounting to Rs. 7.30 billion (2004: Rs. 3.90 billion) and the total assets of these trusts amount to Rs. 9.29 billion (2004: Rs. 4.89 billion).

11 trusts/ funds (2004: 10 trusts/funds) with total assets of Rs. 2.95 billion (2004: Rs. 2.93 billion) are VIEs but the Company is not deemed to be the Primary Beneficiary. The Company has transferred loan amounting to Rs. 0.81 billion (2004: Rs. 0.81 billion) to these entities. Accordingly, the Company has not consolidated these VIEs at March 31, 2005. The Company accounts for the SRs relating to this category of transfers as AFS securities but classifies them as loans.

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

The Company's venture capital business is involved with entities that may be deemed VIEs. The FASB permitted non-registered investment companies to defer consolidation of VIEs with which they are involved until the proposed Statement of Position on the clarification of the scope of the Investment Company Audit Guide is finalized, which is expected in 2005. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46R to provide an exception for companies that qualify to apply the revised Audit Guide. The Company applied this deferral provision and did not consolidate Rs. 2.29 billion (2004: Rs. 0.96 billion) of additional assets in potential VIEs with which the Company is involved as of March 31, 2005. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46R, the Company will assess the effect of such guidance on its venture capital business.

#### 12. Derivative instruments and hedging activities

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

All such freestanding derivatives, whether held for trading or non-trading purposes, are carried at their fair value as either assets or liabilities and related gains and losses for derivatives which are not designated as hedging instrument in a qualifying hedging relationship are included in other non-interest income.

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

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

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

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2005</u>
	(in millions)	
Fair value of derivatives designated as fair value hedges	Rs. 1,084	Rs. 802
Hedge ineffectiveness recognized in earnings	248	40

On March 31, 2005, the Company designated certain interest rate swaps as fair value hedges of securities and certain long term liabilities. As the hedges were designated on March 31, 2005, no ineffectiveness was required to be recorded in the earnings for the current fiscal.

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 13. Property and equipment

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

	As of March 31,	
	2004	2005
	(in millions)	
Land	Rs. 1,526	Rs. 1,648
Buildings	12,313	14,555
Equipment and furniture	7,081	11,200
Capital work-in-progress	988	1,237
Others	9,318	9,901
Gross value of property and equipment	31,226	38,541
Accumulated depreciation	(8,043)	(12,486)
<b>Property and equipment, net</b>	<b>Rs. 23,183</b>	<b>Rs. 26,055</b>

As of March 31, 2005, land and buildings include certain assets of Rs. 398 million (2004: Rs. 570 million), which have not yet been registered in the Company's name pending regulatory transfer approvals.

#### 14. Assets held for sale

As of March 31, 2005, assets held for sale represent certain assets of Rs.3,741 million (2004: Rs. 4,829 million) acquired through foreclosure of loans.

#### 15. Goodwill and intangible assets, net

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

	As of March 31,	
	2004	2005
	(in millions)	
<b>Goodwill</b>	<b>Rs. 5,403</b>	<b>Rs. 7,407</b>
Customer-related intangibles	Rs. 5,701	Rs. 5,991

Accumulated amortization	(1,245)	(1,835)
<b>Customer related intangibles, net</b>	<b>Rs. 4,456</b>	<b>Rs. 4,156</b>
Other intangibles	Rs. 76	Rs. 76
Accumulated amortization	(19)	(33)
<b>Other intangibles, net</b>	<b>Rs. 57</b>	<b>Rs. 43</b>
<b>Goodwill and intangible assets, net</b>	<b>Rs. 9,916</b>	<b>Rs. 11,606</b>

The following table presents the changes in goodwill during the year ended March 31, 2005.

	<b>(in millions)</b>
Balance as of March 31, 2004	Rs. 5,403
Goodwill relating to acquisitions consummated during the period	2,004
<b>Balance as of March 31, 2005</b>	<b>Rs. 7,407</b>

The purchase consideration relating to acquisitions consummated during the year has been preliminary allocated to the assets and liabilities assumed as of the date of acquisition based on managements estimates. Finalization of the purchase price allocation, which is expected to be completed within six months from the date of the acquisition, may result in certain adjustments to the purchase price allocation.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements *(Continued)*

No goodwill impairment loss has been recorded during the years ended March 31, 2003, March 31, 2004 and March 31, 2005.

Goodwill as of March 31, 2005 has been allocated to the following reporting units:

<b><u>Reporting Unit</u></b>	<b>(in millions)</b>
Commercial banking	Rs. 2,275
3i Infotech	1,895
ICICI OneSource	3,237
<b>Total</b>	<b>Rs. 7,407</b>

### *Amortization of intangible assets*

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

<u>Year ended March 31</u>	<u>(in millions)</u>
2006	Rs. 687
2007	678
2008	597
2009	547
2010	547
Thereafter	1,143
<b>Total</b>	<b>Rs. 4,199</b>

**16. Other assets**

Other assets consist of the following:

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2005</u>
	<b>(in millions)</b>	
Debtors	Rs. 13,263	Rs. 20,506
Staff advances	3,766	4,591
Advance taxes	33,512	38,625
Security deposits	8,485	15,226
Advance for purchases of securities	8,191	262
Prepaid expenses	596	881
Others <sup>(1)</sup>	7,135	21,797
<b>Total</b>	<b>Rs. 74,948</b>	<b>Rs. 101,888</b>

1) Others include loans held for sale of Rs. 12,421 million (2004: Rs. 2,260 million).

**17. Deposits**

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

	<u>As of March 31,</u>	
	<u>2004</u>	<u>2005</u>
	<b>( in millions)</b>	
<b>Interest bearing</b>		
Savings deposits	Rs. 86,403	Rs. 117,261
Time deposits	524,775	772,365
<b>Total interest-bearing deposits</b>	<b>Rs. 611,178</b>	<b>Rs. 889,626</b>
<b>Non-interest bearing</b>		
Demand deposits	Rs. 73,777	Rs. 126,908
<b>Total</b>	<b>Rs. 684,955</b>	<b>Rs. 1,016,534</b>

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

Contractual maturities of time deposits as of March 31, 2005 are set out below.

	( in millions)	
Deposits maturing during the year ending March 31,		
2006	Rs.	664,846
2007		44,605
2008		36,603
2009		11,625
2010		4,858
Thereafter		9,828
<b>Total deposits</b>	<b>Rs.</b>	<b>772,365</b>

As of March 31, 2005, the aggregate of time deposits with individual balances greater than Rs. 5 million was Rs. 595,735 million (2004: Rs. 359,770 million).

#### 18. Short-term borrowings

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

#### 19. Long-term debt and redeemable preferred stock

##### *Long-term debt*

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

A listing of long-term debt as of March 31, 2005, by maturity and interest rate profile is set out below.

	Fixed-rate Obligations		Floating-rate obligations		Total	
	(in millions)					
Long-term debt maturing during the year ending March 31,						
2006	Rs.	83,045	Rs.	5,844	Rs.	88,889
2007		59,283		6,588		65,871
2008		43,112		9,234		52,346
2009		36,603		1,831		38,434
2010		44,340		4,889		49,229
Thereafter		60,408		12,975		73,383

<b>Total</b>	<b>Rs. 326,791</b>	<b>Rs. 41,361</b>	<b>Rs. 368,152</b>
Less: Unamortized debt issue cost			653
<b>Total</b>			<b>Rs. 367,499</b>

All long-term debt is unsecured. Debt aggregating Rs. 32,864 million (2004: Rs. 32,209 million) is guaranteed by the Government of India (GOI).

Long-term debt is denominated in various currencies. As of March 31, 2005, long-term debt comprises Indian rupee debt of Rs. 284,979 million (2004: Rs. 314,825 million) and foreign currency debt of Rs. 82,520 million (2004: Rs. 58,624 million).

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Indian rupee debt

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

Category	As of March 31,							
	2004				2005			
	Amount	Weighted average interest rate	Range	Average residual maturity	Amount	Weighted average interest rate	Range	Average residual maturity
	(In millions)							
Bonds issued to institutional/individual investors <sup>(1)</sup>	Rs. 246,463	10.35%	3.57-16.4%	3.20	Rs. 196,345	9.90%	4.56 - 25.29%	3.24
Bonds eligible for statutory reserve requirements <sup>(2)</sup>	14,815	11.60%	11.5-12.00%	6.21	14,815	11.60%	11.5 - 12%	5.21
Borrowings from GOI <sup>(3)</sup>	5,338	9.88%	0-13.00%	2.92	4,230	10.24%	0 - 13%	2.58
Refinance from financial institutions	48,209	6.69%	5.5-17.00%	2.42	69,589	6.57%	5.5 - 12%	2.97
<b>Total</b>	<b>Rs. 314,825</b>	<b>9.95%</b>		<b>3.3 years</b>	<b>Rs. 284,979</b>	<b>8.87%</b>		<b>3.27</b>



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- 1) Includes application money received on bonds outstanding at the end of the year.
- 2) Banks in India are required to mandatorily maintain a specified percentage of certain liabilities as cash or in approved securities. These bonds issued by the Company are approved securities under the rules.
- 3) Includes interest-free borrowing from the GOI aggregating Rs. 398 million (2004: Rs. 343 million). In connection with the business combination, the borrowing was initially recorded at its fair value of Rs. 100 million based on the prevailing interest rate of 16% for borrowings of a similar term and risk. Interest is being imputed for each reporting period using this rate.

**Foreign currency debt**

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

Category	As of March 31,							
	2004				2005			
	Amount	Weighted average interest rate	Range	Average residual maturity	Amount	Weighted average interest rate	Range	Average residual maturity
(In millions)								
Borrowings from international development agencies <sup>(1)(2)(3)</sup>	Rs. 27,249	3.00%	0.0-8.50%	9.63	Rs. 24,970	3.84%	0 % - 6.75%	8.71
Other borrowings from international markets	31,375	3.90%	0.0-7.55%	3.23	57,550	4.58%	0 % - 7.55%	3.18
<b>Total</b>	<b>Rs. 58,624</b>	<b>3.50%</b>		<b>7.08 years</b>	<b>Rs. 82,520</b>	<b>4.33%</b>		<b>4.85</b>

- 1) These borrowings have been raised under specific lines of credit from international development agencies. The borrowings have lender-imposed restrictions that limit the use of the funds for specified purposes, which include lending to specified sectors.
- 2) As of March 31, 2005, under these lines of credit, the Company has an unutilized option to borrow Rs. 3,221 million (2004: Rs. 4,718 million) as per an agreed schedule over a period of five years at various interest rates.
- 3) Exchange rate fluctuations on certain borrowings are guaranteed by the GOI.

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### ***Mandatorily Redeemable preferred stock***

The Company issued preferred stock with a face value of Rs. 3,500 million during the year ended March 31, 1998 under the scheme of business combination with ITC Classic Finance Limited. This preferred stock bears a dividend yield of 0.001% and is redeemable at face value after 20 years. The preferred stock was initially recorded at its fair value of Rs. 466 million. Subsequently, interest is being imputed for each reporting period. The imputed interest rate of 10.6% was determined based on the then prevailing interest rate for securities of similar maturity. The carrying amount of this redeemable preferred stock as of March 31, 2005 is Rs. 1,044 million (2004: Rs. 944 million). Certain Government securities amounting to Rs. 1,952 million (2004: Rs 1455 million) have been earmarked against redemption of preference shares.

Banks in India are generally not allowed to issue preferred stock. However, the Company has been currently exempted from this restriction.

#### **20. Other liabilities**

##### ***Interest accrued***

Other liabilities as of March 31, 2005, include Rs.13,178 million (2004: Rs. 13,561 million) of interest accrued but not due on interest bearing liabilities.

##### ***Borrowings from Kreditanstalt fur Wiederaufbau***

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

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

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

## Notes to the consolidated financial statements (*Continued*)

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

Other liabilities as of March 31, 2005, also include grants of Rs. 2,454 million (2004: Rs. 2,800 million) and retained interest of Rs.567 million (2004: Rs. 678 million).

### **21. Common stock**

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

The Company has issued American Depository Shares (ADS) representing underlying common stock. The common stock represented by the ADS is similar to other common stock, except for voting rights. Under the depository agreement, the depository of the ADS will vote as directed by the Board of Directors of the Company.

As discussed in Note 2, the Company consummated the reverse acquisition with the acquiree effective April 1, 2002, whereby shareholders of the Company were issued common shares of the acquiree in the ratio of 1:2. On consummation of the reverse acquisition, adjustments were made to the value of the common stock and the additional paid in capital.

### **22. Retained earnings and dividends**

Retained earnings at March 31, 2005 computed as per generally accepted accounting principles of India amounting to Rs. 118,132 million (2004: Rs. 73,942 million) include reserves aggregating to:

- Rs. 14,627 million (2004: Rs. 9,607 million) which are not distributable as dividends under the Banking Regulation Act, 1949. These relate to requirements regarding earmarking a part of the profits under banking laws in India. Utilization of these balances is subject to approval of the Board of Directors and needs to be reported to Reserve Bank of India. Statutes governing the operations of the Company mandate that dividends be declared out of distributable profits only after the transfer of at least 25% of net income each year, computed in accordance with current banking regulations, to a statutory reserve. Additionally, the remittance of dividends outside India is governed by Indian statutes on foreign exchange transactions.
- Rs. 49,902 million (2004: Rs. 20,476 million) which are not distributable as dividends under the Indian company law.
- Rs. 11,940 million (2004: Rs. 11,690 million) earmarked under Indian tax laws to avail tax benefits and which are not distributable as dividends. Any transfer of balances from such earmarked reserves would result in withdrawal of the tax exemption on the transferred amounts.

## ICICI Bank Limited and Subsidiaries

Notes to the consolidated financial statements (*Continued*)**23. Earnings per share**

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

	Year ended March 31,					
	2003		2004		2005	
	Basic	Fully diluted	Basic	Fully diluted	Basic	Fully Diluted
<b>(in millions, except earnings per share data)</b>						
<i>Earnings</i>						
Net income (before dilutive impact)	Rs. (7,983)	Rs. (7,983)	Rs. 5,219	Rs. 5,219	Rs. 8,530	Rs. 8,530
Contingent issuances of subsidiaries	-	-	-	-	-	(14)
Net income (adjusted for full dilution)	Rs. (7,983)	Rs. (7,983)	Rs. 5,219	Rs. 5,219	Rs. 8,530	Rs. 8,516
<i>Common stock</i>						
Weighted-average common stock outstanding	563	563	614	614	728	728
Dilutive effect of employee stock options	-	-	-	5	-	6
<b>Total</b>	<b>563</b>	<b>563</b>	<b>614</b>	<b>619</b>	<b>728</b>	<b>734</b>
<i>Earnings per share</i>						
Net income	Rs. (14.18)	Rs. (14.18)	Rs. 8.50	Rs. 8.43	Rs. 11.72	Rs. 11.60

Options to purchase Nil equity shares (March 31, 2004: 1,098,225) granted to employees at a weighted average exercise price of Rs. Nil (March 31, 2004: Rs. 266.56) were outstanding during the year ended March 31, 2005, 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.

**24. Segmental disclosures and related information****Segmental disclosures**

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

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

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

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

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

	Commercial Banking			Investment Banking		
	Year ended March 31,			Year ended March 31,		
	2003	2004	2005	2003	2004	2005
	(in millions)			(in millions)		
<b>Income from external customers</b>						
Interest income	Rs. 76,498	Rs. 71,143	Rs. 72,917	Rs. 21,595	Rs. 19,954	Rs. 19,341
Non - interest income	4,771	16,023	21,496	6,792	17,167	8,145
<b>Income from other operating segments</b>						
Interest income	8,533	8,881	9,479	189	174	124
Non - interest income	384	351	390	251	254	433
<b>Total income</b>	<b>Rs. 90,186</b>	<b>Rs. 96,398</b>	<b>Rs. 104,282</b>	<b>Rs. 28,827</b>	<b>Rs. 37,549</b>	<b>Rs. 28,043</b>
Interest expense	Rs. 69,462	Rs. 62,327	Rs. 58,982	Rs. 23,916	Rs. 18,904	Rs. 18,777
Depreciation	2,008	2,108	2,748	231	739	280
Provision for loan losses	19,645	20,040	14,681	4	15	(5)
Other expenses	10,343	17,358	22,729	2,921	3,991	3,392
	<b>Rs. (11,272)</b>	<b>Rs. (5,435)</b>	<b>Rs. 5,142</b>	<b>Rs. 1,755</b>	<b>Rs. 13,900</b>	<b>Rs. 5,598</b>

**Income/ (loss)****before taxes**

Income tax (expense)/ benefit	3,420	1,077	(828)	(529)	(2,749)	(901)
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<b>Net income/ (loss)</b>	<b>Rs. (7,852)</b>	<b>Rs. (4,358)</b>	<b>Rs. 4,314</b>	<b>Rs. 1,226</b>	<b>Rs. 11,151</b>	<b>Rs. 4,697</b>
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A listing of certain assets of reportable segments is set out below.

As of March 31,	Commercial Banking		Investment Banking		Others		Total	
	2004	2005	2004	2005	2004	2005	2004	2005

(in millions)

Property and equipment	Rs. 18,133	Rs. 20,701	Rs. 2,303	Rs. 1,683	Rs. 2,747	Rs. 3,671	Rs. 23,183	Rs. 26,055
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Investment in equity affiliates	-	-	47	47	3,572	4,678	3,619	4,725
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Inter segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis. Corporate overheads and assets have also been allocated to segments on a systematic basis.

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

	Total income			Income/ (loss) before taxes and accounting changes			Net income/ (loss)		
	Year ended March 31,			Year ended March 31,			Year ended March 31,		
	2003	2004	2005	2003	2004	2005	2003	2004	2005

(in millions)

Commercial banking	Rs. 90,186	Rs. 96,398	Rs. 104,282	Rs. (11,272)	Rs. (5,435)	Rs. 5,142	Rs. (7,852)	Rs. (4,358)	Rs. 4,697
Investment banking	28,827	37,549	28,043	1,755	13,900	5,598	1,226	11,151	4,697
Others	2,874	4,334	5,891	(1,527)	(1,608)	(573)	(1,357)	(1,574)	
Other reconciling adjustments	(10,531)	(10,484)	(11,311)	-	-	-	-	-	-
<b>Consolidated Total</b>	<b>Rs. 111,681</b>	<b>Rs. 127,797</b>	<b>Rs. 126,905</b>	<b>Rs. (11,044)</b>	<b>Rs. 6,857</b>	<b>Rs. 10,167</b>	<b>Rs. (7,983)</b>	<b>Rs. 5,219</b>	<b>Rs. 8,404</b>

## ICICI Bank Limited and Subsidiaries

**Notes to the consolidated financial statements (Continued)**

below.

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

	<b>As of March 31</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in millions)</b>	
Commercial Banking <sup>(1)</sup>	Rs. 902,442	Rs. 1,207,789
Investment Banking	484,439	641,722
Others	12,232	9,229
<b>Total segment assets</b>	<b>Rs. 1,399,113</b>	<b>Rs. 1,858,740</b>
Unallocable assets	20,718	27,052
Eliminations	(10,700)	(22,345)
<b>Consolidated total assets</b>	<b>Rs. 1,409,131</b>	<b>Rs. 1,863,447</b>

1) Commercial banking includes assets of consumer loans division of Rs. 529,003 million (March 2004: Rs. 297,517 million), which are reviewed separately by the CODM.

**Geographic distribution**

The business operations of the Company are largely concentrated in India. Activities outside India include resource mobilization in the international markets and operations of certain software development, services and banking subsidiaries in the United States, United Kingdom and Canada. The assets and income from foreign operations are not significant to the overall operations of the Company.

**Major customers**

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

**25. Employee benefits****Gratuity**

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

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

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

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

	<b>As of March 31,</b>			
	<b>2004</b>		<b>2005</b>	
	<b>(in millions)</b>			
<i>Change in benefit obligations</i>				
Projected benefit obligations at beginning of the year	Rs.	893	Rs.	804
Service cost		106		153
Interest cost		99		56
Benefits paid		(470)		(25)
Actuarial (gain)/loss on obligations		176		(42)
<b>Projected benefit obligations at the end of the year</b>	<b>Rs.</b>	<b>804</b>	<b>Rs.</b>	<b>946</b>
<i>Change in plan assets</i>				
Fair value of plan assets at beginning of the year	Rs.	873	Rs.	514
Actual return on plan assets		64		53
Employer contributions		47		174
Benefits paid		(470)		(25)
<b>Plan assets at the end of the year</b>	<b>Rs.</b>	<b>514</b>	<b>Rs.</b>	<b>716</b>
Funded status	Rs.	(290)	Rs.	(230)
Unrecognized actuarial loss		290		236
Unrecognized transitional obligation		(16)		(15)
Unrecognized prior service cost		61		56
<b>Net prepaid gratuity cost</b>	<b>Rs.</b>	<b>45</b>	<b>Rs.</b>	<b>47</b>



Accumulated benefit obligation at year end Rs. 336 Rs. 402  
 The components of the net gratuity cost are set out below.

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
Service cost	Rs. 69	Rs. 106	Rs. 153
Interest cost	64	99	56
Expected return on assets	(70)	(68)	(45)
Amortization of transition asset/liability	(1)	(1)	(1)
Amortization of prior service cost	1	6	6
Actuarial (gain)/loss	2	2	10
Curtailement (gain)/ loss	-	25	-
<b>Net gratuity cost</b>	<b>Rs. 65</b>	<b>Rs. 169</b>	<b>Rs. 179</b>

Weighted average assumptions used to determine net periodic benefit cost for the period:

	As of March 31,		
	2003	2004	2005
Discount rate	8%	7%	7.5%
Rate of increase in the compensation levels	7%	7%	7%
Rate of return on plan assets	7.5%	7.5%	7.5%

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

Weighted average assumptions used to determine benefit obligations:

	As of March 31,	
	2004	2005
Discount rate	7.0%	7.5%

Rate of increase in the compensation levels 7.0% 7.0%

As of March 31, 2005, of the total plan assets Rs. 2 million (2004: Rs. 113 million) has been invested in debt securities of the Company.

### **Plan Assets**

The Company determines its assumptions for the expected rate of return on plan assets based on the expected average long term rate of return over the next 15 to 20 years.

The Company's asset allocation for the gratuity at the end of the year ended March 31, 2005 and March 31, 2004 and the target allocation for year ending March 31, 2006 by asset category based on fair values is as follows:

<b>Asset Category</b>	<b>Target asset allocation 2006</b>	<b>Post-retirement asset at Mar 31, 2005</b>	<b>Post-retirement asset at Mar 31, 2004</b>
Debt Securities	0%	0%	0%
Other investments	100%	100%	100%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The plan assets are either maintained by LIC or ICICI Prulife.

#### *Investment strategy for plan assets maintained by ICICI Prulife*

The ICICI Prulife administers the plan fund and it independently determines the target allocation by asset category. The investment strategy is to invest in a prudent manner for providing benefits to the participants of the scheme. ICICI Prulife primarily invests in debt securities or relatively low risk securities. The strategies are targeted to produce a return that, when combined with the Company's contribution to the funds will maintain the fund's ability to meet all required benefit obligations. The insurance industry in the country is highly regulated and ICICI Prulife functions within regulated investment norms.

#### *Investment strategy for plan assets maintained by the LIC*

LIC administers the plan fund and it independently determines the target allocation by asset category. LIC primarily invests in government securities and other debt instruments. The selection of investments and the asset category is determined by LIC. LIC's strategy is to invest in a prudent manner to produce a return that will enable the fund to meet the required benefit obligations. The insurance industry in the country is highly regulated and LIC, which is majority owned by the Government of India, functions within regulated investment norms. As such, while the return on investments is subject to market interest rate and other risks, no untoward losses are expected to the plan assets. No such events have occurred in the history of operations of the fund.

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The benefit expected be paid in each of the next five fiscal year and in the five fiscal years thereafter is as follows:

	(in millions)	
Expected company contributions to the fund during the year ended March 31, 2006	Rs.	198
Expected benefit payments from the fund during :		
2005 □ 2006		29
2006 □ 2007		59
2007 □ 2008		38
2008 □ 2009		61
2009 □ 2010		89
Thereafter		621
<b>Pension</b>		

The Company provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Company. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan pertained to the acquiree which was acquired with effect from April 2002.

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

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

	As of March 31,	
	2004	2005
	(in million)	
<i>Change in benefit obligations</i>		
Projected benefit obligations at beginning of the year	Rs. 853	Rs. 1,034
Service cost	24	10
Interest cost	74	71
Benefits paid	(165)	(61)
Actuarial (gain)/loss on obligations	248	(35)
<b>Projected benefit obligations at the end of the year</b>	<b>Rs. 1,034</b>	<b>Rs. 1,019</b>
<i>Change in plan assets</i>		
Fair value of plan assets at beginning of the year	Rs. 1,156	Rs. 1,047
Actual return on plan assets	46	160
Employer contributions	10	8
Benefits paid	(165)	(61)
<b>Plan assets at the end of the year</b>	<b>Rs. 1,047</b>	<b>Rs. 1,154</b>
Funded status	Rs. 13	Rs. 135
Unrecognized actuarial loss/(gain)	(18)	(136)
<b>Net amount recognized</b>	<b>Rs. (5)</b>	<b>Rs. (1)</b>

<b>Accumulated benefit obligation at year end</b>	<b>Rs. 961</b>	<b>Rs. 950</b>

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

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

	Year ended March 31,	
	2004	2005
	(in millions)	
Service cost	Rs. 24	Rs. 10
Interest cost	74	71
Expected return on assets	(84)	(77)
<b>Net pension cost</b>	<b>Rs. 14</b>	<b>Rs. 4</b>

Weighted average assumptions used to determine net periodic benefit cost for the period:

	As of March 31,	
	2004	2005
Discount rate	7.0%	7.5%
Rate of increase in the compensation levels	7.0%	7.0%
Rate of return on plan assets	7.5%	7.5%
Pension increases	3.0%	3.0%

Weighted average assumptions used to determine benefit obligations:

	As of March 31,	
	2004	2005
Discount rate	7.0%	7.5%
Rate of increase in the compensation levels	7.0%	7.0%
Pension increases	3.0%	3.0%

**Plan Assets**

The Company determines its assumptions for the expected rate of return on plan assets based on the expected average long-term rate of return over the next 15 to 20 years.

The Company's asset allocation for the pension at the end of the year ended March 31, 2005 and March 31, 2004 and the target allocation for year ending March 31, 2006 by asset category based on fair values are as follows:

<b>Asset Category</b>	<b>Target asset allocation 2006</b>	<b>Pension assets at March 31, 2005</b>	<b>Pension assets at March 31, 2004</b>
Debt securities	100%	100%	100%
Other investments	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The plan assets are maintained through a fund administered and managed by a Board of Trustees.

The investment strategy of the Company is to invest in a prudent manner for providing benefits to the participants of the scheme. The strategies are targeted to produce a return that, when combined with the Company's contribution to the funds will maintain the fund's ability to meet all required benefit obligations. Risk is reduced by investment in GOI Securities or relatively low risk securities.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

The benefit expected be paid in each of the next five fiscal years thereafter is as follows:

	<b>(in millions)</b>
Expected company contributions to the fund during the year ended March 31, 2006	Rs. 10
Expected benefit payments from the fund during :	
2005 □ 2006	61
2006 □ 2007	64
2007 □ 2008	66
2008 □ 2009	70
2009 □ 2010	74
Thereafter	418
<b>Superannuation</b>	

The permanent employees of the Company are entitled to receive retirement benefits under the superannuation scheme operated by the Company. Superannuation is a defined contribution plan under which the Company contributes annually a sum equivalent to 15% of the employee's eligible annual salary to LIC, the manager of the fund, which undertakes to pay the lump sum and annuity payments pursuant to the scheme. The Company

contributed Rs. 97 million, Rs. 103 million and Rs. 109 million to the employees superannuation plan for the years ended March 31, 2003, 2004 and 2005 respectively.

***Provident fund***

In accordance with Indian regulations, employees of the Company (excluding those covered under the pension scheme) are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a fund set up by the Company and administered by a Board of Trustees. The contribution to the employees provident fund amounted to Rs. 106 million, Rs. 236 million and Rs. 280 million for the years ended March 31, 2003, 2004 and 2005 respectively.

**26. Early Retirement Option (ERO)**

The Bank has implemented Early Retirement Option Scheme 2003 to its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

For a period of one month commencing on July 1, 2003 the Company offered its employees special benefits in connection with their early retirement option of employment. The early retirement option was offered to employees who have completed a minimum service period of seven years and have completed minimum 40 years of age. The employees opting for the plan were paid a lump-sum consideration.

An aggregate of 1,495 employees opted for this plan. The termination benefits in respect of the plan aggregated Rs. 1,910 million, which has been reflected in the consolidated statement of operations under the salaries and employee benefits.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

**27. Employee Stock Option Plan**

In August 1999, the Company approved an Employee Stock Option Plan (ICICI Plan). Under the ICICI Plan, the Company is authorized to grant up to 5% of its issued capital as of the date of grant to its eligible employees. Eligible employees are granted an option to purchase shares subject to vesting. The options issued upto March 31, 2004 vest in a graded manner over three years with 20%, 30% and 50% of the options vesting at the end of each year, while options issued subsequent to March 31, 2004 vest in a graded manner over four years with 20%, 20%, 30% and 30% of the options vesting at the end of each year. The options can be exercised within 10 years from the date of the grant. Compensation expense under the ICICI Plan for the year ended March 31, 2005 is Rs. 48 million (2004: Nil, 2003: Rs. 7 million).

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

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

**Stock option activity**

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

**Year ended March 31, 2003**

**ICICI Bank Limited**

	<b>Option shares outstanding</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (months)</b>
Outstanding at the beginning of the year	7,015,800	Rs. 105.0-266.8	Rs. 162.6	114
Granted during the year	6,327,825	120.4 - 171.9	146.0	110
Forfeited during the year	(730,350)	120.4 □ 266.8	154.6	-
Exercised during the year	(3,000)	105.0	105.0	-
<b>Outstanding at the end of the year</b>	<b>12,610,275</b>	<b>105.0- 266.8</b>	<b>154.7</b>	<b>98</b>
<i>Outstanding at the end of the year by different price range</i>				
	6,143,900	105.0-120.4	120.4	108
	5,263,250	164.0-171.9	169.3	89
	1,203,125	266.8	266.8	84
Exercisable at the end of the year	5,222,317	105.0- 266.8	169.9	-
<i>Exercisable at the end of the year by different price range</i>				
	1,226,380	105.0-120.4	120.4	-
	3,394,375	164.0-171.9	170.6	-
	601,562	266.8	266.8	-

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**ICICI Bank Limited and Subsidiaries**

**Notes to the consolidated financial statements (Continued)**

**Year ended March 31, 2004**

**ICICI Bank Limited**

	Option Shares outstanding		Range of exercise prices and grant date fair values		Weighted average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	12,610,275	Rs.	105.0- 266.8	Rs.	154.7	98
Granted during the year	7,491,800		132.1-222.4		132.6	109
Forfeited during the year	(766,489)		120.4-266.8		129.4	-
Exercised during the year	(3,370,604)		105.0-266.8		151.7	-
<b>Outstanding at the end of the year</b>	<b>15,964,982</b>		<b>105.0-266.8</b>		<b>146.2</b>	<b>96</b>
<i>Outstanding at the end of the year by different price range</i>	<i>11,495,579</i>		<i>105.0-157.0</i>		<i>127.9</i>	<i>104</i>
	<i>3,367,178</i>		<i>164.0-222.4</i>		<i>169.1</i>	<i>77</i>
	<i>1,102,225</i>		<i>266.8</i>		<i>266.8</i>	<i>72</i>
Exercisable at the end of the year	6,080,121		105.0-266.8		167.3	-
<i>Exercisable at the end of the year by different price range</i>	<i>2,466,890</i>		<i>105.0-120.4</i>		<i>120.4</i>	-
	<i>2,511,007</i>		<i>164.0-171.9</i>		<i>169.7</i>	-
	<i>1,102,224</i>		<i>266.8</i>		<i>266.8</i>	-

## Year ended March 31, 2005

## ICICI Bank Limited

	Option Shares outstanding		Range of exercise prices and grant date fair values		Weighted average exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	15,964,982	Rs.	105.0-266.8	Rs.	146.2	96
Granted during the year	7,554,500		275.2-300.1		300.1	111
Forfeited during the year	(846,496)		120.4-300.1		207.3	-
Exercised during the year	(4,480,121)		105.0-266.8		145.1	-
<b>Outstanding at the end of the year</b>	<b>18,192,865</b>		<b>120.4-300.1</b>		<b>207.4</b>	<b>96</b>
<i>Outstanding at the end of the year by different price range</i>	<i>10,103,215</i>		<i>120.4-171.9</i>		<i>136.1</i>	<i>89</i>
	<i>8,089,650</i>		<i>266.8-300.1</i>		<i>296.5</i>	<i>105</i>



Exercisable at the end of the year	5,935,015	120.4-266.8	158.2	-
<i>Exercisable at the end of the year by different price range</i>	<i>5,066,365</i>	<i>120.4-171.9</i>	<i>139.6</i>	-
	<i>868,650</i>	<i>266.8</i>	<i>266.8</i>	-

**3i Infotech**

In April 2000, 3i Infotech (formerly ICICI Infotech) approved an Employee Stock Option Plan (Infotech Plan). Under the Infotech Plan, 3i Infotech is authorized to issue up to 25% of its paid up equity share capital to its employees and employees of the parent company. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over three years with 20%, 30% and 50% of the options vesting at the end of each year. The options can be exercised within 10 years from the date of the grant.

During the year ended March 31, 2003, 2004 and 2005, the Company has not recorded any compensation cost as the exercise price was equal to the fair value of the underlying equity shares on the grant date. As shares of 3i Infotech are not quoted on exchanges, the fair value represents management's best estimates considering all available factors.

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## ICICI Bank Limited and Subsidiaries

**Notes to the consolidated financial statements (Continued)**

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

Year ended March 31, 2003

	<b>3i Infotech</b>			
	<b>Option shares outstanding</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (months)</b>
Outstanding at the beginning of the year	3,863,020	Rs. 37.5- 68	Rs. 52.7	104
Granted during the year	783,500	68.0-100	97.1	108
Forfeited during the year	(435,360)	37.5-100	59.1	-
Exercised during the year	(10,200)	37.5-68	55.7	-
<b>Outstanding at the end of the year</b>	<b>4,200,960</b>	<b>37.5-100</b>	<b>60.3</b>	<b>93</b>

*Outstanding at the end of the year by*

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<i>different price range</i>	1,764,060	37.5	37.5	84
	2,436,900	68.0-100	76.8	99
Exercisable at the end of the year	1,235,070	37.5-68.0	46.2	
<i>Exercisable at the end of the year by different price range</i>	882,030	37.5	37.5	
	353,040	68.0	68.0	

Year ended March 31, 2004

	<b>3i Infotech</b>			
	<b>Option shares outstanding</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (months)</b>
Outstanding at the beginning of the year	<b>4,200,960</b>	<b>Rs. 37.5-100</b>	<b>Rs. 60.3</b>	<b>93</b>
Granted during the year	1,148,000	37.5-100	45.0	88
Forfeited during the year	(859,320)	37.5-100	37.5	-
Exercised during the year	(2,660)	37.5-100	54.4	-
<b>Outstanding at the end of the year</b>	<b>4,486,980</b>	<b>37.5-100</b>	<b>57.5</b>	<b>82</b>
<i>Outstanding at the end of the year by different price range</i>	2,437,380	37.5-45.0	40.8	82
	2,049,600	68.0-100.0	77.5	82
Exercisable at the end of the year	2,044,704	37.5-100	50.5	
<i>Exercisable at the end of the year by different price range</i>	1,644,360	37.5	37.5	
	400,344	68.0-100.0	72.0	

Year ended March 31, 2005

	<b>3i Infotech</b>			
	<b>Option shares outstanding</b>	<b>Range of exercise prices and grant date fair values</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (months)</b>
Outstanding at the beginning of the year	<b>2,243,490</b>	<b>Rs. 75 □ 200</b>	<b>Rs. 115.1</b>	<b>82</b>
Granted during the year	4,570,865	75-136	<b>98.3</b>	<b>116</b>
Forfeited during the year	(283,840)	75 □ 200	<b>119.8</b>	-
Exercised during the year	(23,700)	75 □ 90	<b>76.5</b>	-
<b>Outstanding at the end of the year</b>	<b>6,506,815</b>	<b>75 □ 200</b>	<b>103.2</b>	<b>102</b>
<i>Outstanding at the end of the year by different price range</i>	5,530,815	75-100	94.5	107
	976,000	136-200	152.4	75

Exercisable at the end of the year	1,696,000	75-200	111.1	-
Exercisable at the end of the year by different price range	844,800	75-100	76.6	-
	851,200	136-200	145.4	

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### *ICICI OneSource Limited*

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

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

#### Year ended March 31, 2003

	ICICI OneSource Limited			
	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average Exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	4,250,000	Rs. 11.3	Rs. 11.3	113
Forfeited during the year	(395,000)	11.3	11.3	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>3,855,000</b>	<b>11.3</b>	<b>11.3</b>	<b>113</b>
Exercisable at the end of the year	-	-	-	-

#### Year ended March 31, 2004

#### ICICI OneSource Limited

	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average Exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	<b>3,855,000</b>	<b>Rs. 11.3</b>	<b>Rs. 11.3</b>	<b>113</b>
Granted during the year	15,320,500	12.8-18.5	13.2	73
Forfeited during the year	(1,207,500)	11.3-18.5	11.3	-
Exercised during the year	-	-	-	-
<b>Outstanding at the end of the year</b>	<b>17,968,000</b>	<b>11.3-18.5</b>	<b>12.9</b>	<b>81</b>
<i>Outstanding at the end of the year by different price range</i>	<i>3,192,500</i>	<i>11.3</i>	<i>11.3</i>	<i>101</i>
	<i>14,775,500</i>	<i>12.8-18.5</i>	<i>13.2</i>	<i>55</i>
Exercisable at the end of the year	815,000	11.3	11.3	-

## For the year ended March 31, 2005

## ICICI One Source Limited

	Option shares outstanding	Range of exercise prices and grant date fair values	Weighted average Exercise price	Weighted average remaining contractual life (months)
Outstanding at the beginning of the year	<b>17,968,000</b>	<b>Rs. 11.3 □ 18.5</b>	<b>Rs. 12.9</b>	<b>81</b>
Granted during the year	4,030,000	18.5 □ 19.9	19.8	56
Forfeited during the year	(2,187,500)	11.3 □ 19.9	12.9	-
Exercised during the year	(471,250)	11.3 □ 12.8	12.2	-
<b>Outstanding at the end of the year</b>	<b>19,339,250</b>	<b>11.3 □ 19.9</b>	<b>14.3</b>	<b>65</b>
<i>Outstanding at the end of the year by different price range</i>	<i>14,609,250</i>	<i>11.3-12.8</i>	<i>12.7</i>	<i>66</i>
	<i>4,730,000</i>	<i>18.5-19.9</i>	<i>19.6</i>	<i>57</i>
Exercisable at the end of the year	4,715,125	11.3 □ 18.5	12.7	-
<i>Exercisable at the end of the year by different price range</i>	<i>4,513,875</i>	<i>11.3-12.8</i>	<i>12.4</i>	<i>-</i>
	<i>201,250</i>	<i>18.5</i>	<i>18.5</i>	<i>-</i>

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

## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 28. Income taxes

##### Components of deferred tax balances

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

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

	<b>As of March 31,</b>	
	<b>2004</b>	<b>2005</b>
<b>Deferred tax assets</b>		
Allowance for loan losses	Rs. 17,902	Rs. 18,931
Available for sale securities	-	1,384
Investments in trading securities	67	80
Employee retirement	685	392
Capital loss carry forward	881	881
Business loss carry forward	286	559
Deposits	34	12
Investments in affiliates	642	991
Other	232	226
	<b>Rs. 20,729</b>	<b>Rs. 23,456</b>
	<b>(893)</b>	<b>(135)</b>
<b>Valuation allowance</b>		
	<b>Rs. 19,836</b>	<b>Rs. 23,321</b>
<b>Deferred tax liabilities</b>		
Property and equipment	Rs. (8,329)	Rs. (7,916)
Investments in subsidiaries and affiliates	(450)	(432)
Intangibles	(1,625)	(1,531)
Unearned income	(896)	(1,580)
Investment in trading securities	(63)	-
Long-term debt	(336)	(239)
Available for sale securities	(202)	-
Others	(612)	(62)
	<b>Rs. (12,513)</b>	<b>Rs. (11,760)</b>
<b>Net deferred tax asset</b>	<b>Rs. 7,323</b>	<b>Rs. 11,561</b>

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

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

The Company would require taxable income of Rs.31,614 million in the future periods to be able to fully realize the benefit of net deferred asset recognized in these consolidated financial statements.

The Company had a valuation allowance of Rs. 226 million as at April 1, 2002. The net change in the total valuation allowance for the years ended March 31, 2003, March 31, 2004 and March 31, 2005 was an increase of Rs. 298 million, an increase of Rs. 369 million and a decrease of Rs. 758 million respectively. The majority of the valuation allowance as of March 31, 2005 related to business loss carried forward and capital loss carried forward.

As at March 31, 2005, the Company has total business loss carry forwards of Rs. 857 million. Of this amount, Rs. 164 million expire in 2012. Business loss carry forwards pertaining to the Company's US subsidiary are Rs. 186 million which expires in 2024, Canada subsidiary are Rs. 367 million, which expire Rs. 1 million in 2010 and Rs.366 million in 2014. Business loss carry forwards of Rs. 140 million relating to the Company's Australian operations have no expiration date.

The Company has capital loss carry forward of Rs. 4,294 million, with expiration dates as follows: March 31, 2006 □ Rs. 98 million and March 31, 2012 □ Rs. 4,196 million.

### Reconciliation of tax rates

The Indian statutory tax rate is 35% plus a surcharge. During each of the years presented, legislation was enacted in the first few months of the fiscal year that changed the amount of the surcharge for that fiscal year and future years. The surcharge was changed to 5%, 2.5% and 4.55% during the years ended March 31, 2003, 2004 and 2005, respectively, and resulted in a total statutory tax rate of 36.75%, 35.875% and 36.5925% for the years ended March 31, 2003, 2004 and 2005, respectively.

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

Year ended March 31,		
2003	2004	2005
(in million)		

Income/(loss) before income taxes	Rs. (11,044)	Rs. 6,857	Rs. 10,166
Statutory tax rate	36.75%	35.875%	36.5925%
Income tax expense/(benefit) at the statutory tax rate	(4,059)	2,460	3,720
<i>Increases/(reductions) in taxes on account of:</i>			
Special tax deductions available to financial institutions	(38)	(32)	(40)
Exempt interest and dividend income	(558)	(906)	(479)
Income charged at rates other than statutory tax rate	916	(741)	(1,005)
Changes in the statutory tax rate	(109)	137	(147)
Expenses disallowed for tax purposes	486	270	245
Tax on undistributed earnings of subsidiary	62	134	12
Change in valuation allowance	298	371	(758)
Tax adjustments in respect of prior year tax assessments	(31)	(9)	7
Tax adjustment on account of change in tax status of subsidiary	(97)	-	-
Other	69	(46)	82
	<hr/>	<hr/>	<hr/>
<b>Income tax expense/ (benefit) reported</b>	<b>Rs. (3,061)</b>	<b>Rs. 1,638</b>	<b>Rs. 1,637</b>
	<hr/>	<hr/>	<hr/>

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### Components of income tax expense from continuing operations

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

	<b>Year ended March 31,</b>		
	<b>2003</b>	<b>2004</b>	<b>2005</b>
	<b>(in millions)</b>		
Current	Rs. 1,287	Rs. 3,684	Rs. 3,403
Deferred	(4,348)	(2,046)	(1,766)
	<hr/>	<hr/>	<hr/>
<b>Income tax expense/(benefit) reported</b>	<b>Rs. (3,061)</b>	<b>Rs. 1,638</b>	<b>Rs. 1,637</b>
	<hr/>	<hr/>	<hr/>

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

**Allocation of income taxes**

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

	Year ended March 31,		
	2003	2004	2005
	(in millions)		
Income/(loss) from continuing operations	Rs. (3,061)	Rs. 1,638	Rs. 1,637
Unrealized gain/(loss) on securities available for sale	1,461	655	(2,552)
Additional paid in capital	599	-	-
<b>Income tax expense/(benefit) reported</b>	<b>Rs. (1,001)</b>	<b>Rs. 2,293</b>	<b>Rs. (915)</b>

**29. Commitments and contingencies****Loan commitments**

The Company has outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 37,818 million as of March 31, 2005 (2004: Rs. 73,903 million). The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

**Guarantees**

As a part of its project financing and commercial banking activities, the Company has issued guarantees to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Company will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years.

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**ICICI Bank Limited and Subsidiaries****Notes to the consolidated financial statements (Continued)**

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

The current carrying amount of the liability for the Company's obligations under the guarantee amounted to Rs. 1,256 million (2004: Rs. 1,229 million).



Details of guarantees outstanding are set out below.

Nature of guarantee	Maximum potential amount of future payments under guarantee				
	Less than 1 year	1 - 3 year	3 - 5 year	Over 5 year	Total
	(in millions)				
Financial guarantees	Rs. 35,040	Rs. 10,000	Rs. 6,228	Rs. 9,404	Rs. 60,672
Performance guarantees	37,447	39,539	17,298	5,524	99,808
<b>Total</b>	<b>Rs. 72,487</b>	<b>Rs. 49,539</b>	<b>Rs. 23,526</b>	<b>Rs. 14,928</b>	<b>Rs. 160,480</b>

The Company has collateral available to reimburse potential losses on its guarantees. Margins available to the Company to reimburse losses realized under guarantees amounted to Rs. 4,066 million (2004: Rs. 2,055 million). Other property or security may also be available to the Company to cover these losses under guarantees.

### **Capital commitments**

The Company is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 604 million as of March 31, 2005 (2004: Rs. 294 million).

### **Tax contingencies**

Various tax-related legal proceedings are pending against the Company at various levels of appeal either with the tax authorities or in the courts. Where after considering all available information in the opinion of management a liability requires accrual, the company has accrued such liability and does not estimate any incremental liability in respect of related proceedings.

Where such proceedings are sufficiently advanced to enable management to assess that a liability exist and is subject to reasonable estimation management will record its best estimate of such liability. Where a reasonable range of potential outcomes is estimated, management will record its best estimate, or in the absence of a basis for selecting a specific estimate within a range management will record a liability no less than the lower end of the estimated range. The contested tax demands are adjusted by the tax authorities against refunds due to the Company on favourable resolution of earlier years appeals/ completion of assessments or paid or kept in abeyance in accordance with the terms of the stay order. The payment / adjustment/ stay does not prejudice the outcome of the appeals filed by the Company. The advanced tax payments are recorded as advance tax payments under other asset.

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As of March 31, 2005, the Company has been assessed an aggregate of Rs. 27,998 million in excess of the provision made in the financial statements in income tax, interest tax, wealth tax and sales tax demands by the Government of India's tax authorities for past years. The Company has appealed each of these tax demands. The Company 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 has not provided for these tax demands as of March 31, 2005 based on views of eminent counsels/favorable decisions in own/other cases.

Of the above, Rs. 11,123 million relates to disallowance of depreciation on leased assets. This issue is an industry wide issue, involving multiple litigations across the country.

In one of the instances relating to the above, the Income-tax Appellate Tribunal which is the second appellate level authority, has disallowed the depreciation to the Company in case of assets leased by it. The contingent liability on this disallowance amounts to Rs. 189 million. The Company has preferred an appeal to the Mumbai High Court, which has not yet come up for hearing. The lower level tax authorities in subsequent years, have been consistently denying the depreciation claim of the Company by treating the lease transactions as loans and have allowed only the principal portion of lease rentals as a deduction.

Based on judicial precedents and recent decisions of the Supreme Court and based on consultation with senior tax counsel, the management believes that it is more likely than not that the Company's tax positions will be sustained. Accordingly, no provision has been made in the accounts.

### ***Litigation***

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

### ***Operating lease commitments***

The Company has commitments under long-term operating leases principally for premises and automated teller machines. The following is a summary of future minimum lease rental commitments as of March 31, 2005, for non-cancelable leases:

	<b>(in millions)</b>
Lease rental commitments for the year ending March 31,	
2006	Rs. 866
2007	835
2008	829
2009	813
2010	690
Thereafter	3,225
	<hr/>
<b>Total minimum lease commitments</b>	<b>Rs. 7,258</b>
	<hr/>

### **30. Related party transactions**

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

#### ***Insurance services***

During the year ended March 31, 2005 the Company paid insurance premium to its affiliates amounting to Rs. 322 million (2004: Rs. 219 million, 2003: Rs. 224 million) and received insurance claims amounting to Rs. 17 million (2004: Rs. 86 million).

#### ***Lease of premises and facilities***

During the year ended March 31, 2005, the Company received for lease of premises, facilities and other administrative costs from ICICI Prulife, Rs. 121 million (2004: Rs. 198 million, 2003: Rs. 84 million), from Pru-AMC, Rs. 19 million (2004: Rs. 6 million, 2003: Rs. 6 million) and from ICICI Lombard, Rs. 131 million (2004: Rs. 91 million, 2003: Rs. 82 million).

***Secondment of employees***

During the year ended March 31, 2005, the Company received from ICICI Prulife for seconded employees, Rs. 1 million (2004: Rs. 0.6 million, 2003: Rs. 3 million ) and from ICICI Lombard, Rs. 8 million (2004: Rs. 14 million, 2003: Rs. 10 million).

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***Asset management services***

During the year ended March 31, 2005, the Company provided asset management services to TCW and earned fees of Rs. 5 million (2004: Rs. 14 million, 2003: Rs. 24 million).

***Deposits and borrowings***

During the year ended March 31, 2005, the Company paid interest on bonds/deposits/call borrowings to its affiliated companies, Rs. 74 million (2004: Rs. 27 million 2003: Rs. 12 million).

***Interest and Dividend***

During the year ended March 31, 2005, the Company received a dividend of Rs. 218 million from its affiliates (2004: Rs. 172 million , 2003: Nil).

***Employee loans***

The Company has advanced housing, vehicle and general purpose loans to employees, bearing interest ranging from 2.5% to 6%. The tenure of these loans range from 5 years to 25 years. The loans are generally secured by the assets acquired by the employees. Employee loan balances outstanding as of March 31, 2005, of Rs. 4,539 million (2004: Rs. 3,766 million, 2003: Rs. 2,273 million) are included in other assets.

***Referral fees***

During the year March 31, 2005 the Company received referral fees from its insurance affiliates Rs. 280 million (2004: Rs. 243 million).

***Purchase of investments***

During the year ended March 31, 2005, the Company purchased investments from its affiliates, Rs. 7,574 million (2004: Rs. 2,843 million).

***Sale of investments***

During the year ended March 31, 2005, the Company sold investments amounting to Rs. 4,518 million (2004: Rs. 971 million) to its affiliates and made a loss of Rs. 17 million (2004: Rs. 5 million).

***Related party balances***

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

	<b>As of March 31,</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in million)</b>	
Loans	Rs. 20	Rs. 9
Other assets	3,353	62
Deposits	700	1,621
Other liabilities	50	23

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### 31. Estimated fair value of financial instruments

The Company's financial instruments include non-derivative financial assets and liabilities as well as derivative instruments.

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

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

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

#### **Cash and cash equivalents**

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

**Trading assets and liabilities**

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

**Securities**

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

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**ICICI Bank Limited and Subsidiaries**
**Notes to the consolidated financial statements (Continued)****Loans**

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

**Deposits**

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

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

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

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

	As of March 31, 2004		As of March 31, 2005	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
	<b>(in millions)</b>			
<b>Financial assets</b>				
Trading account assets	Rs. 75,155	Rs. 75,155	Rs. 75,538	Rs. 75,538
Securities (Note 1)	310,368	310,368	380,959	380,959
Loans (Note 2)	728,520	740,786	999,858	1,005,215
Other financial assets (Note 3)	164,127	164,127	229,755	229,755

<b>Total</b>	<b>Rs. 1,278,170</b>	<b>Rs. 1,290,436</b>	<b>Rs. 1,686,110</b>	<b>Rs. 1,691,467</b>
<b>Financial liabilities</b>				
Interest-bearing deposits	Rs. 611,178	Rs. 612,225	Rs. 889,626	Rs. 876,460
Non-interest-bearing deposits	73,777	73,777	126,908	126,908
Trading account liabilities	26,079	26,079	24,258	24,258
Short-term borrowings	57,364	57,364	91,951	91,951
Long-term debt	373,449	397,649	367,499	381,165
Redeemable preferred stock	944	1,056	1,044	1,277
Other financial liabilities (Note 4)	65,142	65,142	74,116	74,116
<b>Total</b>	<b>Rs. 1,207,933</b>	<b>Rs. 1,233,292</b>	<b>Rs. 1,575,402</b>	<b>Rs. 1,576,135</b>

- 1) Includes non-readily marketable equity securities of Rs. 7,209 million (2004: Rs. 8,621 million) for which there are no readily determinable fair values.
- 2) The carrying value of loans is net of the allowance for loan losses, security deposits and unearned income.
- 3) Includes cash and cash equivalents and customers acceptance liability for which the carrying value is a reasonable estimate of fair value.
- 4) Represents acceptances outstanding, for which the carrying value is a reasonable estimate of fair value.

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## ICICI Bank Limited and Subsidiaries

### Notes to the consolidated financial statements (*Continued*)

#### **32. Regulatory matters**

Subsequent to the reverse acquisition of the acquiree, the Company is a banking company within the meaning of the Indian Banking Regulation Act, 1949, registered with and subject to examination by the Reserve Bank of India.

#### ***Statutory liquidity requirements***

In accordance with the Banking Regulation Act, 1949, the Company is required to maintain a specified percentage of its net demand and time liabilities by way of liquid unencumbered assets like cash, gold and approved securities. The amount of securities required to be maintained at March 31, 2005 was Rs. 325,140 million (2004: Rs. 303,432 million).

#### ***Capital adequacy requirements***

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The Company is subject to the capital adequacy requirements set by the Reserve Bank of India, which stipulate a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9% to be maintained. The capital adequacy ratio of the Company calculated in accordance with the Reserve Bank of India guidelines at March 31, 2005, was 11.78% .

**For and on behalf of the Board**

**K.V. KAMATH**  
*Managing Director &  
Chief Executive Officer*

**KALPANA MORPARIA**  
*Deputy Managing Director*

**JYOTIN MEHTA**  
*General Manager &  
Company Secretary*

**N. S. KANNAN**  
*Chief Financial Officer  
& Treasurer*

**G.VENKATAKRISHNAN**  
*General Manager  
Accounting &Taxation Group*

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**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description of Document</u></b>
1.1	ICICI Bank Memorandum of Association, as amended (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2004 filed on September 29, 2004).
1.2	ICICI Bank Articles of Association, as amended.

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13 Certification required by Rule 13a-14(b) of the Securities and Exchange Act of 1934, as amended and Section 1350 of Chapter 63 of Title 18 of the United States Code.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

For ICICI BANK LIMITED

By: /s/ Jyotin Mehta

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Name: Mr. Jyotin Mehta

Title: General Manager and Company Secretary.

Place: Mumbai

Date: September 30, 2005

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