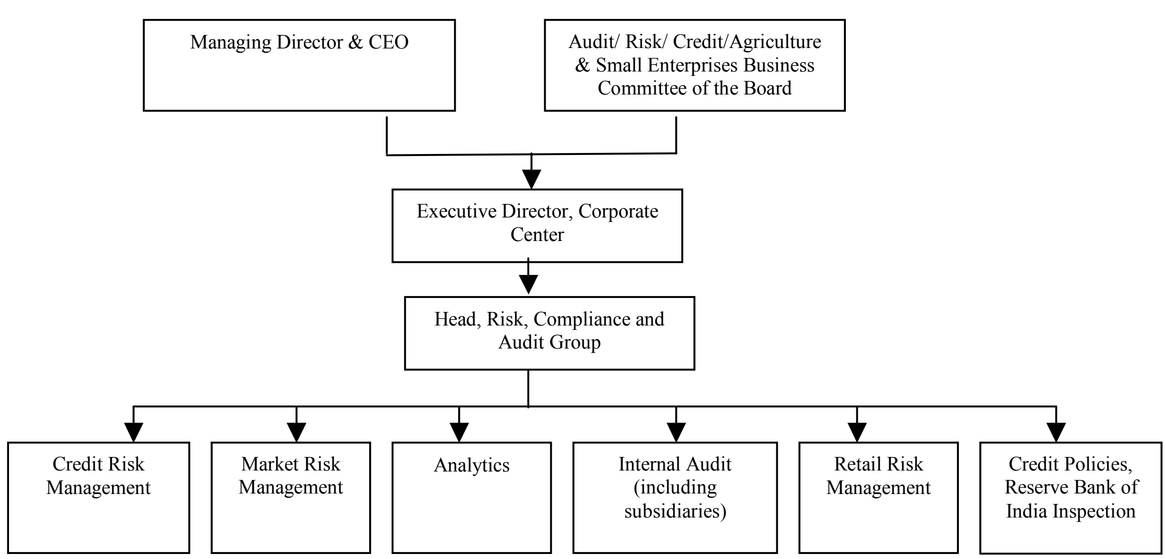
Risk Management

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

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

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

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



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

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

Credit Risk

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

Credit Risk Assessment Procedures for Corporate Loans

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

- 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;
- the borrower's relative market position and operating efficiency; and
- the quality of management by analyzing their track record, payment record and financial conservatism.

Industry risk is evaluated by considering:

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

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

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

Credit Approval Procedures for Corporate Loans

Project Finance Procedures

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

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

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

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

It is ICICI Bank’s current practice to normally disburse funds after the entire project funding is committed and all necessary contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved 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 financings. ICICI Bank has a set of distinct approval procedures to evaluate and mitigate the risks associated with such products. These procedures include:

- 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;
- conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and
- paying particular attention to the legal, accounting and tax issues that may impact any structure.

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

Working Capital Finance Procedures

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

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

Credit Approval Authority for Corporate Loans

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

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

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

Committee	Members	Approval Authority
Credit Committee of the board of directors	Chaired by an independent director and consisting of a majority of independent directors.	• All approvals to companies with rating below BB and all new (non agriculture) companies rated BB, pursuant to ICICI Bank's internal credit rating policy. • All approvals (in practice, generally above the prescribed authority of the Committee of Directors). • Approvals to companies identified by the Credit Committee where the company or the borrower group requires close monitoring.
Committee of Directors	Chaired by the Managing Director and Chief Executive Officer and consisting of all wholetime directors.	All approvals above the prescribed authority of the Committee of Executives (Credit) subject to the following total exposure limits: • Up to 10.0% of ICICI Bank's capital funds[(1)] to a single entity; and • Up to 30.0% of ICICI Bank's capital funds[(1)] to a single group of companies.
Committee of Executives (Credit)	Consisting of heads of client relationship groups, retail assets, treasury, international banking, structured products and portfolio management, project finance with the Chief Financial Officer and the Head-Risk, Compliance and Audit Group as permanent invitees.	Approvals linked to the rating, tenure and security of the exposure, which are above the authority of the Regional Committee (Credit) subject to the following indicative exposure limits: • From up to Rs. 5.0 billion (US$ 105 million) for a one year secured exposure to up to Rs. 0.38 billion (US$ 8 million) for a secured exposure greater than ten years for each company with an internal credit rating of AA- and above; • From up to Rs. 5.0 billion (US$ 105 million) for a one year unsecured exposure to up to Rs. 0.27 billion (US$ 6 million) for an unsecured exposure greater than ten years for each company with an internal credit rating of AA- and above; • From up to Rs. 1.6 billion (US$ 34 million) for a one year secured exposure to up to Rs. 0.13 billion (US$ 3 million) for a ten year secured exposure for each company with an internal credit rating of A+ and below; • From up to Rs. 1.1 billion (US$ 23 million) for a one year unsecured exposure to up to Rs. 0.09 billion (US$ 2 million) for a ten year unsecured exposure for each company with an internal credit rating of A+ and below;
Regional Committee (Credit)	Consisting of regional representatives of various client relationship groups and a representative of Structured Finance and Portfolio Management Group, with a representative of Risk, Compliance and Audit Group as a permanent invitee.	• From up to Rs. 5.0 billion (US$ 105 million) for a one year secured exposure to up to Rs. 0.15 billion (US$ 3 million) for a ten year secured exposure for each company with an internal credit rating of AA- and above; • From up to Rs. 5.0 billion (US$ 105 million) for a one year unsecured exposure to up to Rs. 0.11 billion (US$ 2 million) for a ten year unsecured exposure for each company with an internal credit rating of AA- and above; • From up to Rs. 0.9 billion (US$ 19 million) for a one year secured exposure to up to Rs. 0.06 billion (US$ 1 million) for a ten year secured exposure for each company with an internal credit rating of A+ and below; • From up to Rs. 0.64 billion (US$ 13 million) for a one year unsecured exposure to up to Rs. 0.04 billion (US$ 1 million) for a ten year unsecured exposure for each company with an internal credit rating of A+ and below;
		In all cases, subject to adherence to limits on ICICI Bank's capital funds[(1)] imposed on the Committee of Directors 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 – Capital Adequacy Requirements".

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

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

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

Credit Monitoring Procedures for Corporate Loans

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

Retail Loan Procedures

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

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

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

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

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

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

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

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

Small Enterprises Loan Procedures

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

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

Investment Banking Procedures

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

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

Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk Management Procedures

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

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

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

Interest Rate Risk

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

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

In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except that savings deposits and current deposits which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans are primarily floating rate loans where the rates are reset every quarter. We follow a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years and a prime rate for cash credit products. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement.

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

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

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

	At March 31, 2003(1)-(4)			
	Less than or equal to one year	**Greater than one year and up to five years**	**Greater than five years**	**Total**
	(in millions)			
Loans, net	Rs. 290,554	Rs. 218,691	Rs. 121,175	Rs. 630,421
Securities	146,887	47,065	89,284	283,236
Fixed assets	-	-	21,215	21,215
Other assets(5)	92,431	4,895	148,065	245,391
Total assets	529,872	270,652	379,739	1,180,263
Stockholders' equity	-	-	92,213	92,213
Debt(5)	481,825	271,310	139,820	892,955
Other liabilities	111,433		83,662	195,095
Total liabilities	593,258	271,310	315,695	1,180,263
Total gap before risk management positions…	(63,386)	(658)	64,044	_
Risk management positions………………….	(30,672)	21,989	8,682	_
Total gap after risk management positions….	Rs. (94,058)	Rs. 21,331	Rs. 72,727	Rs. _

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

(2) Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and fixed assets.

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

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

	At March 31, 2003		
	Fixed rate loans	Variable rate loans	Total
		(in millions)	
Loans	Rs. 339,461	Rs. 182,369	Rs. 521,830

Price Risk (Banking book)

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

	At March 31, 2003 Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions, except percentages)			
Rupee portfolio	Rs. 194	Rs. 97	Rs. (97)	Rs. (194)
Foreign currency portfolio	(20)	(10)	10	20
Total	Rs. 174	Rs. 87	Rs. (87)	Rs. (174)

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

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

Price Risk (Trading book)

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

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

	At March 31, 2003				
	Change in interest rates (in basis points)				
	Portfolio Size	(100)	(50)	50	100
	(in millions)				
Government of India securities	Rs. 26,658	Rs. 1,600	Rs. 791	Rs. (726)	Rs. (1,438)
Corporate debt securities	6,704	224	108	(119)	(190)
Total	Rs. 33,362	Rs. 1,824	Rs. 898	Rs. (845)	Rs. (1,628)

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

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

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

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

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

Equity Risk

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

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

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

At year-end fiscal 2003, the fair value of trading account equity securities was Rs. 187 million (US$ 4 million). The fair value of our available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 9.4 billion (US$ 198 million), was Rs. 25.5 billion (US$ 537 million). This included investments of approximately Rs. 5.4 billion (US$ 115 million) in liquid mutual fund units at year-end fiscal 2003. At year-end fiscal 2002, the fair value of trading equity securities was Rs. 742 million (US$ 16 million). The fair value of the available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.3 billion (US$ 174 million), was Rs. 28.5 billion (US$ 600 million).

Exchange Rate Risk

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

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

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

Liquidity Risk

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

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

Operational Risk

ICICI Bank is exposed to many types of operational risk. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. ICICI Bank attempts to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back–up procedures and undertaking regular contingency planning.

Operational Controls and Procedures in Branches

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

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

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

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

Operational Controls and Procedures for Internet Banking

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

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

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

In Mumbai, ICICI Bank has centralized transaction processing on a nationwide basis for transactions like the issue of ATM cards and PIN mailers, reconciliation of ATM transactions, monitoring of ATM functioning, issue of passwords to Internet banking customers, depositing post-dated cheques received from retail loan customers and credit card transaction processing. Centralized processing has been extended to the issuance of personalized check books, back office activities of non-resident Indian accounts, opening of new bank accounts for customers who seek web broking services and recovery of service charges for accounts for holding shares in book-entry form.

Operational Controls and Procedures in Treasury

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

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

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

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

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

Audit

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

The Internal Audit group also has a dedicated team responsible for information technology security audits. Various components of information technology from applications to databases, networks and operating systems are covered under the annual audit plan.

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

Legal Risk

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

Derivative Instruments Risk

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

Controls and Procedures

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

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

Loan Portfolio

Our gross loan portfolio, which includes loans structured as debentures and preferred stock, was Rs. 684.6 billion (US$ 14.4 billion) at year-end fiscal 2003, an increase of 22.2% over ICICI's gross loan portfolio of Rs. 560.2 billion (US$ 11.8 billion), at year-end fiscal 2002. At year-end fiscal 2002, ICICI's gross loan portfolio decreased 11.8% to Rs. 560.2 billion (US$ 11.8 billion) from Rs. 635.1 billion (US$ 13.3 billion) at year-end fiscal 2001, primarily due to securitization and sell-down of ICICI's loan portfolio. Approximately 86.5% of our gross loans were rupee loans at year-end fiscal 2003. At year-end fiscal 2003, our balance outstanding in respect of loans to corporates outside India was Rs. 536 million (US$ 11 million), representing approximately 0.1% of our total gross loan portfolio.

Loan Portfolio by Categories

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

	At March 31, (1)					
	1999	2000	2001	2002	2003	
	(in millions)					
Wholesale banking(2)	**Rs. 423,604**	**Rs. 459,837**	**Rs. 511,312**	**Rs. 410,556**	**Rs. 385,143**	**US$ 8,100**
Rupee	335,306	371,257	428,782	342,068	297,030	6,247
Foreign currency	88,298	88,581	82,530	68,488	88,113	1,853
Working capital finance	**22,697**	**75,606**	**44,442**	**42,225**	**74,422**	**1,565**
Rupee	22,203	72,317	42,592	39,943	70,092	1,474
Foreign currency	494	3,289	1,850	2,282	4,330	91
Leasing and related activities (3)	**51,472**	**35,254**	**39,741**	**24,332**	**17,862**	**376**
Rupee	49,942	33,787	38,258	22,879	17,862	376
Foreign currency	1,530	1,467	1,483	1,453	-	-
Other(4)	**5,862**	**24,835**	**39,563**	**83,135**	**207,213**	**4,357**
Rupee	5,862	24,835	39,563	83,135	207,213	4,357
Foreign currency	-	-	-	-	-	-
Gross loans						
Rupee	413,308	502,196	549,195	488,025	592,197	12,454
Foreign currency	90,322	93,337	85,863	72,223	92,443	1,944
Total gross loans	**503,630**	**595,533**	**635,058**	**560,248**	**684,640**	**14,398**
Allowance for loan losses	(28,524)	(34,085)	(33,035)	(36,647)	(54,219)	(1,140)
Net loans	Rs. 475,106	Rs. 561,448	Rs. 602,023	Rs. 523,601	Rs. 630,421	US$ 13,258

---

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

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

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

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

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

Collateral — Completion, Perfection and Enforcement

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

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

We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. However, cash credit facilities are so structured that we are able to capture the cash flows of our customers for recovery of past due amounts. In addition, we have a right of set-off for amounts due to us on these facilities. Also, we monitor the cash flows of our working capital loan customers on a daily basis so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility.

Loan Concentration

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

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

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

	At March 31,[1]										
	1999		2000		2001		2002		2003		
	(in millions, except percentages)										
Retail finance	Rs. 602	0.1 %	Rs. 6,679	1.1%	Rs. 27,106	4.3%	Rs. 72,789	13.0%	Rs.188,286	US$ 3,960	27.5%
Iron and steel	48,908	9.7	59,246	9.9	70,547	11.1	71,272	12.7	72,473	1,524	10.6
Power	40,154	8.0	56,162	9.4	66,368	10.5	61,159	10.9	56,091	1,180	8.2
Services	40,500	8.0	62,997	10.6	74,425	11.7	47,676	8.5	45,443	956	6.6
Textiles	35,979	7.1	42,019	7.1	47,052	7.4	40,867	7.3	40,279	847	5.9
Telecom	9,867	2.0	15,903	2.7	20,244	3.2	25,547	4.6	27,458	577	4.0
Crude petroleum and petroleum refining	44,492	8.8	51,338	8.6	54,822	8.6	32,099	5.7	24,556	516	3.6
Electronics	11,275	2.2	12,597	2.1	15,032	2.4	17,817	3.2	20,722	436	3.0
Cement	17,069	3.4	19,559	3.3	25,709	4.0	19,088	3.4	18,774	395	2.7
Transport equipment	18,226	3.6	23,020	3.9	19,613	3.1	13,086	2.3	12,872	271	1.9
Food products	6,293	1.2	7,736	1.3	8,755	1.4	9,264	1.7	12,174	256	1.8
Basic chemicals	18,864	3.7	22,058	3.7	15,825	2.5	14,115	2.5	12,147	255	1.8
Machinery	19,562	3.9	19,089	3.2	16,973	2.7	13,196	2.4	11,346	239	1.7
Fertilizers and pesticides	18,493	3.7	21,001	3.5	17,801	2.8	9,202	1.6	11,025	232	1.6
Transportation	17,795	3.5	18,982	3.2	15,568	2.5	8,715	1.6	10,744	226	1.6
Paper and paper products	12,655	2.5	16,934	2.8	16,205	2.6	12,865	2.3	10,651	224	1.6
Petrochemicals	8,128	1.6	7,396	1.2	11,471	1.8	7,621	1.4	10,436	219	1.5
Man-made fibers	11,832	2.3	11,505	1.9	11,061	1.7	8,670	1.5	9,891	208	1.4
Metal products	7,847	1.6	9,783	1.7	7,924	1.2	6,912	1.2	9,094	191	1.3
Electrical equipment	12,738	2.5	18,526	3.1	14,068	2.2	8,357	1.5	8,490	178	1.2
Sugar	7,872	1.6	9,464	1.6	9,718	1.5	7,645	1.4	8,378	176	1.2
Plastics	9,022	1.8	10,988	1.8	11,213	1.8	10,086	1.8	7,825	165	1.1
Non-ferrous metals	5,453	1.1	5,376	0.9	4,473	0.7	6,536	1.2	6,868	144	1.0
Drugs	6,616	1.3	6,936	1.2	9,950	1.6	7,766	1.4	5,464	115	0.8
Rubber and rubber products	3,321	0.7	4,086	0.7	3,431	0.5	3,500	0.6	3,006	63	0.4
Mining	7,918	1.6	8,330	1.4	6,503	1.0	4,970	0.9	2,413	51	0.4
Other chemicals	774	0.2	332	0.1	335	0.1	189	0.0	428	9	0.1
Other[2]	61,375	12.3	47,491	8.0	32,866	5.1	19,239	3.4	37,306	785	5.5
Gross loans	Rs.503,630	100.0%	Rs. 595,533	100.0%	Rs. 635,058	100.0%	Rs.560,248	100.0%	Rs. 684,640	US$ 14,398	100.0%
Allowance for loan losses	(28,524)		(34,085)		(33,035)		(36,647)		(54,219)	(1,140)	
Net loans	Rs.475,106		Rs. 561,448		Rs. 602,023		Rs.523,601		Rs.630,421	US$ 13,258	

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

(2) Other principally includes shipping, printing, mineral products, glass and glass products, watches, healthcare, gems and jewelry, leather and wood products industries.

Our gross loan portfolio at year-end fiscal 2003 increased by 22.2% compared to ICICI's gross loan portfolio at year-end fiscal 2002. The largest increase was in retail finance, which constituted 27.5% of gross loans at year-end fiscal 2003 compared to 13.0% of ICICI's gross loan portfolio at year-end fiscal 2002 and 4.3% of ICICI's gross loan portfolio at year-end fiscal 2001. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 10.6% at year-end fiscal 2003 compared to 12.7% of ICICI's gross loan portfolio at year-end fiscal 2002. Our gross loans to the power sector as a percentage of gross loans decreased to 8.2% at year-end fiscal 2003 compared to 10.9% of ICICI's gross loan portfolio at year-end fiscal 2002. Retail finance accounted for 2.1% of our gross other impaired loans at year-end fiscal 2003. The iron and steel sector accounted for 35.5% of our gross restructured loans and 10.2% of our gross other impaired loans at year-end fiscal 2003. The power sector accounted for 0.9% of our gross restructured loans and 21.3% of our gross other impaired loans at year-end fiscal 2003. See also "-Impaired Loans".

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

Geographic Diversity

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

Directed Lending

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

Priority Sector Lending

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

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

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

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

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

Export Credit

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

Housing Finance

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

Impaired Loans

The following discussion on impaired loans is based on US GAAP. For classification of impaired loans under Indian regulatory requirements, see "Supervision and Regulation – Loan Loss Provisions and Impaired Assets".

Impact of Economic Environment on the Industrial Sector

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

Recognition of Impaired Loans

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

We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are placed on a non-accrual status. For these loans, cash receipts are typically applied to principal and interest in accordance with the terms of the restructured loan agreement. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period.

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

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

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

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

	At March 31,					
	1999	2000	2001	2002	2003	
	(in millions, except percentages)					
Wholesale banking[1]	**Rs. 13,171**	**Rs. 18,513**	**Rs. 37,726**	**Rs. 84,048**	**Rs.135,421**	**US$2,848**
Rupee	8,549	11,896	25,190	60,017	83,074	1,747
Foreign currency	4,622	6,617	12,536	24,031	52,347	1,101
Working capital finance	**-**	**33**	**818**	**5,283**	**11,084**	**233**
Rupee	-	33	818	5,283	11,084	233
Foreign currency	-	-	-	-	-	-
Leasing and related activities[2]	**-**	**-**	**5,137**	**5,652**	**886**	**19**
Rupee	-	-	5,137	5,652	886	19
Foreign currency	-	-	-	-	-	-
Other[3]	**-**	**-**	**-**	**105**	**-**	**-**
Rupee	-	-	-	105	-	-
Foreign currency	-	-	-	-	-	-
Total restructured loans						
Rupee	8,549	11,929	31,145	71,057	95,044	1,999
Foreign currency	4,622	6,617	12,536	24,031	52,347	1,101
Gross restructured loans	**13,171**	**18,546**	**43,681**	**95,088**	**147,391**	**3,100**
Allowance for loan losses	(6,422)	(7,751)	(11,372)	(17,722)	(24,732)	(520)
Net restructured loans	Rs. 6,749	Rs. 10,795	Rs. 32,309	Rs. 77,366	Rs. 122,659	US$ 2,580
Gross loan assets	Rs. 503,630	Rs. 595,533	Rs. 635,058	Rs.560,248	Rs.684,640	US$ 14,398
Net loan assets	475,106	561,448	602,023	523,601	630,421	13,258
Gross restructured loans as a percentage of gross loan assets	2.62%	3.11%	6.88%	16.97%	21.53%	
Net restructured loans as a percentage of net loan assets	1.42%	1.92%	5.37%	14.78%	19.45%	

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

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

	At March 31,					
	1999	2000	2001	2002	2003	
	(in millions, except percentages)					
Wholesale banking[1]	**Rs. 41,611**	**Rs. 45,616**	**Rs. 39,430**	**Rs. 48,093**	**Rs.67,906**	**US$1,428**
Rupee	27,634	29,714	23,514	32,847	50,864	1,070
Foreign currency	13,977	15,902	15,916	15,246	17,042	358
Working capital finance	**1,158**	**1,420**	**1,234**	**1,699**	**11,907**	**250**
Rupee	1,158	1,420	1,234	1,699	11,907	250
Foreign currency	-	-	-	-	-	-
Leasing and related activities[2]	**2,360**	**2,965**	**899**	**731**	**1,550**	**33**
Rupee	2,360	2,965	899	731	1,550	33
Foreign currency	-	-	-	-	-	-
Other[3]	**187**	**573**	**181**	**231**	**1,793**	**38**
Rupee	187	573	181	231	1,793	38
Foreign currency	-	-	-	-	-	-
Total other impaired loans						
Rupee	31,339	34,672	25,828	35,508	66,114	1,391
Foreign currency	13,977	15,902	15,916	15,246	17,042	358
Gross other impaired loans	**45,316**	**50,574**	**41,744**	**50,754**	**83,156**	**1,749**

Allowance for loan losses	(22,102)	(26,334)	(21,663)	(17,567)	(27,837)	(585)
Net other impaired loans	Rs. 23,214	Rs. 24,240	Rs. 20,081	Rs. 33,187	Rs. 55,319	US$ 1,164
Gross loan assets	Rs. 503,630	Rs. 595,533	Rs. 635,058	Rs.560,248	Rs.684,640	US$ 14,398
Net loan assets	475,106	561,448	602,023	523,601	630,421	13,258
Gross other impaired loans as a percentage of gross loan assets	9.00%	8.49%	6.57%	9.06%	12.15%	
Net other impaired loans as a percentage of net loan assets	4.89%	4.32%	3.34%	6.34%	8.77%	

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

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

	At March 31,										
	1999		2000		2001		2002		2003		
	(in millions, except percentages)										
Iron and steel	Rs. 909	6.9%	Rs. 1,461	7.9%	Rs. 7,270	16.6%	Rs. 18,013	18.9%	Rs. 52,295	US$1,100	35.5%
Textiles	1,611	12.2	2,276	12.3	12,437	28.5	21,468	22.6	15,660	329	10.6
Cement	286	2.2	300	1.6	888	2.0	3,454	3.6	10,102	212	6.9
Transport equipment	13	0.1	13	0.1	418	1.0	5,857	6.2	7,219	152	4.9
Paper and paper products	137	1.0	338	1.8	2,211	5.1	6,076	6.4	5,669	119	3.8
Electronics	868	6.6	933	5.0	854	2.0	899	0.9	5,555	117	3.8
Plastics	2,447	18.6	2,525	13.6	2,586	5.9	2,738	2.9	4,829	102	3.3
Man-made fibers	2,616	19.9	3,456	18.6	4,561	10.4	5,759	6.1	4,641	98	3.1
Services	688	5.2	1,098	5.9	1,605	3.7	2,710	2.8	4,589	97	3.1
Sugar	209	1.6	570	3.1	446	1.0	2,859	3.0	4,250	89	2.9
Petrochemicals	546	4.1	710	3.8	937	2.1	853	0.9	3,793	80	2.6
Machinery	209	1.6	283	1.5	902	2.1	1,336	1.4	3,773	79	2.6
Fertilizers and pesticides	99	0.8	76	0.4	141	0.3	3,695	3.9	3,168	67	2.1
Basic chemicals	703	5.2	1,527	8.2	1,306	3.0	1,991	2.1	1,983	42	1.3
Power	—	—	28	0.2	2,278	5.2	915	0.9	1,229	26	0.9
Non-ferrous metals	160	1.2	214	1.2	180	0.4	1,337	1.4	1,164	24	0.8
Electrical equipment	121	0.9	235	1.3	1,035	2.4	1,713	1.8	1,086	23	0.7
Metal products	86	0.7	171	0.9	761	1.7	636	0.7	1,030	22	0.7
Food products	588	4.5	655	3.5	707	1.6	434	0.5	550	12	0.4
Rubber and rubber products	150	1.1	143	0.8	169	0.4	460	0.5	449	9	0.3
Drugs	—	—	—	—	27	0.1	189	0.2	356	7	0.2
Other chemicals	—	—	—	—	—	—	—	—	21	—	—
Other[1]	725	5.6	1,534	8.3	1,962	4.5	11,696	12.3	13,980	294	9.5
Gross restructured loans	Rs.13,171	100.0%	Rs. 18,546	100.0%	Rs. 43,681	100.0%	Rs. 95,088	100.0%	Rs.147,391	US$ 3,100	100%
Aggregate allowance for loan losses	(6,422)		(7,751)		(11,372)		(17,722)		(24,732)	(520)	
Net restructured loans	Rs.6,749		Rs. 10,795		Rs. 32,309		Rs. 77,366		Rs. 122,659	US$ 2,580	

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

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

	At March 31,										
	1999		2000		2001		2002		2003		
	(in millions, except percentages)										
Power	Rs. 35	0.2%	Rs. 71	0.0%	Rs. -	- %	Rs. 6,009	11.9%	Rs.17,733	US$ 373	21.3%
Iron and steel	5,058	11.2	4,942	9.8	5,894	14.1	5,899	11.6	8,481	178	10.2
Metal products	2,872	6.3	3,284	6.5	2,970	7.1	2,628	5.2	7,003	147	8.4
Textiles	3,764	8.3	5,978	11.8	6,041	14.5	4,250	8.4	4,964	104	6.0
Basic chemicals	3,101	6.9	2,879	5.7	2,075	5.0	4,412	8.7	4,624	97	5.6
Petrochemicals	157	0.3	169	0.3	86	0.2	3,440	6.8	4,029	85	4.8
Fertilizers and pesticides	450	1.0	442	0.9	193	0.5	163	0.3	3,282	69	3.9
Electrical equipment	1,333	2.9	1,653	3.3	1,652	4.0	2,008	4.0	3,178	67	3.8
Drugs	2,448	5.4	2,481	4.9	2,401	5.7	2,544	5.0	2,588	54	3.2
Services	1,768	3.9	2,015	4.0	1,324	3.2	416	0.8	2,255	47	2.7
Electronics	2,829	6.2	2,537	5.0	1,456	3.5	1,281	2.5	2,166	45	2.6
Cement	1,728	3.8	1,371	2.7	1,972	4.7	1,287	2.5	1,779	37	2.1
Machinery	1,696	3.7	1,802	3.6	919	2.2	2,596	5.1	1,759	37	2.1
Man-made fibers	3,993	8.8	4,092	8.1	2,129	5.1	1,802	3.6	1,661	35	2.0
Paper and paper products	1,125	2.5	3,147	6.2	2,456	5.9	2,199	4.3	1,582	33	1.9
Food products	2,523	5.6	2,663	5.3	2,415	5.8	1,389	2.8	1,323	28	1.6
Sugar	291	0.7	951	1.9	1,461	3.5	722	1.4	1,262	27	1.5
Plastics	1,268	2.8	1,312	2.6	1,280	3.1	1,137	2.2	1,142	24	1.4
Transport equipment	856	1.9	852	1.7	761	1.8	715	1.4	790	17	1.0
Non-ferrous metals	597	1.3	639	1.3	503	1.2	447	0.9	447	10	0.5
Other chemicals	6	—	48	0.1	45	0.1	92	0.2	357	8	0.4
Rubber and rubber products	462	1.0	485	1.0	335	0.8	328	0.6	328	7	0.4
Other[(1)]	6,956	15.3	6,761	13.3	3,376	8.0	4,990	9.8	10,423	220	12.6
Gross other impaired loans	Rs. 45,316	100.0%	Rs. 50,574	100.0%	Rs.41,744	100.0%	Rs. 50,754	100.0%	Rs.83,156	US$ 1,749	100%
Aggregate allowance for loan losses	(22,102)		(26,334)		(21,663)		(17,567)		(27,837)	(585)	
Net other impaired loans	Rs. 23,214		Rs. 24,240		Rs. 20,081		Rs. 33,187		Rs. 55,319	US$1,164	

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

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

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

Textiles. Over the last few years, the textiles sector was adversely affected by the impact of erratic monsoons on cotton production, the South-east Asian economic crisis and competitive pressures from other low cost textile producing countries. A substantial portion of our loans to this sector have been classified as impaired. At year-end fiscal 2003, we had classified 38.9% of our gross loans in this sector as restructured loans and 12.3% as other impaired loans.

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

Interest Foregone

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

	Interest foregone (in billions)	
Fiscal 1999	Rs. 10.4	US$ 0.2
Fiscal 2000	12.4	0.3
Fiscal 2001	14.3	0.3
Fiscal 2002	16.1	0.3
Fiscal 2003	17.9	0.4

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

Impaired Loans Strategy

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

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

- early enforcement of collateral through judicial means;
- encouraging the consolidation of troubled borrowers in fragmented industries with stronger industry participants;
- encouraging the financial restructuring of troubled borrowers; and
- 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:

- the pledge of sponsor's shareholding;

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

We are seeking to leverage recent positive developments in the Indian financial system that facilitate financial restructuring of troubled borrowers and recovery through enforcement of collateral. These include the constitution of a Corporate Debt Restructuring Forum, consisting of financial institutions and banks, by the Reserve Bank of India, the enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the setting up of an asset reconstruction company to acquire impaired loans from banks and financial institutions. See "Overview of the Indian Financial Sector – Recent Structural Reforms- Legislative Framework for Recovery of Debts due to Banks". However, there can be no assurance of the extent to which, if at all, these developments will have a positive impact on our recovery and settlement efforts.

Allowance for Loan Losses

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

	At March 31,					
	1999	2000	2001	2002	2003	
	(in millions)					
Aggregate allowance for loan losses at the beginning of the year	Rs. 22,457	Rs. 28,524	Rs. 34,085	Rs. 33,035	Rs. 36,647	US$ 770
Less: Effect of deconsolidation of subsidiary on allowance for loan losses	-	-	(747)	-	-	-
Add: Effect of reverse acquisition on allowance for loan losses	-	-	-	-	1,297	27
Add: Provisions for loan losses						
Wholesale banking[1]	5,129	5,571	9,097	9,069	16,601	349
Working capital finance	419	518	479	513	2,237	47
Leasing and related activities [2]	434	279	249	6	231	5
Others [3]	85	(5)	67	155	580	12
Total provisions for loan losses	Rs. 6,067	Rs. 6,363	Rs. 9,892	Rs. 9,743	Rs. 19,649	US$ 413
Write offs[4]	-	(802)	(10,195)	(6,131)	(3,374)	(71)
Aggregate allowance for loan losses at the end of the year	Rs. 28,524	Rs. 34,085	Rs. 33,035	Rs. 36,647	Rs. 54,219	US$ 1,139
Ratio of net provisions for loan losses during the period to average loans outstanding	1.4%	1.2%	1.7%	1.6%	3.2%	

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

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

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

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

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

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

Settlement Cases

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

Enforcement Cases

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

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

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

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

	At March 31, 2003		
	Gross impaired loans	**Percentage expected to be realized on a net present value basis**	**Impaired loans, net of allowance for loan losses**
	(in millions, except percentages)		
Gross principal greater than Rs. 100 million	Rs. 194,374	81.3%	Rs. 158,080
Settlement cases	1,849	85.0	1,572
Enforcement cases	4,327	66.3	2,869
Non-enforcement BIFR cases	2,376	45.7	1,085
Non-enforcement non-BIFR cases	1,385	81.7	1,132
Other loans	26,236	50.4	13,241
Total	Rs. 230,547	77.2%	Rs. 177,979

Subsidiaries and Affiliates

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

The following table sets forth, for the period indicated, certain information relating to ICICI Bank's direct subsidiaries and affiliates at year-end fiscal 2003.

Name	Year of formation	Activities	Shareholding by ICICI Bank	Total income in fiscal 2003[1]	Stockholders' equity at March 31, 2003[1]	Assets at March 31, 2003[1]
				(in millions, except percentages)		
ICICI Securities Limited[2]	February 1993	Investment banking activities	99.9%	Rs. 3,224	Rs. 3,728	Rs. 24,874
ICICI Venture Funds Management Company Limited	January 1988	Venture capital Management	100.0	357	306	410

ICICI Prudential Life Insurance Company Limited[3]	July 2000	Life insurance business	74.0	2,735	1,944	8,455
ICICI Lombard General Insurance Company Limited[3]	October 2000	General insurance business	74.0	595	1,069	3,124
ICICI Home Finance Company Limited	May 1999	Home and property financing	100.0	2,035	1,668	13,390
ICICI International Limited	January 1996	Offshore fund management	100.0	16	26	25
ICICI Trusteeship Services Limited	April 1999	Trustees for various funds	100.0	-	1	1
ICICI Investment Management Company Limited	March 2000	Investment manager for mutual fund	100.0	11	113	123
Prudential ICICI Trust Limited	June 1993	Trustee company for mutual fund	45.0	4	9	13.4
Prudential ICICI Asset Management Company Limited	June 1993	Investment manager for mutual fund	45.0	620	815	863
ICICI Bank UK Limited	February 2003	Had not commenced operations	100.0	-[4]	-[4]	-[4]

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

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

Name	Date of formation	Activities	Shareholding by ICICI Bank, venture capital funds or trusts to which ICICI Bank was a contributory	Total income in fiscal 2003[1]	Stockholders' equity/ net assets at March 31, 2003[1]	Assets at March 31, 2003[1]
				(in millions, except percentages)		
ICICI Infotech Limited[2] [3]	October 1993	Software consulting and development, IT enabled services, IT infrastructure and facilities management	92.5%	Rs. 2,123	Rs. 1,725	Rs. 4,120
ICICI Web Trade Limited[3]	December 1999	Internet-based broking services	100.0	336	185	763
ICICI OneSource Limited[3][4]	December 2001	Business process outsourcing and call center services	100.0	777	1,158	2,068

ICICI Equity Fund	March 2000	Investment predominantly in equity and equity-linked securities of mid sized Indian companies.	100.0	(1)	4,297	4,250
ICICI Emerging Sector Fund	September 2002	Investment in medium sized and early stage companies across sectors	100.0	(26)	3,355	3,396
ICICI Strategic Investments Fund	February 2003	Medium sized growth companies for funding capacity expansion and growth	100.0	(4)	5,645	5,650
ICICI Eco-Net Internet & Technology Fund	December 2000	Investment in equity or equity-linked securities of early stage, unlisted internet and technology companies.	92.1	(132)	879	886

(1) All financial information is in accordance with US GAAP.
(2) Consolidated; formerly ICICI Infotech Services Limited.
(3) Prior to the amalgamation, ICICI's entire interest in ICICI Web Trade Limited and majority interest in ICICI Infotech Limited was transferred to ICICI Information Technology Fund and ICICI Equity Fund respectively. The majority interest in ICICI OneSource Limited is held by ICICI Information Technology Fund and the minority interest by ICICI Bank.
(4) Consolidated

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

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

ICICI Securities Holdings Inc. is a wholly-owned subsidiary of ICICI Securities and ICICI Securities Inc. is a wholly-owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' financial statements. ICICI Infotech Inc., ICICI Infotech Pte. Limited and ICICI Infotech Pty. Limited are wholly-owned subsidiaries of ICICI Infotech Limited and are consolidated in its financial statements. ICICI Infotech SDN BDH is a subsidiary of ICICI Infotech Pte. Limited and is consolidated in the financial statements of ICICI Infotech Limited. Semantik Solutions GmbH is a joint venture between ICICI Infotech Limited, Fraunhofer ISST and Innova Business Development and Holding GmbH. The shareholding of ICICI Infotech Limited in Semantik Solutions GmbH is 50.0%. The financials of Semantik Solutions GmbH are consolidated in the financial statements of ICICI Infotech Limited. ICICI OneSource Limited, USA and ICICI OneSource Limited, UK are both wholly-owned subsidiaries of Customer Asset India Private Limited, which is a wholly-owned subsidiary of ICICI OneSource Limited.

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

Technology

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

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

Technology Organization

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

Electronic and Online Channels

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

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

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

ICICI Bank's telephone banking call centers have a total seating capacity of 1,750 seats, across two locations. These telephone banking call centers use an Interactive Voice Response System (IVRS). In fiscal 2003, ICICI Bank upgraded the existing hardware and deployed a new integrated Interactive Voice Response System to enhance capacity. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship with ICICI Bank. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities.

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

Application of Information Systems

Treasury and Trade Finance Operations

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

Banking Application Software

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

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

High-Speed Electronic Communications Infrastructure

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

Customer Relationship Management

In fiscal 2002, ICICI Bank implemented a customer relationship management solution for automation of customer handling in all key retail products. ICICI Bank increased the deployment of its customer relationship management software. ICICI Bank's customer relationship management solution enables various channels to service the customer needs at all touch points, and across all products and services. The solution has been deployed at the telephone banking call centers as well as a large number of branches. ICICI Bank has also undertaken a retail data warehouse initiative to achieve customer data integration at the back-office level.

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

Competition

As a result of the acquisition of Bank of Madura, we became and continue to be the largest private sector bank in India and as a result of the amalgamation, we became and continue to be the second largest bank in India, in terms of total assets. We face strong competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We believe that our principal competitive advantage over our competitors arises from our innovative products and services, our use of technology, our long-standing customer relationships and our highly motivated and skilled employees. Because of these factors, we believe that we have a strong competitive position in the Indian financial services market. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Corporate products and services

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

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

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

In project finance, ICICI's primary competitors were established long-term lending institutions. In recent years, Indian and foreign commercial banks have sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge has allowed us to gain credibility with project sponsors, overseas lenders and policy makers.

Retail products and services

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

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

Internet to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers of various ages and income profiles. This strategy has contributed significantly to the rapid growth in our retail liability base.

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

Employees

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

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

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

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

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

ICICI Bank has training centers at Khandala in the state of Maharashtra, which conduct various training programs designed to meet the changing skill requirements of its employees. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training center regularly offers courses conducted by faculty, both national and international, drawn from industry, academia and ICICI Bank's own organization.

Training programs are also conducted for developing functional as well as managerial skills. Products and operations training is also conducted through web-based training modules.

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

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

	At March 31,			
	2002		2003	
	Number	% to total	Number	% to total
ICICI Bank	-[(1)]	- %	10,617	69.9%
ICICI	1,165	23.0	-[(2)]	-
ICICI Personal Financial Services	1,236	24.5	-[(2)]	-
ICICI Capital Services	505	10.0	-[(2)]	-
ICICI Securities	143	2.8	147	1.0
ICICI Home Finance	442	8.7	927	6.1
ICICI Infotech	1,443	28.5	1,302	8.6
ICICI OneSource	-	-	2,056	13.5
Others	129	2.5	130	0.9
Total number of employees	5,063	100.0%	15,179	100.0%

(1) At year-end fiscal 2002, ICICI Bank was accounted for in ICICI's financial statements by the equity method.

(2) Amalgamated with and into ICICI Bank with effect from April 1, 2002 for accounting purposes under US GAAP.

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

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

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

The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were not consolidated under US GAAP in fiscal 2003 and have been accounted for under the equity method due to substantive participative rights retained by the minority shareholders. ICICI

Prudential Life insurance had 1,932 employees at year-end fiscal 2003 and 2,642 employees at August 31, 2003. ICICI Lombard General Insurance had 284 employees at year-end fiscal 2003 and 399 employees at August 31, 2003.

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

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

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

Properties

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

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

Legal and Regulatory Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. However, excluding the legal proceedings discussed below, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

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

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

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

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

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

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