SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

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

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

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

On the date of amalgamation, ICICI held a 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank was recorded as treasury stock at its historical carrying value. In September 2002, the treasury stock was sold to institutional investors for Rs. 13,154 million (US$ 277 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US$ 13 million), was recognized in the statement of stockholders' equity as a capital transaction.

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

The consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, in each of fiscal 2001 and 2002 has now been deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees are no longer consolidated but are accounted for by the equity method. Prior period financial statements have been restated and as a result, the financial statements for fiscal 2001 and 2002 contained in this annual report are not the same as those contained in our annual report for fiscal 2002. There is no resultant impact on net income or stockholders' equity for fiscal 2001 and 2002.

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

	Year ended March 31,					
	1999	2000	2001	2002	2003	2003 (1)
	(in millions, except per common share data)					
Selected income statement data:						
Interest income	Rs. 70,293	Rs. 79,296	Rs. 79,759	Rs. 78,600	Rs. 97,714	US$ 2,055
Interest expense	(58,043)	(67,492)	(67,893)	(69,520)	(83,208)	(1,750)
Net interest income	12,250	11,804	11,866	9,080	14,506	305
Dividends	676	1,502	345	267	389	8
Net interest income, including dividends	12,926	13,306	12,211	9,347	14,895	313
Provisions for loan losses	(6,067)	(6,363)	(9,892)	(9,743)	(19,649)	(413)
Net interest income / (loss), including dividends, after provisions for loan losses	6,859	6,943	2,319	(396)	(4,754)	(100)
Non-interest income	5,560	9,815	9,243	8,148	13,253	278
Net revenue	12,419	16,758	11,562	7,752	8,499	178
Non-interest expense	(3,795)	(5,302)	(5,479)	(7,596)	(18,609)	(390)
Equity in earnings / (loss) of affiliates	(34)	20	735	294	(958)	(20)
Minority interest	(170)	(361)	1	83	24	-
Income / (loss) before income taxes, extraordinary items and cumulative effect of accounting changes	8,420	11,115	6,819	533	(11,044)	(232)
Income tax (expense) / benefit	(1,194)	(2,033)	(189)	(251)	3,061	64
Income / (loss) before extraordinary items and cumulative effect of accounting changes, net of tax	7,226	9,082	6,630	282	(7,983)	(168)
Extraordinary items, net of tax(2)	292	-	-	-	-	-
Cumulative effect of accounting changes, net of tax(3)	-	249	-	1,265	-	-
Net income/ (loss)	Rs. 7,518	Rs. 9,331	Rs. 6,630	Rs. 1,547	Rs. (7,983)	US$ (168)
Per common share(4):						
Net income / (loss) from continuing operations —Basic(5)	Rs. 31.32	Rs. 28.90	Rs. 16.88	Rs. 3.94	Rs. (14.18)	US$ (0.30)
Net income/ (loss) from continuing operations —Diluted(6)	27.04	27.54	16.81	3.94	(14.18)	(0.30)
Dividends(7)	11.0	11.0	11.0	22.0	-	-
Book value	152.04	180.58	193.35	181.70	150.42	3.16
Common shares outstanding at end of period (in millions of common shares)	240	393	393	393	613	
Weighted average common shares outstanding —basic (in millions of common shares)	240	323	393	393	563	
Weighted average common shares outstanding —diluted (in millions of common shares)	289	344	393	393	563	

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

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

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

FASB issued SFAS No. 141, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted separately. As of April 1, 2001, ICICI had an unamortized deferred credit of Rs. 1,265 million (US$ 26 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI. As required by SFAS No. 141, in conjunction with the early adoption of SFAS No. 142, the unamortized deferred credit as of April 1, 2001, was written-off and recognized as the effect of a change in accounting principle.

(4) For fiscal 1999, 2000, 2001 and 2002, based on the exchange ratio of 1:2 in which shareholders of ICICI were issued shares of ICICI Bank, number of shares have been adjusted by dividing by two. Hence, these numbers are different from the numbers reported in last year's annual report on Form 20-F for fiscal 2002.

(5) Represents net income / (loss) before dilutive impact.

(6) Represents net income / (loss) adjusted for full dilution. All convertible instruments are assumed to be converted to common shares at the beginning of the year, at prices that are most advantageous to the holders of these instruments. For the purpose of calculating diluted earnings per share, the net income was adjusted for interest (after tax) on convertible instruments only for the year ended March 31, 2000, as all convertible bonds were converted/redeemed in fiscal 2001. Shares assumed to be issued have been weighted for the period the convertible instruments are outstanding. Options to purchase 2,546,675, 7,015,800 and 12,610,275 equity shares granted to employees at a weighted average exercise price of Rs. 226.0, Rs. 81.3 and Rs. 154.7 were outstanding in fiscal 2001, 2002 and 2003, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period. In fiscal 2003 we have reported a net loss and accordingly all outstanding options at year-end fiscal 2003 are anti-dilutive. See Note 24 to our consolidated financial statements.

(7) In India, dividends for a fiscal year are normally declared and paid in the following year. The same was true for ICICI until fiscal 2001. However, in fiscal 2002, dividend was paid by ICICI as an interim dividend during fiscal 2002. We have declared a dividend of Rs. 7.50 per equity share for fiscal 2003, which was paid out in August 2003 i.e. fiscal 2004. The dividend per equity share shown above is based on the total amount of dividends paid out on the equity shares during the year, exclusive of dividend tax. This was different from the dividend declared for the year. In US dollars, dividends were US$ 0.23 per equity share in each of fiscal 1999, 2000 and 2001 and US$ 0.46 per equity share in fiscal 2002.

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

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

	Year ended March 31,				
	1999	**2000**	**2001**	**2002**	**2003**
Selected income statement data:					
Interest income	12.24%	11.23%	11.29%	10.53%	8.63%
Interest expense	(10.11)	(9.56)	(9.61)	(9.31)	(7.35)
Net interest income	2.13	1.67	1.68	1.22	1.28
Dividends	0.12	0.21	0.05	0.04	0.03
Net interest income, including dividends	2.25	1.88	1.73	1.25	1.32
Provisions for loan losses	(1.06)	(0.90)	(1.40)	(1.31)	(1.73)
Net interest income / (loss), including dividends, after provisions for loan losses	1.19	0.98	0.33	(0.05)	(0.42)
Non-interest income, net	0.97	1.39	1.31	1.09	1.17
Net revenue	2.16	2.37	1.64	1.04	0.75
Non-interest expense	(0.66)	(0.75)	(0.78)	(1.02)	(1.64)
Equity in earnings/(loss) of affiliates	(0.01)	0.00	0.10	0.04	(0.08)
Minority interest	(0.03)	(0.05)	0.00	0.01	0.00
Income / (loss) before income taxes and cumulative effect of accounting changes	1.46	1.57	0.97	0.07	(0.98)
Income tax (expense)/benefit	(0.21)	(0.29)	(0.03)	(0.03)	0.27
Income/(loss) before extraordinary items and cumulative effect of accounting changes, net of tax	1.25	1.28	0.94	0.04	(0.70)
Extraordinary items and cumulative effect of accounting changes, net of tax	0.05	0.04	-	0.17	-
Net income/(loss)	1.30%	1.32%	0.94%	0.21%	(0.70)%

	At March 31,					
	1999	**2000**	**2001**	**2002**	**2003**	**2003[(1)]**
	(in millions, except percentages)					
Selected balance sheet data:						
Total assets	Rs.646,945	Rs.774,279	Rs.739,892	Rs.743,362	Rs.1,180,263	US$ 24,822
Securities	15,041	18,871	18,861	60,046	280,621	5,902
Loans, net[(2)]	475,106	561,448	602,023	523,601	630,421	13,258
Troubled debt restructuring (restructured loans), net	6,749	10,795	32,309	77,366	122,659	2,580
Other impaired loans, net	23,214	24,240	20,081	33,187	55,319	1,163
Total liabilities	609,661	699,073	663,829	671,754	1,087,926	22,880
Long-term debt	435,521	436,320	492,882	511,458	400,812	8,429
Deposits	60,605	96,682	6,072	7,380	491,290	10,332
Redeemable preferred stock[(3)]	10,897	10,207	698	772	853	18
Stockholders' equity	36,494	70,908	75,927	71,348	92,213	1,939
Common stock	2,400	3,916	3,924	3,922	6,127	129
Period average[(4)]:						
Total assets	574,198	706,066	706,343	746,330	1,132,638	23,820
Interest-earning assets	500,966	612,452	615,164	641,141	924,573	19,444
Loans, net[(2)]	430,830	513,421	570,989	591,398	606,496	12,755
Total liabilities[(5)]	538,213	650,794	631,324	670,750	1,038,377	21,838
Interest-bearing liabilities	483,636	583,609	576,474	613,401	905,226	19,037
Long-term debt	383,286	436,718	462,916	504,103	455,347	9,576
Stockholders' equity	Rs.35,985	Rs.55,272	Rs.75,019	Rs.75,580	Rs.94,261	US$ 1,982
Profitability:						
Net income / (loss) as a percentage of:						
Average total assets	1.30%	1.32%	0.94%	0.21%	(0.70)%	
Average stockholders' equity	20.89	16.88	8.84	2.05	(8.47)	
Average stockholders' equity	19.26	15.95	8.89	2.12	(8.31)	

(including redeemable preferred stock) [6]					
Dividend payout ratio[7]	34.8	28.3	52.9	635.2	-
Spread[8]	2.03	1.38	1.19	0.93	1.38
Net interest margin[9]	2.45	1.93	1.93	1.42	1.57
Cost-to-income ratio[10]	20.53	22.93	25.54	43.42	66.11
Cost-to-average assets ratio[11]	0.66	0.75	0.78	1.02	1.64
Capital:					
Average shareholders' equity as a percentage of average total assets	6.27	7.83	10.62	10.13	8.32
Average stockholders' equity (including redeemable preferred stock) as a percentage of average total assets [12]	7.48	9.30	10.95	10.23	8.39

	At or for the year ended March 31,				
	1999	2000	2001	2002	2003
	(in percentages)				
Asset quality					
Net restructured loans as a percentage of net loans	1.42%	1.92%	5.37%	14.78%	19.45%
Net other impaired loans as a percentage of net loans	4.89	4.32	3.34	6.34	8.77
Allowance for loan losses on restructured loans as a percentage of gross restructured loans	48.76	41.79	26.03	18.64	16.78
Allowance for loan losses on other impaired loans as a percentage of gross impaired loans	48.77	52.07	51.89	34.61	33.48
Allowance for loan losses as a percentage of gross loans	5.66	5.72	5.20	6.54	7.92

(1) Rupee amounts for fiscal 2003 have been translated into US dollars using the noon buying rate in effect on March 28, 2003 of Rs. 47.55 = US$ 1.00.
(2) Net of allowance for loan losses in respect of restructured and other impaired loans and allowances for loans not specifically identified as restructured or other impaired loan.
(3) ICICI had issued preferred stock redeemable at face value after 20 years. Banks in India are not currently allowed to issue preferred stock. However, we are currently exempt from the restriction.
(4) For fiscal 1999, 2000, 2002 and 2003 the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that fiscal year and for fiscal 2001, the average balances are the average of quarterly balances outstanding at the end of June, September, December and March of that fiscal year.
(5) Represents the average of the quarterly balance of total liabilities and minority interest.
(6) Represents the ratio of net income plus dividend on redeemable preferred stock to the sum of average stockholders' equity and average redeemable preferred stock. Under Indian tax laws, dividend on preferred stock is not tax deductible.
(7) Represents the ratio of total dividends paid on common stock, exclusive of dividend distribution tax, as a percentage of net income.
(8) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets was the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
(9) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.
(10) Represents the ratio of non-interest expense, to the sum of net interest income, dividends and non-interest income.
(11) Represents the ratio of non-interest expense to average total assets.
(12) ICICI Bank's capital adequacy is computed in accordance with the Reserve Bank of India guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At year-end fiscal 2003, on this basis ICICI Bank's total capital adequacy ratio was 11.10% with Tier 1 capital adequacy ratio of 7.05% and Tier 2 capital adequacy ratio of 4.05%. Capital adequacy reporting for ICICI as of year-end fiscal 2002 was not required as it ceased to exist for Indian GAAP reporting purposes, as ICICI Bank was the accounting acquirer in Indian GAAP.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Introduction

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

Indian Economy

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

The average annual rate of inflation measured by the Wholesale Price Index declined to 3.4% in fiscal 2003 from 3.6% in fiscal 2002. Fuel price inflation declined to 5.5% in fiscal 2003 from 8.9% in fiscal 2002. The high level of foreign exchange reserves and the volume of food stocks cushioned the inflationary impact of insufficient rainfall and drought conditions. The US-led coalition's war in Iraq also did not significantly impact the inflationary process because of the relatively short duration of the war. Conditions, however, still remain unsettled in the Middle East where most of the world's oil production facilities are located and continuing tensions or hostilities could lead to increases in oil prices or higher volatility in oil prices.

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

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

Regional Hostilities and Terrorist Attacks

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

Banking Sector

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

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

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

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

Amalgamation

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

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

On the date of amalgamation, ICICI held 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank was recorded as treasury stock at its historical carrying value. In September 2002, the treasury stock was sold to institutional investors for Rs. 13,154 million (US$ 277 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US$ 13 million), was recognized in the statement of stockholders' equity as a capital transaction.

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

Effect of Other Acquisitions

In fiscal 2003, ICICI Infotech, an entity consolidated in our US GAAP financial statements, acquired the remaining 50.0% ownership interest in Tricolor Infotech International Inc., Mauritius for a cash consideration of Rs. 110 million (US$ 2 million). The assets of Tricolor Infotech International Inc. amounted to Rs. 35 million (US$ 726,603). The business combination was accounted for by the purchase method and accordingly the consolidated financial statements since fiscal 2003 include the results of operations of Tricolor Infotech International Inc. The business combination resulted in goodwill of Rs. 18 million (US$ 378,549) as the purchase price was more than the fair value of net assets acquired.

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

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

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

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

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

In October 2002, the FASB issued SFAS No. 147, Acquisitions of Certain Financial Institutions, which requires that business combinations involving financial institutions within its scope, be accounted for under SFAS No. 141. Previously, generally accepted accounting principles for acquisitions of financial institutions provided for recognition of the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. Under SFAS No. 147, such excess is accounted for as goodwill. Adoption of SFAS No. 147 resulted in a reclassification of a previously recorded unidentifiable intangible asset of Rs. 373 million (US$ 8 million) to goodwill with effect from April 1, 2001. Further, as required by SFAS No. 147, ICICI reversed the amortization expense of Rs. 290 million (US$ 6 million) and the related income tax benefit of Rs. 103 million (US$ 2 million), by restating the results for fiscal 2002.

ICICI adopted SFAS No. 142 on April 1, 2001, which resulted in reclassification of existing goodwill and intangible assets. In fiscal 2002, ICICI recorded goodwill of Rs. 354 million (US$ 7 million) relating to acquisitions of certain software services companies of which goodwill of Rs. 70 million (US$ 1 million) had been recorded pending final allocation as of March 31, 2002. The revenues and total assets of the acquired companies were immaterial to the consolidated results of operations and financial position of ICICI. Substantially all goodwill at year-end fiscal 2002, related to the software development and services reporting unit of ICICI. No goodwill impairment loss had been recorded during fiscal 2002 and 2003. In June 2001, the FASB issued SFAS No. 141, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted separately. As of April 1, 2001, ICICI had an unamortized deferred credit of Rs. 1.3 billion (US$ 27 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI. As required by SFAS No. 141, in conjunction with the early adoption of SFAS No. 142, the unamortized deferred credit as of April 1, 2001, has been written-off and recognized as the effect of a change in accounting principle.

Deconsolidation of ICICI Bank for fiscal 2001 and 2002

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

Change in accounting basis for insurance subsidiaries

The consolidation of ICICI's majority ownership interest in the two insurance companies, ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, incorporated in each of fiscal 2001 and 2002 has now been deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees are no longer consolidated but are accounted for by the equity method. Prior period financial statements have been restated and as a result, the financial statements for fiscal 2001 and 2002 contained in this annual report are not the same as those contained in our annual report for fiscal 2002. There is no resultant impact on net income or stockholders' equity for fiscal 2001 and 2002.

Results of Operations

Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks. These include the prudential reserve and liquidity requirements, namely the statutory liquidity ratio under Section 24 of the Indian Banking Regulation Act, 1949, and the cash reserve ratio under Section 42 of the Reserve Bank of India Act,

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

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

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

Summary Fiscal 2003 to Fiscal 2002

Loss (before cumulative effect of accounting changes, net of tax) amounted to Rs. 8.0 billion (US$ 168 million) in fiscal 2003 compared to income (before cumulative effect of accounting changes, net of tax) of Rs. 282 million (US$ 6 million) in fiscal 2002 primarily due to the large increase in provisions for loan losses, which increased by 102.1% or by Rs. 9.9 billion (US$ 208 million) to Rs. 19.6 billion (US$ 413 million) in fiscal 2003 from Rs. 9.7 billion (US$ 205 million) in fiscal 2002. Increases in net interest income and non-interest income were offset by the increase in non-interest expenses. After considering the cumulative effect of accounting changes, net loss amounted to Rs. 8.0 billion (US$ 168 million) in fiscal 2003 compared to net income of Rs. 1.5 billion (US$ 33 million) in fiscal 2002. We made a loss on average assets of 0.70% for fiscal 2003 compared to net income on average assets of 0.21% for fiscal 2002 and loss on average stockholders' equity of 8.47% for fiscal 2003 compared to net income on average stockholders' equity of 2.05% for fiscal 2002.

- Net interest income (excluding dividends) before provisions for loan losses increased 59.7% to Rs. 14.5 billion (US$ 305 million) in fiscal 2003 from Rs. 9.1 billion (US$ 191 million) in fiscal 2002 reflecting mainly the following factors:
  - an increase of Rs. 282.7 billion (US$ 5.9 billion) or 50.4% in the average volume of interest-earning rupee assets;

- an increase of Rs. 688 million (US$ 14 million) or 0.86% in the average volume of interest-earning foreign currency assets;
- an increase in rupee spread to 1.24% in fiscal 2003 from 0.72% in fiscal 2002; and
- an increase in foreign currency spread to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

- The average volume of interest-earning rupee assets increased by Rs. 282.7 billion (US$ 5.9 billion) during fiscal 2003 primarily due to the increase in investment in government securities by Rs. 228.1 billion (US$ 4.8 billion) as we were required to maintain the statutory liquidity ratio on ICICI's liabilities, which were not subject to this requirement prior to the amalgamation.

- The spread increased by 45 basis points to 1.38% in fiscal 2003 from 0.93% in fiscal 2002 and net interest margin also increased to 1.57% in fiscal 2003 from 1.42% in fiscal 2002.

- Non-interest income increased by 62.7% in fiscal 2003 to Rs. 13.3 billion (US$ 278 million), from Rs. 8.1 billion (US$ 171 million) in fiscal 2002, primarily due to a decrease in loss from security transactions by Rs 3.3 billion (US$ 68 million), increase in fee income, commission and brokerage by Rs. 1.0 billion (US$ 21 million) and gains from sale of loans and credit substitutes by Rs. 816 million (US$ 17 million).

- Non-interest expense increased 145.0% in fiscal 2003 to Rs. 18.6 billion (US$ 390 million) from Rs. 7.6 billion (US$ 160 million) in fiscal 2002 primarily due to the amalgamation and an increase in employee expenses and other administrative costs, mainly due to the growth in retail products and services.

- Provisions for loan losses increased to Rs. 19.6 billion (US$ 413 million) during fiscal 2003 from Rs. 9.7 billion (US$ 205 million) in fiscal 2002 reflecting an increase in gross restructured and other impaired loans by Rs. 84.7 billion (US$ 1.8 billion) in fiscal 2003 compared to Rs. 60.4 billion (US$ 1.3 billion) in fiscal 2002. Provisions for loan losses as a percentage of net loans increased to 3.12% in fiscal 2003 from 1.86% in fiscal 2002.

- Gross restructured loans increased 55.0% to Rs. 147.4 billion (US$ 3.1 billion) at year-end fiscal 2003 from Rs. 95.1 billion (US$ 2.0 billion) at year-end fiscal 2002, primarily due to an increase in restructuring of loans to companies in the iron and steel, cement and electronics industries. Gross other impaired loans increased 63.8% to Rs.83.2 billion (US$ 1.7 billion) at year-end fiscal 2003 from Rs. 50.7 billion (US$ 1.1 billion) at year-end fiscal 2002, primarily due to an increase in respect of borrowers in the power, metal products and fertilizer and pesticides industries. As a percentage of net loans, net restructured loans were 19.5% at year-end fiscal 2003 compared to 14.8% at year-end fiscal 2002 and net other impaired loans were 8.8% at year-end fiscal 2003 compared to 6.3% in year-end fiscal 2002.

- Total assets increased by 58.8% to Rs. 1,180.3 billion (US$ 24.8 billion) at year-end fiscal 2003 from Rs. 743.4 billion (US$ 15.6 billion) at year-end fiscal 2002. Net loans increased 20.4% to Rs. 630.4 billion (US$ 13.3 billion) at year-end fiscal 2003 from Rs. 523.6 billion (US$ 11.0 billion) at year-end fiscal 2002.

Summary Fiscal 2002 to Fiscal 2001

Income (before cumulative effect of accounting changes, net of tax) declined to Rs. 282 million (US$ 6 million) in fiscal 2002 compared to Rs. 6.6 billion (US$ 139 million) in fiscal 2001 primarily due to lower net interest income, lower fees, commissions and brokerage and higher non-interest expense. Net income after cumulative effect of accounting changes declined to Rs. 1.5 billion (US$ 33 million) in fiscal 2002 compared to Rs. 6.6 billion (US$ 139 million) in fiscal 2001. As a result, the return on average assets for fiscal 2002 declined to 0.21% compared to 0.94% in fiscal 2001 and the return on average stockholders' equity declined to 2.05% in fiscal 2002 compared to 8.84% in fiscal 2001.

- Net interest income (excluding dividends) before provisions for loan losses decreased 23.5% to Rs. 9.1 billion (US$ 191 million) in fiscal 2002 from Rs. 11.9 billion (US$ 260 million) in fiscal 2001, with an increase of Rs. 38.7 billion (US$ 813 million) or 7.4% in the average volume of interest-earning rupee assets being offset mainly by the following factors:
    - a decrease of Rs. 12.7 billion (US$ 267 million) or 13.7% in the average volume of interest-earning foreign currency assets;
    - a decrease in rupee spread to 0.72% in fiscal 2002 from 0.89% in fiscal 2001; and
    - a decrease in foreign currency spread to 0.84% in fiscal 2002 from 2.19% in fiscal 2001.

- The spread declined by 26 basis points to 0.93% in fiscal 2002 from 1.19% in fiscal 2001 and net interest margin also decreased to 1.42% in fiscal 2002 from 1.93% in fiscal 2001.

- Gross restructured loans increased by 117.7% to Rs. 95.1 billion (US$ 2.0 billion) at year-end fiscal 2002 from Rs. 43.7 billion (US$ 919 million) at year-end fiscal 2001, primarily due to an increase in restructuring of loans to companies in the textiles, transport equipment and iron and steel industries. Also, loans previously categorized as other impaired loans amounting to Rs. 12.5 billion (US$ 263 million) were restructured during fiscal 2002 and were re-classified as restructured loans at year-end fiscal 2002. Gross other impaired loans increased 21.6% to Rs. 50.8 billion (US$ 1.0 billion) at year-end fiscal 2002 from Rs. 42.0 billion (US$ 878 million) at year-end fiscal 2001. As a percentage of net loans, net restructured loans were 14.8% at year-end fiscal 2002 compared to 5.4% at year-end fiscal 2001 and net other impaired loans were 6.3% at year-end fiscal 2002 compared to 3.3% in year-end fiscal 2001.

- Non-interest income declined by 11.9% in fiscal 2002 to Rs. 8.1 billion (US$ 171 million), from Rs. 9.2 billion (US$ 194 million) in fiscal 2001. Though there was a significant increase in trading account revenue, gain on sale of loans and income from software development and services in fiscal 2002, this was offset by a decline in gain on sale of stock of subsidiaries and affiliates, an other than temporary diminution on securities portfolio and a decline in fees, commission and brokerage. In fiscal 2001, non-interest income included a gain on the sale of ICICI's equity interest in ICICI Bank of Rs. 2.0 billion (US$ 42 million) and in ICICI Infotech of Rs. 511 million (US$ 11 million).

- Non-interest expense increased 38.6% in fiscal 2002 to Rs. 7.6 billion (US$ 160 million) from Rs. 5.5 billion (US$ 115 million) in fiscal 2001 primarily due to an increase in employee expenses and other administrative costs for ICICI Infotech, and other administrative costs.

- Provisions for loan losses decreased 2.0% to Rs. 9.7 billion (US$ 205 million) during fiscal 2002 from Rs. 9.9 billion (US$ 208 million) in fiscal 2001 and reflected a result of management's estimation of the recoverability of restructured and other impaired loans. ICICI believed that several loans, which became restructured loans in fiscal 2002, were essentially to inherently viable projects, which resulted in lower impairment losses during fiscal 2002. Provisions for loan losses in fiscal 2002 included Rs. 1.4 billion (US$ 29 million) of unallocated provisions on loans not specifically identified as restructured or other impaired loans, which were based on ICICI's estimate of the probable losses inherent in that portfolio. Provisions for loan losses as a percentage of net loans increased to 1.86% in fiscal 2002 from 1.64% in fiscal 2001.

- Total assets increased marginally by 0.5% to Rs. 743.4 billion (US$ 15.6 billion) at year-end fiscal 2002 from Rs. 739.9 billion (US$ 15.6 billion) at year-end fiscal 2001. Net loans decreased 13.0% to Rs. 523.6 billion (US$ 11.0 billion) at year-end fiscal 2002 from Rs. 602.0 billion (US$ 12.7 billion) at year-end fiscal 2001.

Average Balance Sheet

For fiscal 2002 and 2003, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that fiscal year. For fiscal 2001, the average balances are the average of quarterly balances outstanding at the end of June, September, December and March. The amortized portion of loan origination fees (net of loan origination costs) was included in interest income on loans, representing an adjustment to the yield. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include impaired loans and are net of allowance for loan losses that have been allocated on a pro-rata basis to rupee loans and foreign currency loans, based on the proportion of impaired rupee loans and impaired foreign currency loans. We did not recalculate tax-exempt income on a tax-equivalent basis because we believed that the effect of doing so would not be significant. Total interest income also includes other interest income which is primarily interest on refund of income tax.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which are major components of interest income, interest expense and net interest income. The average balances of loans include impaired loans and are net of allowance for loan losses.

	Year ended March 31,								
	2001			2002			2003		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
	(in millions, except percentages)								
Assets:									
Cash, cash equivalents and Trading assets:									
Rupee	Rs.29,774	Rs.3,262	10.96%	Rs.28,592	Rs.1,883	6.59%	Rs.58,204	Rs.3,937	6.76%
Foreign currency	13,136	567	4.32	9,422	200	2.12	15,712	195	1.24
Total cash, cash equivalents and Trading assets	42,910	3,829	8.92	38,015	2,083	5.48	73,916	4,132	5.59
Securities—debt:									
Rupee	1,265	154	12.17	11,728	1,180	10.06	244,161	16,633	6.81
Foreign currency	-	-	-	-	-	-	-	-	-
Total securities—debt	1,265	154	12.17	11,728	1,180	10.06	244,161	16,633	6.81
Loans, net:									
Rupee	491,792	67,494	13.72	521,169	69,725	13.38	541,868	70,917	13.09
Foreign currency	79,197	7,778	9.82	70,230	5,512	7.85	64,628	4,163	6.44
Total loans, net	570,989	75,272	13.18	591,399	75,237	12.72	606,496	75,080	12.38
Other interest income	-	504	-	-	100	-	-	1,869	-
Interest-earning assets:									
Rupee	522,831	71,414	13.66	561,489	72,889	12.98	844,233	93,356	11.06
Foreign currency	92,333	8,345	9.04	79,652	5,711	7.17	80,340	4,358	5.42
Total interest-earning assets	615,164	79,759	12.97	641,141	78,600	12.26	924,573	97,714	10.57
Securities—equity:									
Rupee	25,239	345	1.37	31,434	267	0.85	29,379	389	1.32
Foreign currency	-	-	-	-	-	-	-	-	-
Total securities—equity	25,239	345	1.37	31,434	267	0.85	29,379	389	1.32
Earning assets:									
Rupee	548,069	71,759	13.09	592,922	73,156	12.34	873,613	93,745	10.73
Foreign currency	92,333	8,345	9.04	79,652	5,711	7.17	80,340	4,358	5.42
Total earning assets	640,402	80,104	12.51	672,575	78,867	11.73	953,953	98,103	10.28

Cash and cash equivalents	3,959	-	6,720	-	45,585	-
Acceptances	4,048	-	3,552	-	26,496	-
Property and equipment	11,531	-	13,375	-	18,826	-
Other assets	46,403	-	50,109	-	87,778	-
Total non-earning assets	65,941	-	73,755	-	178,685	-
Total assets	Rs.706,344	Rs.80,104	Rs.746,330	Rs.78,867	Rs.1,132,638	Rs.98,103

	Year ended March 31,								
	2001			2002			2003		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
Liabilities:	(in millions, except percentages)								
Savings account deposits:									
Rupee	Rs. -	Rs. -	-%	Rs. -	Rs. -	-%	Rs. 30,828	Rs. 914	2.96%
Foreign currency	-	-	-	-	-	-	46	-	0.67
Total savings account deposits	-	-	-	-	-	-	30,874	914	2.96
Time deposits:									
Rupee	3,682	490	13.30	6,618	744	11.24	315688	24688	7.82
Foreign currency	0	0	-	0	0	-	11456	431	3.76
Total time deposits	3,682	490	13.30	6,618	744	11.24	327,144	25,119	7.68
Long-term debt:									
Rupee	373,604	50,337	13.47	424,745	54,387	12.80	390,602	45,661	11.69
Foreign currency	89,313	6,249	7.00	79,358	5,337	6.72	64,745	2,420	3.74
Total long-term debt	462,916	56,586	12.22	504,103	59,724	11.85	455,347	48,081	10.56
Redeemable preferred stock	2,321	244	10.52	735	74	10.07	813	82	10.09
Trading account and other liabilities:									
Rupee	100,569	10,230	10.17	85,057	8,217	9.66	75,983	8,590	11.31
Foreign currency	6986	343	4.91	16,888	761	4.50	15,065	423	2.81
Total trading account and other liabilities	107,555	10,573	9.83	101,945	8,978	8.81	91,048	9,013	9.90
Interest-bearing liabilities:									
Rupee	480,176	61,301	12.77	517,155	63,423	12.26	813,913	79,935	9.82
Foreign currency	96,299	6,592	6.84	96,246	6,097	6.34	91,313	3,274	3.59
Total interest-bearing liabilities	576,475	67,893	11.78	613,401	69,520	11.33	905,226	83,209	9.19
Non-interest-bearing deposits:									
Rupee	-	-		-	-		31,172	-	
Foreign currency	-	-		-	-		-	-	
Total non-interest-bearing deposits	-	-		-	-		31,172	-	
Other liabilities	54,850	-		57,349	-		133,151	-	
Total non-interest-bearing liabilities	54,850	-		57,349	-		164,323	-	
Total liabilities	Rs. 631,324	Rs. 67,893		Rs.670,750	Rs. 69,520		Rs. 1,038,377	Rs.83,209	
Stockholders' equity	Rs. 75,019	-		Rs. 75,580	-		Rs. 94,261	-	
Total liabilities and stockholders' equity	Rs. 706,343	Rs. 67,893		Rs.746,330	Rs. 69,520		Rs.1,132,638	Rs.83,209	

Analysis of Changes in Interest Income and Interest Expense Volume and Rate Analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes, which are due to both volume and rate, have been allocated solely to volume.

	Fiscal 2002 vs. Fiscal 2001			Fiscal 2003 vs. Fiscal 2002		
	Increase (decrease) due to			Increase (decrease) due to		
	Net change	**Change in average volume**	**Change in average rate**	**Net change**	**Change in average volume**	**Change in average rate**
Interest income:	(in millions)					
Cash, cash equivalents and trading assets:						
Rupee	Rs. (1,379)	Rs. (78)	Rs. (1,301)	Rs. 2,054	Rs. 2,003	Rs. 51
Foreign currency	(368)	(79)	(289)	(5)	78	(83)
Total cash, cash equivalents and trading assets	(1,747)	(157)	(1,590)	2,049	2,081	(32)
Securities:						
Rupee	1,026	1,053	(27)	15,453	15,834	(381)
Foreign currency	-	-	-	-	-	-
Total securities	1,026	1,053	(27)	15,453	15,834	(381)
Loans:						
Rupee	2,231	3,930	(1,699)	1,192	2,709	(1,517)
Foreign currency	(2,266)	(704)	(1,562)	(1,349)	(361)	(988)
Total loans	(35)	3,226	(3,261)	(157)	2,348	(2,505)
Other interest income	(404)	(404)	-	1,769	1,769	-
Total interest income:						
Rupee	1,474	4,501	(3,027)	20,468	22,315	(1,848)
Foreign currency	(2,634)	(783)	(1,851)	(1,354)	(283)	(1,071)
Total interest income	Rs. (1,160)	Rs. 3,718	Rs. (4,878)	Rs. 19,114	Rs. 22,032	Rs. (2,919)
Interest expense:						
Savings account deposits:						
Rupee	-	-	-	Rs. 914	Rs. 914	-
Foreign currency	-	-	-	0.31	0.31	-
Total savings account deposits	Rs. -	Rs. -	Rs. -	Rs. 914	Rs. 914	Rs. -
Time deposits:						
Rupee	254	330	(76)	23,944	24,171	(226)
Foreign currency	-	-	-	431	431	-
Total time deposits	254	330	(76)	24,375	24,601	(226)
Long-term debt:						
Rupee	4,050	6,549	(2,499)	(8,726)	(3,991)	(4,735)
Foreign currency	(912)	(669)	(242)	(2,917)	(546)	(2,371)
Total long-term debt	3,138	5,879	(2,741)	(11,643)	(4,537)	(7,106)
Redeemable preferred stock[1]	(170)	(160)	(10)	8	8	-
Trading account and other liabilities:						
Rupee	(2,013)	(1,499)	(514)	373	(1,026)	1,399
Foreign currency	418	446	(28)	(338)	(51)	(287)
Total trading account and other liabilities	(1,595)	(1,053)	(542)	35	(1,077)	1,112
Total interest expense:						
Rupee	2,121	5,221	(3,099)	16,513	20,075	(3,562)
Foreign currency	(494)	(223)	(270)	(2,824)	(166)	(2,658)
Total interest expense	Rs. 1,627	Rs. 4,997	Rs. (3,369)	Rs.13,689	Rs. 19,909	Rs. (6,220)
Net interest income:						
Rupee	(647)	(719)	72	3,955	2,240	1,715
Foreign currency	(2,140)	(560)	(1,581)	1,470	(117)	1,587
Total net interest income	Rs. (2,787)	Rs. (1,279)	Rs. (1,509)	Rs. 5,425	Rs. 2,123	Rs. 3,301

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

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

	Year ended March 31,				
	1999	2000	2001	2002	2003
	(in millions, except percentages)				
Interest income	Rs. 70,293	Rs. 79,296	Rs. 79,759	Rs. 78,600	Rs. 97,714
Average interest-earning assets	500,966	612,452	615,164	641,141	924,573
Interest expense	58,043	67,492	67,893	69,520	83,209
Average interest-bearing liabilities	483,636	583,609	576,474	613,401	905,226
Average total assets	574,198	706,066	706,343	746,330	1,132,638
Average interest-earning assets as a percentage of average total assets	87.25%	86.74%	87.09%	85.91%	81.63%
Average interest-bearing liabilities as a percentage of average total assets	84.23	82.66	81.61	82.19	79.92
Average interest-earning assets as a percentage of average interest-bearing liabilities	103.58	104.94	106.71	104.52	102.14
Yield	14.03	12.95	12.97	12.26	10.57
Rupee	15.67	14.20	13.66	12.98	11.06
Foreign currency	8.63	7.57	9.04	7.17	5.42
Cost of funds	12.00	11.56	11.78	11.33	9.19
Rupee	13.64	12.77	12.77	12.26	9.82
Foreign currency	6.07	5.66	6.84	6.34	3.59
Spread [(1)]	2.03	1.38	1.19	0.93	1.38
Rupee	2.03	1.42	0.89	0.72	1.24
Foreign currency	2.55	1.91	2.19	0.84	1.84
Net Interest margin[(2)]	2.44	1.93	1.93	1.42	1.57
Rupee	2.23	1.75	1.93	1.69	1.59
Foreign currency	3.16	2.70	1.90	-0.48	1.35

(1) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.
(2) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends.

	Year ended March 31,					
	2001	2002	2002/2001 % Change	2003	2003	2003/2002 % Change
	(in millions, except percentages)					
Interest income	Rs. 79,759	Rs. 78,600	(1.5)%	Rs. 97,714	US$ 2,055	24.3%
Interest expense	(67,893)	(69,520)	2.4%	(83,208)	(1,750)	19.7%
Net interest income, excluding income from dividends	Rs. 11,866	Rs. 9,080	(23.5)%	Rs. 14,506	US$ 305	59.7%

Fiscal 2003 compared to Fiscal 2002

Net interest income increased 59.7% in fiscal 2003 compared to fiscal 2002 reflecting mainly the following:

- an increase of Rs. 282.7 billion (US$ 5.9 billion) or 50.3% in the average volume of interest-earning rupee assets;
- an increase of Rs. 688 million (US$ 14 million) or 0.9% in the average volume of interest-earning foreign currency assets;
- an increase in rupee spread to 1.24% in fiscal 2003 from 0.72% in fiscal 2002; and
- an increase in foreign currency spread to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

The average volume of interest-earning rupee assets increased by Rs. 282.7 billion (US$ 5.9 billion) during fiscal 2003 primarily due to the increase in investment in government securities by Rs. 228.1 billion (US$ 4.8 billion) as we were required to maintain statutory liquidity ratio on ICICI's liabilities, which were not subject to this requirement prior to the amalgamation.

ICICI Bank's average volume of loans was Rs. 85.4 billion (US$ 1.8 billion) in fiscal 2002. Subsequent to the amalgamation, our average volume of loans increased in fiscal 2003 to Rs. 606.5 billion (US$ 12.8 billion). The average volume of rupee loans increased by Rs. 20.7 billion (US$ 435 million) or 4.0% to Rs. 541.9 billion (US$ 11.4 billion) in fiscal 2003 from Rs. 521.2 billion (US$ 11.0 billion) in fiscal 2002. This increase in average loans was principally due to the addition of ICICI Bank's loans, subsequent to amalgamation, and increased disbursements of retail finance loans, offset by securitization of loans and repayments of existing loans. The average volume of foreign currency loans decreased 8.0% to Rs. 64.6 billion (US$ 1.4 billion) in fiscal 2003 from Rs. 70.2 billion (US$ 1.5 billion) in fiscal 2002.

ICICI Bank's gross loans outstanding were Rs. 75.7 billion (US$ 1.6 billion) at year-end fiscal 2002. Subsequent to the amalgamation, our gross loans increased 22.2% in fiscal 2003 to Rs. 684.6 billion (US$ 14.4 billion) from ICICI's gross loans of Rs. 560.2 billion (US$ 11.8 billion) at year-end fiscal 2002. Gross rupee loans at year-end fiscal 2003 increased 22.0% to Rs. 595.0 billion (US$ 12.5 billion) compared to Rs. 487.6 billion (US$ 10.3 billion) at year-end fiscal 2002 and gross foreign currency loans declined 23.4% to Rs. 89.7 billion (US$ 1.9 billion) compared to Rs. 72.7 billion (US$ 1.5 billion) at year-end fiscal 2002. Gross retail finance loans at year-end fiscal 2003 increased 158.0% to Rs. 188.3 billion (US$ 4.0 billion) from Rs. 73.0 billion (US$ 1.5 billion) at year-end fiscal 2002. Our project finance and working capital finance loans decreased 0.8% to Rs. 462.3 billion (US$ 9.7 billion) at year-end fiscal 2003 compared to Rs. 458.6 billion (US$ 9.6 billion) at year-end fiscal 2002.

ICICI Bank's average volume of cash, cash equivalents and trading assets was Rs. 48.9 billion (US$ 1.0 billion) in fiscal 2002. The average volume of cash, cash equivalents and trading assets increased by 94.4% in fiscal 2003 to Rs. 73.9 billion (US$ 1.6 billion) compared to fiscal 2002 primarily due to the impact of amalgamation, and requirement of cash reserve ratio on ICICI's liabilities effective April 2002. At year-end fiscal 2002, cash, cash equivalents and trading assets of ICICI were Rs. 83.9 billion (US$ 1.8 billion) and of ICICI Bank were Rs. 115.4 billion (US$ 2.4

billion). ICICI and ICICI Bank were maintaining a large amount of cash and liquid balances at year-end fiscal 2002 to meet the reserve requirements on ICICI's liabilities. Cash, cash equivalents and trading assets increased by 33.7% to Rs. 112.1 billion (US$ 2.4 billion) at year-end fiscal 2003 from Rs. 83.9 billion (US$ 1.8 billion) at year-end fiscal 2002, reflecting the addition of ICICI Bank's cash, cash equivalents and trading assets offset, in part, by utilization of the cash and liquid balances existing at the beginning of fiscal 2003 for investment in government securities to meet statutory liquidity ratio requirement.

The spread increased by 45 basis points to 1.38% in fiscal 2003 from 0.93% in fiscal 2003 as rupee spread increased by 52 basis points and foreign currency spread increased by 100 basis points. Net interest margin increased by 15 basis points to 1.57% in fiscal 2003 from 1.42% in fiscal 2002. This was primarily due to the increase in spread as offset by a decrease in average interest-earning assets as a percentage of average interest-bearing liabilities to 102.1% in fiscal 2003 from 104.5% in fiscal 2002.

The yield on interest-earning rupee assets decreased 192 basis points to 11.06% in fiscal 2003 from 12.98% in fiscal 2002 principally due to the significant increase in proportion of securities acquired primarily to meet the statutory liquidity ratio requirement on ICICI's liabilities. Securities, which earned a yield of 6.81% in fiscal 2003 increased to 26.4% as a proportion of average interest-earning assets from 1.8% in fiscal 2002. The yield on loans declined due to non-accrual of income on loans recognized as impaired during the year and reduction in rates of interest on restructured loans, as well as a general decline in interest rates in the economy. The non-accrual of income on impaired loans was partly offset by interest income of Rs. 2.4 billion (US$ 50 million) which was recognized on impaired loans on a cash basis in fiscal 2003 compared to Rs. 3.3 billion (US$ 69 million) in fiscal 2002. ICICI Bank's average volume of deposits was Rs. 194.8 billion (US$ 4.1 billion) in fiscal 2002 with an average cost of 7.0%, and ICICI Bank's deposits at year-end fiscal 2002 were Rs. 325.2 billion (US$ 6.8 billion). These existing deposits along with new deposits raised during the year, being at a cost lower than ICICI's borrowings, reduced our cost of liabilities. The average cost of rupee liabilities decreased 244 basis points to 9.82% in fiscal 2003 from 12.26% in fiscal 2002 primarily due to acquisition of low interest-bearing deposits of ICICI Bank subsequent to amalgamation, increase in deposits and repayment of higher cost rupee liabilities of ICICI in fiscal 2003 and a general decline in interest rates in fiscal 2003. Average deposits, with a cost of 6.7% in fiscal 2003, constituted 43.0% of total interest-bearing liabilities compared to a cost of 11.2% in fiscal 2002. While the average cost of long-term rupee debt decreased to 11.7% from 12.8%, the average cost of short-term rupee borrowings increased to 9.9% in fiscal 2003 from 8.8% in fiscal 2002. As the decline in average cost was higher that the decline in yield, it resulted in an increase in rupee spread by 52 basis points to 1.24% in fiscal 2003 from 0.72% in fiscal 2002.

Our foreign currency loans are primarily floating rate US dollar LIBOR-linked loans. The yield on the company's interest-earning foreign currency assets decreased 175 basis points to 5.42% in fiscal 2003 from 7.17% in fiscal 2002, principally due to a decrease in LIBOR during fiscal 2003. The average cost of foreign currency liabilities decreased 275 basis points to 3.59% in fiscal 2003 from 6.34% in fiscal 2002. The foreign currency spread increased 100 basis points to 1.84% in fiscal 2003 from 0.84% in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Net interest income decreased 23.5% in fiscal 2002 compared to fiscal 2001 reflecting mainly the following:

- an increase of Rs. 38.7 billion (US$ 813 million) or 7.4% in the average volume of interest-earning rupee assets, more than offset by
- a decrease of Rs. 12.7 billion (US$ 267 million) or 13.7% in the average volume of interest-earning foreign currency assets;
- a decrease in rupee spread to 0.72% in fiscal 2002 from 0.89% in fiscal 2001; and

- a decrease in foreign currency spread to 0.84% in fiscal 2002 from 2.19% in fiscal 2001.

The average volume of rupee loans increased by Rs. 29.4 billion (US$ 618 million) or 6.0% to Rs. 521.2 billion (US$ 11.0 billion) at year-end fiscal 2002 from Rs. 491.8 billion (US$ 10.3 billion) at year-end fiscal 2001. This increase in average loans was principally due to increased disbursements of retail finance loans in fiscal 2002. Gross retail finance loans at year-end fiscal 2002 increased 168.5% to Rs. 73.0 billion (US$ 1.5 billion) from Rs. 27.1 billion (US$ 570 million) at year-end fiscal 2001. This increase in retail loans was offset by securitization and sale of corporate loans in the second half of fiscal 2002 to raise resources to meet reserve requirements on ICICI's outstanding liabilities. As a result, project finance and working capital finance loans decreased 18.2% to Rs. 458.6 billion (US$ 9.6 billion) at year-end fiscal 2002 compared to Rs. 555.8 billion (US$ 11.7 billion) at year-end fiscal 2001. Gross rupee loans at year-end fiscal 2002 declined 11.2% to Rs. 487.6 billion (US$ 10 billion) compared to Rs. 548.8 billion (US$ 11.5 billion) at year-end fiscal 2001 and gross foreign currency loans declined 15.7% to Rs. 72.7 billion (US$ 1.5 billion) compared to Rs. 86.2 billion (US$ 1.8 billion) at year-end fiscal 2001. The average volume of foreign currency loans decreased to Rs. 70.2 billion (US$ 1.5 billion) in fiscal 2002 from Rs. 79.2 billion (US$ 1.7 billion) in fiscal 2001.

Cash, cash equivalents and trading assets increased by 68.3% to Rs. 83.9 billion (US$ 1.8 billion) at year-end fiscal 2002 from Rs. 49.8 billion (US$ 1.0 billion) at year-end fiscal 2001 as ICICI maintained larger cash balances at year-end fiscal 2002 to have resources to comply with the reserve requirements on ICICI's liabilities following the amalgamation. The average volume of cash, cash equivalents and trading assets declined 11.4% in fiscal 2002 to Rs. 38.0 billion (US$ 800 million) compared to fiscal 2001 as the average balance considered was only the average of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of fiscal 2002 and not an average of daily balances.

The spread declined by 26 basis points to 0.93% in fiscal 2002 from 1.19% in fiscal 2001 as rupee spread decreased by 17 basis points and foreign currency spread decreased by 135 basis points. Net interest margin decreased by 51 basis points to 1.42% in fiscal 2002 from 1.93% in fiscal 2001. This was primarily due to the decrease in spread and the average interest-earning assets as a percentage of average interest-bearing liabilities to 104.5% in fiscal 2002 from 106.7% in fiscal 2001.

ICICI's foreign currency loans were primarily floating rate US dollar LIBOR-linked loans. The yield on interest-earning foreign currency assets decreased 187 basis points to 7.17% in fiscal 2002 from 9.04% in fiscal 2001, principally due to a decrease in LIBOR during fiscal 2002. The average cost of the ICICI's foreign currency liabilities decreased 50 basis points to 6.34% in fiscal 2002 from 6.84% in fiscal 2001. The decrease in average cost of foreign currency liabilities was significantly lower than the decrease in LIBOR during fiscal 2002, since ICICI had swapped some of its foreign currency liabilities to generate rupee funds for lending in rupees during fiscal 2001 and fiscal 2002. The foreign currency interest expense included forward premium expenses paid on forward contracts booked on ICICI's foreign currency borrowings. The amount of foreign currency liabilities swapped into rupee funds was significantly higher in fiscal 2002 compared to fiscal 2001, resulting in a higher expense of Rs. 1.7 billion (US$ 36 million) compared to Rs. 549 million (US$ 12 million) in fiscal 2001. This additional cost impacted the foreign currency spread by 120 basis points. As a result of the foregoing, the foreign currency spread decreased 135 basis points to 0.84% in fiscal 2002 from 2.19% in fiscal 2001. The adverse impact on the foreign currency net interest margin, which was negative for fiscal 2002, was offset by the rupee yield (which was higher than the foreign currency yield) earned on the rupee assets created out of the swapped foreign currency liabilities.

In fiscal 2002, ICICI earned other interest income of Rs. 100 million (US$ 2.1 million) compared to Rs. 504 million (US$ 11 million) in fiscal 2001. Other interest income in fiscal 2001 included an amount of Rs. 470 million (US$ 10 million) of interest on income-tax refund, which was not there in fiscal 2002.

Provisions for Loan Losses

The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans.

	At March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Gross restructured loans	Rs. 43,681	Rs. 95,088	117.7%	Rs. 147,391	US$ 3,100	55.0%
Allowance for loan losses on restructured loans	(11,372)	(17,722)	55.8	(24,732)	(520)	39.6
Net restructured loans	32,309	77,366	139.5	122,659	2,580	58.5
Gross other impaired loans	41,744	50,754	21.6	83,156	1,749	63.8
Allowance for loan losses on other impaired loans	(21,663)	(17,567)	(18.9)	(27,837)	(585)	58.5
Net other impaired loans	20,081	33,187	65.3	55,319	1,163	66.7
Gross restructured and other impaired loans	85,425	145,842	70.7	230,547	4,849	58.1
Allowance for loan losses(1)	(33,035)	(35,289)	6.8	(52,569)	(1,106)	49.0
Net restructured and other impaired loans	52,390	110,553	111.0	177,978	3,743	61.0
Gross total loans	635,058	560,248	(11.8)	684,640	14,398	22.2
Net total loans	602,023	523,601	(13.0)	630,421	13,258	20.4
Gross restructured loans as a percentage of gross loans	6.88%	16.97%		21.53%		
Gross other impaired loans as a percentage of gross loans	6.57	9.06		12.15		
Net restructured loans as a percentage of net loans	5.37	14.78		19.46		
Net other impaired loans as a percentage of net loans	3.34	6.34		8.77		
Allowance for loans losses on restructured loans as a percentage of gross restructured loans	26.03	18.64		16.78		
Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans	51.89	34.61		33.48		
Allowance on loan losses as a percentage of gross loans	5.20	6.54		7.92		

(1) Does not include provisions on loans not specifically identified as restructured or other impaired loans.

The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses.

	Year ended March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Total provisions for the year	Rs. 9,892.0	Rs. 9,743.0	(1.5)%	Rs. 19,649.0	US$ 413	101.7%
Provision for loans losses as a percentage of net loans	1.64%	1.86%		3.12%		

Changes in provisions and allowance for loan losses as a whole reflected economic trends in the key manufacturing and infrastructure segments in which many of our customers operate. The manufacturing sector has been adversely impacted between fiscal 1998 and fiscal 2003 primarily due to a slowdown in the Indian economy, a downturn in global commodity prices, particularly in the steel and textiles sectors, and a rapid reduction in import duties, which adversely impacted the performance of borrowers in these sectors. The changing economic and regulatory environment led to reduced profitability for certain borrowers. As a result of these adverse economic factors some of the loans to these borrowers became impaired. A process of restructuring, including rationalization of capital structures and production capacities, is taking place in several industries as companies reposition their businesses in the new environment.

Gross restructured loans increased 55.0% during fiscal 2003 to Rs. 147.4 billion (US$ 3.1 billion) at year-end fiscal 2003, primarily due to an increase in restructuring of loans to companies in the iron and steel, cement and electronics industries. Gross other impaired loans increased 63.9% to Rs. 83.1 billion (US$ 1.7 billion) at year-end fiscal 2003 from Rs. 50.7 billion (US$ 1.1 billion) at year-end fiscal 2002 primarily due to companies in the power, metal products and fertilizers and pesticides industries. As a percentage of net loans, net restructured loans were 19.5% at year-end fiscal 2003 compared to 14.8% at year-end fiscal 2002 and net other impaired loans were 8.8% at year-end fiscal 2003 compared to 6.3% in year-end fiscal 2002.

Provisions for loan losses increased 101.7% to Rs. 19.6 billion (US$ 413 million) during fiscal 2003 from Rs. 9.7 billion (US$ 205 million) in fiscal 2002 and reflected a result of management's estimation of the recoverability of restructured and other impaired loans. Gross restructured and other impaired loans increased by Rs. 84.7 billion (US$ 1.3 billion) in fiscal 2003 compared to Rs. 60.4 billion (US$ 1.3 billion) in fiscal 2002. We believe that several loans, which became restructured loans in fiscal 2002 and 2003, were essentially to inherently viable projects and consequently resulted in lower impairment losses. As a result, the coverage ratio on gross restructured loans decreased to 16.8% at year-end fiscal 2003 from 18.6% at year-end fiscal 2002 and 26.0% at year-end fiscal 2001. The coverage ratio on other impaired loans decreased to 33.5% at year-end fiscal 2003 from 34.6% at year-end fiscal 2002 and 51.9% at year-end fiscal 2001.

During fiscal 2001, changes in the tax laws necessitated that loan balances deemed unrecoverable be charged-off against the allowance for loan losses. Accordingly, ICICI charged-off significant loan balances deemed unrecoverable in fiscal 2001. The loans charged-off in fiscal 2003 were Rs. 3.4 billion (US$ 71 million) compared to Rs. 6.1 billion (US$ 129 million) in fiscal 2002.

We identify a commercial loan as impaired and place it on non-accrual status when it is probable that we would be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. A commercial loan is also considered to be impaired and placed on a non-accrual basis if interest or principal is greater than 180 days overdue. The Reserve Bank of India's revised asset classification rules effective from fiscal 2004 require Indian banks to classify an asset as impaired when principal or interest has remained overdue for more than 90 days. This may impact the classification of, and reserving against, impaired loans. Delays or shortfalls in loan payments are evaluated along with other factors to determine if a loan should be classified as impaired. The decision to classify a loan as impaired is also based on an evaluation of the borrower's financial condition, collateral, liquidation value and other factors that affect the borrower's ability to pay. We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are typically placed on a non-accrual status. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we classified as non-accrual, the loan is returned to accrual status. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period.

Generally, at the time a loan is placed on non-accrual status, interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on non-accrual loans is recognized as interest income only to the extent that cash is received. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we classified as non-accrual, the loan is returned to accrual status. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower could have met the rescheduled terms and may result in the loan being returned to accrual status after a performance period. Consumer loans are generally identified as impaired not later than a predetermined number of days overdue on a contractual basis. The number of days is set at an appropriate level by loan product. The policy for suspending accruals of interest and impairment on consumer loans vary depending on the terms, security and loan loss experience characteristics of each product.

Allowance for loan losses on impaired loans is calculated by comparing the net present value of the expected cash flows, including cashflows from enforcement of collaterals, discounted at the effective interest rate of the loan and the carrying value of the loan. See "Business—Impaired Loans" for a description of our allowance for loan losses.

We conduct an analysis of our loan portfolio on a periodic basis. The analysis considers both qualitative and quantitative criteria including the account conduct, future prospects, repayment history, and financial performance amongst others. For impaired loans in excess of Rs. 100 million (US$ 2 million), which were 84.3% of the gross impaired loan portfolio at year-end fiscal 2003, we follow a detailed process for each loan to determine the allowance for loan losses to be provided. For the balance of smaller loans in the impaired loan portfolio, we follow the classification detailed under "Business—Impaired Loans—Allowance for Loan Losses" for determining the allowance for loan losses. Our impaired loan portfolio is composed largely of project finance and other term loans where we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. ICICI typically lent between 60.0% and 80.0% of the appraised value of collateral. Hence, all of ICICI's loans have historically been sufficiently over-collateralized so that once collateral was realized, ICICI typically recovered the full principal along with a small portion of interest claims. However, recoveries are subject to delays, that can be several years, due to the long legal collection process in India. As a result, we make an allowance for loans based on the time value of money or the present value of expected realizations of collateral, which takes into account the delay we would experience before recovering its principal. The time to recovery, expected future cash flows and realizable value for collateral are periodically reviewed in estimating the allowance.

We believe that the process for ascertaining allowance for loan losses described above adequately captures the expected losses on our entire loan portfolio.

Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Fees, commission and brokerage	Rs. 5,317	Rs. 4,703	(11.5)%	Rs. 5,722	US$ 120	21.7%
Trading account revenue (1)	847	2,442	188.3	3,075	65	25.9
Securities transactions (2)	(1,714)	(3,572)	108.4	(322)	(7)	(91.0)
Foreign exchange transactions (3)	(108)	78	(172.2)	92	2	17.9
Gain on sale of loans	705	1,979	180.7	2,795	59	41.2
Software development and services	701	1,493	113.0	1,062	22	(28.9)
Gain on sale of stock in other subsidiaries and affiliates	2,507	165	(93.4)	-	-	(100.0)
Profit on sale of certain premises and equipment	(31)	29	(193.5)	16	-	(44.8)
Effect of business combinations	253	-	(100.0)	-	-	0
Other income	766	831	8.5	813	18	(2.2)
Total non-interest income	Rs. 9,243	Rs. 8,148	(11.8)%	Rs. 13,253	US$ 278	62.7%

(1) Primarily reflects income from trading in government of India securities and corporate debt securities.

(2) Primarily reflects capital gains / (losses) realized on the sale of securities, including fixed income and equity, venture capital investments and revenues from investment banking subsidiary less other than temporary diminution.
(3) Arises primarily from purchases and sales of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts.

Fiscal 2003 compared to Fiscal 2002

Non-interest income increased by 62.7% in fiscal 2003 to Rs. 13.3 billion (US$ 278 million), from Rs. 8.1 billion (US$ 171 million) in fiscal 2002 primarily due to a decrease in loss from securities transactions, increase in fees income, commission and brokerage and gains from sale of loans and credit substitutes.

Fees, commission and brokerage increased 21.7% to Rs. 5.7 billion (US$ 120 million) in fiscal 2003 from Rs. 4.7 billion (US$ 99 million) in fiscal 2002 primarily due to the amalgamation and increase in retail and corporate transaction banking fees which offset the decrease in fees from project appraisal and related activities. ICICI Bank's fees, commission and brokerage was Rs. 1.7 billion (US$ 36 million) in fiscal 2002.

Trading account revenue primarily consisted of income from trading in government of India securities and corporate debt securities. Trading account revenue increased 25.9% to Rs. 3.1 billion (US$ 65 million) during fiscal 2003 compared to fiscal 2002 as we capitalized on the market opportunities in a declining interest rate environment. Gains on trading account have resulted from short-term market opportunities created by a fall in interest rates during fiscal 2002 and 2003. We cannot assure you that interest rates will not fall any further as they change depending on the overall economic environment.

The loss from securities transactions reduced to Rs. 322 million (US$ 7 million) during fiscal 2003 as compared to Rs. 3.6 billion (US$ 75 million) primarily due to increase in net gains realized to Rs. 1.8 billion (US$ 38 million) in fiscal 2003 from Rs. 1.2 billion (US$ 26 million) in fiscal 2002, as we capitalized on a declining interest rate environment and a decrease in the amount of other than temporary diminution in securities. In fiscal 2003, as part of our ongoing evaluation of the securities portfolio, we recorded an impairment charge of Rs. 2.1 billion (US$ 44 million) compared to Rs. 3.5 billion (US$ 73 million) in fiscal 2002, for an other than temporary decline in the value of the available for sale and non-readily marketable equity securities.

Income from foreign exchange transactions arose primarily from purchases and sales of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts. Income from foreign exchange transactions was Rs. 92 million (US$ 2 million) in fiscal 2003 compared to Rs. 78 million (US$ 2 million) in fiscal 2002.

During fiscal 2002, ICICI securitized and sold down a part of is corporate loan portfolio, primarily with the objective of complying with regulatory reserve requirements on its liabilities following amalgamation with ICICI Bank. This helped in the development of a market for securitized debt in India. We now view securitization and sell-down of corporate and retail loans as a key element of our business strategy, seeking to leverage our strong origination capabilities to meet the investment requirements of other financial intermediaries that have access to funding but relatively limited origination capabilities. We earned a profit of Rs. 2.8 billion (US$ 59 million) on securitization/sale of loans and credit substitutes in fiscal 2003 compared to Rs. 2.0 billion (US$ 42 million) in fiscal 2002.

Income from software development and services decreased 28.9% to Rs. 1.1 billion (US$ 22 million) in fiscal 2003 from Rs. 1.5 billion (US$ 31 million) in fiscal 2002 primarily due to decline in software revenues from ICICI Infotech and ICICI Infotech Inc., US, on account of a decline in billing rates in both the offshore and onsite businesses combined with a decline in business volumes from the US market.

Non-interest income also included a gain of Rs. 16 million (US$ 336,488) on the sale of certain premises and equipment in fiscal 2003 compared to Rs. 29 million (US$ 609,884) in fiscal 2002. Other income primarily included rental income for fiscal 2003.

Fiscal 2002 compared to Fiscal 2001

Non-interest income decreased by 11.8% in fiscal 2002 to Rs. 8.1 billion (US$ 171million), from Rs. 9.2 billion (US$ 194 million) in fiscal 2001 primarily due to a decline in gain on sale of stock of subsidiaries and affiliates, a loss on account of securities transactions, a decline in fees, commission and brokerage and an increase in trading account revenue, offset in part by a gain on sale of loans. In fiscal 2001, non-interest income included a gain on sale of equity interest in ICICI Bank of Rs. 2.0 billion (US$ 42 million).

The decrease of 11.5% in fees, commission and brokerage in fiscal 2002 was primarily due to the decrease in fees from project appraisal and related activities. As ICICI had limited its credit growth in the second half of fiscal 2002, the fee income linked to new business generation also decreased.

Trading account revenue increased 188.3% to Rs. 2.4 billion (US$ 51 million) during fiscal 2002 compared to fiscal 2001 as ICICI's investment banking subsidiary capitalized on the market opportunities in a declining interest rate environment. Gains on trading account resulted from short-term market opportunities created by a fall in interest rates during fiscal 2002.

Income from securities transactions primarily reflected capital gains realized on the sale of ICICI's long-term equity securities less other than temporary diminution. The income from securities transaction declined during fiscal 2002 primarily due to an increase in the amount of other than temporary diminution in securities in fiscal 2002. In fiscal 2002, as part of its ongoing evaluation of its securities portfolio, ICICI recorded an impairment charge of Rs. 3.5 billion (US$ 75 million) compared to Rs. 1.8 billion (US$ 37 million) in fiscal 2001, for an other than temporary decline in the value of ICICI's available for sale and non-readily marketable equity securities.

Income from foreign exchange transactions arose primarily from purchases and sales of foreign exchange on behalf of ICICI's corporate clients and revaluation of the ICICI's foreign currency assets and liabilities and outstanding forward contracts. Income from foreign exchange transactions in fiscal 2002 was Rs. 78 million (US$ 2 million) compared to a loss of Rs. 108 million (US$ 2 million) in fiscal 2001.

During fiscal 2002, ICICI securitized and sold down some of its corporate loans, primarily to provide resources towards meeting the reserve requirements on ICICI's liabilities. This resulted in a gain on sale of loans of Rs. 2.0 billion (US$ 42 million) in fiscal 2002 compared to Rs. 705 million (US$ 15 million) in fiscal 2001.

Income from software development and services increased 113.0% to Rs. 1.5 billion (US$ 31 million) in fiscal 2002 from Rs. 701 million (US$ 15 million) in fiscal 2001 as ICICI Infotech and ICICI Infotech Inc., US diversified into a range of software solutions covering banking, insurance, enterprise resource planning, customer relationship management and information technology security and continued their sustained marketing efforts in fiscal 2002.

In fiscal 2002, ICICI realized a gain of Rs. 57 million (US$ 1 million) on the sale of 0.40% of its equity interest in ICICI Bank and a gain on sale of stock in other subsidiaries and affiliates of Rs 108 million (US$ 2 million). During fiscal 2001, ICICI reduced its equity interest in ICICI Bank to 46% through sales of equity shares in the Indian secondary markets to institutional investors. The sale of shares was made for a consideration of Rs. 3.5 billion (US$ 74 million) and the gain on sale was Rs. 2.0 billion (US$ 42 million) which is included in income for fiscal 2001. Non-interest income also included a gain on sale of ICICI's stake in ICICI Infotech of Rs. 511 million (US$ 11 million).

Non-interest income also included a gain of Rs. 29 million (US$ 609,884) on the sale of certain premises and equipment in fiscal 2002 compared to a loss of Rs. 31 million (US$ 651,945) in fiscal 2001. Other income primarily included rental income for fiscal 2002.

Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Employee expense:						
Salaries	Rs. 1,564	Rs. 2,526	61.5%	Rs. 4,686	US$ 98	85.5%
Employee benefits	313	454	45.0	697	15	53.5
Total employee expense	1,877	2,980	58.8	5,383	113	80.6
Premises and equipment expense	1,507	2,102	39.5	4,784	101	127.6
Administration and other expense	1,835	2,514	37.0	7,797	164	210.1
Amortization of goodwill and intangible assets	260	-	(100.0)	645	13	-
Total non-interest expense	Rs. 5,479	Rs. 7,596	38.6%	Rs. 18,609	US$ 391	145.0%

Fiscal 2003 compared to Fiscal 2002

Non-interest expense increased 145.0% in fiscal 2003 to Rs. 18.6 billion (US$ 391 million) from Rs. 7.6 billion (US$ 160 million) in fiscal 2002 primarily due to an increase in employee expenses and administration expense as a result of the amalgamation, and growth in retail products and services.

Employee expenses increased 80.6% to Rs. 5.4 billion (US$ 113 million) in fiscal 2003 from Rs. 3.0 billion (US$ 63 million) in fiscal 2002 primarily due to expenses of 4,820 employees of ICICI Bank who joined subsequent to amalgamation, new employees hired during the year and an increase in salary levels. ICICI Bank's employee expenses were Rs. 1.5 billion (US$ 32 million) in fiscal 2002. At year-end fiscal 2003, our employees had increased by 199.8% to 15,179 employees compared to ICICI's 5,063 employees at year-end fiscal 2002, primarily due to the addition of employees of ICICI Bank and an increase in employees of ICICI OneSource and ICICI Home Finance, which have grown their business and distribution capabilities.

Premises and equipment expense increased 127.6% to Rs. 4.8 billion (US$ 101 million) in fiscal 2003 from Rs. 2.1 billion (US$ 44 million) in fiscal 2002, primarily due to the impact of amalgamation, increased technology expenses, maintenance and depreciation expenses for ICICI centers, computers and computer software. ICICI Bank's premises and equipment expense was Rs. 2.2 billion (US$ 46 million) in fiscal 2002. The number of ATM's increased from 1,000 at year-end fiscal 2002 to 1,675 at year-end fiscal 2003 and the number of branches and extension counters increased from 403 at year-end fiscal 2002 to 446 at year-end fiscal 2003. Administrative and other expenses increased 210.1% to Rs. 7.8 billion (US$ 164 million) in fiscal 2003 from Rs. 2.5 billion (US$ 53 million) in fiscal 2002 primarily due to the impact of amalgamation, an increase in the retail business expenses and increase in general business volumes. ICICI Bank's administrative and other expenses were Rs. 2.2 billion (US$ 46 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Non-interest expense increased 38.6% in fiscal 2002 to Rs. 7.6 billion (US$ 160 million) from Rs. 5.5 billion (US$ 115 million) in fiscal 2001 primarily due to an increase in employee expenses and other administrative costs of ICICI Infotech, and other administrative costs.

Employee expenses increased 58.8% to Rs. 2.9 billion (US$ 63 million) in fiscal 2002 from Rs. 1.9 billion (US$ 40 million) in fiscal 2001. The number of employees increased to 5,063 employees at year-end fiscal 2002 from 3,460 employees, excluding ICICI Bank, at year-end fiscal 2001 primarily due to an increase in the number of employees in ICICI's subsidiaries, ICICI Infotech, and ICICI Home Finance, which had been rapidly growing their business and distribution infrastructure in fiscal 2002.

Premises and equipment expense increased 39.5% in fiscal 2002 compared to fiscal 2001, primarily due to increased technology expenses, maintenance and depreciation expenses for ICICI's centers, computers and computer software. Administrative and other expenses increased 37.0% in fiscal 2002 compared to fiscal 2001 primarily due to an increase in the administration expense of ICICI Infotech and its subsidiaries. In fiscal 2002, ICICI Infotech diversified its range of products and increased its presence to all major cities of India through sustained business development and marketing efforts.

Income Tax Expense

Income tax benefit amounted to Rs. 3.1 billion (US$ 64 million) in fiscal 2003 compared to income tax expense of Rs. 251 million (US$ 5 million) in fiscal 2002. The effective rate of tax benefit was 27.7% in fiscal 2003 compared to effective rate of tax expense of 47.1% in fiscal 2002. The effective tax rate of 27.7% in fiscal 2003 was lower compared to statutory tax rate of 36.75% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate, partly offset by the disallowance of certain expenses for tax purposes. Income tax expense increased by 32.8% to Rs. 251 million (US$ 5 million) in fiscal 2002 compared to Rs. 189 million (US$ 4 million) in fiscal 2001. The effective tax rate in fiscal 2002 was 47.1% compared to 2.8% in fiscal 2001. The effective rate of tax expense at 47.1% in fiscal 2002 was higher compared to the statutory tax rate of 35.70% primarily due to the impact on deferred tax asset of change in the statutory tax rate from 39.55% in fiscal 2001 to 35.70% in fiscal 2002. The effective rate of tax expense at 2.8% in fiscal 2001 was significantly lower compared to statutory tax rate of 39.55% primarily due to an increase in recognition of deferred tax assets on other than temporary diminution in securities available for sale of earlier years.

A retrospective change was effected in the local tax laws in India's budget for fiscal 2002, whereby provisions for loan losses are not allowed as a deduction from taxable income unless the corresponding loan is written off in the accounts. As a result, a higher current tax liability was recognized against provisions for loan losses claimed in earlier years, which was offset by recognition of a deferred tax asset in respect of the same. See Note 28 of our consolidated financial statements for a further discussion on income tax.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Cash and cash equivalents	Rs. 30,957	Rs. 41,476	34.0%	Rs. 72,453	US$ 1,524	74.7%
Trading account assets[1]	18,878	42,376	124.5	39,634	834	(6.5)
Securities, excluding venture capital investments[2]	15,092	56,125	271.9	276,917	5,824	393.4
Venture capital investments	3,769	3,921	4.0	3,704	78	(5.5)
Investments in affiliates	8,908	10,086	13.2	2,615	55	(74.1)
Loans, net:						
Rupee	548,827	487,598	(11.2)	594,955	12,512	22.0

Foreign currency	86,230	72,650	(15.7)	89,685	1,886	23.4
Less: Allowances	(33,035)	(36,647)	10.9	(54,219)	(1,140)	47.9
Total loans, net	602,022	523,601	(13.0)	630,421	13,258	20.4
Acceptances	2,715	4,783	76.2	43,252	910	804.3
Property and equipment	11,897	12,577	5.7	21,215	446	68.7
Other assets	45,652	48,417	6.1	90,052	1,894	86.0
Total assets	Rs.739,890	Rs.743,362	0.5%	Rs.1,180,263	US$ 24,823	58.8%

(1) Primarily includes government of India securities and corporate debt securities.
(2) Primarily includes government of India securities and to a much smaller extent, corporate debt securities and equity securities.

Fiscal 2003 compared to Fiscal 2002

Our total assets increased 58.8% to Rs. 1,180.3 billion (US$ 24.8 billion) at year-end fiscal 2003 compared to Rs.743.4 billion (US$ 15.6 billion) at year-end fiscal 2002, primarily due to an increase in securities and loans on account of the amalgamation. ICICI Bank's total assets at year-end fiscal 2002 were Rs. 404.8 billion (US$ 8.5 billion).

Our net loans increased 20.4% to Rs. 630.4 billion (US$ 13.3 billion) at year-end fiscal 2003 compared to Rs. 523.6 billion (US$ 11.0 billion) at year-end fiscal 2002, reflecting a 22.0% increase in gross rupee loans, a 23.4% increase in gross foreign currency loans and a 47.9% increase in allowance for loan losses. Gross retail finance loans increased 157.9% to Rs. 188.3 billion (US$ 4.0 billion) at year-end fiscal 2003 from Rs. 73.0 billion (US$ 1.5 billion) at year-end fiscal 2002.

Securities, excluding venture capital investment increased 393.4% to Rs. 276.9 billion (US$ 5.8 billion) at year-end fiscal 2003 from Rs. 56.1 billion (US$ 1.2 billion) at year-end fiscal 2002 primarily due to investment in government securities required to comply with the statutory liquidity ratio on ICICI's liabilities. At year-end fiscal 2002, cash, cash equivalents and trading assets of ICICI and ICICI Bank were Rs. 83.9 billion (US$ 1.8 billion) and Rs. 115.4 billion (US$ 2.4 billion), respectively. ICICI and ICICI Bank were maintaining a large amount of cash and liquid balances at year-end fiscal 2002 to meet the reserve requirements on ICICI's liabilities following the amalgamation. Cash, cash equivalents and trading assets increased by 33.7% to Rs. 112.1 billion (US$ 2.4 billion) at year-end fiscal 2003 from Rs. 83.9 billion (US$ 1.8 billion) at year-end fiscal 2002, reflecting the addition of ICICI Bank's cash, cash equivalents and trading assets offset, in part, by utilization of the cash and liquid balances existing at the beginning of fiscal 2003 for investment in government securities to meet statutory liquidity ratio requirement.

Trading assets at year-end fiscal 2003 included Rs. 5.4 billion (US$ 114 million) of reverse repurchase transactions as compared to Rs. 21.4 billion (US$ 450 million) at year-end fiscal 2002. Under these transactions securities were purchased under agreements to resell after a specified time. Such securities qualified as approved securities for statutory liquidity ratio requirements, and were of short maturity, carrying lower risk while yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for better liquidity management.

Investment in affiliates declined to Rs. 2.6 billion (US$ 55 million) at year-end fiscal 2003 from Rs. 10.1 billion (US$ 212 million) at year-end fiscal 2002 due to the step acquisition of and amalgamation with ICICI Bank. Acceptances primarily include letters of credit issued on behalf of customers. ICICI, being a financial institution, was restricted in its ability to issue acceptances, unlike ICICI Bank. Following the amalgamation, we have been able to significantly increase the issuance of acceptances by leveraging on ICICI's strong corporate relationships. Acceptances increased to Rs. 43.3 billion (US$ 910 million) at year-end fiscal 2003 from Rs. 4.8 billion (US$ 101 million) at year-end fiscal 2002. ICICI Bank's acceptances at year-end fiscal 2002 were Rs. 12.6 billion (US$ 265 million).

Other assets at year-end fiscal 2003, included advance taxes of Rs. 28.3 billion (US$ 595 million), deferred tax assets of Rs. 6.4 billion (US$ 135 million), intangible assets of Rs. 5.1 billion (US$ 108 million) and Rs. 2.3 billion (US$ 49 million) of assets held for sale, which were primarily acquired through foreclosure of loans.

Fiscal 2002 compared to Fiscal 2001

ICICI's total assets increased 0.5% to Rs. 743.4 billion (US$ 15.6 billion) at year-end fiscal 2002 from Rs. 739.9 billion (US$ 15.6 billion) at year-end fiscal 2001, primarily due to an increase in cash and cash equivalents, trading account assets and securities, excluding venture capital investments, offset in part by a decrease in net loans.

Subsequent to the announcement of the amalgamation in October 2001, ICICI directed all its resources towards meeting the reserve requirements on its outstanding liabilities following the amalgamation. ICICI limited its loan disbursements and also securitized and sold down its loans in the second half of fiscal 2002 to raise additional resources. As a result, ICICI's net loans decreased by 13.0% to Rs. 523.60 billion (US$ 11.0 billion) at year-end fiscal 2002 from Rs. 602.0 billion (US$ 12.7 billion) at year-end fiscal 2001, reflecting a 11.2% decrease in gross rupee loans and a 15.7% decrease in gross foreign currency loans, offset by an increase in allowances for loan losses. The decrease in ICICI's corporate loan portfolio was offset by an increase in retail finance disbursements in fiscal 2002. Gross retail finance loans at year-end fiscal 2002 increased 168.5% to Rs. 72.8 billion (US$ 1.5 billion) from Rs. 27.1 billion (US$ 570 million) at year-end fiscal 2001.

Cash and cash equivalents which included interest-bearing deposits with banks, increased to Rs. 41.5 billion (US$ 872 million) at year-end fiscal 2002 from Rs. 31.0 billion (US$ 651 million) at year-end fiscal 2001, as a large cash balance was maintained by ICICI towards the end of fiscal 2002 in order to meet the cash reserve requirement on its outstanding liabilities following the amalgamation. Trading assets increased significantly to Rs. 42.4 billion (US$ 891 million) at year-end fiscal 2002 compared to Rs. 18.9 billion (US$ 397 million) at year-end fiscal 2001. Trading assets at year-end fiscal 2002 included Rs. 21.4 billion (US$ 450 million) of reverse repurchase transactions. Under these transactions securities were purchased under agreements to resell after a specified time. Such securities qualified as approved securities for statutory liquidity ratio requirements, and were of short maturity, carrying lower risk while yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for better liquidity management.

Securities, excluding venture capital investments at year-end fiscal 2002 increased to Rs. 56.1 billion (US$ 1.2 billion) compared to Rs. 15.1 billion (US$ 317 million) at year-end fiscal 2001 primarily due to the increase in government of India securities. Venture capital investments at year-end fiscal 2002 remained almost the same at Rs. 3.9 billion (US$ 82 million) compared to Rs. 3.8 (US$ 79 million) at year-end fiscal 2001. ICICI's investment in affiliates increased to Rs. 10.1 billion (US$ 212 million) from Rs. 8.9 billion (US$ 187 million) primarily due to the addition of ICICI Bank's retained earnings. Acceptances increased to Rs. 4.8 billion (US$ 101 million) at year-end fiscal 2002 from Rs. 2.7 billion (US$ 57 million) at year-end fiscal 2001. Acceptances, primarily included letters of credit issued on behalf of customers.

Other assets at year-end fiscal 2002, included advance taxes of Rs. 16.6 billion (US$ 349 million, deferred tax assets of Rs. 7.3 billion (US$ 153 million) and Rs. 2.0 billion (US$ 42 million) of assets held for sale, which were primarily acquired through foreclosure of loans.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,					
	2001	2002	2002/2001 % change	2003	2003	2003/2002 % change
	(in millions, except percentages)					
Deposits	Rs. 6,072	Rs. 7,380	21.5%	Rs. 491,290	US$ 10,332	6557%
Trading account liabilities	12,483	17,105	37.03	26,086	549	52.5
Short-term borrowings	99,655	70,804	(28.95)	42,095	885	(40.5)
Acceptances	2,715	4,783	76.17	43,252	910	804.3
Long-term debt:						
Rupee	404,017	438,704	8.59	350,633	7,374	(20.1)
Foreign currency	88,865	72,894	(17.97)	50,179	1,055	(31.2)
Total long-term debt	492,882	511,598	3.80	400,812	8,429	(21.7)
Other liabilities	38,832	48,402	24.64	66,658	1,402	37.7
Taxes and dividends payable	10,494	11,050	5.30	16,880	355	52.8
Redeemable preferred stock(1)	698	772	10.60	853	18	10.5
Total liabilities	663,831	671,894	1.21	1,087,926	22,880	61.9
Minority interest	135	260	92.59	124	3	(52.3)
Stockholders' equity	75,927	71,348	(6.03)	92,213	1,939	29.2
Total liabilities and stockholders' equity	Rs.739,893	Rs. 743,502	0.5%	Rs. 1,180,263	US$ 24,822	(96.7)%

(1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue.

Fiscal 2003 compared to Fiscal 2002

Deposits increased to Rs. 491.3 billion (US$ 10.4 billion) at year-end fiscal 2003 from Rs. 7.4 billion (US$ 155 million) at year-end fiscal 2002. ICICI Bank's deposits at year-end fiscal 2002 were Rs. 325.2 billion (US$ 6.8 billion). ICICI Bank's deposits along with new deposits raised during the year increased our volume of deposits. Unlike ICICI, we fund ourselves primarily through deposits and not borrowings and debt. As ICICI's long-term debt and short-term borrowings were repaid during the year in line with scheduled maturities both long-term debt and short-term borrowings declined significantly. Our long-term debt decreased 21.7% to Rs. 400.8 billion (US$ 8.4 billion) at year-end fiscal 2003 from Rs. 511.6 billion (US$ 10.8 billion) at year-end fiscal 2002, reflecting a 20.1% decrease in long-term rupee debt and a decrease of 31.2% in long-term foreign currency debt. Our short-term borrowings decreased 40.5% at year-end fiscal 2003 compared to year-end fiscal 2002. Going forward, we will continue to repay ICICI's liabilities as and when they mature and raise new resources primarily through deposits. Trading account liabilities increased 52.5% at year-end fiscal 2003 compared to year-end fiscal 2002 due to the impact of amalgamation. Taxes and dividends payable increased 52.8% to Rs. 16.9 billion (US$ 355 million) at year-end fiscal 2003 from Rs. 11.1 billion (US$ 232 million) at year-end fiscal 2002 primarily due to increase in dividends payable. Dividend for fiscal 2002 was paid by ICICI before year-end fiscal 2002 unlike dividend for fiscal 2003 which we paid subsequent to the year-end. The carrying amount of the redeemable preferred stock increased to Rs. 853 million (US$ 18 million) at year-end fiscal 2003 from Rs 772 million (US$ 16 million) at year-end fiscal 2002. Minority interest decreased 52.3% at year-end fiscal 2003. Stockholders' equity increased 29.2% at year-end fiscal 2003 to Rs. 92.2 billion (US$ 1.9 billion).

Fiscal 2002 compared to Fiscal 2001

ICICI's long-term debt increased 3.8% to Rs. 511.5 billion (US$ 10.8 billion) at year-end fiscal 2002 from Rs. 492.9 billion (US$ 10.4 billion) at year-end fiscal 2001, reflecting a 8.6% increase in long-term rupee debt offset by a decrease of 18.0% in long-term foreign currency debt. Deposits increased to Rs. 7.4 billion (US$ 155 million) at year-end fiscal 2002 from Rs. 6.1 billion (US$ 128 million) at year-end fiscal 2001, primarily due to the deposits raised by ICICI Home Finance in fiscal 2002. In fiscal 2002, ICICI Home Finance launched a fixed deposit program to mobilize resources to meet the growing business needs and diversify its resource base. Trading account liabilities increased 37.0% at year-end fiscal 2002 compared to year-end fiscal 2001 due to increased market opportunities in a declining interest rate environment and an increase in trading account assets. ICICI short-term borrowings decreased 29.0% at year-end fiscal 2002 compared to year-end fiscal 2001. Short-term borrowings included foreign currency non-reparable borrowings, which increased at year-end fiscal 2002. This was offset by a decrease in rupee short-term borrowings. The carrying amount of the redeemable preferred stock increased to Rs. 772 million (US$ 16 million) at year-end fiscal 2002 from Rs.698 million (US$ 15 million) at year-end fiscal 2001. Minority interest increased 92.6% at year-end fiscal 2002 on account of new subsidiaries and acquisitions by ICICI Infotech. Stockholders' equity declined 6.0% at year-end fiscal 2002 to Rs. 71.3 billion (US$ 1.5 billion). At year-end fiscal 2002, stockholders' equity was net of the dividend paid by ICICI as an interim dividend during fiscal 2002.

Off Balance Sheet Items, Commitments and Contingencies

Foreign Exchange and Derivative Contracts

We enter into foreign exchange forwards, options, swaps and other derivative products, which enables customers to transfer, modify or reduce their foreign exchange and interest rate risks. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities. Since adoption on April 1, 2001, of SFAS No. 133 and SFAS No. 138, all derivatives have been recorded as assets or liabilities on the balance sheet at their respective fair values with unrealized gains and losses recorded either in accumulated other comprehensive income or in the statement of income, depending on the purpose for which the derivative is held. Derivatives that do not meet the criteria for designation as a hedge under SFAS No. 133 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the statement of income. See Note 1 – "Significant accounting policies – Derivative instruments and hedging activities" to our consolidated financial statements.

The following table sets forth, at the dates indicated, the notional amount of the derivative contracts.

	At March 31,							
	Notional principal amounts				Balance sheet credit exposure(1)			
	2001	2002	2003	2003	2001	2002	2003	2003
	(in millions)							
Interest rate products:								
Swap agreements…………………..	Rs. 50,430	Rs. 87,824	Rs. 324,893	US$ 6,833	Rs. (5)	Rs. 620	Rs. 137	US$ 3
Others …………………………..	-	-	-	-	-	-	-	-
Total interest rate products ………..	Rs. 50,430	Rs. 87,824	Rs. 324,893	US$ 6,833	Rs. (5)	Rs. 620	Rs. 137	US$ 3
Foreign exchange products:								
Forward contracts ………………….	Rs. 21,091	Rs. 41,873	Rs. 277,280	US$ 5,831	Rs.(159)	(Rs. 41)	Rs.(116)	US$ (2)
Swap agreements ………………….	23,429	20,395	14,611	307	-	328	539	11
Total foreign exchange products …..	Rs. 44,520	Rs. 62,268	Rs. 291,891	US$ 6,138	Rs.(159)	Rs. 287	Rs. 423	US$ 9

(1) Denotes the mark-to-market impact of the derivative and foreign exchange products on the reporting date.

The notional principal amount of interest rate products increased to Rs. 324.9 billion (US$ 6.8 billion) at year-end fiscal 2003 compared to Rs. 87.8 billion (US$ 1.8 billion) at year-end fiscal 2002. The notional principal amount of foreign exchange products increased Rs. 291.9 billion (US$ 6.1 billion) at year-end fiscal 2003 compared to Rs. 62.3 billion (US$ 1.3 billion) at year-end fiscal 2002. This significant increase in the volumes of interest rates swaps and foreign exchange forward contracts in fiscal 2003 was primarily due to the impact of the amalgamation, increased transactions carried out by us on behalf of our customers and increase in the market for such products. Prior to amalgamation, ICICI, being a financial institution, was restricted in interest rate derivative products and foreign exchange products that it could offer to customers.

Securitization

We primarily securitize commercial loans through "pass-through" securitizations. In fiscal 2003, we securitized loans with a carrying value of Rs. 51.8 billion (US$ 1.1 billion) compared to Rs. 40.9 billion (US$ 859 million) in fiscal 2002, which resulted in gains of Rs. 2.1 billion (US$ 44 million) in fiscal 2003 compared to Rs. 1.1 billion (US$ 23 million) in fiscal 2002. The gains are reported as a component of gain on sale of loans. After the securitization, we generally continue to maintain customer account relationships and serviced loans transferred to the securitization trust. Generally, the securitizations are without recourse and we do not provide any credit enhancement. In a few cases, we may enter into derivative transactions such as written put options and interest rate swaps with the transferees. Generally, we do not retain any beneficial interests in the assets sold.

In fiscal 2003, we wrote put options, which require us to purchase, upon request of the holders, securities issued in certain securitization transactions. The put options seek to provide liquidity to holders of such instruments. If exercised, we are obligated to purchase the securities at the predetermined exercise price. All put options were out-of-the-money for the holders.

In fiscal 2003, we sold loans and credit substitutes with an aggregate put option exercise price of Rs. 24.4 billion (US$ 513 million) compared to Rs. 13.1 billion (US$ 276 million) in fiscal 2002. Subsequent to their initial issuance, such options have been recorded at fair values with changes reported in the statement of operations.

Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 48.8 billion (US$ 1.0 billion) at year-end fiscal 2003 compared to Rs. 68.2 billion (US$ 1.4 billion) at year-end fiscal 2002. The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 264 million (US$ 6 million) at year-end fiscal 2003 compared to Rs. 756 million (US$ 16 million) at year-end fiscal 2002 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers.

Operating Lease Commitments

We have commitments under long-term operating leases principally for premises. The following table sets forth, a summary of future minimum lease rental commitments at year-end fiscal 2003, for non-cancellable leases.

<u>**Lease rental commitments for fiscal,**</u>	<u>**in millions**</u>
2003	Rs. 237
2004	231
2005	223
2006	208
2007	174
Thereafter	320
Total minimum lease commitments	Rs. 1,393

Guarantees

As a part of our financing activities, we issue guarantees to enhance the credit standing of our customers. The guarantees are generally for a period not exceeding 10 years. The credit risk associated with these products, as well as the operating risks, are similar to those in other loan products. We have the same appraisal process, pricing methodology and collateral requirement for guarantees as that for any other loan product. Guarantees increased by 43.3% at year-end fiscal 2003 compared to year-end fiscal 2002, which in turn increased by 25.4% compared to year-end fiscal 2001.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At March 31,					
	2001	**2002**	**2002/2001 % change**	**2003**	**2003**	**2003/2002 % change**
	(in millions, except percentages)					
Financial guarantees[1]	Rs. 53,167	Rs. 53,037	(0.2)%	Rs. 69,076	US$ 1,453	30.2%
Performance guarantees[2]	6,083	21,266	249.6%	37,402	787	75.9%
Total guarantees	Rs. 59,250	Rs. 74,303	25.4%	Rs. 106,478	US$ 2,239	43.3%

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(1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies.
(2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports.

The following table sets forth contractual obligations on long-term debt, operating lease and guarantees at year-end fiscal 2003.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(in millions)				
Long term debt obligations	Rs. 402,644	Rs. 86,263	Rs.161,859	Rs. 53,376	Rs. 101,146
Operating Lease Obligations	1,393	237	454	382	320
Guarantee					
- Financial guarantees	69,076	9,413	19,223	4,361	36,079
- Performance guarantees	37,402	8,309	8,835	3,965	16,293
	106,478	17,722	28,058	8,326	52,372
Total	Rs. 510,515	Rs. 1,04,222	Rs. 28,512	Rs. 8,708	Rs. 52,692

Capital Resources

ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basle Committee of Banking Supervision, Bank of International Settlements in 1988. ICICI Bank is required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital.

At year-end fiscal 2003, ICICI Bank's capital adequacy ratio calculated in accordance with the Reserve Bank of India guidelines and based on its unconsolidated financial statements prepared in accordance with Indian GAAP was 11.10%. Using the same basis of calculation, at year-end fiscal 2003 ICICI Bank's Tier 1 capital adequacy ratio was 7.05% and its Tier 2 capital adequacy ratio was 4.05%.

The following table sets forth, at the dates indicated, risk-based capital, risk-weighted assets and risk-based capital adequacy ratios computed in accordance with the applicable Reserve Bank of India guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAP.

Indian GAAP

	At March 31, 2003	
Tier 1 capital	Rs. 58,072	US$ 1,221
Tier 2 capital	33,388	702
Total capital	Rs. 91,460	1,923
On- balance sheet risk weighted assets	Rs. 678,703	14,273
Off-balance sheet risk weighted assets	145,102	3,052
Total risk weighted assets	Rs. 823,805	US$ 17,325
Tier 1 capital adequacy ratio	7.05%	
Tier 2 capital adequacy ratio	4.05%	
Total capital adequacy ratio	11.10%	

The principal off-balance sheet items for ICICI Bank were loan commitments, guarantees, put options and lease and capital commitments. As described in "Financial Condition — Off Balance Sheet Items, Commitments and Contingencies", ICICI Bank entered into these arrangements for normal business purposes. Capital was provided for these items based on the existing capital adequacy guidelines of the Reserve Bank of India. See "Supervision and Regulation - Capital Adequacy Requirements". Lease commitments were not expected to materially affect capital requirements. ICICI Bank provides capital on the put options outstanding and forward contracts and derivatives contracts outstanding at year-end fiscal 2003 as per existing capital adequacy guidelines of the Reserve Bank of India. Under the guidelines issued by the Reserve Bank of India in fiscal 2003, the deferred tax asset is treated as an intangible asset and deducted from Tier 1 capital.

Liquidity Risk

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

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. Loan maturities and sale of investments also provide liquidity. Most of the funds raised are used to extend loans or purchase securities. Generally, deposits are of a shorter average maturity than loans or investments.

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of its assets, primarily the assets of ICICI, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management.

Another source of liquidity risk is the put options written by us on the loans which we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the security holders. If exercised, we will be obligated to purchase the securities at the pre-determined exercise price. All put options were out-of-the-money for the holders. At year-end fiscal 2003, the aggregate put option exercise price of such option-embedded loan and credit substitute sell-downs was Rs. 24.4 billion (US$ 513 million).

We are required to maintain a certain percentage of our demand and time liabilities, excluding specified liabilities, in cash reserves with the Reserve Bank of India, which currently stands at 4.5%. In addition, we are also required to maintain a statutory liquidity reserve by way of investments in government of India securities, which is 25.0% at present.

We also have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by the Reserve Bank of India. We maintain a substantial portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs.

We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions, have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by the Reserve Bank of India. ICICI Securities, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates.

We are required to submit gap analysis on a monthly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review its liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitors certain liquidity ratios on a fortnightly basis.

Our bonds are rated AAA by two Indian credit rating agencies, ICRA Limited and Credit Analysis & Research Limited. Our term deposits are rated AAA by ICRA Limited. Our long-term foreign currency borrowings are rated Baa3 by Moody's Investors Service, which is one notch higher than the sovereign rating for India, and BB by Standard and Poor's. Our short-term foreign currency ratings are Ba2/ Not Prime by Moody's Investors Service and B by Standard and Poor's. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position.

In April 2003, unsubstantiated rumours, believed to have originated in Gujarat, alleged that we were facing liquidity problems, although our liquidity position was sound. We witnessed higher than normal deposit withdrawals during the period April 11 to 13, 2003, on account of these unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise in future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position.

Capital Expenditure

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

	Fiscal 2002					
	Cost at March 31, 2001	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at March 31, 2002	
			(in millions)			
Land	Rs. 1,342	Rs. -	Rs. (6)	Rs. 103	Rs. 1,233	US$ 26
Buildings	6,642	649	(83)	429	6,779	143
Equipment, furniture, and others [1]	4,558	1,420	(251)	1,625	4,102	86
Construction in progress	739	-	(269)	6	463	10
Total	Rs. 13,281	Rs. 2,069	Rs. (609)	Rs. 2,164	Rs. 12,577	US$ 265

(1) Includes equipment and furniture, and others category as specified in Note 14 to our consolidated financial statements.

	Fiscal 2003					
	Cost at March 31, 2002	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at March 31, 2003	
			(in millions)			
Land	Rs. 1,336	Rs. 199	Rs. -	Rs. 82	Rs. 1453	US$ 31
Buildings	7,208	4,224	(238)	930	10,264	217
Equipment, furniture and others [1]	5,727	7,808	(874)	4,234	8,427	177
Construction in progress	469	1,010	(402)	6	1,071	24
Total	Rs. 14,740	Rs, 13,241	Rs. (1,514)	Rs. 5,252	Rs.21,215	US$ 449

(1) Includes equipment and furniture, and others category as specified in Note 14 to our consolidated financial statements.

Our capital expenditure on property and equipment was Rs. 13.2 billion (US$ 278 million) for fiscal 2003 compared to Rs. 2.1 billion (US$ 44 million) for fiscal 2002 and Rs. 4.4 billion (US$ 92 million) for fiscal 2001. Capital expenditure for fiscal 2003 includes capital assets acquired on amalgamation. ICICI Bank's total fixed assets (gross) were Rs. 6.8 billion (US$ 144 million) at year-end fiscal 2002, with Rs. 286 million (US$ 6 million) in land, Rs. 2.2 billion (US$ 46 million) in buildings and Rs. 4.0 billion (US$ 85 million) in equipment, furniture and others.

Capital expenditure on buildings of Rs. 4.2 billion (US$ 89 million) in fiscal 2003 primarily includes Rs. 2.2 billion (US$ 46 billion) impact of amalgamation and expense on call centers and improvement in leasehold property. Capital expenditure on equipment, furniture and others of Rs. 7.8 billion (US$ 164 million) in fiscal 2003 primarily includes Rs. 4.0 billion (US$ 85 million) impact of amalgamation, Rs. 2.1 billion (US$ 45 million) expense on computers and software, and Rs. 676 million (US$ 14 million) on ATMs.

Significant Changes

Except as stated in this annual report, no significant changes have occurred to us since the date of the fiscal 2003 consolidated financial statements contained in this annual report.

Segment Revenues and Assets

Subsequent to the amalgamation of ICICI with and into ICICI Bank, the composition of our operating segments has changed. Our operations are now classified into the following segments: commercial banking segment, investment banking segment and others, consisting of various operating segments that do not meet the requirements to be reported as an individual reportable segment as defined in SFAS No. 131 on Disclosure About Segments of an Enterprise and Related Information. Segment data for previous periods has been reclassified on a comparable basis.

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

Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker evaluates performance and allocates resources based on an analysis of various performance indicators for each of the above reportable segments. Components of profit and loss are evaluated for commercial banking and investment banking segments. Further, the chief operating decision maker specifically reviews assets of the retail asset division, which is part of commercial banking segment.

The results of ICICI Bank, were reported under the equity method of accounting since April 1, 2000 i.e., for fiscal 2001 and 2002. However, for management reporting, the entire results of ICICI Bank continue to be reported as if the business were a consolidated entity. The segment-wise information presented below is consistent with the management reporting.

Commercial Banking Segment

Fiscal 2003 compared to Fiscal 2002

Commercial banking segment made a net loss of Rs. 7.9 billion (US$ 165 million) in fiscal 2003 compared to a net income of Rs. 1.7 billion (US$ 36 million) in fiscal 2002, primarily due to an increase in provisions for loan losses and a decrease in non-interest income.

Net interest income, including dividends, increased 16.4% to Rs. 15.6 billion (US$ 327 million) in fiscal 2003 from Rs. 13.4 billion (US$ 281 million) in fiscal 2002 primarily due to the benefit of lower funding costs subsequent to the amalgamation. Provisions for loan losses increased 71.4% to Rs. 19.6 billion (US$ 413 million) in fiscal 2003 from Rs. 11.5 billion (US$ 241 million) in fiscal 2002 primarily due to the Rs. 84.7 billion (US$ 1.8 billion) increase in gross restructured and other impaired loans during the year.

Non-interest income decreased 52.2% to Rs. 5.2 billion (US$ 108 million) in fiscal 2003 from Rs. 10.8 billion (US$ 227 million) in fiscal 2002 primarily due to lower fee income on project finance and related activities and high other than temporary diminution on equity securities and securities where application money had been paid but securities were yet to be allotted. Non-interest expense increased 6.8% to Rs. 12.4 billion (US$ 260 million) in fiscal 2003 from Rs. 11.6 billion (US$ 243 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Net income for the commercial banking segment decreased by 62.8% to Rs. 1.7 billion (US$ 36 million) in fiscal 2002 compared to Rs. 4.5 billion (US$ 95 million) in fiscal 2001, primarily due to an increase in non-interest expense and a decrease in net interest income.

Net interest income, including dividends, decreased 7.6% to Rs. 13.4 billion (US$ 281 million) in fiscal 2002 from Rs. 14.5 billion (US$ 304 million) in fiscal 2001 primarily due to non-accrual of interest on loans recognized as impaired during fiscal 2002 and a reduction in the loan portfolio. Provisions for loan losses increased 4.5% to Rs. 11.5 billion (US$ 241 million) in fiscal 2002 from Rs. 11.0 billion (US$ 231 million) in fiscal 2001.

Non-interest income increased 19.1% to Rs. 10.8 billion (US$ 227 million) in fiscal 2002 from Rs. 9.1 billion (US$ 190 million) in fiscal 2001. Non-interest expense increased 50.6% to Rs. 11.6 billion (US$ 243 million) in fiscal 2002 from Rs. 7.7 billion (US$ 162 million) in fiscal 2001, primarily due to the expenditure on the integration of the operations of Bank of Madura and the expansion of the retail banking business.

Investment Banking Segment

Fiscal 2003 compared to Fiscal 2002

Net income for the investment banking segment decreased 5.7% to Rs. 1.2 billion (US$ 26 million) in fiscal 2003 compared to Rs. 1.3 billion (US$ 27 million) in fiscal 2002, primarily due to a decrease in net interest income and increase in non-interest expense, offset by an increase in non-interest income.

Net interest income, including dividends, decreased to a loss of Rs. 2.1 billion (US$ 45 million) in fiscal 2003 from Rs. 1.8 billion (US$ 38 million) in fiscal 2002 primarily due to the low-yielding government securities acquired for meeting statutory liquidity ratio requirement on ICICI's liabilities. Our government securities portfolio was fair valued at the time of amalgamation, and hence was marked-up due to the decline in interest rates since the time these securities were acquired. As a result, the amortization expense on these securities increased significantly. Provisions for loan losses was Rs. 4 million (US$ 84,122) in fiscal 2003 compared to Rs. 8 million (US$ 168,244) in fiscal 2002.

Non-interest income increased 244.4% to Rs. 7.0 billion (US$ 148 million) in fiscal 2003 from Rs. 2.0 billion (US$ 43 million) in fiscal 2002 primarily due to higher income on fixed income portfolio in a favorable interest rate environment where interest rates steadily declined. Non-interest expense increased 68.6% to Rs. 3.2 billion (US$ 66 million) in fiscal 2003 from Rs. 1.9 billion (US$ 39 million) in fiscal 2002.

Fiscal 2002 compared to Fiscal 2001

Net income for the investment banking segment decreased 49.8% to Rs. 1.3 billion (US$ 27 million) in fiscal 2002 from Rs. 2.6 billion (US$ 54 million) in fiscal 2001, primarily due to an increase in non-interest expense and higher income tax expense.

Net interest income, including dividends remained nearly the same at Rs. 1.8 billion (US$ 38 million) in fiscal 2002 as in fiscal 2001. Provisions for loan losses was Rs. 8 million (US$ 168,224) in fiscal 2002 compared to Rs. 13 million (US$ 273,996) in fiscal 2001.

Non-interest income decreased marginally to Rs. 2.0 billion (US$ 43 million) in fiscal 2002 from Rs. 2.1 billion (US$ 43 million) in fiscal 2001. Non-interest expense increased by 43.1% to Rs. 1.9 billion (US$ 39 million) in fiscal 2002 from Rs. 1.3 billion (US$ 27 million) in fiscal 2001.

Related Party Transactions

We have transactions with our affiliates, directors and employees. The following represent the significant transactions between ICICI Bank and such related parties:

Insurance services

In fiscal 2003, we paid insurance premiums to ICICI Lombard General Insurance Company amounting to Rs. 224 million (US$ 5 million) compared to Rs. 26 million (US$ 546,793) in fiscal 2002. These premiums were primarily on account of health insurance for employees and insurance for directors' and officers' liability.

Lease of premises and facilities

ICICI Bank has entered into lease arrangements with related parties in respect of certain premises and facilities. In fiscal 2003, ICICI Bank received for the lease of premises, facilities and other administrative costs from ICICI Prudential Life Insurance Company, Rs. 84 million (US$ 2 million) as compared to Rs. 54 million (US$ 1 million) in fiscal 2002, from Prudential ICICI Asset Management Company, Rs. 6 million (US$ 126,183) as compared to Rs. 5 million (US$ 105,152) in fiscal 2002, and from ICICI Lombard General Insurance Company, Rs. 82 million (US$ 2 million) as compared to Rs. 50 million (US$ 1 million) in fiscal 2002.

In fiscal 2002, ICICI received rentals for lease of premises, facilities and other equipment from ICICI Bank, Rs. 256 million (US$ 5 million) as compared to Rs. 193 million (US$ 4 million) in fiscal 2001. Similarly, in fiscal 2002, ICICI paid rentals to ICICI Bank for lease of premises, Rs. 11 million (US$ 231,335) as compared to Rs. Nil in fiscal 2001.

Secondment of employees

In fiscal 2003, we received from Prudential ICICI Asset Management Company Limited for seconded employees, Rs. 3 million (US$ 63,091) as compared to Rs. nil in fiscal 2001 and from ICICI Lombard General Insurance Company, Rs. 10 million (US$ 210,305) as compared to Rs. 5 million (US$ 105,152) in fiscal 2002.

In fiscal 2002, ICICI received from ICICI Bank for seconded employees, Rs. 55 million (US$ 1 million) as compared to Rs. 4 million (US$ 84,122) in fiscal 2001. Similarly, ICICI paid to ICICI Bank for employees seconded to ICICI, Rs. 8 million (US$ 168,244) as compared to Rs. 5 million (US$ 105,152) in fiscal 2001.

Asset management services

In fiscal 2003, we provided asset management services to TCW and earned fees of Rs. 24 million (US$ 504,732) as compared to Rs. 21 million (US$ 441,640) earned by ICICI in fiscal 2002.

Deposits and borrowings

In fiscal 2003, ICICI Bank paid interest on bonds/deposits/call borrowings to affiliated companies totaling Rs. 12 million (US$ 252,366). In fiscal 2002, ICICI received payments from ICICI Bank of Rs. 268 million (US$ 6 million).

Banking services

ICICI utilized banking services of ICICI Bank. In fiscal 2002, non-interest expense of ICICI relating to such services amounted to Rs. 32 million (US$ 672,976) as compared to Rs. 72 million (US$ 2 million) in fiscal 2001.

Derivative transactions

In fiscal 2002, ICICI entered into interest rate swap contracts and cross currency swap contracts with ICICI Bank aggregating Rs. 10.3 billion (US$ 217 million) and Rs. Nil respectively as compared to Rs. 3.4 billion (US$ 70 million) and Rs. 1.3 billion (US$ 28 million) in fiscal 2001 respectively. Contracts aggregating Rs. 8.8 billion (US$ 184 million) and Rs. 2.3 billion (US$ 48 million) at year-end fiscal 2002 as compared to Rs. 2.9 billion (US$ 61 million) and Rs. 4.4 billion (US$ 92 million) at year-end fiscal 2001, were outstanding for interest rate swaps and currency swaps respectively. Net interest income in respect of these swaps amounted to Rs. 275 million (US$ 6 million) in fiscal 2002 as compared to Rs. 189 million (US$ 4 million) in fiscal 2001.

Similarly, ICICI entered into forward foreign exchange contracts with ICICI Bank aggregating Rs. 22.5 billion (US$ 472 million) in fiscal 2002 compared to Rs. 47.9 billion (US$ 1.0 billion)) in fiscal 2001. Contracts aggregating Rs. 251 million (US$ 5 million) at year-end fiscal 2002 compared to Rs. 2.3 billion (US$ 48 million) at year-end fiscal 2001 were outstanding.

Reverse repurchase transactions

In fiscal 2002, ICICI entered into reverse repurchase transactions with ICICI Bank amounting to Rs. 52.8 billion (US$ 1.1 billion) as compared to Rs. nil in fiscal 2001. At year-end fiscal 2002, ICICI had reverse repurchase transactions outstanding with ICICI Bank of Rs. 21.4 billion (US$ 450 million) compared to Rs. nil in fiscal 2001.

Software development services

In fiscal 2002, ICICI provided software development services to Tricolor Infotech Services and Prudential ICICI Asset Management Company and earned fees of Rs. 19 million (US$ 399,579) as compared to Rs. 8 million (US$ 168,244) in fiscal 2001.

In fiscal 2002, ICICI developed software and provided software and hardware support services to ICICI Bank, and earned fees of Rs. 124 million (US$ 3 million) compared to Rs. 73 million (US$ 2 million) in fiscal 2001.

Back-office support services

In fiscal 2002, ICICI set up a common technology infrastructure platform and ICICI Bank was charged as its share of the communication expenses, backbone infrastructure expenses and data center costs, Rs. 182 million (US$ 4 million) compared to Rs. 94 million (US$ 2 million) in fiscal 2001.

In fiscal 2002, ICICI provided telephone banking call-center services and transaction processing services for the credit card operations of ICICI Bank, and earned fees of Rs. 149 million (US$ 3 million) as compared to Rs. 99 million (US$ 2 million) in fiscal 2001.

Transfer of financial assets

In fiscal 2002, ICICI transferred loans in pass-through securitization transactions, where the beneficial interests were purchased by ICICI Bank, of Rs. 11.2 billion (US$ 235 million) as compared to Rs. 438 million (US$ 9 million) in fiscal 2001. Gain of Rs. 98 million (US$ 2 million) in fiscal 2002 as compared to Rs. 50 million (US$ 1 million) in fiscal 2001 was recorded on the sale.

Subsequently, due to a change in the status of the qualifying special purpose entity used in the transactions, ICICI regained control of the assets sold. At year-end fiscal 2002, obligations of Rs. 3.5 billion (US$ 74 million) as compared to Rs. Nil at year-end fiscal 2001 relating to such repurchases had been reflected as a component of the other borrowings.

Share transfer activities

In fiscal 2002, ICICI provided share transfer services and dematerialization services to ICICI Bank and earned fees of Rs. 3 million (US$ 63,091) as compared to Rs. 8 million (US$ 168,244) in fiscal 2001.

Other transactions

In fiscal 2002, ICICI undertook a corporate brand advertising campaign, out of which an amount of Rs. 29 million (US$ 1 million) as compared to Rs. 15 million (US$ 315,457 million) in fiscal 2001 has been recovered from ICICI Bank.

Employee loans

ICICI Bank has advanced housing, vehicle and general purpose loans to employees, bearing rates of interest ranging from 2.5% to 3.5%. The tenure of these loans range from five years to 25 years. The loans are generally secured by the assets acquired by the employees. Employee loan balances outstanding at year-end fiscal 2003, of Rs. 2.3 billion (US$ 48 million) as compared to fiscal 2002 Rs. 949 million (US$ 20 million) are included in other assets. At year-end fiscal 2003, loans of Rs. 25 million (US$ 525,762) were outstanding to certain of ICICI Bank's directors and executive officers. These loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans to other employees, and did not involve more than the normal risk of collectibility.

Transactions with principal government-controlled shareholders

During fiscal 2003, we entered into several transactions with our principal government-controlled shareholders, Life Insurance Corporation of India, Unit Trust of India and General Insurance Corporation of India and other government-controlled general insurance companies. These transactions were in the normal course of our business and the businesses of these government-controlled entities. These transactions included deposit taking by us from these entities and securitization and sale of assets by us to these entities. These entities also acted as our counterparties in money market operations. Life Insurance Corporation of India also administers certain of our employee gratuity funds and our employee superannuation fund. All of these transactions and arrangements were, and are, conducted on a third party arms-length basis.

Related party balances

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

	As of March 31,	
	2002	2,003
	(in millions)	
Cash and cash equivalents	Rs. 4,360	Rs. -
Loans	209	22
Other assets	1,269	2,549
Deposits	-	440
Other liabilities	24	3

Critical Accounting Policies

The notes to our consolidated financial statements contain a summary of our significant accounting policies. Certain of these policies are considered to be important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgements, some of which may relate to matters that are inherently uncertain. The policies include valuation of derivatives and securities where no ready market exists, identification and measurement of other than temporary diminution in the value of securities, valuation of securitization transactions, accounting for income tax, deferred tax assets and deferred tax liabilities and determining the level of allowance for credit losses.

Additional information about these policies can be found in Note 1 to our consolidated financial statements. The statements below contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements".

Our consolidated financial statements are prepared in accordance with US GAAP, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. We believe that of its significant accounting policies, the following may involve a higher degree of judgement and complexity.

Valuation of Securities, Derivatives Transactions and Hedging activities

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

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

- The fair value of the unquoted government of India securities is estimated based on the yields to maturity rates of these securities as published by certain agencies approved by the Reserve Bank of India.
- The fair value of the unquoted securities (excluding government of India securities) and preference shares is computed based on the mark–up over the yield to maturity rates for government of India securities, as published by certain agencies approved by the Reserve Bank of India. The mark-up is graded according to the ratings assigned to the issuer of the securities by the rating agencies.
- The fair values of investments in unquoted mutual fund units are estimated based on the latest repurchase price declared by the mutual fund in respect of each particular scheme. If the repurchase price is not available, the fair value is estimated based on the net asset value of the respective scheme.
- The fair values of certain derivative contracts are derived from pricing models that consider market and contractual prices for the underlying financial instruments, as well as the time value of money, the yield curve and any other volatility factors underlying the positions.

We no longer classify investments in debt securities as held to maturity, due to sale of certain held to maturity securities in fiscal 2002 by ICICI. In fiscal 2002, ICICI sold debt securities classified as held to maturity. As the securities were sold for reasons other than those specified in SFAS No. 115, all remaining held to maturity securities were reclassified as available for sale.

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

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

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

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

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

SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values with unrealized gains and losses recorded either in accumulated other comprehensive income or in the statement of income, depending on the purpose for which the derivative was held. At the inception of a hedge transaction, we formally document the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for measuring effectiveness. In addition, we assess, both at the inception of the hedge and on an ongoing quarterly basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective. Derivatives that do not meet the criteria for designation as a hedge under SFAS No. 133 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the statement of income.

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

Changes in the fixed income, equity, foreign exchange markets would have impacted our estimate of fair value in the future, potentially affecting principal trading revenues. Similarly, pricing models and their underlying assumptions impacted the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could have produced different financial results.

Allowance for loan losses

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

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

While determining the adequacy of the allowance for loan losses, management also considers overall portfolio indicators including historical credit losses, delinquent and non-performing loans, and trends in volumes and terms of loans; an evaluation of overall credit quality and the credit process, including lending policies and procedures; consideration of economic, geographical, product, and other environmental factors; and model imprecision. This evaluation process is subject to numerous estimates and judgements, including assumptions as to future cashflows, time to recovery, collateral valuation and other variables. Changes in these assumptions could have impacted, and could in the future impact, our estimate of allowance for loan losses and produce different financial results.

Securitization

We primarily securitize commercial loans through "pass-through" securitizations. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. Transfers that do not meet the criteria for a sale under SFAS No. 140 are recorded as secured borrowings with a pledge of collateral. Such secured borrowings are reported as a component of other borrowings. Recourse and servicing obligations and put options written are recorded as proceeds of the sale. Retained beneficial interests in the loans and servicing rights are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization. The fair values are determined using either financial models, quoted market prices or sales of similar assets.

Financial models and their underlying assumptions relating to delinquency, prepayments, servicing costs and conversions from floating rate loans to fixed rate loans, impacted the amount and timing of gains and losses recognized, and the use of different financial models or assumptions could have produced different financial results.

Goodwill and intangible assets

On April 1, 2001, we early-adopted SFAS No. 142, Goodwill and Other Intangible Assets. As required by SFAS No. 142, we reclassified existing goodwill and intangible assets to conform to the new criteria in SFAS No. 141, Business Combinations, for recognition apart from goodwill. This resulted in reclassification of previously recorded intangible assets of Rs. 115 million (US$ 2 million) as goodwill and a reclassification of previously recorded goodwill of Rs. 373 million (US$ 8 million) as a separate unidentifiable intangible asset.

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

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

In October 2002, the FASB issued SFAS No. 147, Acquisitions of Certain Financial Institutions. SFAS No. 147 requires that business combinations involving financial institutions within its scope, be accounted for under SFAS No. 141. Previously, generally accepted accounting principles for acquisitions of financial institutions provided for recognition of the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. Under SFAS No. 147, such excess is accounted for as goodwill. Adoption of SFAS No. 147 resulted in a reclassification of previously recorded unidentifiable intangible asset of Rs. 373 million (US$ 8 million) to goodwill with effect from April 1, 2001. Further, as required by SFAS No. 147, the Company reversed the amortization expense of Rs. 290 million (US$ 6 million) and the related income tax benefit of Rs. 103 million (US$ 2 million), by restating the results for the year ended March 31, 2002.

As described above, this impairment evaluation process was subject to numerous estimates and judgements, including assumptions on business growth, risk-free interest rate, market premium and future cashflows. Changes in these estimates could have had a direct impact on the impairment charge.

Income taxes

We account for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the amount for financial reporting and tax basis of assets and liabilities, using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of income in the period of enactment. Deferred tax assets are recognized subject to a valuation allowance based upon management's judgment as to whether realization is considered more likely than not.

The process of evaluating the realizability of deferred tax assets was subject to numerous estimates and judgements. Changes in these estimates could have had a direct impact on the valuation allowance for deferred tax assets and could result in a change in the valuation allowance.

Recently Issued Accounting Standards

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure provisions of SFAS No. 148 are applicable for fiscal periods beginning after December 15, 2002. We continue to use the intrinsic value based method of APB Opinion No. 25 to account for our employee stock based compensation plans. We have adopted the disclosure provisions of SFAS No. 148 for fiscal 2003.

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities - an interpretation of Accounting Research Bulletin No. 51. FIN No. 46 is applicable to all variable interest entities created after January 31, 2003. In respect of variable interest entities created before February 1, 2003, FIN No. 46 will be applicable from fiscal periods beginning after June 15, 2003. There are no variable interest entities that require disclosure under FIN 46. Further, there were no variable interest entities at year-end fiscal 2003, created after January 31, 2003 that were required to be consolidated under FIN 46.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. Adoption of SFAS No. 149 will not have a material impact on our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equities. SFAS No. 150 requires entities to classify a financial instrument that is within its scope as a liability (or an equity in some circumstances). We are currently evaluating the requirements and impact of this statement on our consolidated results of operations and financial position.