



ICICI Bank: Opportunities & Strategy

September 2003

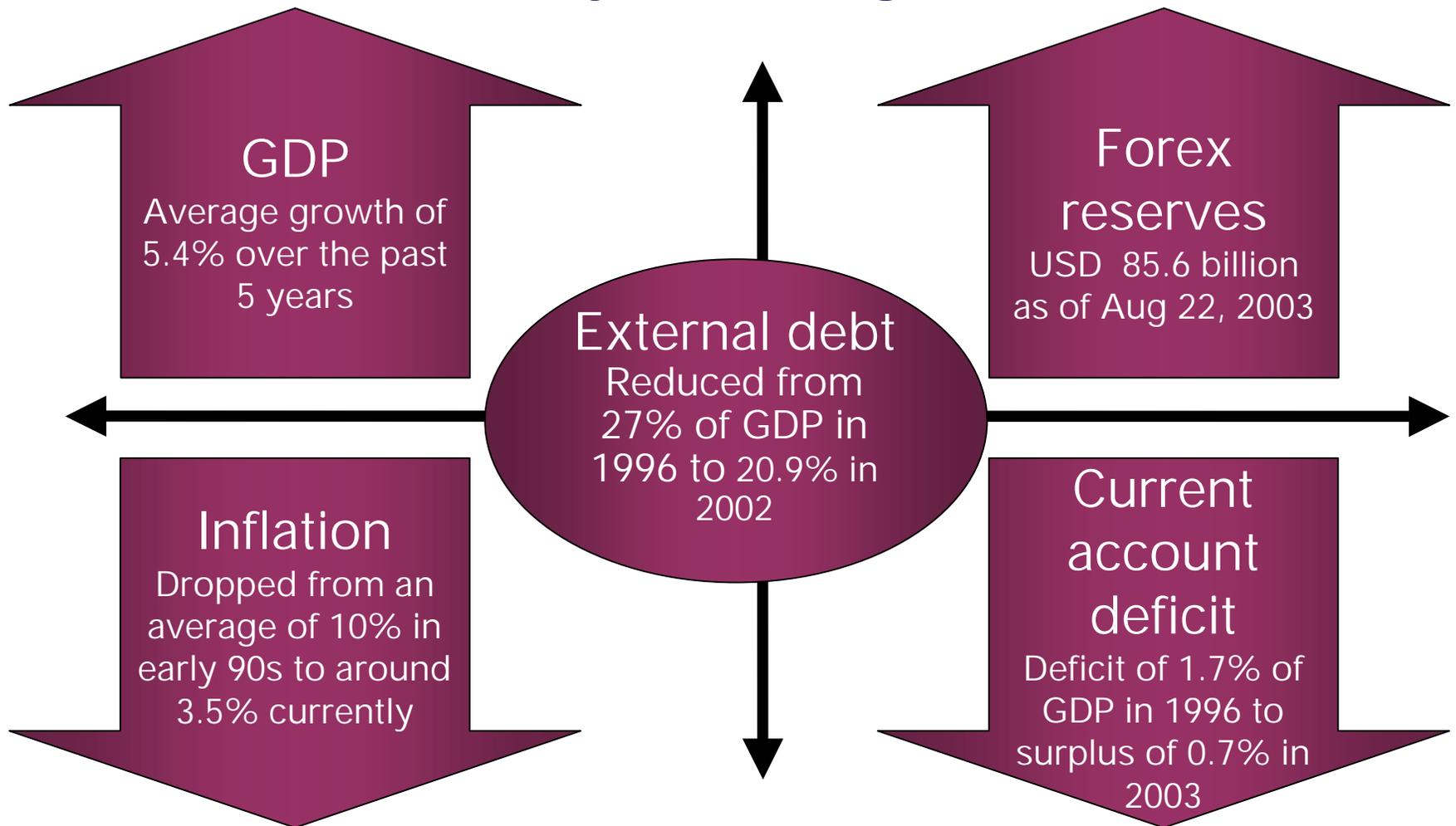


Contents

- The India opportunity
- Our foundations
- Future focus
- Financial highlights

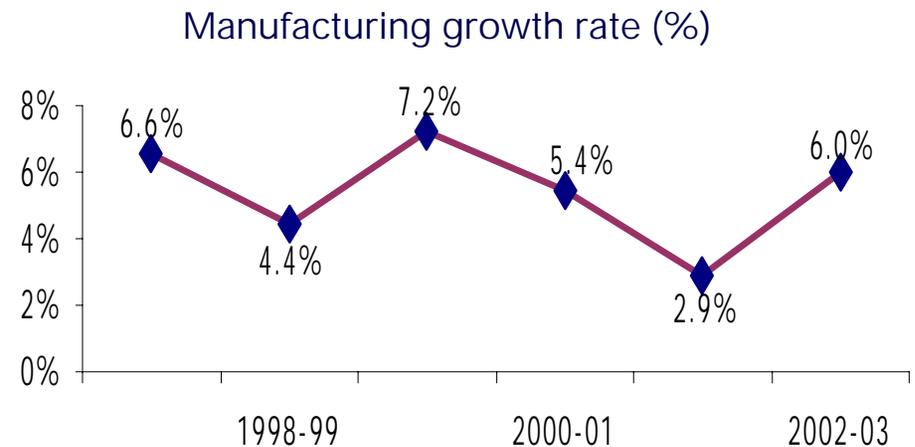
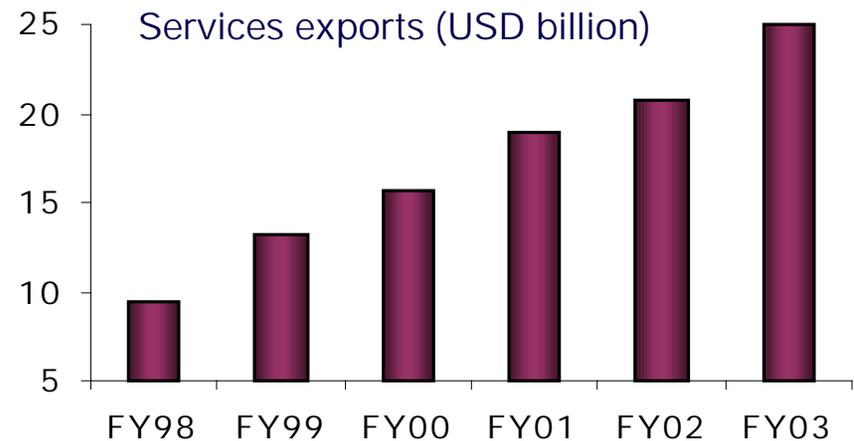


Indian economy - Strong fundamentals



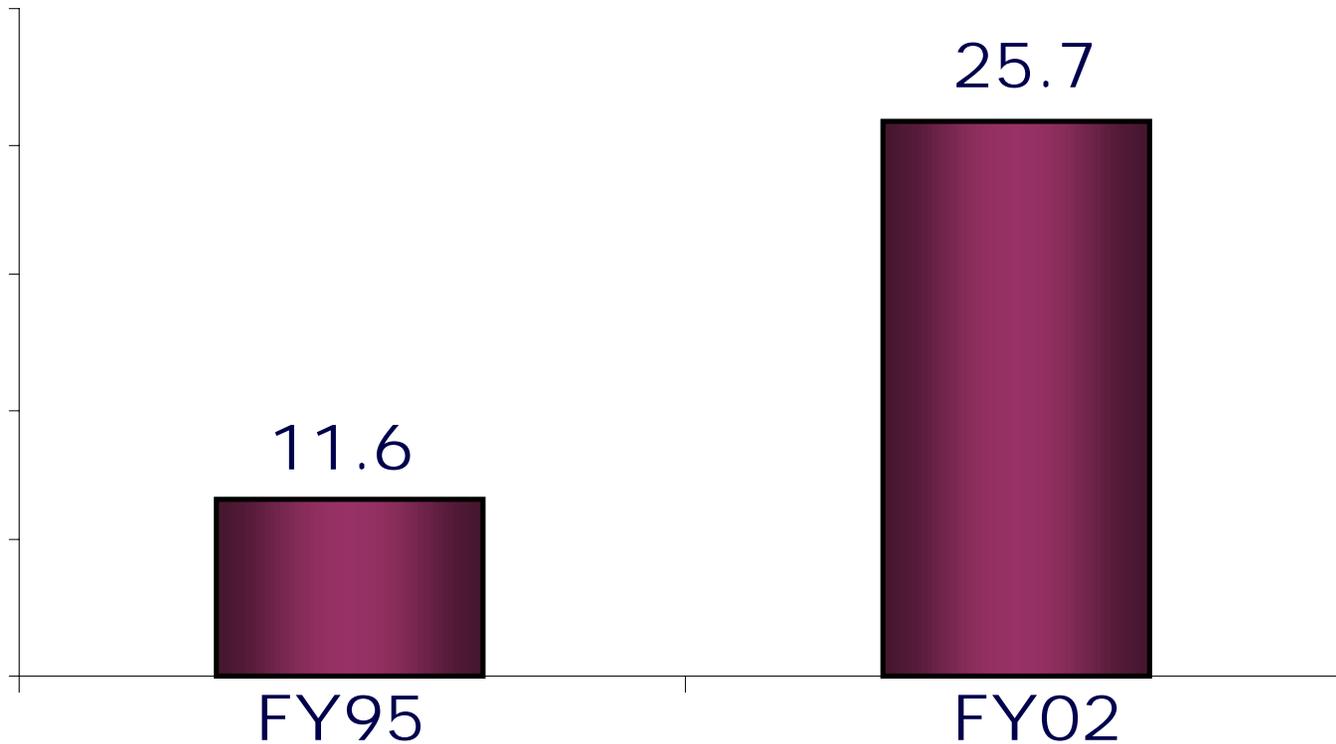
Impact of a decade of reform...

- Structural shift with service sector growth
 - Software, BPO, R&D & engineering design
- Improved competitiveness in manufacturing after intermediate period of restructuring & rationalisation
 - Exports - a global manufacturing base



...reflected in household prosperity

High/ middle income households (million)

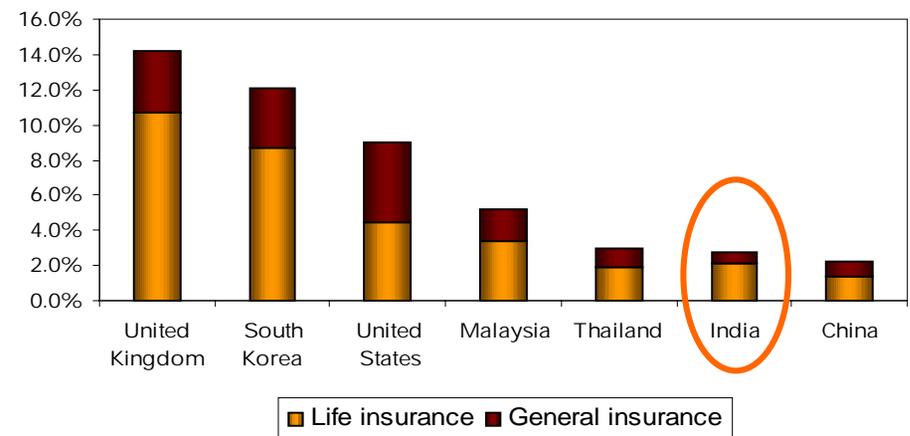
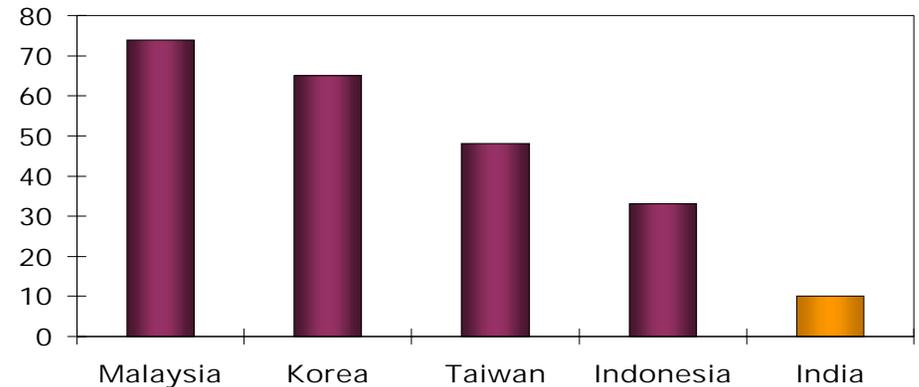


Source: Merrill Lynch



The retail finance opportunity

- Low household leveraging
 - Consumer debt/deposits ratio only 10%
- Penetration low even in financial services like insurance
 - Insurance premia only 2.7% of GDP



...low penetration coupled with expanding potential customer base



Competitive scenario

Public sector

- Large deposit & customer base, physical distribution network
- Late starters in technology, lack of marketing skills

Private sector

- Technology, sophisticated products & services, customer orientation
- Most private sector banks have limited scale of operations

Foreign

- Strong product capabilities & technology
- Low capital commitment



Contents

- The India opportunity
- Our foundations
- Future focus
- Financial highlights



Size - attaining critical mass...

Organic
growth

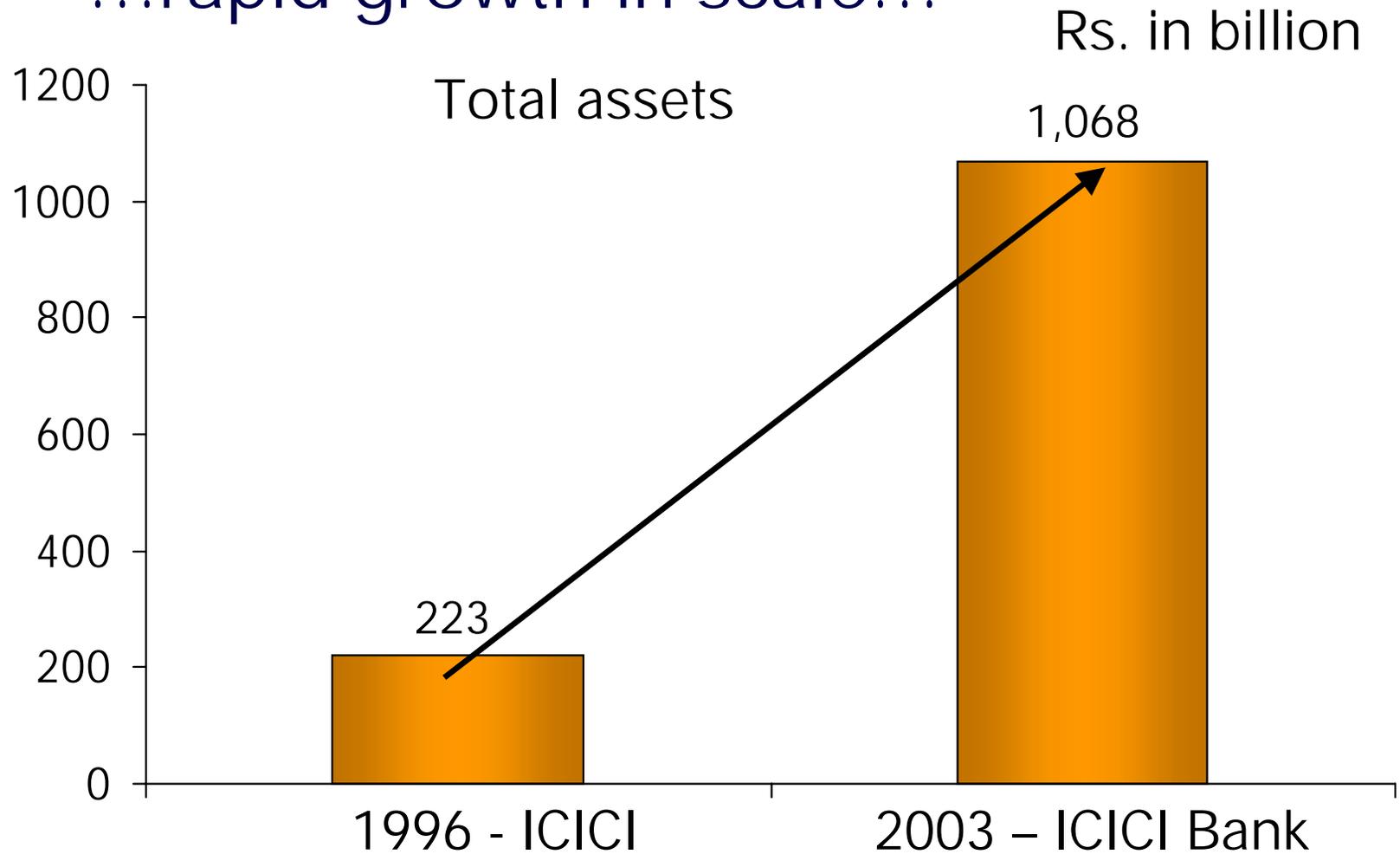
- Increase in market share
- Growth in new businesses
- Diversifying revenue streams

Acquiring
strategic "fits"

- Acquired a financial institution, two retail finance companies and a bank in 5 years
- Scale and distribution capability



...rapid growth in scale...



...second-largest bank in India and largest in the private sector



...supported by pioneering capital raising initiatives



First Asian financial company (ex-Japan) to list on NYSE
Long-term foreign debt rated higher than sovereign by
Moody's



Entry into consumer banking...

Growing market

Diversification of
asset profile

Driving reallocation of capital to
consumer banking

Stable funding base

Optimal risk-reward
relationship



...achieving leadership in three years

(Rs. in billion)

Product	Monthly industry volumes	ICICI Bank's monthly volumes	ICICI Bank's market share	Market share of nearest competitor
Auto	16.00	5.50	34%	15%
Mortgage	35.00	10.70	30%	30%
Two-wheeler	3.00	0.95	32%	15%
Commercial	11.50	2.85	25%	20%
Personal/ Consumer	8.50	1.70	20%	20%
Total	74.00	21.70	29%	

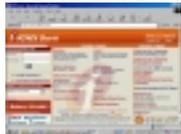
1. Data for March 2003

2. Industry/competitor data based on market estimates



Multiple channels...

Channel	Usage March 2000	Usage April 2003	Change
---------	---------------------	---------------------	--------

 447 branches & ECs	94%	28%	↓
 1,690 ATMs	3%	52%	↑
 3.3 mn Internet a/cs	2%	9%	↑
 1,800 seat call centres	1%	11%	↑

...migration to technology channels – open 24 x 7



Customer-focused credit distribution...

Doorstep delivery

- Agents taking product to the customer
- Availability of credit at the customer's home or office

Point-of-sale delivery

- Strong channel partner network
 - Manufacturers, dealers, realtors
- Availability of credit at point-of-sale of product

Enhanced customer convenience the key selling proposition



Strong brand identity across the group...

- New brand identity launched in 1998
- Visibility at all customer touch points
- Leveraging the corporate brand to facilitate entry into new businesses



Highest brand salience in the Indian financial sector
Considered for a wider range of products than competitors



Sound retail organisation...

People

- Lateral recruitment to build domain capabilities

Credit

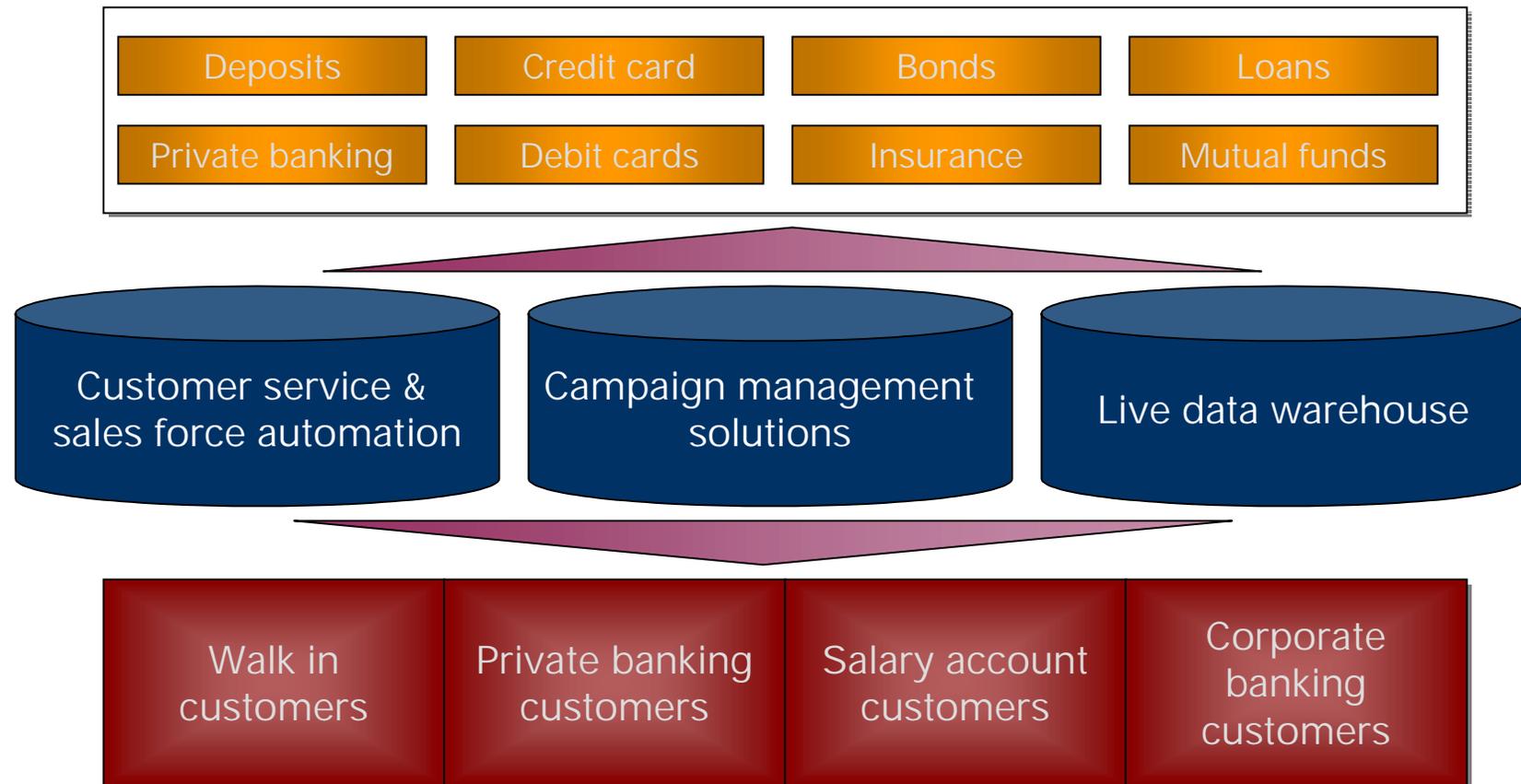
- Centralised product & credit policies
- Tight control on credit screens
- External physical verifications

Systems

- System capabilities for rapidly growing volumes
- Mining and analysing customer data



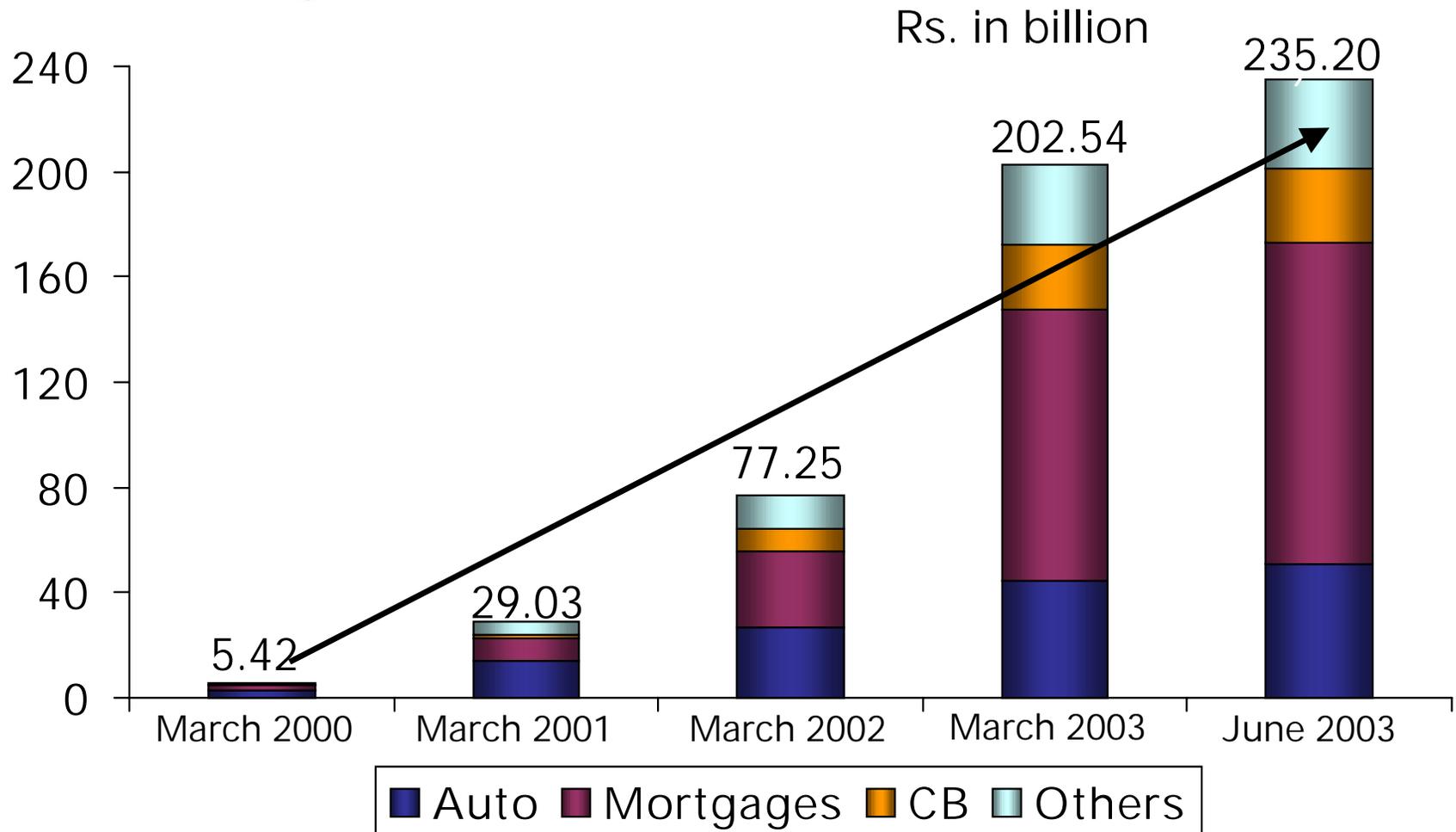
Focus on cross-sell...



...backed by customer-centric technologies; cross-sell accounted for 20% of mortgages and auto loans and 25% of credit card business in FY2003



Robust growth in retail portfolio...

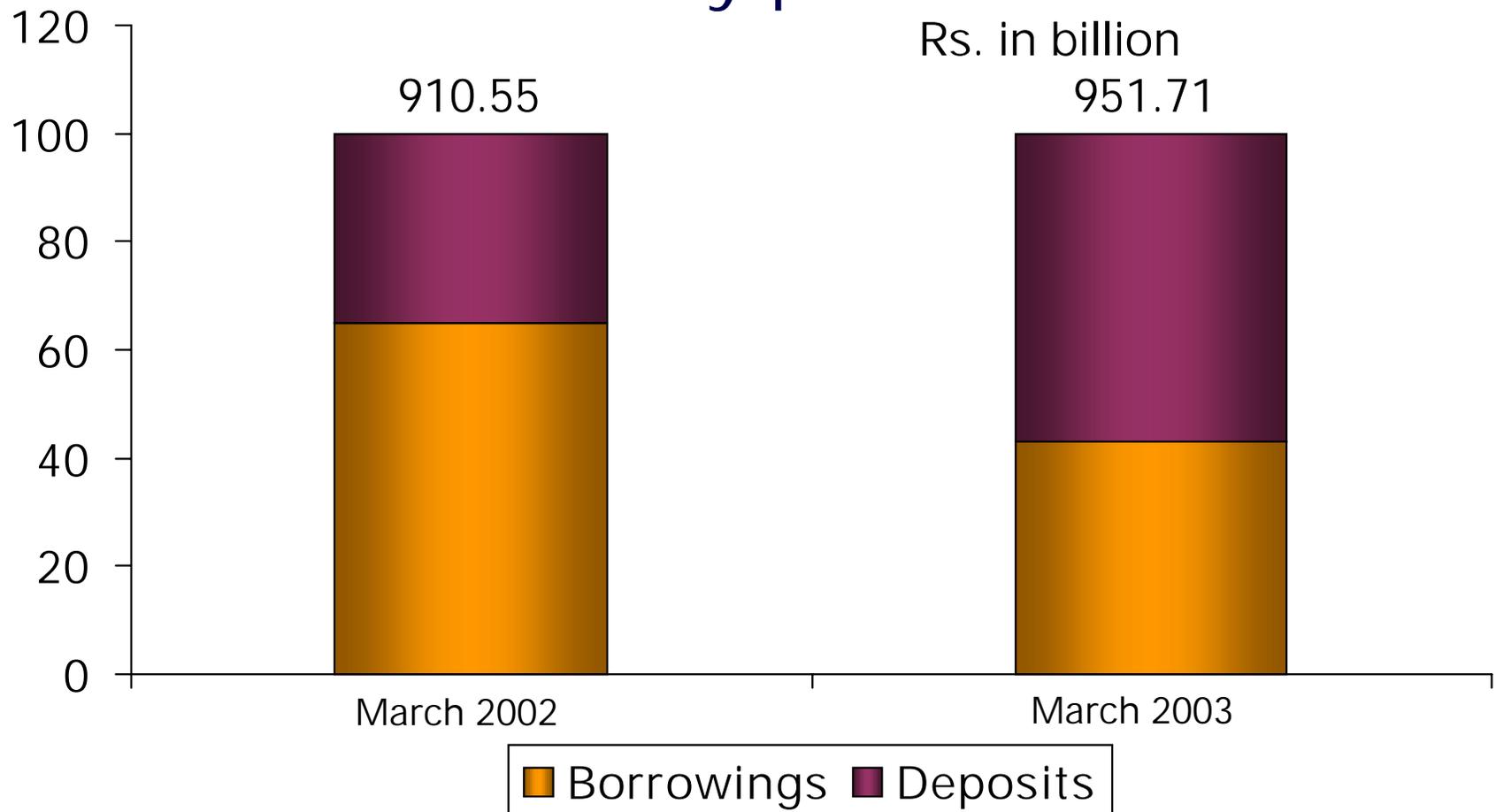


...from 3% to 21% of total assets in just over two years

Including assets of a wholly owned subsidiary. Others include two-wheeler, personal & consumer loans and credit cards



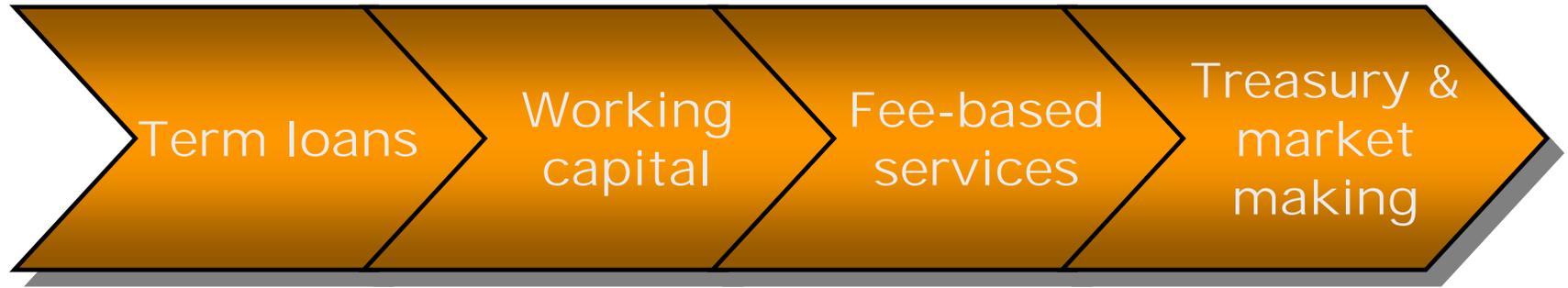
...and shift in liability profile



...market leadership in incremental deposits, with 3 million new customers in FY2003



Corporate banking



- Shift from “lender” to “banker”
- Use of technology to offer superior delivery capabilities in transaction banking
- Capitalising on market linkages to offer integrated credit and markets solutions
- Strong focus on client profitability and proactive portfolio management



Government sector

Opportunity

- Tax collections and payment services
- Employee base as customers
- Structured credit solutions

Strategy

- Significant efforts in relationship building with central & state governments
- Created technology capabilities for servicing government sector needs

...approval received recently for direct & indirect tax collection and other payment services



Integrated rural & agri-financing model

Products

- Corporate linked farmer financing
- Commodity based financing
- Dairy financing

Channels

- Rural branches
- Range of channel partners
 - NGOs, rural cooperatives
- Internet



Corporate banking technology

CMS

- State of the art facilities with a complete suite of CMS products
- High level of customisation
- National reach – better than any other bank in the country

Trade

- Centralised scalable trade factory
- Ability to offer service guarantees

General Banking

- Customisation and ERP integration: Competitive advantage
- Increase in productivity by 22%

Security & market services

- Market leader in institutional segment as a Professional Clearing Member for listed derivatives
- Market leader in local custody of Depository Receipt business
- ISO 9001 – 2000 certified by QAS, Australia



Life insurance

Market share

- Market leader among private life insurers
- 23% share in pensions business

Reach

- Presence in 29 locations
- 22,000 agents
- 8 bancassurance partners

Portfolio mix

- Linked products constituted over 50% of portfolio

Financial performance

- New business achieved profits (NBAP) Rs. 0.22 bn



General insurance

Market share

- Focus on profitable areas
- About 30% share among private players in fire & engineering business

Reach

- Presence in 38 locations, up from 10 in March 2002

Portfolio mix

- Fire & engineering segment with low loss ratios accounts for over 70% of portfolio

Financial performance

- Financial break-even in Q1-2004
- Underwriting profit in Q1-2004



Investment banking

M&A and advisory

- Over 60 successful closures in FY2003
- Significant growth in fee income

Fixed income

- Initiated interest rate futures transactions
- Earned its largest ever fee for a DCM transaction

Equities

- 120% y-o-y increase in brokerage income in Q1-2004

Financial performance

- PAT of Rs. 685.0 million
- Annualised return on equity of 71.1%



Our key challenge : asset resolution

Positive developments

- Operationalisation of CDR Forum
- Enactment of SARFAESI Act
- Upturn in key commodity sectors

Our strategy

- Restructure appropriately scaled, viable projects
- Effect change of management if necessary
- Exit small, unviable exposures
- Use legal recourse as effective deterrent



Contents

- The India opportunity
- Our foundations
- Future focus
- Financial highlights



Consumer banking

Landscape

- Fundamental growth drivers – upward income migration, affordable finance, changing lifestyles – continue to be strong
- Increasing competition from other banks focusing on this segment

Our strategy

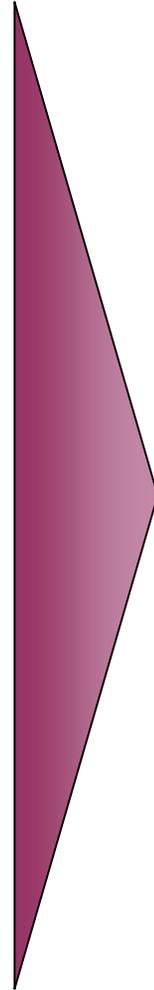
- Leverage key competitive strengths to sustain market share
 - Scale
 - Distribution
 - Credit skills
 - Cross-sell
- Originate credit for the securitisation market



Corporate banking

Landscape

- Limited appetite for credit
 - Improving working capital efficiency
 - Absence of large capacity additions
- Increasing disintermediation
 - Development of debt market



Our strategy

- Focus on
 - Fee and commission-based products
 - Credit origination, syndication & securitisation
- Differentiated coverage model for top-tier clients, government sector
- Market making



Insurance

Landscape

- Increasing share of private players
- Product differentiation, scale and profitable portfolio construction the key

Our strategy

- Insurance a key element of our universal banking model
- Continue to capitalise on the growth opportunity
- Build on initial success to consolidate leadership position



Diversification: International

Landscape

- The globalisation of India and Indians
 - Growing exports
 - Vast Indian diaspora
 - Indian companies establishing international operations

Our strategy

- Focus on India-linked opportunities in the first stage
 - Unique proposition as an Indian bank with international standards
- Presence in UK, Canada, Singapore, US, China & UAE



Contents

- The India opportunity
- Our foundations
- Future focus
- Financial highlights



Key profitability indicators

	Q1-2003	Q4-2003	Q1-2004
Profit after tax	Rs. 2.53 bn	Rs. 3.38 bn	Rs. 3.40 bn
Return on networth	15.9%	19.2%	19.2%



Profit & loss statement

		(Rs. in billion)			
		FY 2003	Q1- 2003	Q4- 2003	Q1- 2004
	Interest income	93.15	23.96	23.81 ¹	22.56
	Interest expense	79.44	20.60	19.96	18.40
	NII	13.71	3.36	3.85 ¹	4.16
	Non-interest income	20.20	4.60	4.62 ¹	6.44
	- Fee income	8.47	1.95	2.27	2.36
	- Treasury	5.00	0.97	0.70 ¹	2.61
	Of which: Equity	1.09	0.11	0.13	0.76
	- Lease income	5.37	1.38	1.30	1.12
	- Others	1.36	0.30	0.35	0.35
	Operating income	33.91	7.96	8.47	10.60

1. Dividend on mutual fund Rs. 0.53 bn excluded from NII and included in treasury



Profit & loss statement

ICICI Bank

(Rs. in billion)

	FY 2003	Q1- 2003	Q4- 2003	Q1 2004
Operating income	33.91	7.96	8.47	10.60
Operating expenses	15.35	3.51	4.30	4.63
Other DMA expense	1.62	0.13	0.56	0.58
Lease depreciation	3.14	0.79	0.80	0.73
Operating profit	13.80	3.53	2.81	4.66



Profit & loss statement

ICICI Bank

(Rs. in billion)

	FY 2003	Q1- 2003	Q4- 2003	Q1- 2004
Operating profit	13.80	3.53	2.81	4.66
Profit on sale of ICICI Bank shares	11.91	-	-	-
Less:				
Provisions	17.91	0.71	(0.44)	0.85
- Gross Provisions incl. addl. provision	21.34	1.30	1.19	1.80
- Writeback on loans	(4.04)	(0.57)	(1.86)	(0.55)
- Provisions/(writeback) on investments	0.61	(0.02)	0.23	(0.40)
Tax, net of deferred tax	(4.26)	0.29	(0.13)	0.41
Profit after tax	12.06	2.53	3.38	3.40



Balance sheet: Assets

ICICI Bank

	(Rs. in billion)		
	Mar 31, 2002	Mar 31, 2003	Jun 30, 2003
Cash, balances with banks & SLR	355.78	320.72	338.30
- Cash & bank balances	127.86	64.89	68.01
- SLR investments	227.92	255.83	270.29
Advances	470.35	532.79	543.80
Of which : Retail	61.25	191.32	225.35
Debentures & bonds	64.36	56.90	60.08
Other investments	66.63	41.89	41.39
Fixed assets	42.39	40.61	39.68
Other assets	41.55	75.21	75.16
 Total assets	1,041.06	1,068.12	1,098.41



Balance sheet: Liabilities

ICICI Bank

(Rs. in billion)

	Mar 31, 2002	Mar 31, 2003	Jun 30, 2003
Net worth	62.45	69.33	72.73
- Equity capital	6.13	6.13	6.13
- Reserves	56.32	63.20	66.61
Preference capital	3.50	3.50	3.50
Deposits	320.85	481.69	538.53
- Savings & savings linked ¹	67.71	106.52	114.55
- Current & current linked ¹	38.04	54.04	65.86
- Term	215.10	321.13	358.13
ICICI borrowings	582.10	372.50	349.32
Other borrowings	7.60	68.02	63.86
Other liabilities	64.56	73.08	70.47
Total liabilities	1,041.06	1,068.12	1,098.41

1. Includes value-added accounts linked to savings and current accounts.



Key ratios

ICICI Bank

	(Per cent)	
	FY 2003	Q1- 2004
Return on assets	1.2	1.2
Return on net worth	18.3	19.2
EPS (Rs.)	19.7	22.2
NIM	1.4	1.7
Cost of deposits	6.8	6.0
Cost to income	49.9	46.9
Cost to assets	1.5	1.7
Book value per share (Rs.)	113.1	118.7



Capital adequacy

ICICI Bank

	Mar 31, 2003		Jun 30, 2003	
	Rs. bn	%	Rs. bn	%
Total capital	91.46	11.10	94.85	11.15
- Tier I ¹	58.07	7.05	60.27	7.09
- Tier II	33.39	4.05	34.59	4.06
Total risk weighted assets	823.81		850.53	

1. Deferred tax asset netted off as per RBI guidelines Rs. 5.03 bn at June 30, 2003 and Rs. 4.88 bn at March 31, 2003. This treatment had a negative impact of 59 basis points on Tier-1 capital adequacy at June 30, 2003.



Consolidated profits

ICICI Bank and subsidiaries

(Rs. in billion)

	FY 2003	Q1- 2003	Q4- 2003	Q1- 2004
ICICI Bank standalone profit	12.06	2.53	3.38	3.40
Add:				
- ICICI Securities	1.08	0.18	0.32	0.63
- ICICI Prudential Life	(1.09)	(0.25)	(0.18)	(0.26)
Less:				
- Dividend and other adjustments	1.09	0.17	0.32	0.40
Consolidated profit	11.52	2.33	3.37	3.37



Performance of subsidiaries

(Rs. in million)

	Profit after tax			
	FY2003	Q1-2003	Q4-2003	Q1-2004
ICICI Securities ¹	1,082	177	318	627
ICICI Prudential	(1,471)	(335)	(234)	(351)
ICICI Lombard	33	(32)	13	64

1. Consolidated

Key subsidiaries



Asset quality and provisioning

ICICI Bank

	(Rs. in billion)	
	March 31, 2003	June 30, 2003
Corporate standard assets	444.22	419.32
- Restructured corporate standard assets	92.87	108.42
- Other corporate standard assets	351.35	310.90
Provisions against corporate standard assets (including restructured)	24.38	23.25
Provision cover on corporate standard assets	5.5%	5.5%
<hr/>		
Gross NPAs	84.14	86.75
Less: cumulative write-offs	25.26	25.55
Less: cumulative provisions	27.37	29.21
Net NPAs	31.51	31.99
Provision cover on NPAs	62.6%	63.1%

Net NPA ratio 4.9% based on 90-day norm



Top 10 industry-wise exposure

ICICI Bank

Industry	(% to total)	
	March 31, 2003	June 30, 2003
Retail finance	22.9	24.1
Power	10.1	9.1
Iron & steel	9.6	9.0
Telecom	5.2	6.7
Textiles	4.9	4.2
Other services	8.5	4.2
Engineering	3.5	3.8
Financial services	3.7	3.7
Crude petroleum & refining	5.4	3.1
Petrochemicals	2.6	2.6
Total exposure (Rs. bn)	840.59	936.30

1) Exposure is net of write-offs and provisions



Top 10 industry-wise net NPLs

ICICI Bank

Industry	(% to total)	
	March 31, 2003	June 30, 2003
Textiles	16.3	18.0
Iron & Steel	13.3	11.1
Chemicals	8.7	9.2
Man-made fibres	9.8	7.7
Engineering	8.9	6.9
Metal & metal Products	6.9	6.2
Services	4.8	4.2
Paper & paper products	3.0	3.0
Food-processing	3.2	2.8
Petrochemicals	2.7	2.4



Basic differences between US & Indian GAAP...

- Merger accounted for on April 1, 2002
- ICICI the accounting acquirer under US GAAP
 - Financials prepared as if ICICI acquired ICICI Bank
 - ICICI Bank's assets fair valued; no fair valuation of ICICI's assets
 - Prior period comparative information to be given for ICICI
- Different treatment of sale of ICICI Bank shares
 - Book value already at Rs. 8.20 bn under US GAAP compared to Rs. 1.22 bn under Indian GAAP
 - Gain on sale treated as income under Indian GAAP but directly added to stockholders' equity under US GAAP



Implications...

- US GAAP income lower to the extent of
 - Gains on sale of ICICI Bank shares (Rs. 11.91 bn)
 - Gain reflected in stockholders' equity
 - Treasury gains of Rs. 2.15 billion realised during the year and accounted for as income under Indian GAAP already reflected in opening US GAAP stockholders' equity due to fair valuation of ICICI Bank
- Resulting in US GAAP accounting loss of Rs. 7.98 bn
- However, US GAAP stockholders' equity at Rs. 92.21 bn, significantly higher than Indian GAAP which was at Rs. 66.72 bn



Reconciliation

ICICI Bank

(Rs. in billion)	
Audited consolidated PAT as per Indian GAAP	11.52
Adjustments ¹ :	
Profit on sale of ICICI Bank shares	(11.91)
Higher provision for loans & investments through profit & loss account in US GAAP as compared to Indian GAAP	(4.93)
Lower treasury income, already reflected in US GAAP stockholders' equity due to fair valuation of securities on merger	(2.15)
Amortisation of intangibles/ debt issue costs/ fair values (net)	(0.84)
Net impact of fee and expense amortisation	0.49
Other adjustments (including deferred taxation)	(0.16)
Audited net income as per US GAAP	(7.98)

1. Certain items have been aggregated/ combined as considered appropriate.





ICICI Bank – creating and capitalising
on opportunities to build sustainable
value





Thank you



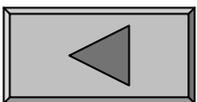
Interest income

ICICI Bank

(Rs. in billion)

	FY 2003	Q1- 2003	Q4- 2003	Q1- 2004
Advances	60.16	14.68	15.60	15.69
Investments	28.57 ¹	8.06	6.58 ¹	6.01
Balances with RBI, banks and others	4.42	1.22	1.63	0.86
Total interest income	93.15	23.96	23.81	22.56

- Interest income is net of
 - HTM premium amortisation of Rs. 0.35 bn (Q1-2003: Rs. 0.09 bn; Q4-2003: Rs. 0.45 bn; FY2003: Rs. 1.35 bn)
 - Auto loan DMA commission of Rs. 0.59 bn (Q1-2003: Rs. 0.28 bn; Q4-2003: Rs. 0.54 bn; FY2003: Rs. 1.57 bn)



1. Excludes dividend on mutual fund Rs. 0.53 bn

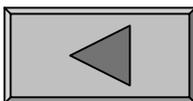


Interest expense

ICICI Bank

(Rs. in billion)

	FY 2003	Q1- 2003	Q4 – 2003	Q1- 2004
Deposits	24.80	5.97	6.67	7.27
RBI / inter-bank borrowings	1.83	0.47	0.58	0.87
Bonds, ICICI borrowings & others	52.81	14.16	12.71	10.26
Total interest expense	79.44	20.60	19.96	18.40



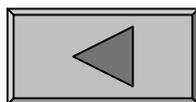
Spreads

ICICI Bank

(Per cent)

	FY 2003	Q1- 2003	Q4- 2003	Q1- 2004
Yield on interest-earning assets (1)	10.2	10.4	10.3	9.5
- SLR yield	7.3	8.5	6.4	6.4
Cost of funds (2)	8.9	9.2	8.8	7.8
- Cost of deposits	6.8	7.4	6.2	6.0
Spread (1) – (2)	1.3	1.2	1.5	1.7
NIM	1.4	1.4	1.6	1.7

Incremental cost of deposits estimated at 4.9 % for Q1-2004

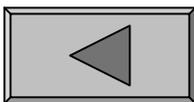


Operating expenses

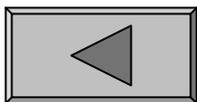
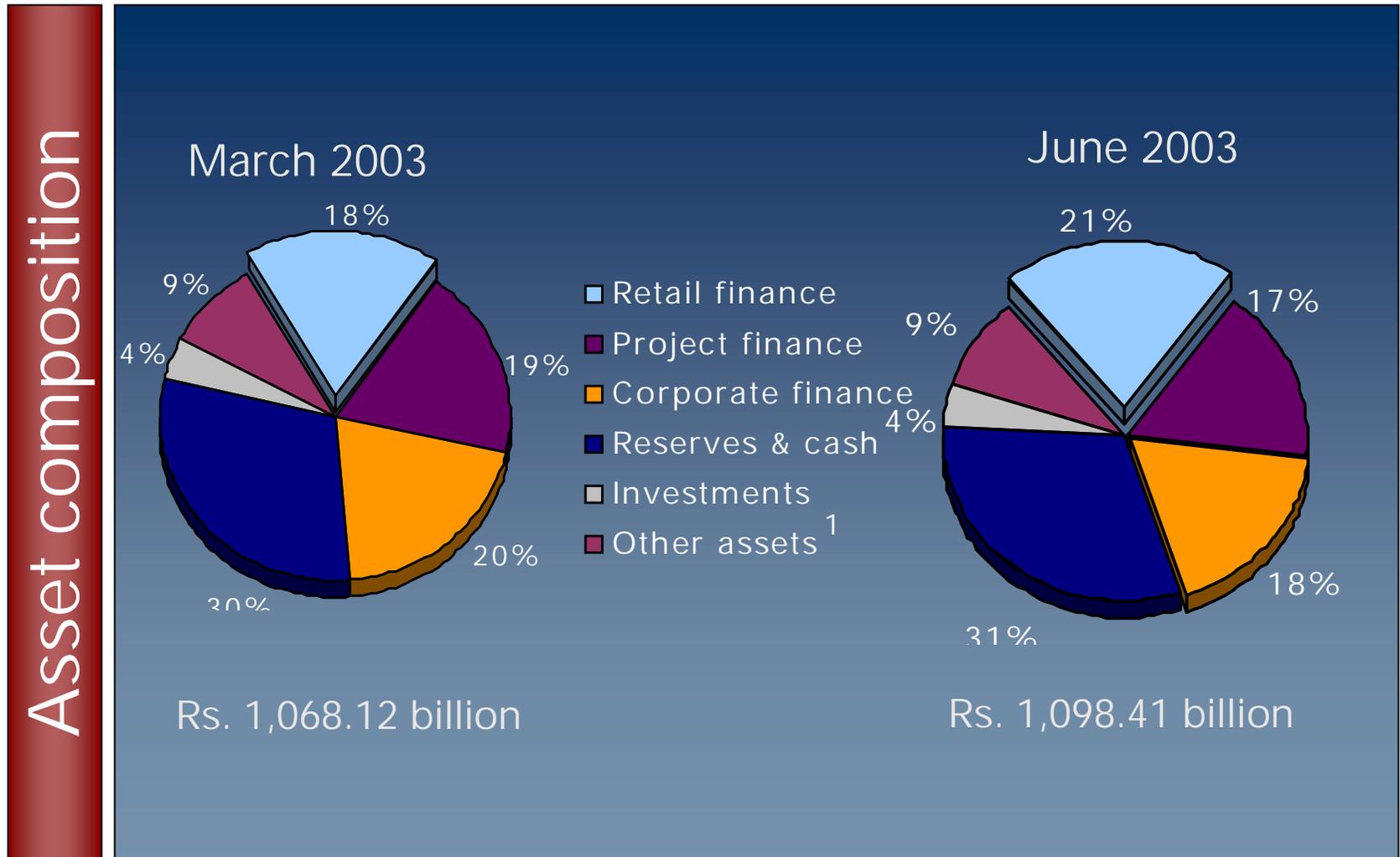
ICICI Bank

(Rs. in billion)

	FY 2003	Q1- 2003	Q4- 2003	Q1 - 2004
Salary	4.03	0.89	1.19	1.18
Rents, taxes & lighting	1.12	0.28	0.27	0.35
Printing & stationery	0.75	0.13	0.22	0.21
Postage & courier	1.04	0.23	0.36	0.32
Repairs & maintenance	1.45	0.40	0.36	0.45
Insurance	0.25	0.05	0.08	0.09
Bank charges	0.23	0.05	0.07	0.07
Depreciation	1.91	0.42	0.56	0.59
Others	4.57	1.06	1.19	1.37
Operating expenses	15.35	3.51	4.30	4.63



Retail constitutes 21% of balance sheet



1. Includes advance tax, deferred tax & other current assets

