ICICI BANK LTD
Form 20-F
September 30, 2005

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

FORM 20-F

(Mark One)
[ ] Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934

[x] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2005

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ______________ to ______________

Commission File Number 001-15002

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

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

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

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

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

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

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report - 736,716,094 Equity Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 month (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

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CROSS REFERENCE SHEET

Part - III

CERTAIN DEFINITIONS

ICICI Limited, ICICI Personal Financial Services Limited and ICICI Capital Services Limited amalgamated with and into ICICI Bank Limited, effective April 1, 2002 for accounting purposes under US GAAP. In this annual report, all references to "we", "our" and "us" are, as the context requires, to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities subsequent to the amalgamation. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular company. References to "ICICI Bank" are, as the context requires, to ICICI Bank Limited on an unconsolidated basis subsequent to the amalgamation, to ICICI Bank Limited on an unconsolidated basis prior to the amalgamation, or to both. References to "ICICI" are to ICICI Limited and its consolidated subsidiaries and other consolidated entities prior to the amalgamation. References to "ICICI Personal Financial Services" are to ICICI Personal Financial Services Limited. References to "ICICI Capital Services" are to ICICI Capital Services Limited. References to the "amalgamation" are to the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank. References to "the Scheme of Amalgamation" are to the Scheme of Amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with ICICI Bank sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002 and approved by the Reserve Bank of India on April 26, 2002.

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

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

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

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

FORWARD-LOOKING STATEMENTS We have included statements in this annual report which contain words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue", "our judgment" and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, our ability to successfully implement our strategy, including our use of the Internet and other technology, our ability to integrate recent or future mergers or acquisitions into our operations, future levels of impaired loans, our growth and expansion in domestic and overseas markets, the adequacy of our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of Indian banking regulations on us, which includes the assets and liabilities of ICICI, a former financial institution not subject to Indian banking regulations, our ability to roll over our short-term funding sources and our exposure to market risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated. In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report include, but are not limited to, the monetary and interest rate policies of India and the other markets in which we operate, natural calamities, general economic, financial or political conditions, instability or uncertainty in India, southeast Asia, or any other country which have a direct or indirect impact on our business activities or investments, caused by any factor including terrorist attacks in India, the United States or elsewhere, anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, tensions between India and Pakistan related to the Kashmir region, military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, foreign exchange rates, equity prices or other market rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in the competitive and pricing environment in India, and general or regional changes in asset valuations. For a further discussion on the factors that could cause actual results to differ, see the discussion under "Risk Factors" contained elsewhere in this annual report. 7

EXCHANGE RATES Fluctuations in the exchange rate between the Indian rupee and the US dollar will affect the US dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will affect the market price of our ADSs in the United States. These fluctuations will also affect the conversion into US dollars by the depositary of any cash dividends paid in Indian rupees on our equity shares represented by ADSs. On an average annual basis, the Indian rupee has declined against the dollar since 1980. In early July 1991, the government adjusted the Indian rupee downward by an aggregate of approximately 20.0% against the dollar. The adjustment was effected as part of an economic package designed to overcome economic and foreign exchange problems. After the Indian rupee was made convertible on the current account in March 1993, it depreciated on an average annual basis at a rate of approximately 5-6%. During fiscal 2003 and fiscal 2004, however, the rupee appreciated against the US dollar, from Rs. 49.06 per US$ 1.00 at May 31, 2002 to Rs. 43.40 per US$ 1.00 at March 31, 2004. The rupee again depreciated against the dollar during fiscal 2005 by 0.5% and during fiscal 2006 (through September 23, 2005) by 0.4%. The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian rupees and US dollars based on the noon buying rate. Fiscal Year Period End(1) Average(1)(2) -- 2000... 43.65 43.46 2001 .... 46.85 45.88 2002... 48.83 47.80 2003 .... 47.53 48.43 2004 .... 43.40 45.78 2005 .... 43.62 44.86 2006 (through September 23, 2005) .... 43.80 43.64 Month High Low -- March 2005.. 43.70 43.44 April 2005.. 43.72 43.48 May 2005.. 43.62 43.21 June 2005 .... 43.71 43.44 July 2005... 43.59 43.05 August 2005 .... 44.00 43.36 (September 2005 through September 23, 2005) .... 43.94 43.75 ---------- (1) The noon buying rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements. (2) Represents the average of the noon buying rate on the last day of each month during the period. Although certain rupee amounts in this annual report have been translated into dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into dollars at any particular rate, the rates stated below, or at all. Except in the section on "Market Price Information", all translations from rupees to dollars are based on the noon buying rate in the City of New York for cable transfers in rupees at March 31, 2005. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate at March 31, 2005 was Rs. 43.62 per US$ 1.00 and at August 31, 2005 was Rs. 44.00 per US$ 1.00. 8

RISK FACTORS You should carefully consider the following risk factors as well as the other information contained in this annual report in evaluating us and our business. Risks Relating to India A slowdown in economic growth in India could cause our business to suffer. Any slowdown in the Indian economy or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact our business, including our ability to grow our asset portfolio, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs. A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business. India imports approximately 70.0% of its requirements of crude oil, which constituted approximately 27.9% of total imports in fiscal 2005. The sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the Reserve Bank of India. Over the last year, there has been a sharp increase in global crude oil prices which was due to both increased demand and pressure on production and refinery capacity. The full burden of the oil price increase has not yet been passed to Indian consumers and has been largely absorbed by the government and government-owned oil marketing companies. Sustained high levels, further increases or volatility of oil prices and the pass-through of recent increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. This could adversely affect our business including our liquidity, our ability to grow, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs. A significant change in the Indian government's economic liberalization and deregulation policies could adversely affect our business and the price of our equity shares and ADSs. Our assets and customers are predominantly located in India. The Indian government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs. The Indian economy is influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. We have also established operations in several other countries. A loss of investor confidence in the financial systems of other emerging markets and countries where we have established operations or any worldwide financial instability may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector, our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our equity shares and ADSs could be adversely affected. India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political 9

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

Risks Relating to Our Business Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance. As a result of certain reserve requirements of the Reserve Bank of India, we are more structurally exposed to interest rate risk than banks in many other countries. See "Supervision and Regulation - Legal Reserve Requirements". These requirements result in our maintaining a large portfolio of fixed income government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. These requirements also have a negative impact on our net interest income and net interest margin because we earn interest on a portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. If our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, or if the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, our net interest income and net interest margin would be adversely impacted. We are also exposed to interest rate risk through our treasury operations and our subsidiary ICICI Securities, which is a primary dealer in government of India securities. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. A large proportion of ICICI's loans consisted of project finance assistance, a substantial portion of which is particularly vulnerable to completion and other risks. Long-term project finance assistance constituted a significant proportion of ICICI's asset portfolio and, despite the growth of our retail loan portfolio, continues to be a significant proportion of our loan portfolio. The viability of these projects depends upon a number of factors, including market demand, government policies and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including completion risk and counterparty risk, which could adversely impact their ability to generate revenues. We cannot be sure that these projects will perform as anticipated. Over the last several years, we experienced a high level of impaired loans in our project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Future project finance losses or high levels of loan impairment could have a materially adverse effect on our profitability and the quality of our loan portfolio. We have a high concentration of loans to certain customers and sectors and impairment of a substantial portion of these loans could adversely affect the overall quality of our loan portfolio, our business and the price of our equity shares and ADSs. Our loan portfolio, gross restructured loan portfolio and gross other impaired loan portfolio have a high concentration in certain customers and sectors. See "Business - Loan Portfolio". In the past, these borrowers and sectors have been adversely affected by economic conditions in varying degrees. Credit losses or financial difficulties of these borrowers and sectors in the future could adversely affect our business, our financial performance, our stockholders' equity and the price of our equity shares and ADSs. If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer. We have experienced rapid growth in our retail loan portfolio. See "Business - Loan Portfolio". Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of impaired loans on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of the Reserve Bank of India, we are required to extend 50.0% of our residual net bank credit (excluding the advances of ICICI at year-end fiscal 2002) to certain eligible sectors, which are categorized as "priority sectors". See "Business - Loan Portfolio - Directed Lending". We may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. We may not be able to control or reduce the level of impaired loans in our project and corporate finance portfolio or 11 assure that troubled debt restructuring will be successful or that borrowers will meet their obligations under the restructured terms. We may not be successful in our efforts to improve collections and foreclose on existing impaired loans. If we are not able to control or reduce the level of impaired loans, the overall quality of our loan portfolio may deteriorate and our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs may be adversely affected. Further deterioration of our impaired loan portfolio and an inability to improve our allowance for loan losses as a percentage of impaired loans could adversely affect the price of our equity shares and ADSs. The level of our impaired loans is significantly higher than the average percentage of impaired loans in the portfolios of banks in more developed countries. Although we believe that our allowances for loan losses will be adequate to cover all known losses in our asset portfolio, we cannot assure you that there will be no deterioration in the allowance for loan losses as a percentage of gross impaired loans or otherwise or that the percentage of impaired loans that we will be able to recover will be similar to our and ICICI's past experience of recoveries of impaired loans. In the event of any further deterioration in our impaired loan portfolio, there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss. A substantial portion of our loans to corporate and retail customers are secured by collateral. See "Loan Portfolio - Collateral - Completion, Perfection and Enforcement". We may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral, fraudulent transfers by borrowers and other factors. There can be no assurance that any legislation in this area will have a favorable impact on our efforts to resolve non-performing assets. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts Due to Banks." Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. We face greater credit risks than banks in developed economies. Our credit risk is higher because most of our borrowers are based in India. Unlike several developed economies, a nationwide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our borrowers to adapt to global technological advances. Also, several of our borrowers suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy at the time of their financing, and other factors. This may lead to an increase in the level of our impaired loans, there could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected. Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI (which generally had longer maturities), are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating the potential for funding mismatches. High volumes of deposit withdrawals or failure of a 12

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

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

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

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

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

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

Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs. The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In March 1995, the Bombay Stock Exchange (the "BSE"), was closed for three days following a default by a broker. In March 2001, the BSE dropped 667 points or 15.6% and there were also rumors of insider trading in the BSE leading to the resignation of the BSE president and several other members of the governing board. In the same month, the Kolkata Stock Exchange suffered a payment crisis when several brokers defaulted and the exchange invoked guarantees provided by various Indian banks. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. On May 17, 2004, the BSE Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE and the National Stock Exchange (the "NSE") halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets have experienced rapid appreciation over the past few months and relatively higher volatility recently. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have arisen between listed companies and stock exchanges and other regulatory bodies, which in some cases had a negative effect on market sentiment. In recent years, there have been changes in laws and regulations for the taxation of dividend income, which have impacted the Indian equity capital markets. See "Dividends". Similar problems or changes in the future could adversely affect the market price and liquidity of our equity shares and ADSs. 17

An active or liquid trading market for our ADSs is not assured. Although our ADSs are listed and traded on the New York Stock Exchange, we cannot be certain that an active, liquid market for our ADSs will be sustained. Indian legal restrictions may limit the supply of ADSs and a loss of liquidity could increase the price volatility of our ADSs. Settlement of trades of equity shares on Indian stock exchanges may be subject to delays. The equity shares represented by the ADSs are currently listed on the BSE and the NSE. Settlement on those stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depositary facility upon surrender of ADSs may not be able to settle trades on such stock exchanges in a timely manner. Changes in Indian regulations on foreign ownership, a change in investor preferences or an increase in the number of ADSs outstanding could adversely affect the price of our ADSs. ADSs issued by companies in certain emerging markets, including India, may trade at a discount or a premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares. See "Restriction on Foreign Ownership of Indian Securities". Historically, our ADSs have generally traded at a premium to the trading price of our underlying equity shares on the Indian stock exchanges. See "Market Price Information". We believe that this price premium resulted from the limited portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference for some investors to trade dollar-denominated securities. In fiscal 2005, we sponsored an offering of ADSs by our shareholders which increased the number of outstanding ADSs and we may conduct similar offerings in the future. Also, over time, some of the restrictions on the issuance of ADSs imposed by Indian law have been relaxed and other restrictions may also be relaxed in the future though the timing is uncertain. As a result, any premium enjoyed by the ADSs as compared to the equity shares may be reduced or eliminated as a result of offerings made or sponsored by us, changes in Indian law permitting further conversion of equity shares into ADSs or a change in investor preferences. Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our equity shares and ADSs. We may conduct additional equity offerings to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. Any future issuance of equity shares would dilute the positions of investors in equity shares and ADSs and could adversely affect the market price of our equity shares and ADSs. You may be unable to exercise preemptive rights available to other shareholders. A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company's shareholders present and voting at a shareholders' general meeting. US investors in ADSs may be unable to exercise these preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act") is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration as well as the perceived benefits of enabling US investors in ADSs to exercise their preemptive rights and any other factors we consider appropriate at such time. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional ownership interests in us would be reduced. Because the equity shares underlying the ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee. Investors who purchase ADSs are required to pay for the ADSs in US dollars and are subject to currency fluctuation risk and convertibility risks since the equity shares underlying the ADSs are quoted in rupees on the Indian stock exchanges on which they are listed. Dividends on the equity shares will also be paid in rupees and then 18

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

BUSINESS Overview We offer a wide range of banking products and services to corporate and retail customers through a variety of delivery channels. In fiscal 2005, we made a net profit of Rs. 8.5 billion (US$ 196 million) compared to a net profit of Rs. 5.2 billion (US$ 120 million) in fiscal 2004. At year-end fiscal 2005, we had assets of Rs. 1,863.4 billion (US$ 42.7 billion) and stockholders' equity of Rs. 128.0 billion (US$ 2.9 billion). At year-end fiscal 2005, ICICI Bank was the second-largest bank in India and the largest bank in the private sector, in terms of total assets. We offer products and services in the areas of commercial banking, investment banking and other financial services including insurance. Our commercial banking operations for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. We provide a range of commercial banking products and services to India's leading corporations, growth-oriented middle market companies and small and medium enterprises, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We also offer project finance and agricultural and rural banking products. We offer investment banking services through our subsidiary, ICICI Securities, including corporate advisory services, primary dealership in government securities and equity underwriting and brokerage. In addition, we provide venture capital funding to start-up companies and private equity to a range of companies through our venture capital and private equity fund management subsidiary ICICI Venture Funds Management Company. We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. We have an asset management joint venture with Prudential plc of the United Kingdom through Prudential ICICI Asset Management Company and Prudential ICICI Trust. At the end of August 2005, Prudential ICICI Asset Management Company was the largest private sector player in the Indian mutual fund industry with funds under management of approximately Rs. 214.00 billion (US$ 4.9 billion) and a market share of approximately 11%. Subsequent to year-end fiscal 2005, we acquired an additional 6% of the share capital of the joint venture from Prudential, which increased our shareholding in the joint venture to 51%. The value of this transaction is not material to our overall results. ICICI Bank cross-sells the products of our insurance and asset management subsidiaries to its corporate and retail customers. We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers in North America, the United Kingdom, the Middle-East and South-East Asia. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. In May 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. We have received approvals to set-up a branch office in Sri Lanka and have applied for branch licenses in the United States and Hong Kong. We deliver our products and services through a variety of channels, ranging from traditional bank branches and ATMs to call centers and the Internet. At year-end fiscal 2005, we had a network of 510 branches and 52 extension counters in 367 centers across several Indian states and 1,910 ATMs. Our legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. We were incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India, our telephone number is +91 22 2653 1414 and our web site address is www.icicibank.com. Our agent for service of process in the United States is Mr. Madhav Kalyan, Joint General Manager, ICICI Bank New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110. History ICICI was formed in 1955 at the initiative of the World Bank, the government of India and Indian industry representatives. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on 20

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project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and other group companies, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients. ICICI Bank was incorporated in 1994 as a part of the ICICI group. ICICI Bank's initial equity capital was contributed for 75.0% by ICICI and for 25.0% by SCICI Limited, a diversified finance and shipping finance lender of which ICICI owned 19.9% at December 1996. Pursuant to the merger of SCICI into ICICI, ICICI Bank became a wholly-owned subsidiary of ICICI. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank, in an all-stock merger. The issue of universal banking, which in the Indian context means conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length over the past few years. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. ICICI Bank also considered various strategic alternatives in the context of the emerging competitive scenario in the Indian banking industry. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI and ICICI Bank decided to merge. At the time of the merger, both ICICI Bank and ICICI were publicly listed in India and on the New York Stock Exchange. The amalgamation was approved by each of the boards of directors of ICICI, ICICI Personal Financial Services, ICICI Capital Services and ICICI Bank at the respective board meetings held on October 25, 2001. The amalgamation was approved by ICICI Bank's and ICICI's shareholders at their extraordinary general meetings held on January 25, 2002 and January 30, 2002, respectively. The amalgamation was sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002. The amalgamation was approved by the Reserve Bank of India on April 26, 2002. The amalgamation became effective on May 3, 2002 and the date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Pursuant to the amalgamation, the shareholders of ICICI were issued ICICI Bank equity shares in the ratio of one fully paid-up equity share, par value Rs. 10 per share, of ICICI Bank for every two fully paid-up equity shares, par value Rs. 10 per share, of ICICI. As there were five ICICI equity shares underlying each ICICI ADS and two ICICI Bank equity shares underlying each ICICI Bank ADS, holders of ICICI ADSs were issued five ICICI Bank ADSs for every four ICICI ADSs. Shareholding Structure and Relationship with the Government of India The following table sets forth, at September 23, 2005, certain information regarding the ownership of our equity shares. ------------------------------- Percentage of total equity shares Number of equity outstanding shares held ------------------------------- Government-controlled shareholders: Life Insurance Corporation of India.................................. 9.39 69,535,046 General Insurance Corporation of India and government-owned general insurance companies.. 5.49 40,656,823 Other government-controlled institutions, corporations and banks......... 0.19 1,382,872 ------------------------------- Total government-controlled shareholders................................. 15.07 111,574,741 ------------------------------- Other Indian investors: Individual domestic investors (1) (2)................................... 5.88 43,583,668 Bajaj Auto Limited .... 3.08 22,821,820 Indian corporates and others (excluding Bajaj Auto Limited)............. 0.73 5,408,092 21

Mutual funds and banks (other than government-controlled banks)......... 1.99 14,715,778 ------------------------------- Total other Indian investors.. 11.68 86,529,358 ------------------------------- Total Indian investors.. 26.75 198,104,099 ------------------------------- Foreign investors: Deutsche Bank Trust Company Americas, as depositary..................... 27.19 201,396,818 Allamanda Investments Pte. Limited..................................... 8.94 66,234,627 HWIC Asia Fund... 3.69 27,320,361 Government of Singapore.. 3.42 25,335,159 Foreign institutional investors, foreign banks, overseas corporate bodies and non-resident Indians (excluding Allamanda Investments Pte. Limited, HWIC Asia Fund and Government of Singapore)(1)(2).............................. 30.01 222,250,063 ------------------------------- Total foreign investors... 73.25 542,537,028 ------------------------------- Total .... 100.00 740,641,127 =============================== ---------- (1) Executive officers and directors as a group held around 0.5% of the equity shares as of this date. (2) No single shareholder in this group owned 5.0% or more of ICICI Bank's equity shares as of this date. In April 2004, we issued 115,920,758 equity shares to foreign and domestic institutional investors and domestic retail investors at a price of Rs. 280 (US$ 6) per share, totaling Rs. 32.5 billion (US$ 745 million). In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,750 ADSs representing 41,371,500 equity shares sold by our equity shareholders, at a price of US$ 21.11 per ADS, aggregating approximately US$ 437 million. The proceeds of the offering, net of expenses, were distributed to the selling shareholders. As a result of this offering, the holding of Deutsche Bank Trust Company Americas as depositary for ADS holders increased from 21.8% at August 27, 2004 to 27.2% at September 23, 2005. The holding of government-controlled shareholders was 15.1% at September 23, 2005 against 17.1% at August 27, 2004 and 17.8% at August 29, 2003. The holding of Life Insurance Corporation of India was 9.4% at September 23, 2005 compared to 10.1% at August 27, 2004 and 8.0% at August 29, 2003. We operate as an autonomous and commercial enterprise, making decisions and pursuing strategies that are designed to maximize shareholder value, and the Indian government has never directly held any of our shares. There is no shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. The government of India has guaranteed certain of our domestic and multilateral borrowings. Under the terms of these loan and guarantee facilities provided by the government of India to us, the government of India is entitled to appoint and has appointed one representative to our board. We invite a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance Corporation of India and General Insurance Corporation of India on our board. Mr. T. S. Vijayan, Managing Director of Life Insurance Corporation of India was appointed as a director effective April 30, 2005. See "Management--Directors and Executive Officers" for a discussion of the composition of our board of directors. The holding of other Indian investors was 11.7% at September 23, 2005, against 12.8% at August 27, 2004 and 15.6% at August 29, 2003. The total holding of Indian investors was 26.7% at September 23, 2005 compared to 29.9% at August 27, 2004 and 33.4% at August 29, 2003. The holding of foreign investors increased to 73.3% at September 23, 2005 from 70.1% at August 27, 2004 and 66.7% at August 29, 2003. See "Supervision and Regulation - Reserve Bank of India Regulations - Ownership Restrictions" and "Restriction on Foreign Ownership of Indian Securities". Deutsche Bank Trust Company Americas holds the equity shares represented by 100.70 million ADSs outstanding as depositary on behalf of the holders of the ADSs. The ADSs are listed on the New York Stock Exchange. The depositary has the right to vote on the equity shares represented by the ADSs as directed by our board of directors. Under the Indian Banking Regulation Act, no person holding shares in a banking company can exercise more than 10.0% of the total voting power. This means that Deutsche Bank Trust Company Americas (as depositary), which held of record approximately 27.2% of our equity shares as of September 23, 2005 and 21.8% at August 27, 2004, could only 22

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vote 10.0% of our equity shares, in accordance with the directions of our board of directors. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". Except as stated above, no shareholder has differential voting rights. In fiscal 2005, neither we nor any affiliate made any repurchases of our equity securities or ADSs, nor were any such repurchases made on our behalf or on behalf of an affiliate. Strategy Our objective is to enhance our position as a premier provider of banking and other financial services in India and to leverage our competencies in financial services and technology to develop an international business franchise. The key elements of our business strategy are to: o focus on quality growth opportunities by: - maintaining and enhancing our strong retail and corporate franchise; - building an international presence; - strengthening our insurance business; and - building a rural banking franchise. o emphasize conservative risk management practices and enhance asset quality; o use technology for competitive advantage; and o attract and retain talented professionals. Overview of Products and Services We offer products and services in the areas of commercial banking, investment banking and insurance. Commercial Banking for Retail Customers We believe that the Indian retail financial services market is likely to continue to experience sustained growth in the future. With upward migration of household income levels, increasing affordability of retail finance and acceptance of use of credit to finance purchases, retail credit has emerged as a rapidly growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit. The key dimensions of our retail strategy are innovative products, parity pricing, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. Cross-selling of the entire range of credit and investment products and banking services to our customers is a critical aspect of our retail strategy. Our commercial banking operations for retail customers consist of retail lending and deposits, credit cards, depositary share accounts, distribution of third-party investment and insurance products, other fee-based products and services and issuance of unsecured redeemable bonds. Retail Lending Activities We offer a range of retail asset products, including home loans, automobile loans, two wheeler loans, commercial business (including commercial vehicle, construction equipment and farm equipment) loans, personal loans and credit cards. We also fund dealers who sell automobiles, two wheelers and commercial vehicles. Further, we provide loans against time deposits and loans against shares, including for subscriptions to initial public offerings of Indian companies. Our total gross retail loans at year-end fiscal 2005 included consumer loans and credit card receivables of Rs. 526.5 billion (US$ 12.1 billion), which were 48.9% of our total gross loans at year-end fiscal 2005. 23

The following is a break-down of our gross consumer loans and credit card receivables at year-end fiscal 2005: At year-end fiscal 2005 --------------- --------------- Rs. (in billion) US$ (in million) --------------- --------------- Home loans.................................. 260.6 5,974 Automobile loans............................ 101.3 2,322 Commercial vehicle & related loans........... 71.6 1,641 Personal loans............................... 24.6 564 Credit card receivables...................... 18.1 416 Two wheeler loans........................... 12.1 277 Others...................................... 38.2 876 --------------- --------------- Total 526.5 12,070 =============== =============== At year-end fiscal 2005, we had approximately 3.3 million credit card holders. Lending to small and medium enterprises We are seeking to extend our reach to the small and medium enterprises sector. We provide supply chain financing, including the financing of selected customers of our corporate clients. We also provide financing on a cluster-based approach, that is financing of small enterprises that have a homogenous profile such as apparel manufacturers and manufacturers of pharmaceuticals. Retail Deposits Our retail deposit products include time deposits and savings accounts. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen. We have corporate salary account products and a deposit account product that provides weekly automatic transfer of idle balances, above a certain minimum amount, from savings accounts to time deposits. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2005, we had a debit card base of over 6.4 million cards. We offer current account products to our small and medium enterprise customers. For a description of the Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "Supervision and Regulation -- Regulations Relating to Deposits" and "Supervision and Regulation -- Deposit Insurance". For more information on the type, cost and maturity profile of our deposits, see "Funding". Bond Issues We offer retail liability products in the form of a variety of unsecured redeemable bonds. During fiscal 2005, we raised Rs. 16.3 billion (US$ 374 million) through bond issuances. While deposits will continue to be our primary source of funding, we may conduct other similar bond issues in the future. Other Fee-Based Products and Services Through our distribution network, we offer government of India Relief Bonds, insurance policies from ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company and distribute public offerings of equity shares by Indian companies. We also offer a variety of mutual fund products from Prudential ICICI Asset Management Company and other select mutual funds. We also levy services charges on deposit accounts. We offer fee-based products and services including documentary credits and guarantees to small and medium enterprises. As a depositary participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depositary share accounts to settle securities transactions in a dematerialized mode. Further, we are one of the banks designated by the Reserve Bank of India for issuing approvals to non-resident Indians and overseas corporate bodies to trade in shares and convertible debentures on the Indian stock exchanges. 24

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

For further details on our loan portfolio, see "Loan Portfolio". For a description of our credit rating and approval system, see "Risk Management - Credit Risk - Credit Risk Assessment Procedures for Corporate Loans". Our project finance business consists principally of extending medium-term and long-term rupee loans to the manufacturing sector. At year-end fiscal 2005, our gross wholesale banking loans outstanding were Rs. 329.2 billion (US$ 7.5 billion), constituting 30.5% of our gross loan portfolio. Our working capital financing consists of cash credit facilities and bill discounting. At year-end fiscal 2005, our gross working capital loans, including working capital term loans, outstanding were Rs. 135.6 billion (US$ 3.1 billion), constituting approximately 12.6% of our gross loan portfolio. For more details on our credit risk procedures, see "-- Risk Management -- Credit Risk". As required by the Reserve Bank of India's directed lending norms, we lend 18.0% of our net bank credit on the residual portion of our advances (i.e., our total advances excluding the advances of ICICI at year-end fiscal 2002) to the agricultural sector. Our agricultural lending portfolio includes loans to farmers and to co-operatives and companies in eligible sectors such as seeds, poultry and fisheries as well as micro-finance loans to borrowers in rural areas. For details of our directed lending portfolio, refer "Loan Portfolio - Directed Lending". Fee and Commission-Based Activities We offer our corporate customers a wide variety of fee and commission-based products and services including documentary credits and standby letters of credit (called guarantees in India). At year-end fiscal 2005, we had a portfolio of documentary credits of Rs. 74.1 billion (US$ 1.7 billion) and total guarantees outstanding of Rs. 160.5 billion (US$ 3.7 billion). We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. We also offer custodial services to clients. At year-end fiscal 2005, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) was Rs. 945.7 billion (US$ 21.7 billion). As a registered depositary participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositaries operating in India, we also provide electronic depositary facilities to investors. Further, we generate fee income from our syndication and securitization activities. Corporate Deposits We offer liquidity management services and a variety of deposit products to our corporate customers including current accounts, time deposits and certificates of deposits. For more information on the type, cost and maturity profile of our deposits, see "-- Funding". 25

Commercial Banking for International Customers We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. Our strategy for growth in international markets is based on leveraging home country links and technology for international expansion by capturing market share in select international markets. We have identified North America, the United Kingdom, the Middle-East and South-East Asia as the key regions for establishing our international presence. The initial focus areas are supporting Indian companies in raising corporate and project finance for their investments abroad, trade finance, personal financial services for non-resident Indians and international alliances to support domestic businesses. We have over the last few years built a large network of correspondent relationships with international banks across all major countries. Most of these countries have significant trade and other relationships with India. Many of the commercial banking products that ICICI Bank offers to international customers, such as trade finance and letters of credit, are similar to the products offered to our corporate customers in India. Some of the products and services that are unique to international customers are: o TradeWay: an Internet-based documentary collection product to provide correspondent banks access to real-time on-line information on the status of their export bills collections routed through us. o Remittance Tracker: an Internet-based application that allows a correspondent bank to query on the status of their payment instructions and also to get various information reports online. o Offshore banking deposits: multi-currency deposit products in US dollar, pound sterling and euro. o Foreign currency non-resident deposits: foreign currency deposits offered in four main currencies - US dollar, pound sterling, euro and yen. o Non-resident external fixed deposits: deposits maintained in Indian rupees. o Non-resident external savings account: savings accounts maintained in Indian rupees. o Non-resident ordinary savings accounts and non-resident ordinary fixed deposits. o Money2India: a Internet-based wire transfer remittance facility. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. Subsequent to year-end fiscal 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. We have received preliminary approvals from the host country regulator to set up a branch office in Sri Lanka and have applied for branch licenses in the United States and Hong Kong. Our subsidiaries in the United Kingdom and Canada offer local banking products and services in those countries. In Canada, we have also launched a direct banking offering in Canada using the Internet as the access channel. Delivery Channels We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers and the Internet. We also have direct marketing agents or associates, who deliver our retail credit products. These agents help us achieve deeper penetration by offering door-step service to the customer. At year-end fiscal 2005, we offered one or more retail credit products in approximately 1,070 centers. At year-end fiscal 2005, we had a network of 510 branches and 52 extension counters in 367 centers across several Indian states, an increase of 97 branches and a decrease of 4 extension counters over the previous year. Extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services. 26

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in semi-urban and rural areas. The following table sets forth the number of branches broken down by area at year-end fiscal 2005. At March 31, 2005 --------------------------------- Number of branches % of total ------------------ --------------- Metropolitan/urban.............. 241 47.3% Semi-urban/rural .... 269 52.7% ------------------ --------------- Total .... 510 100.0% ================== =============== At year-end fiscal 2005, we had 1,910 ATMs, of which 572 were located at our branches and extension counters. We also have mobile ATMs, which are ATMs mounted on mobile vans to visit specific areas at a pre-designated time to reach remotely located customers. Through our website www.icicibank.com, we offer our customers online access to account information and payment and fund transfer facilities. We provide Internet banking services to our corporate clients through ICICI e-business, a finance portal which is the single point web-based interface for all our corporate clients. We provide telephone banking services through our call center. At year-end fiscal 2005, our call center had 1,954 inbound sales and service workstations across two locations. We offer mobile phone banking services to our customers using any cellular telephone service operator in India. Investment Banking Our investment banking operations principally consist of our treasury operations and the operations of ICICI Securities, our subsidiary. Treasury Through our treasury operations, we seek to manage our balance sheet including the maintenance of required regulatory reserves and to optimize profits from our trading portfolio by taking advantage of market opportunities. Our trading and securities portfolio includes our regulatory portfolio, as there is no restriction on active management of our regulatory portfolio. At year-end fiscal 2005, government of India securities (excluding securities purchased under agreements to resell) constituted 9.2% of our trading portfolio and 91.4% of our total trading and available for sale securities portfolio, while the remainder included corporate debt securities, equity securities and mutual funds. Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. Further, we engage in domestic and foreign exchange operations from a centralized trading floor in Mumbai. As part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. Our treasury manages our foreign currency exposures and the foreign exchange and risk hedging derivative products offered to our customers and engages in proprietary trading of currencies. Our investment and market risk policies are approved by the Risk Committee and Asset Liability Management Committee of our board of directors. Our securities are classified into available for sale securities, trading securities, venture capital investments and non-readily marketable securities. The following table sets forth, at the dates indicated, certain information related to our trading portfolio. 27

At March 31, -- 2003 2004 2005 2005 -------------- ---------------- -------------- ------------ (in millions) Government of India securities.. Rs. 26,658 Rs. 30,374 Rs. 6,934 US$ 159 Securities purchased under agreements to resell.......... 5,399 34,974 24,000 550 Corporate debt securities....... 6,704 6,403 3,202 73 Equity securities............... 187 1,018 3,222 74 Mutual funds.................... - - 37,383 857 Fair value of derivative and foreign exchange contracts... 686 2,386 797 18 -------------- ---------------- -------------- ------------ Total........................... Rs. 39,634 Rs. 75,155 Rs. 75,538 US$ 1,731 ============== ================ ============== ============ The following table sets forth, for the periods indicated, certain information related to interest and dividends on our trading securities, net gain from the sale of these securities and gross unrealized gain/(loss) on these securities. Year ended March 31, -- 2003 2004 2005 2005 -------------- ---------------- -------------- ------------ (in millions) Interest and dividends........... Rs. 2,754 Rs. 3,232 Rs. 1,946 US$ 45 Gain on sale of trading securities....................... 2,356 3,889 828 19 Unrealized gain/(loss) on trading securities............ 719 544 (542) (12) -------------- ---------------- -------------- ------------ Total............................ Rs. 5,829 Rs. 7,665 Rs. 2,232 US$ 52 ============== ================ ============== ============ In addition to trading securities, we also hold available for sale securities. The following tables set forth, at the dates indicated, certain information related to our available for sale securities portfolio. At March 31, -- 2003 -- Amortized Gross Gross cost unrealized gain unrealized loss Fair value -------------- -------------- -------------- ------------ (in millions) Corporate debt securities............. Rs. 10,636 Rs. 389 Rs. (79) Rs. 10,946 Government of India securities........ 240,187 4,403 (459) 244,131 Total debt securities................. 250,823 4,792 (538) 255,077 Equity securities..................... 13,609 745 (1,932) 12,422 -------------- -------------- -------------- ------------ Total................................. Rs. 264,432 Rs. 5,537 Rs. (2,470) Rs. 267,499 ============== ============== ============== ============ Non readily marketable securities(1).. Rs. 9,418 Venture capital investments(2)........ Rs. 3,704 28

At March 31, -- 2004 -- Amortized Gross Gross cost unrealized gain unrealized loss Fair value -------------- -------------- -------------- ------------ (in millions) Corporate debt securities............. Rs. 18,791 Rs. 183 Rs. (154) Rs. 18,820 Government of India securities........ 256,284 4,488 (192) 260,580 Total debt securities................. 275,075 4,671 (346) 279,400 Equity securities..................... 15,475 2,072 (342) 17,205 -------------- -------------- -------------- ------------ Total....................... Rs. 290,550 Rs. 6,743 Rs. (688) Rs. 296,605 ============== ============== ============== ============ Non readily marketable securities(1).. Rs. 8,621 Venture capital investments(2)........ Rs. 5,142 At March 31, -- 2005 -- Amortized Gross Gross cost unrealized gain unrealized loss Fair value -------------- -------------- -------------- ------------ (in millions) Corporate debt securities............. Rs. 25,714 Rs. 65 Rs. (159) Rs. 25,620 Government of India securities....... 335,991 2,700 (4,694) 333,997 Total debt securities................ 361,705 2,765 (4,853) 359,617 Equity securities..................... 5,809 4 (174) 10,201 -------------- -------------- -------------- ------------ Total................................ Rs. 367,514 Rs. 7,331 Rs. (5,027) Rs. 369,818 ============== ============== ============== ============ Non readily marketable securities(1).. Rs. 7,209 Venture capital investments(2)........ Rs. 3,932 ---------- (1) Primarily represents securities acquired as a part of project financing activities or conversion of loans in debt restructurings. (2) Represents venture capital investments in funds managed by ICICI Venture Funds Management Company. The following table sets forth, for the period indicated, income from available for sale securities. Year ended March 31, -- 2003 2004

2005 2005 --------------- ----------------- --------------- ------------ (in millions) Interest..................... Rs. 16,633 Rs. 15,264 Rs. 15,248 US$ 350 Dividend..................... 389 431 485 11 --------------- ----------------- --------------- ------------ Total........................ Rs. 17,022 Rs. 15,695 Rs. 15,733 US$ 361 =============== ================= ============== ============ Gross realized gain.......... Rs. 6,845 Rs. 16,211 Rs. 7,897 181 Gross realized loss.......... (5,022) (2,467) (1,309) (30) --------------- ----------------- --------------- ------------ Total........................ Rs. 1,823 Rs. 13,744 Rs. 6,588 US$ 151 =============== ================= ============== ============ The following table sets forth, at the date indicated, an analysis of the maturity profile of our investments in debt securities classified as available for sale securities and the yields thereon. This maturity profile is based on repayment dates and does not reflect re-pricing dates of floating rate securities. 29

-- At March 31, 2005 --- Up to one year One to five years Five to 10 years More than 10 years -------------------- ------------------- ------------------ --------------------- Amount Yield Amount Yield Amount Yield Amount Yield ------ ----- ------ ----- ------ ----- ------ ----- (in millions) Corporate debt securities Rs. 5,041 6.41% Rs. 14,624 5.85% Rs. 5,551 6.73% Rs. 404 7.06% Government of India securities........... 57,918 4.81 138,084 5.51 83,265 5.07 54,730 5.59 ------ ------- ----- ------ Total interest-earning securities............ Rs. 62,959 4.94% Rs. 152,708 5.55% Rs. 88,816 5.17% Rs. 55,134 5.60% ========= ========== ========= ========= Total amortized cost..... Rs. 62,982 Rs. 143,307 Rs. 90,011 Rs. 55,005 We have a limited equity portfolio because the Reserve Bank of India restricts investments by a bank in equity securities to 5.0% of its total outstanding domestic loan portfolio as at March 31 of the previous year. See also "Supervision and Regulation - Reserve Bank of India Regulations - Regulations relating to Investments and Capital Market Exposure Limits". Equity securities, forming part of our investment securities portfolio, are considered as publicly traded if they have been actively traded on a securities exchange within six months of the balance sheet. The last quoted price of such securities is taken and recorded as their fair value. Non-readily marketable equity securities for which there is no readily determinable fair value are recorded at cost and a provision is made for other than temporary diminution. Securities acquired through conversion of loans in a troubled debt restructuring are recorded at the fair value on the date of conversion and subsequently accounted for as if acquired for cash. Venture capital investments are carried at fair value. However, they are generally carried at cost during the first year, unless a significant event occurs that affects the long-term value of the investment. Equity securities, including venture capital investments and mutual fund units were 2.3% of our total assets and 9.5% of our total investment securities portfolio at year-end fiscal 2005. As these investments are primarily in the nature of long-term investments in start-up projects, returns on such investments generally accrue well after commencement of operations by the projects. In general, we pursue a strategy of active management of our long-term equity portfolio to maximize return on investment. To ensure compliance with the Securities and Exchange Board of India's insider trading regulations, all dealings in our equity investments in listed companies are undertaken by the equity and corporate bonds dealing desks of our treasury, which are segregated from our other business groups as well as the other groups and desks in the treasury, and which do not have access to unpublished price sensitive information about these companies that may be available to us as a lender. We deal in several major foreign currencies and take deposits from non-resident Indians in four major foreign currencies. We also manage onshore accounts in foreign currencies. The foreign exchange treasury manages its portfolio through money market and foreign exchange instruments to optimize yield and liquidity. We provide a variety of risk management products to our corporate and small and medium enterprise clients, including foreign currency forward contracts and currency and interest rate swaps, and are expanding our capabilities in this area. At year-end fiscal 2005, we had a portfolio of outstanding forward contracts of Rs. 867.6 billion (US$ 19.9 billion), interest rate and currency swaps of Rs. 1,450.1 billion (US$ 33.2 billion) and other derivative products of Rs. 479.1 billion (US$ 11.0 billion). We control market risk and credit risk on our foreign exchange trading portfolio through an internal model which sets counterparty limits, stop-loss limits and limits on the loss of the entire foreign exchange trading operations and exception reporting. See also "Risk Management - Quantitative and Qualitative Disclosures About Market Risk - Exchange Rate Risk". ICICI Securities We provide investment banking services through our subsidiary, ICICI Securities, which provides investment banking services through three main business lines: corporate advisory, fixed income and equities. The clients of ICICI Securities include a range of Indian and foreign corporations and institutional investors. ICICI Securities is a non-bank finance company. For a description of non-bank finance companies, see "Overview of the Indian Financial Sector - Non-Bank Finance Companies". 30

Corporate advisory services include business valuations, pricing and structuring of transactions, and financial and corporate restructuring for large and mid-market Indian corporate clients and private equity syndication and privatization services for public sector companies. ICICI Securities is also one of the market leaders in the Indian debt market and was named the "Best Domestic Bond House - 2005" by Finance Asia and Asia Money. ICICI Securities is a primary dealer appointed and authorized by the Reserve Bank of India to trade in government securities. In fiscal 2005, ICICI Securities achieved turnover in excess of Rs. 1,200.0 billion (US$ 27.5 billion) in government securities. In equities, ICICI Securities offers a range of products including underwriting of equity offerings, public and private placement of corporate equity, assistance in buyback programs and equity brokering and research, primarily for institutional investor clients. Venture capital and private equity We also provide venture capital funding to start-up companies and private equity to a range of companies through funds managed by our subsidiary ICICI Venture Funds Management Company Limited. At year-end fiscal 2005, ICICI Venture managed or advised funds of Rs. 33.9 billion (US$ 777 million). Insurance We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company are joint ventures with Prudential plc of UK and Fairfax Financial Holdings Limited of Canada, respectively, in which we have a 74.0% interest. We collect fees from these subsidiaries for generating leads and providing referrals that are converted into policies. According to statistics published by the Insurance Regulatory & Development Authority, ICICI Prudential Life Insurance Company had a market share of 34% in new business written (excluding group insurance) by private sector life insurance companies and 9% among all insurance companies in India during fiscal 2005. ICICI Lombard General Insurance had a market share of 25% among the private sector general insurance companies and 5% among all general insurance companies in India during fiscal 2005. See also "- Subsidiaries and Affiliates". Funding Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Since the amalgamation, our primary source of funding has been deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and domestic or overseas bond offerings pursuant to specific regulatory approvals. In April 2005, we conducted an offering of equity shares aggregating Rs. 32.5 billion (US$ 745 million) to Indian and non-Indian institutional investors and Indian retail investors. Because ICICI was not allowed to raise banking deposits as a financial institution, its primary sources of funding prior to the amalgamation were retail bonds and rupee borrowings from a wide range of institutional investors. ICICI also raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India. Our deposits constituted 58.6% of our total liabilities at year-end fiscal 2005 compared to 52.1% of our total liabilities at year-end fiscal 2004. Our borrowings constituted 27.9% of our total liabilities at year-end fiscal 2005 compared to 34.8% of our total liabilities at year-end fiscal 2004. Our borrowings increased to Rs. 483.7 billion (US$ 11.1 billion) at year-end fiscal 2005 compared to Rs. 456.9 billion (US$ 10.5 billion) at year-end fiscal 2004. Our long-term debt decreased 1.6% to Rs. 367.5 billion (US$ 8.4 billion) at year-end fiscal 2005 compared to Rs. 373.4 billion (US$ 8.6 billion) at year-end fiscal 2004. Our short-term borrowings and trading liabilities increased 39.3% to Rs. 116.2 billion (US$ 2.7 billion) at year-end fiscal 2005 compared to short-term borrowings and trading liabilities of Rs. 83.4 billion (US$ 1.9 billion) at year-end fiscal 2004. Going forward, we expect to continue to repay our higher cost borrowings arising from ICICI Limited in accordance with their scheduled maturities and raise new funds primarily in the form of lower-cost deposits. Our deposits increased 48.4% to Rs. 1,016.5 billion (US$ 23.3 billion) at year-end fiscal 2005 compared to Rs. 685.0 billion (US$ 15.7 billion) at year-end fiscal 2004. This significant growth in deposits was achieved primarily 31 through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs. The following table sets forth, for the periods indicated, the average volume and average cost of deposits by type of deposit. Year ended March 31,(1)(2) -- 2001 2002 2003 2004 2005 -- Amount Cost(3) Amount Cost(3) Amount Cost(3) Amount Cost(3) Amount Amount Cost(3) -- (in millions, except percentages) Interest-bearing deposits: Savings deposits...... Rs. - Rs. - -% Rs. 30,874 2.96% Rs. 56,914 2.37% Rs. 98,244 US$ 2,252 2.22% Time deposits......... 3,682 13.31 6,618 11.24 327,144 7.68 469,589 6.25 598,834 13,728 5.16 Non-interest-bearing deposits: Demand deposits....... - - - - 31,172 - 54,090 - 88,414 2,027 - Total deposits......... Rs. 3,682 13.31% Rs.6,618 11.24% Rs.389,190 6.69% Rs.580,593 5.28% Rs.785,492 US$18,007 4.21 ========= ======== ========== ========== ========== ========= ---------- (1) Data for fiscal 2003, 2004 and 2005 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. (3) Represents interest expense divided by the average of quarterly balances. Our average deposits in fiscal 2005 were Rs. 785.5 billion (US$ 18.0 billion) at an average cost of 4.2% compared to average deposits of Rs. 580.6 billion (US$ 13.3 billion) at an average cost of 5.3% in fiscal 2004. Our average time deposits in fiscal 2005 were Rs. 598.8 billion (US$ 13.7 billion) at an average cost of 5.2% compared to average time deposits of Rs. 469.6 billion (US$ 10.8 billion) in fiscal 2004 at an average cost of 6.3%. The following table sets forth, at the date indicated, the maturity profile of deposits by type of deposit. At March 31, 2005 -- After one year and within After three Up to one year three years years Total -- (in millions) Interest-bearing deposits: Savings deposits .... Rs. 117,261 Rs. - Rs. - Rs. 117,261 Time deposits............ 664,846 81,208 26,311 772,365 Non-interest-bearing deposits: Demand deposits.......... 126,908 - - 126,908 -- Total deposits............ Rs. 909,015 Rs. 81,208 Rs. 26,311 Rs. 1,016,534 == The following table sets forth, for the periods indicated, average outstanding rupee borrowings based on quarterly balance sheets and by category of borrowing and the percentage composition by category of borrowing. The average cost (interest expense divided by average of quarterly balances) for each category of borrowings is provided in the footnotes. Year ended March 31,(1) (2) -- 2001 2002 2003 2004 2005 -- Amount % to Amount % to Amount % to Amount % to Amount Amount % to total total total total total -- (in millions, except percentages) SLR bonds(3).......... Rs. 23,405 4.9% Rs. 20,518 4.0% Rs. 15,690 3.4% Rs. 14,815 3.9% Rs. 14,815 US$ 340 4.4% Borrowings from 8,049 1.7 7,333 1.4 6,434 1.4 5,735 1.5 4,689 107 1.4 Indian 32

Year ended March 31,(1) (2) -- 2001 2002 2003 2004 2005 -- Amount % to Amount % to Amount % to Amount % to Amount Amount % to total total total total total -- (in millions, except percentages) government(4)........ Other borrowings(5)(6). 442,716 93.4 481,951 94.6 444,461 95.2 357,913 94.6 320,131 7,339 94.2 -- Total.................. Rs.474,170 100.0% Rs.509,802 100.0% Rs. 466,585 100.0% Rs.378,463 100.0% Rs.339,635 US$7,786 100.0% == ---------- (1) Data for fiscal 2003, 2004 and 2005 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. (2) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2002, 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal 2001. (3) With an average cost of 10.62% in fiscal 2001, 11.10% in fiscal 2002, 11.44% in fiscal 2003, 9.24% in fiscal 2004 and 9.30% in fiscal 2005. (4) With an average cost of 10.70% in fiscal 2001, 10.40% in fiscal 2002, 10.40% in fiscal 2003, 10.07% in fiscal 2004 and 10.27% in fiscal 2005. (5) With an average cost of 13.06% in fiscal 2001, 12.36% in fiscal 2002, 11.65% in fiscal 2003, 10.46% in fiscal 2004 and 9.19% in fiscal 2005. (6) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as inter-corporate deposits, certificate of deposits and call borrowings. The following table sets forth, at the date indicated, the maturity profile of our rupee term deposits of Rs. 10 million (US$ 229,253) or more. At March 31, --- % of total 2005 deposits --- (in millions, except percentages) Less than three months........................... Rs. 161,987 US$ 3,714 15.9% Above three months and less than six months...... 140,899 3,230 13.9% Above six months and less than 12 months......... 146,532 3,359 14.4% More than 12 months............................. 51,738 1,186 5.1% -------- ------- ------ Total deposits of Rs. 10 million and more........ Rs. 501,156 US$ 11,489 49.3% ======== ======= ====== During fiscal 2005, we repaid a significant amount of ICICI's high cost long-term debt. As a result, average long-term debt reduced to Rs. 359.7 billion (US$ 8.2 billion) during fiscal 2005 compared to Rs. 382.7 billion (US$ 8.8 billion) during fiscal 2004. The following table sets forth, at the dates indicated, certain information related to short-term rupee borrowings, which consist of certificates of deposits, inter-corporate deposits and borrowings from government-owned companies, and trading liabilities. At March 31,(1) --- 2001 2002 2003 2004 2005 --- (in millions, except percentages) Year-end balance........................... Rs. 99,997 Rs. 74,932 Rs. 50,232 Rs. 57,787 Rs. 44,777 Average balance during the year(2) .... 100,569 85,057 75,983 48,020 47,666 Maximum quarter-end balance................ 104,412 91,950 82,100 57,787 57,787 Average interest rate during the year(3)... 10.17% 9.65% 11.31% 6.16% 6.39% Average interest rate at year-end (4)...... 11.01% 9.34% 6.80% 4.85% 5.82% ---------- (1) Short-term borrowings include trading liabilities, such as borrowings in the call market and repurchase agreements. (2) Average of quarterly balances at the end of March of the previous fiscal year, June, September, December and March of that fiscal year for each of fiscal 2002, 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal 2001. (3) Represents the ratio of interest expense on short-term borrowings to the average of quarterly balances of short-term borrowings. (4) Represents the weighted average rate of the short-term borrowings outstanding at fiscal year-end. 33

The following table sets forth, at the dates indicated, average outstanding volume of foreign currency borrowings based on quarterly balance sheets by source and the percentage composition by source. The average cost (interest expense divided by average of quarterly balances) for each source of borrowings is provided in the footnotes. At March 31,(1)(2) -- 2001 2002 2003 2004 2005 -- % to % to % to % to % to Amount total Amount total Amount total Amount total Amount Amount total -- (in millions, except percentages) Commercial borrowings (3).. Rs.74,745 77.6% Rs.73,955 77.6% Rs.53,791 67.4% Rs.47,003 65.2% Rs.86,208 US$1,976 77.5% Multilateral borrowings(4). 21,554 22.4 22,290 22.4 26,020 32.6 25,073 34.8 25,080 575

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

---------- (1) Data for fiscal 2003, 2004 and 2005 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. (2) Average of quarterly balances at the end of March of the previous fiscal year, June, September, December and March of that fiscal year for each of fiscal 2002, 2003, 2004 and 2005 and average of quarterly balances at the end of June, September, December and March for fiscal 2001. (3) With an average cost of 7.55% in fiscal 2001, 6.75% in fiscal 2002, 3.16% in fiscal 2003, 3.11% in fiscal 2004 and 3.61% in fiscal 2005. (4) With an average cost of 4.39% in fiscal 2001, 4.93% in fiscal 2002, 4.40% in fiscal 2003, 3.03% in fiscal 2004 and 3.22% in fiscal 2005. At year-end fiscal 2005, our outstanding subordinated debt was Rs. 82.1 billion (US$ 1.9 billion). This debt is classified as Tier 2 capital in calculating the capital adequacy ratio in accordance with the Reserve Bank of India's regulations on capital adequacy. See "Supervision and Regulation - Reserve Bank of India Regulations". 34

Risk Management As a financial intermediary, we are exposed to risks that are particular to our lending, transaction banking and trading businesses and the environment within which we operate. Our goal in risk management is to ensure that we understand, measure and monitor the various risks that arise and that the organization adheres strictly to the policies and procedures which are established to address these risks. ICICI Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. ICICI Bank has two centralized groups, the Risk Management Group and the Compliance and Audit Group with a mandate to identify, assess and monitor all of ICICI Bank's principal risks in accordance with well-defined policies and procedures. The Risk Management Group reports to the Chief Financial Officer and Treasurer and through her to the Deputy Managing Director. The Compliance and Audit Group reports directly to the Deputy Managing Director and to the Managing Director & CEO in respect of internal audit of other groups that report to the Deputy Managing Director. The internal audit function is also responsible to the Audit Committee of our board of directors. Both the groups are independent of the business units and coordinate with representatives of the business units to implement ICICI Bank's risk management methodologies. Committees of the board of directors have been constituted to oversee the various risk management activities. The Audit Committee provides direction to and also monitors the quality of the internal audit function. The Risk Committee reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto. The Credit Committee reviews developments in key industrial sectors and ICICI Bank's exposure to these sectors as well as to large borrower accounts. The Agriculture & Small Enterprises Business Committee reviews ICICI Bank's strategy for small enterprises and agri-business and the quality of the agricultural lending and small enterprises finance credit portfolio. The Asset Liability Management Committee is responsible for managing the balance sheet and reviewing the asset-liability position to manage ICICI Bank's liquidity and market risk exposure. For a discussion of these and other committees, see "Management". The Risk Management Group is further organized into the Credit Risk Management Group, Market Risk Management Group, Retail Risk Management Group and Risk Analytics Group. The Risk Management Group has a separate team for risk management in respect of small and medium enterprises. The Compliance and Audit Group is further organized into the Compliance and Anti-Money Laundering Group and the Internal Audit Group. The Risk Management Group is also responsible for assessing the risks pertaining to the international operations, including review of policies and setting sovereign and counterparty limits. Credit Risk ICICI Bank's credit policy is approved by our board of directors. In its lending operations, ICICI Bank is principally exposed to credit risk. Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any financial contract with ICICI Bank, principally the failure to make required payments on loans due to ICICI Bank. ICICI Bank currently measures, monitors and manages credit risk for each borrower and also at the portfolio level. ICICI Bank has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. Credit Risk Assessment Procedures for Corporate Loans In order to assess the credit risk associated with any financing proposal, ICICI Bank assesses a variety of risks relating to the borrower and the relevant industry. Borrower risk is evaluated by considering: o the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy; o the borrower's relative market position and operating efficiency; and o the quality of management by analyzing their track record, payment record and financial conservatism. Industry risk is evaluated by considering: 35

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o certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclicality and government policies relating to the industry; o the competitiveness of the industry; and o certain industry financials, including return on capital employed, operating margins and earnings stability. After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. ICICI Bank has a scale of 10 ratings ranging from AAA to B, an additional default rating of D and short-term ratings from S1 to S8. Credit rating is a critical input for the credit approval process. ICICI Bank determines the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to the credit rating. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the appropriate industry specialists in the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed at least annually and is typically reviewed on a more frequent basis for higher risk credits and large exposures. ICICI Bank also reviews the ratings of all borrowers in a particular industry upon the occurrence of any significant event impacting that industry. Working capital loans are generally approved for a period of 12 months. At the end of 12 months validity period, ICICI Bank reviews the loan arrangement and the credit rating of the borrower and takes a decision on continuation of the arrangement and changes in the loan covenants as may be necessary. Project Finance Procedures ICICI Bank has a strong framework for the appraisal and execution of project finance transactions. ICICI Bank believes that this framework creates optimal risk identification, allocation and mitigation, and helps minimize residual risk. The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience. Once this review is completed, an appraisal memorandum is prepared for credit approval purposes. As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. The appraisal memorandum analyzes the risk matrix and establishes the viability of the project. Typical risk mitigating factors include the commitment of stand-by funds from the sponsors to meet any cost over-runs and a conservative collateral position. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower. After completion of all formalities by the borrower, a loan agreement is entered into with the borrower. In addition to the above, in the case of structured project finance in areas such as infrastructure and oil, gas and petrochemicals, as a part of the due diligence process, ICICI Bank appoints consultants, wherever considered necessary, to advise the lenders, including technical advisors, business analysts, legal counsel and insurance consultants. These consultants are typically internationally recognized and experienced in their respective fields. Risk mitigating factors in these financings generally also include creation of debt service reserves and channeling project revenues through a trust and retention account. ICICI Bank's project finance credits are generally fully secured and have full recourse to the borrower. In most cases, ICICI Bank has a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. Typically, it is ICICI Bank's practice to lend between 60.0% and 80.0% of the appraised value of these types of collateral securities. ICICI Bank's borrowers are required to maintain comprehensive insurance on their assets where ICICI Bank is recognized as payee in the event of loss. In some cases, ICICI Bank also takes additional collateral in the form of corporate or personal guarantees from one or more sponsors of the project and a pledge of the sponsors' equity holding in the project company. In certain industry segments, ICICI Bank also takes security interest in relevant project contracts such as concession agreements, off-take agreements and construction contracts as part of the security package. In limited cases, loans are also 36 guaranteed by commercial banks and, in the past, have also been guaranteed by Indian state governments or the government of India. It is ICICI Bank's current practice to normally disburse funds after the entire project funding is committed and all necessary contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved project costs as the project progresses. When ICICI Bank appoints technical and market consultants, they are required to monitor the project's progress and certify all disbursements. ICICI Bank also requires the borrower to submit periodic reports on project implementation, including orders for machinery and equipment as well as expenses incurred. Project completion is contingent upon satisfactory operation of the project for a certain minimum period and, in certain cases, the establishment of debt service reserves. ICICI Bank continues to monitor the credit exposure until its loans are fully repaid. Corporate Finance Procedures As part of the corporate loan approval procedures, ICICI Bank carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. ICICI Bank's funding of long-term core working capital requirements is assessed on the basis, among other things, of the borrower's present and proposed level of inventory and receivables. In case of corporate loans for other funding requirements, ICICI Bank undertakes a detailed review of those requirements and an analysis of cash flows. A substantial portion of ICICI Bank's corporate finance loans are secured by a lien over appropriate assets of the borrower. The focus of ICICI Bank's structured corporate finance products is on cash flow based financing. ICICI Bank has a set of distinct approval procedures to evaluate and mitigate the risks associated with such products. These procedures include: o carrying out a detailed analysis of cash flows to accurately forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data; o conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and o paying particular attention to the legal, accounting and tax issues that may impact any structure. ICICI Bank's analysis enables it to identify risks in these transactions. To mitigate risks, ICICI Bank uses various credit enhancement techniques, such as over-collateralization, cash collateralization, creation of escrow accounts and debt service reserves and performance guarantees. The residual risk is typically managed by complete or partial recourse to the borrowing company whose credit risk is evaluated as described above. ICICI Bank also has a monitoring framework to enable continuous review of the performance of such transactions. Working Capital Finance Procedures ICICI Bank carries out a detailed analysis of its borrowers' working capital requirements. Credit limits are established in accordance with the approval authorization approved by ICICI Bank's board of directors. Once credit limits are approved, ICICI Bank calculates the amounts that can be lent on the basis of monthly statements provided by the borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a monthly basis. Credit limits are reviewed on a periodic basis. Working capital facilities are primarily secured by inventories and receivables. Additionally, in certain cases, these credit facilities are secured by personal guarantees of directors, or subordinated security interests in the tangible assets of the borrower including plant and machinery. 37

Credit Monitoring Procedures for Corporate Loans The Credit Middle Office Group monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed. All borrower accounts are reviewed at least once a year. Larger exposures and lower rated-borrowers are reviewed more frequently. Retail Loan Procedures Our customers for retail loans are typically middle and high-income, salaried or self-employed individuals, and, in some cases, partnerships and corporations. Except for personal loans and credit cards, we require a contribution from the borrower and our loans are secured by the asset financed. Our retail credit product operations are sub-divided into various product lines. Each product line is further sub-divided into separate sales and credit groups. The Risk Management Group, which is independent of the business groups, approves all new retail products and product policies and credit approval authorizations. All products and policies require the approval of the Committee of Directors. All credit approval authorizations require the approval of our board of directors. ICICI Bank uses direct marketing associates as well as its own branch network and employees for marketing retail credit products. However, credit approval authority lies only with ICICI Bank's credit officers who are distinct from the business teams. The delegation of credit approval authority is linked, among other factors, to the size of the credit and the authority delegated to credit officers varies across different products. ICICI Bank's credit officers evaluate credit proposals on the basis of the product policy approved by the Committee of Directors and the risk assessment criteria defined by the Risk Management Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio, demographic parameters and certain stability factors. In case of credit cards, in order to limit the scope of individual discretion, ICICI Bank has implemented a credit-scoring program that is an automated credit approval system that assigns a credit score to each applicant based on certain demographic attributes like income, educational background and age. The credit score then forms the basis of loan evaluation. External agencies such as field investigation agencies and credit processing agencies are used to facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans to individual borrowers. Before disbursements are made, the credit officer checks a centralized delinquent database and reviews the borrower's profile. ICICI Bank avails the services of certain private agencies operating in India to check applications before disbursement as a formal credit bureau has only recently become operational in India,. A centralized retail credit team undertakes review and audit of credit quality and processes across each credit approval team. ICICI Bank has established centralized operations to manage operating risk in the various back office processes of ICICI Bank's retail loan business except for a few operations which are decentralized to improve turnaround time for customers. ICICI Bank has a collections unit structured along various product lines and geographical locations, to manage delinquency levels. The collections unit operates under the guidelines of a standardized recovery process. ICICI Bank also makes use of external collection agencies to aid it in collection efforts, including collateral repossession in accounts that are overdue for more than 90 days. External agencies for collections are governed by standardized process guidelines. A fraud prevention and control department has been set up to manage levels of fraud, primarily through fraud prevention in the form of forensic audits and also through recovery of fraud losses. The fraud control department is aided by specialized agencies involved in verification of income documents. The fraud control department also evaluates the various external agencies involved in the retail finance operations, including direct marketing associates, external verification associates and collection agencies. 38

Small Enterprises Loan Procedures The Small and Medium Enterprises Group finances dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor / dealer, that involve an analysis of the base credit quality of the vendor / dealer pool and an analysis of the linkages that exist between the vendor / dealer and the company. The group is also involved in financing based on a cluster-based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such cluster involves identification of appropriate credit norms for target market, use of scoring models for enterprises that satisfy these norms and applying pre-determined exposure limits to enterprises that are awarded a minimum required score in the scoring model. The assessment also involves setting up of portfolio control norms, individual borrower approval norms and stringent exit triggers to be followed while financing such clusters or communities. Credit Approval Authorities ICICI Bank's credit approval authorisation framework is laid down by our board of directors. ICICI Bank has established several levels of credit approval authorities for its corporate banking activities - the Credit Committee of the board of directors, the Committee of Directors, the Committee of Executives (Credit) and the Regional Committee (Credit). Retail Credit Forums and Small Enterprise Group Forums have been created for approval of retail loans and credit facilities to small enterprises. The Credit Committee has the power to approve all financial assistance. ICICI Bank's board of directors has delegated the authority to the Committee of Directors, consisting of ICICI Bank's wholetime directors, to the Committee of

Executives (Credit), to the Regional Committee (Credit), Retail Credit Forums and Small Enterprise Group Forums, all consisting of designated executives of ICICI Bank, and to individual executives in the case of retail and agricultural loans, to approve financial assistance within certain individual and group exposure limits set by the board of directors. The following table sets forth the composition and the approval authority of these committees / forums at July 31, 2005. 39

Committee / Forum Composition Approval Authority
--- Credit Committee of the Chaired by an o All approvals to borrowers (excluding agriculture sector board of directors independent director and and small and medium enterprise borrowers) in the consisting of a majority following categories: of independent directors. o Borrowers rated below BBB; o New borrowers rated BBB with exposure exceeding Rs. 0.5 billion (US$ 11 million); o Existing borrowers rated BBB with additional exposure exceeding 10% of the existing exposure or Rs. 0.1 billion (US$ 2 million), whichever is higher; o New borrowers rated A- and above, with exposure exceeding Rs. 5.0 billion (US$ 115 million); or o Existing borrowers rated A- and above with existing exposure above Rs. 5.0 billion (US$ 115 million), where proposed incremental exposure exceeds Rs. 1.0 billion (US$ 23 million). o Credit / investment proposals for subsidiaries / companies using "ICICI" as a part of their name. o Proposals exceeding 15% of capital funds for a single borrower (20% in case of infrastructure) and 40% of capital funds for a borrower group (50% in case of infrastructure). o Credit / investment proposal relating to a borrower rated A or below which is in default to ICICI Bank for a period in excess of 60 days. o Approvals to companies identified by the Credit Committee where the company or the borrower group requires close monitoring.
--- Committee of Directors Consisting of all five o All approvals above the prescribed authority of lower (Lending) wholetime directors. authorities, other than specific categories of proposals that require approval of the Credit Committee. o The Committee of Directors is empowered to approve all program sanctions. Powers to approve individual proposals within the approved program norms has been delegated to certain individuals. These powers can be exercised either singly or jointly by such individuals subject to the limits specified in the credit authorization approved by the board of directors. ---
Committee of Executives Consisting of designated o Approval authority linked to the rating of the borrower. (Credit) executives as members or Limits range between Rs. 0.2 billion (US$ 5 million) for permanent invitees, a BBB rated borrower to Rs. 5.0 billion (US$ 115 including million) for a AAA rated borrower. For borrowers in representatives of Risk agriculture sector rated BB, limits up to Rs. 0.1 Management Group and billion (US$ 2 million) can be approved by the Committee Compliance and Audit of Executives (Credit). Group.
--- Regional Committee Consisting of designated o Approval authority linked to the rating of the borrower. (Credit) executives as members or Limits range between Rs. 0.3 billion (US$ 7 million) for permanent invitees, a A rated borrower to Rs. 3.5 billion (US$ 80 million) including for a AAA rated borrower. Approvals to borrowers rated representatives of Risk below A can be given only if the borrower is from Management Group and agriculture sector. For these borrowers with credit Compliance and Audit rating of BB to A-, limits of Rs. 50 million (US$ 1 Group. million) to Rs. 0.2 billion (US$ 5 million) can be approved by the Regional Committee (Credit).
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Small Enterprise Group Consisting of designated Approval authority up to Rs. 0.2 billion (US$ 5 million) Forum 1 executives as members or provided the proposal meets the minimum criteria as permanent invitees, stipulated by the Committee of Directors. including representative of Risk Management Group.

-- Small Enterprise Group Consisting of designated Approval authority up to Rs. 0.1 billion (US$ 2 million) Forum 2 executives. provided the proposal meets the minimum criteria as stipulated by the Committee of Directors. -- Small Enterprise Group Consisting of designated Approval authority up to Rs. 0.1 billion (US$ 2 million) Forum 3 executives. provided the proposal meets all the criteria as stipulated by the Committee of Directors. -- Retail Credit Forum 1 Consisting of Executive Full approval authority for all retail loans. In respect of Director, Head - Retail corporate exposures on retail products, limits up to Rs. 0.5 Products and billion (US$ 11 million) to Rs. 1.0 billion (US$ 23 million) Distribution Group and for various products like vehicle loans, consumer durable Head - Risk Management loans and corporate credit cards. Group. -- Retail Credit Forum 2 Consisting of Executive Approval authority for all retail credit products with Director and designated varying limits for each product subject to a maximum of Rs. executives including 0.25 billion (US$ 6 million). representative of Risk Management Group. -- In all cases, subject to adherence to limits on ICICI Bank's capital funds(1) imposed by Reserve Bank of India as mentioned above. ---------- (1) Capital funds consist of Tier 1 and Tier 2 capital, as defined in the Reserve Bank of India regulations, under Indian GAAP. See "Supervision and Regulation - Reserve Bank of India Regulations - Capital Adequacy Requirements". All new loans must be approved by the above committees / forums in accordance with their respective powers. In respect of retail and agricultural loans, powers have been delegated to individual executives subject to certain criteria and limits. Certain designated executives are also authorized to approve: o ad-hoc/additional working capital facilities not exceeding the lower of 10.0% of existing approved facilities and Rs. 20 million (US$ 458,505); o temporary accommodation facilities not exceeding Rs. 20 million (US$ 458,505); o intra-day limits not exceeding Rs.10.0 billion (US$ 229 million); and o facilities fully secured by deposits, cash margin, letters of credit of approved banks or approved sovereign debt instruments not exceeding Rs. 5.0 billion (US$ 115 million). Quantitative and Qualitative Disclosures About Market Risk Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The prime source of market risk for us is the interest rate risk we are exposed to as a financial intermediary. In addition to interest rate risk, we are exposed to other elements of market risk such as liquidity or funding risk, price risk on trading portfolios, and exchange rate risk on foreign currency positions. Market Risk Management Procedures Our board of directors reviews and approves the policies for the management of market risk. The board has delegated the responsibility for market risk management on the banking book to the Asset Liability Management Committee and for the trading book to the Committee of Directors, within the broad parameters laid down by policies approved by the board. The Asset Liability Management Committee is responsible for managing interest 41

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rate risk on the banking book and liquidity risks reflected in the balance sheet. The Committee of Directors is responsible for formulating policies and risk controls for the trading book. The Asset Liability Management Committee is chaired by the Joint Managing Director. The Deputy Managing Director and Executive Directors are the other members of the Committee. The Committee generally meets on a monthly basis and reviews the interest rate and liquidity gap positions on the banking book, formulates a view on interest rates, sets deposit and benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, in light of the current and expected business environment. The Structural Rate Risk Management Group and Balance Sheet Management Group are responsible for managing interest rate risk and liquidity risk, under the supervision of the Asset Liability Management Committee, on a day to day basis. The Risk Management Group recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. Risk limits including position limits and stop loss limits for the trading book are monitored on a daily basis by the Treasury Middle Office Group and reviewed periodically. Interest Rate Risk

Since our balance sheet consists predominantly of rupee assets and liabilities, movements in domestic interest rates constitute the main source of interest rate risk. The value of our portfolio of traded and other debt securities is negatively impacted by an increase in interest rates, while our net interest income is generally positively impacted by an increase in interest rates. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing date. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category, would then give an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. ICICI Bank prepares interest rate risk reports on a fortnightly basis. These reports are submitted to the Reserve Bank of India on a monthly basis. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Management Committee. Our core business is deposit taking and lending in both rupees and foreign currencies, as permitted by the Reserve Bank of India. These activities expose us to interest rate risk. As the rupee market is significantly different from the international currency markets, gap positions in these markets differ significantly. Our primary source of funding is deposits and to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings deposits and current deposits, which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans at year-end fiscal 2005 were primarily floating rate loans where the rates are reset every quarter. Until December 31, 2003, we followed a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years and a prime rate for cash credit products. Effective January 1, 2004, we have moved to a single benchmark prime rate structure for all loans other than specific categories of loans advised by the Indian Banks' Association (which include, among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities), with lending rates comprising the benchmark prime rate, term premia and transaction-specific credit and other charges. Interest rates on loans outstanding at December 31, 2003 continue to be based on the four-tier prime rate structure. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement. In contrast to our rupee loans, a large proportion of our foreign currency loans are floating rate loans. These loans are generally funded with floating rate foreign currency funds. Our fixed rate foreign currency loans are generally funded with fixed rate foreign currency funds. We generally convert all our foreign currency borrowings 42

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and deposits into floating rate dollar liabilities through the use of interest rate and currency swaps with leading international banks. The foreign currency gaps are generally significantly lower than rupee gaps, representing a considerably lower exposure to fluctuations in foreign currency interest rates. We use the duration of our government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration of government securities portfolio to increase or decrease our interest rate risk exposure. In addition, we also use interest rate derivatives to manage asset and liability positions. We are an active participant in the interest rate swap market and are one of the largest counterparties in India. The following table sets forth, at the date indicated, our asset-liability gap position. At March 31, 2005(1) --- Less than or Greater than equal to one one year and up Greater than Total year to five years five years --- (in millions) Loans, net.................................. Rs. 562,383 Rs. 320,339 Rs. 117,136 Rs. 999,858 Securities.................................. 226,507 107,518 127,197 461,222 Fixed assets................................ 1,950 14,189 17,856 33,995 Other assets(2)............................. 167,003 5,241 196,128 368,372 --- Total assets................................ 957,843 447,287

458,317 1,863,447 Stockholders' equity........................ 203 12,436 115,357 127,996 Debt(2)..................................... 989,153 279,602 207,229 1,475,984 Other liabilities........................... 49,147 30,949 179,371 259,467 --- Total liabilities........................... 1,038,503 322,987 501,957 1,863,447 Total gap before risk management positions... (80,660) 124,300 (43,640) - Risk management positions(3)................. (20,466) 29,324 (8,858) - --- Total gap after risk management positions.... Rs.(101,126) Rs. 153,624 Rs.(52,498) Rs. - === ---------- (1) Assets and liabilities are classified into the applicable categories, based on residual maturity or re-pricing whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective from April 1, 2000. Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and a substantial part of fixed assets. Impaired loans of residual maturity less than three years are classified in the "greater than one year and up to five years" category and impaired loans of residual maturity between three to five years are classified in the "greater than five years" category. (2) The categorization for these items is different from that reported in the financial statements. (3) The risk management positions comprise foreign currency and rupee swaps. The following table sets forth, at the date indicated, the amount of our loans with residual maturities greater than one year that had fixed and variable interest rates. At March 31, 2005 -- Fixed rate Variable Total loans rate loans -- (in millions) Loans.......................... Rs. 423,266 Rs. 216,046 Rs. 639,312 43

The following table sets forth, using the balance sheet at year-end fiscal 2005 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2006, assuming a parallel shift in yield curve at year-end fiscal 2005. At March 31, 2005 -- Change in interest rates (in basis points) -- (100) (50) 50 100 (in millions, except percentages) Rupee portfolio.............. Rs. (450) Rs. (225) Rs. 225 Rs. 450 Foreign currency portfolio.... (241) (121) 121 241 -- Total........................ Rs (691) Rs. (346) Rs. 346 Rs. 241 -- Based on our asset and liability position at year-end fiscal 2005, the sensitivity model shows that net interest income from the banking book for fiscal 2006 would rise by Rs. 691 million (US$ 16 million) if interest rates increased by 100 basis points during fiscal 2006. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points during fiscal 2006, net interest income for fiscal 2006 would fall by an equivalent amount of Rs. 691 million (US$ 16 million). Based on our asset and liability position at year-end fiscal 2004, the sensitivity model showed that net interest income for fiscal 2005 would have risen by Rs. 287 million (US$ 7 million) if interest rates had increased by 100 basis points during fiscal 2005. Interest rate risk numbers at year-end fiscal 2004 and 2005 were low primarily due to the low duration of government securities portfolio maintained by us and the large proportion of floating rate loans in the housing loans. Sensitivity analysis, which is based upon a static interest rate risk profile of assets and liabilities, is used for risk management purposes only and the model above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in net interest income will vary from the model. Price Risk (Trading book) We undertake trading activities to enhance earnings through profitable trading for our own account. ICICI Securities, our investment banking subsidiary, is a primary dealer in government of India securities, and a significant proportion of its portfolio consists of government of India securities. The following tables sets forth, using the fixed income portfolio at year-end fiscal 2005 as the base, one possible prediction of the impact of changes in interest rates on the value of our rupee fixed income trading portfolio for fiscal 2006, assuming a parallel shift in yield curve. At March 31, 2005 -- Change in interest rates (in basis points) -- Portfolio Size (100) (50) 50 100 -- (in millions) Government of India securities.. Rs. 7,476 Rs. 24 Rs. 12 Rs. (12) Rs. (23) Corporate debt securities....... 1,067 46 23 (22) (43) -- Total.......................... Rs. 8,543 Rs. 70 Rs. 35 Rs. (34) Rs. (66) -- At year-end fiscal 2005, the total value of our rupee fixed income trading portfolio was Rs. 8.5 billion (US$ 195 million).

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

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billion (US$ 229 million) at year-end fiscal 2004 and the significantly lower duration of the portfolio at year-end fiscal 2005 compared to year-end fiscal 2004. As noted above, sensitivity analysis is used for risk management purposes only and the model used above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in the value of the fixed income portfolio will vary from the model above. We revalue our trading portfolio on a daily basis and recognize aggregate re-valuation losses in our profit and loss account. The asset liability management policy stipulates an interest rate risk limit which seeks to cap the risk on account of the mark-to-market impact on the mark-to-market book (under the Indian GAAP classification which is different from the US GAAP classification - see "Supervision and Regulation - Reserve Bank of India Regulations - Banks' Investment Classification and Valuation Norms") and the earnings at risk on the banking book, based on a sensitivity analysis of a 100 basis points parallel and immediate shift in interest rates. In addition, the Risk Management Group stipulates risk limits including position limits and stop loss limits for the trading book. These limits are monitored on a daily basis and reviewed periodically. In addition to risk limits, we also have risk monitoring tools such as Value-at-Risk models for measuring market risk in our trading portfolio. ICICI Bank is required to invest a specified percentage, currently 25.0%, of its liabilities in government of India securities to meet the statutory liquidity ratio requirement prescribed by the Reserve Bank of India. As a result, we have a very large portfolio of government of India securities and these are primarily classified as available for sale securities. Our available for sale securities included Rs. 334.9 billion (US$ 7.7 billion) of government of India securities. These are not included in the trading book analysis presented above. Equity Risk We assume equity risk both as part of our investment book and our trading book. On the investment book, investments in equity shares and preference shares are essentially long-term in nature. Nearly all the investment in equity securities have been driven by our project financing activities. The decision to invest in equity shares during project financing activities has been a conscious decision to participate in the equity of the company with the intention of realizing capital gains arising from the expected increases in market prices, and is separate from the lending decision. Trading account securities are recorded at market value. For the purpose of valuation of our available for sale equity investment securities, an assessment is made whether a decline in the fair value, below the amortized cost of the investments, is other than temporary. If the decline in fair value below the amortized cost is other than temporary, the decline is provided for in the income statement. A temporary decline in value is excluded from the income statement and reflected directly in the stockholders' equity. To assess whether a decline in fair value is temporary, the duration for which the decline had existed, industry and company specific conditions and dividend record are considered. Non-readily marketable securities for which there is no readily determinable fair value are recorded at cost. Venture capital investments are carried at fair value. However, they are generally carried at cost during the first year, unless a significant event occurs that affected the long-term value of the investment. At year-end fiscal 2005, the fair value of trading account equity securities was Rs. 2.8 billion (US$ 64 million). The fair value of our available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.4 billion (US$ 193 million), was Rs. 33.3 billion (US$ 763 million) at year-end fiscal 2005. At year-end fiscal 2004, the fair value of trading equity securities was Rs. 1.0 billion (US$ 23 million). The fair value of the available for sale equity securities investment portfolio, including non-readily marketable securities of Rs. 8.6 billion (US$ 197 million), was Rs. 31.0 billion (US$ 710 million) at year-end fiscal 2004. Exchange Rate Risk We offer foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and highly rated corporate customers. We actively use cross currency swaps, forwards, and options to hedge against exchange risks arising out of these transactions. Trading activities in the foreign currency markets expose us to exchange rate risks. This risk is mitigated by setting counterparty limits, stipulating daily and cumulative stop-loss limits, and engaging in exception reporting. 45

The Reserve Bank of India has authorized the dealing of foreign currency-rupee options by banks for hedging foreign currency exposures including hedging of balance sheet exposures. We have been offering such products to corporate clients and other inter-bank counterparties and are one of the largest participants in the currency options market accounting for a significant share of daily trading volume. All the options are maintained within the specified limits. In addition, foreign currency loans are made on terms that are similar to foreign currency borrowings, thereby transferring the foreign exchange risk to the borrower. Foreign currency cash balances are generally maintained abroad in currencies matching with the underlying borrowings. In addition, there is an open foreign exchange position limit to minimize exchange rate risk. Liquidity Risk Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all liability repayments on time, to meet contingent liabilities, and fund all investment opportunities. We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors and through public issuance of bonds. We also borrow in the short-term inter-bank market. Loan maturities, securitization of assets and loans, and sale of investments also provide liquidity. See "Operating and Financial Review and Prospects - Financial Condition - Liquidity Risk" for a detailed description of liquidity risk. Operational Risk We are exposed to many types of operational risk. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. Operational Controls and Procedures in Branches ICICI Bank has operating manuals detailing the procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars sent to all offices. ICICI Bank has a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer's account. Withdrawals from customer accounts are controlled by dual authorization. Senior officers have been delegated power to authorize larger withdrawals. ICICI Bank's operating system validates the check number and balance before permitting withdrawals. Cash transactions over Rs. 1 million (US$ 22,925) are subject to special scrutiny to avoid money laundering. ICICI Bank's banking software has multiple security features to protect the integrity of applications and data. Operational Controls and Procedures for Internet Banking In order to open an Internet banking account, the customer must provide us with documentation to prove the customer's identity, such as a copy of the customer's passport, a photograph and specimen signature of the customer. After verification of this documentation, we open the Internet banking account and issue the customer a user ID and password to access his account online. 46

Operational Controls and Procedures in Regional Processing Centers & Central Processing Centers To improve customer service at our physical locations, we handle transaction processing centrally by taking away such operations from branches. We have centralized operations at regional processing centers located at 15 cities in the country. These regional processing centers process clearing checks and inter-branch transactions, make inter-city check collections, and engage in back-office activities for account opening, standing instructions and auto-renewal of deposits. In Mumbai, we have centralized transaction processing on a nation-wide basis for transactions like the issue of ATM cards and PIN mailers, reconciliation of ATM transactions, monitoring of ATM functioning, issue of passwords to Internet banking customers, depositing postdated checks received from retail loan customers and credit card transaction processing. Centralized processing has been extended to the issuance of personalized check books, back-office activities of non-resident Indian accounts, opening of new bank accounts for customers who seek web brokering services and recovery of service charges for accounts for holding shares in book-entry form. Operational Controls and Procedures in Treasury ICICI Bank uses technology to monitor risk limits and exposures. ICICI Bank's front office, back office and accounting and reconciliation functions are fully segregated in both the domestic treasury and foreign exchange treasury. The respective middle offices use various risk monitoring tools such as counterparty limits, position limits, exposure limits and individual dealer limits. Procedures for reporting breaches in limits are also in place. ICICI Bank's front office treasury operations for rupee transactions consist of operations in fixed income securities, equity securities and inter-bank money markets. ICICI Bank's dealers analyze the market conditions and take views on price movements. Thereafter, they strike deals in conformity with various limits relating to counterparties, securities and brokers. The deals are then forwarded to the back office for settlement. Trade strategies are discussed frequently and decisions are taken based on market forecasts, information and liquidity considerations. Trading operations are conducted in conformity with the code of conduct prescribed by internal and regulatory guidelines. The Treasury Middle Office Group monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors market risk exposure of the investment portfolio and adherence to various market risk limits. ICICI Bank's back office undertakes the settlement of funds and securities. The back office has procedures and controls for minimizing operational risks, including procedures with respect to deal confirmations with counterparties, verifying the authenticity of counterparty checks and securities, ensuring receipt of contract notes from brokers, monitoring receipt of interest and principal amounts on due dates, ensuring transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records and reports any irregularity or shortcoming observed. Anti-money Laundering Controls The Indian Parliament passed the Prevention of Money Laundering Act in 2002. Effective July 1, 2005, the provisions of this Act (as subsequently amended) have come into force. The Reserve Bank of India issued detailed guidelines to the banks on Know Your Customer and Anti-Money Laundering in November 2004 which superseded the prior instructions and were based on the recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence for banks by the Basel Committee on Banking Supervision. Banks are required to comply with these Reserve Bank of India guidelines by December 31, 2005. Our board of directors approved a group anti-money laundering policy in January 2004, which established the standards of anti-money laundering compliance. The group anti-money laundering policy was revised in December 2004 in view of the requirements of the November 2004 Reserve Bank of India guidelines. The group anti-money laundering policy is applicable to all our activities. The anti-money laundering regulatory requirements for overseas units are required to be provided separately. Our anti-money laundering standards are primarily based on two pillars, namely, know your customer and monitoring/reporting of suspicious transactions. The group anti-money laundering 47

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policy specifies a risk-based approach in implementing the anti-money laundering framework. The strategic business units are required to undertake risk profiling of various customer segments and products, and classify them into high, medium and low-risk categories. The anti-money laundering framework seeks to institute a process of customer identification and verification depending on the nature or status of the customer and the type of transaction. In respect of unusual or suspicious transactions or when the customer moves from a low-risk to high-risk profile, appropriate enhanced due-diligence measures are required to be adopted. The policy also requires that reports of suspicious transactions be submitted to the regulatory and law enforcement authorities. The Audit Committee of our board of directors supervises the implementation of the anti-money laundering framework. A money laundering reporting officer has been designated to monitor the day-to-day implementation of the anti-money laundering policy and procedures. Our committee of directors has also approved a customer acceptance policy, product and customer-specific Know Your Customer procedures and appropriate transaction monitoring procedures. Suitable training programs on awareness of anti-money laundering are organized for the employees on a periodic basis. Global risk management framework We have adopted a global risk management framework for our international banking operations, including overseas branches, offshore banking units and subsidiaries. Under this framework, our credit, investment, asset liability management and anti-money laundering policies apply to all our overseas branches and offshore banking units, with modifications to meet local regulatory or business requirements. These modifications may be made only with the approval of our board of directors. All overseas banking subsidiaries are required to adopt risk management policy frameworks to be approved by their board of directors or an appropriate committee of their board of directors, based on applicable laws and regulations as well as our corporate governance and risk management framework. The overseas banking subsidiaries are required to adopt a process for formulation of policies which involves seeking the guidance and recommendations of the related groups in ICICI Bank. The Compliance and Audit Group plays an oversight role in respect of regulatory compliance. Key risk indicators pertaining to our international banking operations are presented to the Risk Committee of our board of directors on a quarterly basis. Audit The Internal Audit Group, which is part of the Compliance and Audit Group, undertakes a comprehensive audit of all business groups and other functions, in accordance with a risk-based audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses. The audit plan for every fiscal year is approved by the Audit Committee of our board of directors. The Internal Audit Group also has a dedicated team responsible for information technology security audits. The annual audit plan covers various components of information technology including applications, databases, networks and operating systems. The Reserve Bank of India requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50.0% of business volumes. ICICI Bank has a process of concurrent audits, using external accounting firms. Concurrent audits are also carried out at centralized and regional processing centers operations to ensure existence of and adherence to internal controls. The Internal Audit Group has formed a separate International Banking Audit Group for audit of international branches, representative offices and subsidiaries. Legal Risk We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. See "Risk Factors - Risks Relating to Our Business - We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and ADSs" and "- regulatory changes or enforcement initiatives in India or any of 48

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

Audit Committee of its board of directors. The Investment Committee oversees investment-related risk management by approving and reviewing the implementation of the investment policy within the norms stipulated by the Insurance Regulatory and Development Authority. ICICI Prudential Life Insurance has an asset-liability management framework for its investment related risks. At year -end fiscal 2005, linked insurance plans were 70% of the portfolio. These are exposed to low market risk as the returns are linked to the value of underlying investments. In order to manage the interest rate risk on the non-linked portfolio, ICICI Prudential Life Insurance has hedged the single premium non-participating portfolio by duration matching, re-balanced at monthly intervals. For the participating portfolio, ICICI Prudential Life Insurance has adopted an asset allocation strategy which includes investments in equities. The equity portfolio is benchmarked to a stock market index. ICICI Prudential Life Insurance follows a disciplined approach to portfolio construction to manage the volatility of equity investments and achieve superior equity asset class returns over the long term. The portfolio largely comprises index stocks and is constructed with small limits for sector and stock deviation vis-a-vis index stock weighs. In addition, there are limits on exposures to companies, groups and industries. ICICI Lombard General Insurance is principally exposed to risks arising out of the nature of business underwritten and credit risk on its investment portfolio. In respect of business risk, ICICI Lombard General Insurance seeks to diversify its insurance portfolio across industry sectors and geographical regions. It focuses on product segments that have historically experienced low loss ratios. It also has the ability to reduce the risk retained on its own balance sheet by re-insuring a part of the risks underwritten. Its investments are governed by the investment policy approved by its board of directors within the norms stipulated by the Insurance Regulatory and Development Authority. The Investment Committee oversees the implementation of this policy and reviews it periodically. Exposure to any single entity is normally restricted to 5.0% of the portfolio and to any industry to 10.0% of the portfolio. Investments in debt instruments are generally restricted to instruments with a domestic credit rating of AA or higher. Controls and Procedures ICICI Bank's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of ICICI Bank's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2005 and concluded that, as of the date of their evaluation, ICICI Bank's 49

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disclosure controls and procedures were effective to ensure that information required to be disclosed by ICICI Bank in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There has been no change in ICICI Bank's internal control over financial reporting that has occurred during the fiscal year ended March 31, 2005, that has materially affected, or is reasonably likely to materially affect, ICICI Bank's internal control over financial reporting. Loan Portfolio Our gross loan portfolio, which includes loans structured as debentures and preferred stock, was Rs. 1,075.8 billion (US$ 24.7 billion) at year-end fiscal 2005, an increase of 35.3% over the gross loan portfolio of Rs. 795.3 billion (US$ 18.2 billion) at year-end fiscal 2004. At year-end fiscal 2004, the gross loan portfolio increased 16.2% to Rs. 795.3 billion (US$ 18.2 billion) as compared to the gross loan portfolio of Rs. 684.6 billion (US$ 15.7 billion) at year-end fiscal 2003. At year-end fiscal 2005, approximately 86.1% of our gross loans were rupee loans. At year-end fiscal 2005, our balance outstanding in respect of loans outside India was Rs. 87.1 billion (US$ 2.0 billion), representing approximately 8.1% of our total gross loan portfolio. Loan Portfolio by Categories The following table sets forth, at the dates indicated, our gross rupee and foreign currency loans by business category. At March 31, (1) -- 2001 2002 2003 2004 2005 -- (in millions) Wholesale banking(2) Rs. 511,312 Rs. 410,556 Rs. 385,143 Rs.316,801 Rs. 326,946 US$ 7,495 Rupee............................... 428,782 342,068 297,030 244,668 269,953 6,189 Foreign currency..................... 82,530 68,488 88,113 72,133 56,993 1,307 Working capital finance 44,442 42,225 74,422 80,505 135,573 3,108 Rupee............................... 42,592 39,943 70,092 63,268 64,262 1,473 Foreign currency..................... 1,850 2,282 4,330 17,237 71,311 1,635 Leasing and related activities (3) 39,741 24,332 17,862 16,015 13,353 306 Rupee............................... 38,258 22,879 17,862 16,015 13,353 306 Foreign currency .... 1,483 1,453 - - - - Consumer loans and credit card receivables 27,106 72,789 188,254 311,907 531,226

12,178 Rupee .... 27,106 72,789 188,254 311,690 528,592 12,118 Foreign currency .... - - - 217 2,634 60 Other(4) 12,457 10,346 18,959 70,059 68,660 1,574 Rupee .... 39,563 83,135 18,959 70,044 50,259 1,152 Foreign currency .... - - - 15 18,401 422 Gross loans Rupee .... 549,195 488,025 592,197 705,685 926,420 21,238 Foreign currency .... 85,863 72,223 92,443 89,602 149,338 3,424 -- Total gross loans .... 635,058 560,248 684,640 795,287 1,075,758 24,662 Allowance for loan losses............. (33,035) (36,647) (54,219) (66,767) (75,900) (1,740) -- Net loans .... Rs. 602,023 Rs. 523,601 Rs. 630,421 Rs.728,520 Rs. 999,858 US$ 22,922 == -------------- (1) Data for fiscal 2003, 2004 and 2005 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. (2) Wholesale banking includes project finance, corporate finance and receivable financing but excludes leasing and related activities. (3) Leasing and related activities includes leasing and hire purchase. (4) Other includes bills discounted and inter-corporate deposits. 50

Our gross consumer loans and credit card receivables increased from Rs. 311.9 billion (US$ 7.2 billion), constituting 39.2% of our gross loans at year-end fiscal 2004 to Rs. 531.2 billion (US$ 12.2 billion), constituting 49.4% of our gross loans at year-end fiscal 2005. Our gross foreign currency loans increased from Rs. 89.6 billion (US$ 2.1 billion), constituting 11.3% of our total gross loans at year-end fiscal 2004 to Rs. 149.3 billion (US$ 3.4 billion), constituting 13.9% of our total gross loans at year-end fiscal 2005. Collateral -- Completion, Perfection and Enforcement Our loan portfolio consists largely of project and corporate finance and working capital loans to corporate borrowers, and loans to retail customers, including home loans, automobile loans, two wheeler loans, commercial business loans, personal loans and credit card receivables and agricultural financing. In general, our loans are over-collateralized. In India, there are no regulations stipulating loan-to-collateral limits. Corporate finance and project finance loans are typically secured by a first lien on fixed assets, which normally consists of property, plant and equipment. These security interests are perfected by the registration of these interests within 30 days with the Registrar of Companies pursuant to the provisions of the Companies Act when our clients are constituted as companies. This registration amounts to a constructive public notice to other business entities. We may also take security of a pledge of financial assets like marketable securities, and obtain corporate guarantees and personal guarantees wherever appropriate. Working capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables. Additionally, in some cases, we may take further security of a first or second lien on fixed assets, a pledge of financial assets like marketable securities, or obtain corporate guarantees and personal guarantees wherever appropriate. A substantial portion of our loans to retail customers is also secured by a first and exclusive lien on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. Separately, in India, foreclosure on collateral of property generally requires a written petition to an Indian court or tribunal based on amounts sought to be recovered. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. These delays can last for several years leading to deterioration in the physical condition and market value of the collateral. In the event a corporate borrower makes an application for relief to a specialized authority called the Board for Industrial and Financial Reconstruction, foreclosure and enforceability of collateral is stayed. In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security including over immovable property and recovery of dues, without reference to the courts or tribunals. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks". In case of consumer loans, we obtain post-dated checks towards repayment on pre-specified dates, which if dishonored entitle us to initiate criminal proceedings against the issuer of the checks. We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. However, cash credit facilities are so structured that we are able to capture the cash flows of our customers for recovery of past due amounts. In addition, we have a right of set-off for amounts due to us on these facilities. Also, we regularly monitor the cash flows of our working capital loan customers so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility. 51

Loan Concentration We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular industry in light of our forecasts of growth and profitability for that industry. ICICI Bank's Risk Management Group monitors all major sectors of the economy and specifically follows industries in which ICICI Bank has credit exposures. We seek to respond to any economic weakness in an industrial segment by restricting new credits to that industry segment and any growth in an industrial segment by increasing new credits to that industry segment, resulting in active portfolio management. ICICI Bank's policy is to limit its loan portfolio to any particular industry (other than retail loans) to 15.0%. Pursuant to the guidelines of the Reserve Bank of India, ICICI Bank's credit exposure to individual borrowers must not exceed 15.0% of its capital funds, comprising Tier 1 and Tier 2 capital calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of a bank's capital funds by an additional 5.0% (i.e. up to 20.0%) provided the additional credit exposure is on account of infrastructure financing. ICICI Bank's exposure to a group of companies under the same management control must not exceed 40.0% of its capital funds unless the exposure is in respect of an infrastructure project. In that case, the exposure to a group of companies under the same management control may be up to 50.0% of ICICI Bank's capital funds. With effect from June 1, 2004, banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., 20.0% of capital funds for an individual borrower and 45.0% of capital funds for a group of companies under same management), making appropriate disclosures in their annual reports. Exposure for funded facilities is calculated as the total committed credit and investment sanctions or the outstanding funded amount, whichever is higher (for term loans, as undisbursed commitments plus the outstanding amount). Exposure for non-funded facilities is calculated as 100.0% of the committed amount or the outstanding non-funded amount whichever is higher. At year-end fiscal 2005, ICICI Bank was in compliance with these guidelines. The following table sets forth, at the dates indicated, our gross loans outstanding, including loans structured as debentures and preferred stock, by the borrower's industry or economic activity. At March 31,(1) -- 2001 2002 2003 2004 2005 -- (in millions, except percentages) Consumer loans and credit and Rs. 27,106 4.3% Rs. 72,789 13.0% Rs. 188,254 27.5% Rs.311,907 39.2% Rs. 531,226 US$ 12,178 49.4% receivables..... Iron and steel.... 70,547 11.1 71,272 12.7 72,473 10.6 62,354 7.8 56,082 1,286 5.2 Crude petroleum and petroleum refining....... 54,822 8.6 32,099 5.7 24,556 3.6 20,807 2.6 45,160 1,035 4.2 Services.......... 74,425 11.7 47,676 8.5 45,443 6.6 33,435 4.2 43,579 999 4.1 Textiles.......... 47,052 7.4 40,867 7.3 40,279 5.9 29,941 3.8 31,214 716 2.9 Power............. 66,368 10.5 61,159 10.9 56,091 8.2 45,199 5.7 31,062 712 2.9 Telecom........... 20,244 3.2 25,547 4.6 27,458 4.0 27,919 3.5 19,757 453 1.8 Transport Equipment........ 19,613 3.1 13,086 2.3 12,872 1.9 13,068 1.6 14,339 329 1.3 Electronics....... 15,032 2.4 17,817 3.2 20,722 3.0 18,239 2.3 14,114 324 1.3 Non-ferrous metals 4,473 0.7 6,536 1.2 6,868 1.0 5,392 0.7 13,865 318 1.3 Other (2)......... 235,376 37.0 171,400 30.6 189,624 27.7 227,026 28.60 275,360 25.6 -- Gross loans....... Rs 635,058 100.0% Rs.560,248 100.0% Rs. 684,640 100.0% Rs.795,287 100.0% Rs.1,075,758 US$ 24,662 100.0% ===== Allowance for loan losses.......... (33,035) (36,647) (54,219) (66,767) (75,900) (1,740) ---------- ---------- ----------- ---------- ------------ ---------- Net loans......... Rs.602,023 Rs.523,601 Rs. 630,421 Rs.728,520 Rs. 999,858 US$ 22,922 ========== ========== =========== ========== ============ ========== ------------ (1) Data for fiscal years 2003, 2004 and 2005 is not comparable to fiscal 2001 and 2002, as data for fiscal 2001 and 2002 is only for ICICI and does not include ICICI Bank, as ICICI Bank was accounted for by the equity method in those fiscal years. (2) Others principally include basic chemicals, fertilizers and pesticides, transportation, paper and paper products, electrical equipment, food products, petrochemicals, man-made fibres, machinery, sugar, plastics, non-ferrous metals, drugs, mining, rubber and rubber products, shipping, agriculture, construction, printing, mineral products, glass and glass products, watches, healthcare, gems and jewelry, leather, cement and wood products industries. Our gross loan portfolio at year-end fiscal 2005 increased by 35.3% compared to the gross loan portfolio at year-end fiscal 2004. The largest increase was in consumer loans and credit card receivables, which constituted 49.4% of gross loans at year-end fiscal 2005 compared to 39.2% at year-end fiscal 2004 and 27.5% at year-end 52

fiscal 2003. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 5.2% at year-end fiscal 2005 compared to 7.8% at year-end fiscal 2004. Our gross loans to the crude petroleum and petroleum refining sector as a percentage of gross loans increased to 4.2% at year-end fiscal 2005 compared to 2.6% at year-end fiscal 2004. Consumer loans and credit card receivables accounted for 12.1% of our gross other impaired loans at year-end fiscal 2005. The iron and steel sector accounted for 7.4% of our gross restructured loans and 4.6% of our gross other impaired loans at year-end fiscal 2005. The power sector accounted for 1.8% of our gross restructured loans and 42.0% of our gross other impaired loans at year-end fiscal 2005. See also "-Impaired Loans". At year-end fiscal 2005, our 20 largest borrowers accounted for approximately 13.7% of our gross loan portfolio (gross of unearned income and security deposits), with the largest borrower accounting for approximately 2.2% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 3.5% of our gross loan portfolio. Geographic Diversity Our portfolios were geographically diversified throughout India, primarily reflecting the location of our corporate borrowers. The state of Maharashtra, which is the most industrialized state in India, accounted for the largest proportion of our gross loans outstanding at year-end fiscal 2005. Directed Lending The Reserve Bank of India requires banks to lend to certain sectors of the economy. Such directed lending is comprised of priority sector lending, export credit and housing finance. Priority Sector Lending The Reserve Bank of India has established guidelines requiring banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by the Reserve Bank of India from time to time) to certain specified sectors called priority sectors. Priority sectors include small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. The agricultural sector is further bifurcated into direct finance to agriculture which mainly includes short-term crop loans and medium and long term loans provided directly to farmers for financing production and development needs and indirect finance to agriculture which mainly includes financing the distribution of fertilisers, pesticides, seeds, etc, financing distribution of inputs for the allied activities such as, cattle feed, poultry feed, etc. and various other specified categories. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector (including direct agriculture and indirect agriculture) and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit of Rs. 10 million on investment in plant and machinery, and an investment limit of Rs. 50 million in respect of certain specified items), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to certain limits and to specified state financial corporations and state industrial development corporations. To ensure focus of the banks on the direct agricultural advances Reserve bank of India has stipulated that the lending under the indirect category should not exceed one-fourth of the agricultural sub-target of 18%, therefore banks are necessarily required to lend 13.5% of their net bank credit to the direct agricultural sector. While granting its approval for the amalgamation, the Reserve Bank of India stipulated that since ICICI's loans transferred to us were not subject to the priority sector lending requirement, we are required to maintain priority sector lending of 50.0% of our net bank credit on the residual portion of our advances (i.e., the portion of our total advances excluding advances of ICICI at year-end fiscal, 2002, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments/ funds for qualification as priority sector advances apply to us. We are required to comply with the priority sector lending requirements at the end of each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to five years and carry interest rates lower than market rates. 53

At year-end fiscal 2005, our priority sector loans were Rs. 191.1 billion (US$ 4.4 billion), constituting 54.5% of our residual net bank credit against the requirement of 50.0%. The following table sets forth our priority sector loans, classified by the type of borrower, at year-end fiscal 2005. % of residual net bank credit At March 31, at March 31, ----------------------- --------------- 2005 2005 2005 ----------------------- -------------- (in millions, except percentages) Small scale industries............. Rs. 2,334 US$ 54 0.7% Others including small businesses.. 121,100 2,776 34.5 Agricultural sector (1)............ 67,632 1,550 19.3 Total.............................. Rs.191,066 US$ 4,380 54.5% --------------- (1) Includes direct agriculture Rs. 45.88 billion constituting 13.1% of our residual net bank credit against the requirement of 13.5%. Export Credit As part of directed lending, the Reserve Bank of India also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the fiscal year, 12.0% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At year-end fiscal 2005, our export credit was Rs. 6.4 billion (US$ 147 million), constituting 1.8% of our residual net bank credit. Housing Finance The Reserve Bank of India requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. Housing finance also qualifies as priority sector lending. At year-end fiscal 2005, our housing finance qualifying as priority sector advances was Rs. 111.9 billion (US$ 2.6 billion) and was well above the minimum requirement prescribed by the Reserve Bank of India. Loan Pricing As required by the Reserve Bank of India's guidelines and the advice issued by the Indian Banks' Association, effective January 1, 2004, we price our loans (other than fixed rate loans and certain categories of loans to individuals and agencies specified by the Indian Banks' Association, including among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities) with reference to a benchmark prime lending rate, called the ICICI Bank Benchmark Advance Rate. The Asset Liability Management Committee of our board of directors fixes the ICICI Bank Benchmark Advance Rate based on cost of funds, cost of operations and credit charge as well as yield curve factors, such as interest rate and inflation expectations, as well as market demand for loans of a certain term and our cost of funds. The ICICI Benchmark Advance Rate is 11.00% p.a. payable monthly, effective February 09, 2005. The lending rates comprise ICICI Benchmark Advance Rate, term premium and transaction-specific credit and other charges. 54

Impaired Loans The following discussion on impaired loans is based on US GAAP. For classification of impaired loans under Indian regulatory requirements, see "Supervision and Regulation - Reserve Bank of India Regulations - Loan Loss Provisions and Non-Performing Assets". Impact of Economic Environment on the Industrial Sector In 1991, India commenced a program of industrial liberalization involving, among other things, the abolition of industrial licensing, reduction in import tariff barriers and greater access for foreign companies to the Indian markets. In the period following the opening up of the economy, a number of Indian companies commenced large projects in expectation of growth in demand in India. These projects generally had relatively high levels of debt relative to equity, given the inadequate depth in the equity capital markets in India at that time. However, the negative trends in the global marketplace in the late 1990s, particularly the South-east Asian economic crisis, a downturn in the commodities markets and recessionary conditions in various economies impaired the operating environment for the Indian industrial sector. The manufacturing sector was also impacted by increased competition arising from economic liberalization in India and volatility in industrial demand and growth. These factors led to stress on the operating performance of Indian corporations in certain sectors and the impairment of a significant amount of loan assets in the financial system, including loan assets of ICICI and ICICI Bank. Certain Indian corporations have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favorable impact on the operations of corporations in several sectors. Recognition of Impaired Loans We identify a loan as impaired when it is probable that we will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. We conduct a comprehensive analysis of our corporate loan portfolio on a periodic basis for identification of impaired loans and determination of the allowance required for loan losses. The analysis considers both qualitative and quantitative criteria including, among others, the account conduct, future prospects, repayment history and financial performance. This comprehensive analysis includes an account-by-account analysis of a substantial portion of the corporate loan portfolio. Corporate loans with an outstanding amount of greater than Rs. 100 million are selected across risk grades (generally adversely graded accounts) for a detailed review. In addition to the detailed review of large balance loans, we also classify our portfolio based on the overdue status of each account, after which we classify a loan as impaired if principal or interest has remained overdue for more than 90 days. Generally, when a loan is placed on non-accrual status, interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on non-accrual loans is recognized as interest income only to the extent that cash is received and future collection of principal is not in doubt. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we had classified as non-accrual, the loan is returned to accrual status. We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are placed on a non-accrual status. For these loans, cash receipts are normally applied to principal and interest in accordance with the terms of the restructured loan agreement. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period. Consumer loans are classified by aggregating individual loans into various product categories. Total outstanding loans in a product category are then classified into time buckets based on ageing, that is, the number of days overdue. Consumer loans are generally identified as impaired when principal or interest has remained overdue for more than 90 days. Consumer loans when identified as impaired are placed on non-accrual status. 55

The value of impaired corporate loans is measured as the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the recovery of the loan is solely collateral dependent. If the value of the impaired loan is less than the recorded investment in the loan, we recognize this impairment by creating a valuation allowance with a corresponding charge to the provision for loan losses. We make allowances for our smaller balance homogeneous consumer loans by aggregating individual loans into various product categories. Total outstanding loans in a product category are then classified into time buckets based on ageing, that is, the number of days overdue. We establish an aggregate allowance for loan losses on our smaller-balance homogenous consumer loans (impaired and non-impaired loans) based on our estimate of probable losses inherent in the time buckets identified for each of the product categories. Our gross restructured loans decreased 7.9% to Rs. 149.5 billion (US$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US$ 3.7 billion) at year-end fiscal 2004. Our gross restructured loans represented 13.9% of our gross loan portfolio at year-end fiscal 2005 and 20.4% of our gross loan portfolio at year-end fiscal 2004. This was primarily due to reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of certain loans to companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year. Gross other impaired loans decreased 40.9% to Rs. 29.7 billion (US$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US$ 1.2 billion) at year-end fiscal 2004. Our gross other impaired loans represented 2.8% of our gross loan portfolio at year-end fiscal 2005 and 6.3% of our gross loan portfolio at year-end fiscal 2004. This was primarily due to reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, as restructured loans, and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts. See also "-- Impact of Economic Environment on the Industrial Sector". As a percentage of net loans, net restructured loans were 9.6% at year-end fiscal 2005 compared to 16.7% at year-end fiscal 2004 and net other impaired loans were 1.4% at year-end fiscal 2005 compared to 3.9% at year-end fiscal 2004. During fiscal 2005, we transferred gross impaired loans of Rs. 24.5 billion (US$ 562 million) to Asset Reconstruction Company (India) Limited (See "Overview of the Indian Financial Sector - Reserve Bank of India Regulations - Legislative Framework for Recovery of Debts due to Banks" and "Supervision and Regulation - Recent Structural Reforms - Regulations Relating to Sale of Assets to Asset Reconstruction Companies"), substantially none of which was recognized as a sale in our US GAAP financial statements. These loans were included in our restructured loans. The following table sets forth, at the dates indicated, our gross restructured rupee and foreign currency loan portfolio by business category. At March 31, -- 2001 2002 2003 2004 2005 -- (in millions, except percentages) Wholesale banking(1)...... Rs. 37,726 Rs. 84,048 Rs. 135,421 Rs.149,724 Rs. 140,866 US$ 3,229 Rupee.................. 25,190 60,017 83,074 115,262 117,468 2,693 Foreign currency........ 12,536 24,031 52,347 34,462 23,398 536 Working capital finance... 818 5,283 11,084 11,525 8,393 192 Rupee.................. 818 5,283 11,084 11,525 8,393 192 Foreign currency........ - - - - - - Leasing and related activities(2)............ 5,137 5,652 886 1,149 259 6 Rupee.................. 5,137 5,652 886 1,149 259 6 Foreign currency........ - - - - - - Other(3)................. - 105 - - - - Rupee.................. - 105 - - - - Foreign currency........ - - - - - - Total restructured loans Rupee.................. 31,145 71,057 95,044 127,937 126,120 2,891 Foreign currency........ 12,536 24,031 52,347 34,462 23,398 536 -- Gross restructured loans.. 43,681 95,088 147,391 162,398 149,518 3,428 Allowance for loan losses................. (11,372) (17,722) (24,732) (40,981) (53,929) (1,236) -- Net restructured loans.... Rs. 32,309 Rs. 77,366 Rs. 122,659 Rs.121,417 Rs. 95,589 US$ 2,192 == ====================== Gross loan assets......... Rs.635,058 560,248 684,640 Rs.795,287 1,075,758 US$ 24,662 Net loan assets(4).............. 602,023 523,601 630,421 728,520 999,858 22,922 56

Gross restructured loans as a percentage of gross loan assets....... 6.88% 16.97% 21.53% 20.42% 13.90% Net restructured loans as a percentage of net loan assets............. 5.37% 14.78% 19.45% 16.67% 9.56% ------------ (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities. (2) Includes leasing and hire purchase. (3) Other includes consumer loans and credit card receivables, bills discounted and inter-corporate deposits. (4) Net of provisions including unallocated provisions on lending assets not specifically identified as restructured loans or other impaired loans. The following table sets forth, at the dates indicated, our gross other impaired rupee and foreign currency loan portfolio by business category. At March 31, -- 2001 2002 2003 2004 2005 -- (in millions, except percentages) Wholesale banking(1)...... Rs. 39,430 Rs. 48,093 Rs. 67,906 Rs. 42,842 Rs. 21,959 US$ 503 Rupee..................... 23,514 32,847 50,864 34,945 17,882 410 Foreign currency.......... 15,916 15,246 17,042 7,897 4,077 93 Working capital finance... 1,234 1,699 11,907 2,978 1,868 43 Rupee.................. 1,234 1,699 11,907 2,978 1,868 43 Foreign currency........ - - - -

- - Leasing and related activities(2)............ 899 731 1,550 746 446 10 Rupee................... 899 731 1,550 746 446 10 Foreign currency........ - - - - - - Other(3).................. 181 231 1,793 3,672 5,440 125 Rupee................... 181 231 1,793 3,672 5,440 125 Foreign currency........ - - - - - - Total other impaired loans Rupee................... 25,828 35,508 66,114 42,341 25,636 588 Foreign currency........ 15,916 15,246 17,042 7,897 4,077 93 -- Gross other impaired loans................... 41,744 50,754 83,156 50,238 29,713 681 Allowance for loan losses................... (21,663) (17,567) (27,837) (21,474) (15,517) (356) -- Net other impaired loans.. Rs. 20,081 Rs. 33,187 Rs. 55,319 Rs. 28,764 Rs. 14,196 US$ 325 == Gross loan assets......... RS.635,058 Rs. 560,248 Rs. 684,640 Rs.795,287 Rs.1,075,758 US$ 24,662 Net loan assets(4)........ 602,023 523,601 630,421 728,520 999,858 22,922 Gross other impaired loans as a percentage of gross loan assets........ 6.57% 9.06% 12.15% 6.32% 2.76% Net other impaired loans as a percentage of net loan assets.............. 3.34% 6.34% 8.77% 3.95% 1.42% -------- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities. (2) Includes leasing and hire purchase. (3) Other includes consumer loans and credit card receivables, bills discounted and inter-corporate deposits. (4) Net of provisions including unallocated provisions on lending assets not specifically identified as restructured loans or other impaired loans. The following table sets forth, at the dates indicated, gross restructured loans by borrowers' industry or economic activity and as a percentage of total gross restructured loans. 57

At March 31, -- 2001 2002 2003 2004 2005 -- (in millions, except percentages) Crude petroleum and refining... Rs. 50 0.1% Rs. 15 0.0% Rs. 13 0.0% Rs. 17,462 10.8% Rs. 24,609 US$ 564 16.5% Textiles......... 12,437 28.5 21,468 22.6 15,660 10.6 16,356 10.1 14,874 341 9.9 Telecom.......... - - - - 3,968 2.7 8,674 5.3 12,639 290 8.5 Iron and steel .. 7,270 16.6 18,013 18.9 52,295 35.5 31,839 19.6 11,102 255 7.4 Cement........... 888 2.0 3,454 3.6 10,102 6.9 7,447 4.6 9,454 217 6.3 Transport equipment...... 418 1.0 5,857 6.2 7,219 4.9 7,282 4.5 7,672 176 5.1 Metal products......... 761 1.7 636 0.7 1,030 0.7 6,210 3.8 6,564 150 4.4 Fertilizers and pesticides....... 141 0.3 3,695 3.9 3,168 2.1 6,308 3.9 5,933 136 4.0 Electronics...... 854 2.0 899 0.9 5,555 3.8 5,855 3.6 5,135 118 3.4 Petrochemicals... 937 2.1 853 0.9 3,793 2.6 2,685 1.7 4,739 109 3.2 Man-made fibers.. 4,561 10.4 5,759 6.1 4,641 3.1 4,297 2.6 4,032 92 2.7 Machinery........ 902 2.1 1,336 1.4 3,773 2.6 3,674 2.3 3,759 86 2.5 Plastics......... 2,586 5.9 2,738 2.9 4,829 3.3 3,471 2.1 3,581 82 2.4 Services .... 1,605 3.7 2,710 2.8 4,589 3.1 2,915 1.8 3,561 82 2.4 Sugar............ 446 1.0 2,859 3.0 4,250 2.9 4,678 2.9 3,451 79 2.3 Power............ 2,278 5.2 915 0.9 1,229 0.9 1,284 0.8 2,694 62 1.8 Electrical equipment..... 1,035 2.4 1,713 1.8 1,086 0.7 1,957 1.2 2,499 57 1.7 Basic chemicals...... 1,306 3.0 1,991 2.1 1,983 1.3 2,886 1.8 2,209 51 1.5 Drugs............ 27 0.1 189 0.2 356 0.2 2,276 1.4 2,026 46 1.4 Paper and paper products. 2,211 5.1 6,076 6.4 5,669 3.8 6,971 4.3 1,953 45 1.3 Rubber and rubber products....... 169 0.4 460 0.5 449 0.3 500 0.3 640 15 0.4 Food products....... 707 1.6 434 0.5 550 0.4 589 0.4 367 8 0.2 Non-ferrous metals....... 180 0.4 1,337 1.4 1,164 0.8 1,144 0.7 124 3 0.1 Tea.............. - - 299 0.3 375 0.3 951 0.6 120 3 0.1 Others (1) ...... 1,912 4.4 11,382 12.0 9,645 6.5 14,687 9.0 15,782 362 10.6 -- Gross restructured loans........... Rs.43,681 100.0% Rs. 95,088 100.0% Rs.147,391 100.0% Rs.162,398 100.0% Rs.149,518 US$3,428 100.0% ====== ===== ===== ===== ===== Aggregate allowance for loan losses.......... (11,372) (17,722) (24,732) (40,981) (53,929) (1,236) --------- ---------- ---------- ---------- ---------- -------- Net restructured loans .... Rs.32,309 Rs. 77,366 Rs.122,659 Rs.121,417 Rs. 95,589 US$2,192 ========= ========== ========== ========== ========== ======== -------------- (1) Others principally include ports, non-bank finance companies, construction, shipping, wood, glass, computer software, vegetable oil, health care, agriculture, infrastructure, fishing, real estate, floriculture, printing, leather, other chemicals, mining and mineral product. The following table sets forth, at the dates indicated, gross other impaired loans by borrowers' industry or economic activity and as a percentage of total gross other impaired loans. At March 31, -- 2001 2002 2003 2004

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

Electronics...... 1,456 3.5 1,281 2.5 2,166 2.6 1,456 2.9 616 14 2.1 Paper and paper products........ 2,456 5.9 2,199 4.3 1,582 1.9 950 1.9 495 11 1.7 Construction..... 612 1.4 510 1.0 1,202 1.5 1,160 2.3 363 8 1.2 Services .... 1,324 3.2 416 0.8 2,255 2.7 1,873 3.7 347 8 1.2 Plastics .... 1,280 3.1 1,137 2.2 1,142 1.4 684 1.4 321 7 1.1 Metal products .. 2,970 7.1 2,628 5.2 7,003 8.4 1,124 2.2 230 5 0.8 Non-ferrous metals.......... 503 1.2 447 0.9 447 0.5 253 0.5 222 5 0.7 Man-made fibers . 2,129 5.1 1,802 3.6 1,661 2.0 884 1.8 199 5 0.7 Other chemicals 45 0.1 92 0.2 357 0.4 259 0.5 193 4 0.6 Cement .... 1,972 4.7 1,287 2.5 1,779 2.1 870 1.7 165 4 0.6 Machinery ...... 919 2.2 2,596 5.1 1,759 2.1 1,235 2.5 112 3 0.4 Rubber and rubber products........ 335 0.8 328 0.6 328 0.4 288 0.6 94 2 0.3 Drugs............ 2,401 5.7 2,544 5.0 2,588 3.2 412 0.8 82 2 0.3 Petrochemicals... 86 0.2 3,440 6.8 4,029 4.8 3,651 7.3 59 1 0.1 Fertilizers and pesticides.. 193 0.5 163 0.3 3,282 3.9 71 0.1 42 1 0.1 Sugar............ 1,461 3.5 722 1.4 1,262 1.5 70 0.1 8 - 0.0 Others (1)....... 2,732 6.5 4,289 8.4 7,819 9.4 3,755 7.5 2135 49 7.2 -- Gross other impaired loans........... Rs.41,744 100.0% Rs. 50,754 100.0% Rs. 83,156 100.0% Rs. 50,238 100.0% Rs. 29,713 US$ 681 100.0% ===== ===== ===== ===== ===== Aggregate allowance for loan losses..... (21,663) (17,567) (27,837) (21,474) (15,517) (356) --------- ---------- ---------- ---------- ---------- -------- Net other impaired loans...Rs. 20,081 Rs. 33,187 Rs. 55,319 Rs. 28,764 Rs. 14,196 US$ 325 =========== ========= ========= ========= ========= ======== -------------------------------------- (1) Includes clocks, gems & jewelry, shipping, agriculture, road, wood, fishing, trade, non-bank finance companies, computer software, leather, vegetable oil, health care, printing, crude petroleum and refining, glass, mineral product and mining. The largest proportion of our restructured and other impaired loans was to the crude petroleum and refining, textiles, telecom and power industries. There is a risk that restructured and other impaired loans in each of these and other sectors could increase if Indian economic conditions deteriorate, there is a negative trend in global commodity prices or projects under implementation are unable to achieve profitable commercial operations. Crude petroleum and refining. At year-end fiscal 2005, we had classified 54.5% of our total loans to the crude petroleum and refining sector as restructured loans. Restructured loans include loans to a large private sector refinery project, the implementation of which was delayed due to natural calamities and other factors, resulting in an overrun in the cost of the project compared to the original appraised cost. The Corporate Debt Restructuring Forum has approved the restructuring of this project. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Corporate Debt Restructuring Forum". Textiles. Over the last few years, the textiles sector was adversely affected by the impact of erratic monsoons on cotton production, the South-east Asian economic crisis, the small economic size and unviable capacity of several textile units and competitive pressures from other low cost textile producing countries. A substantial portion of our loans to this sector has been classified as impaired. At year-end fiscal 2005, we had classified 47.7% of our gross loans in this sector as restructured loans and 2.3% as other impaired loans. Telecommunications. At year-end fiscal 2005, we had classified 64.0% of our gross loans in this sector as restructured loans. Our restructured loans in this sector mainly include loans to a specific group of companies that have been restructured under the Corporate Debt Restructuring Forum. Power. At year-end fiscal 2005, we classified 8.7% of our total loans to the power sector as restructured loans and 40.2% as other impaired loans. Other impaired loans primarily include loans to a large private sector power generation project in the state of Maharashtra, the implementation of which was suspended on account of a dispute between the power project and the purchaser, the state electricity board. By consent of the parties, the High Court of Judicature at Bombay has allowed the sale of the assets of the project to a newly constituted company and ordered the distribution of the sale proceeds amongst the secured lenders to the project, including us. 59

Interest Foregone The following table sets forth, for the periods indicated, the amount of interest foregone by us in respect of loans on which accrual of interest was suspended at the respective fiscal year-end. Interest foregone (in billions) ---------------- Fiscal 2001..Rs. 14.3 US$ 0.3 Fiscal 2002.. 16.1 0.4 Fiscal 2003.. 17.9 0.4 Fiscal 2004.. 12.9 0.3 Fiscal 2005.. 10.9 0.3 During fiscal 2005, interest income of Rs. 6.4 billion (US$ 147 million) was recognized on impaired loans on a cash basis. Impaired Loans Strategy We place great emphasis on recovery and settlement of our stressed asset portfolio and impaired loans. Methods for resolving impaired loans include: o early enforcement of collateral through judicial means; o encouraging the consolidation of troubled borrowers in fragmented industries with stronger industry participants; o encouraging the financial restructuring of troubled borrowers; and o encouraging modernization of existing plants through technology upgrades. Further, we have taken concrete measures to enhance the security structures in accounts that may be under stress, including through: o the pledge of sponsor's shareholding; o the right to convert debt into equity at par; o ensuring effective representation in the board of directors of these companies; o continuous monitoring of the physical performance of the borrower's operations through independent technical consultants; and o escrow mechanisms to capture cash flows. We work closely with other banks and financial institutions and use outside experts and specialized agencies for due diligence, valuation and legal advice to expedite early resolution. We also seek to leverage our corporate relationships to facilitate quicker resolution of impaired loans. We are seeking to leverage recent positive developments in the Indian financial system that facilitate financial restructuring of troubled borrowers and recovery through enforcement of collateral. These include the constitution of a Corporate Debt Restructuring Forum, consisting of financial institutions and banks, by the Reserve Bank of India, the enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and the setting up of an asset reconstruction company to acquire impaired loans from banks and financial institutions. See "Overview of the Indian Financial Sector - Recent Structural Reforms- Legislative Framework for Recovery of Debts due to Banks". However, there can be no assurance of the extent to which, if at all, these developments will have a positive impact on our recovery and settlement efforts. Allowance for Loan Losses The following table sets forth, at the dates indicated, movement in our allowances for loan losses. 60

At March 31, -- 2001 2002 2003 2004 2005 -- (in millions) Aggregate allowance for loan losses at the beginning of the year.................... Rs. 34,085 Rs. 33,035 Rs. 36,647 Rs. 54,219 Rs. 66,767 US$ 1,531 Less: Effect of deconsolidation of subsidiary on allowance for loan losses.......... (747) - - - - - Add: Effect of reverse acquisition on allowance for loan losses....................... - - 1,297 - - - Add: Provisions for loan losses Wholesale banking(1).............................. 9,097 9,069 16,601 18,940 14,011 321 Working capital finance........................... 479 513 2,237 77 (560) (13) Leasing and related activities (2)................ 249 6 231 (48) 348 8 Others (3)....................................... 67 155 580 1,086 878 20 Total provisions for loan losses, net of releases of provisions as a result of cash collections................................. Rs. 9,892 Rs. 9,743 Rs. 19,649 Rs. 20,055 Rs. 14,677 US$ 336 Loans charged-off.................................. (10,195) (6,131) (3,374) (7,507) (5,544) (127) -- Aggregate allowance for loan losses at the end of the year............................ Rs. 33,035 Rs. 36,647 Rs. 54,219 Rs. 66,767 Rs. 75,900 US$ 1,740 Ratio of net provisions for loan losses during the period to average loans outstanding.... 1.7% 1.6% 3.2% 3.0% 1.8% --------- (1) Includes project finance, corporate finance and receivables financing, excluding leasing and related activities. Provisions include unallocated provisions on lending assets not specifically identified as restructured loans or other impaired loans. (2) Includes leasing and hire purchase. (3) Includes consumer loans and credit card receivables, bills discounted and inter-corporate deposits. We conduct a comprehensive analysis of our loan portfolio on a periodic basis. The analysis considers both qualitative and quantitative criteria including, among others, the account conduct, future prospects, repayment history and financial performance. This comprehensive analysis includes an account by account analysis of the corporate loan portfolio, and an allowance is made for any probable loss on each account. In estimating the allowance, we consider the net realizable value on a present value basis by discounting the future cash flows over the expected period of recovery. Further, we also consider past history of loan losses and value of underlying collateral. For further discussions on allowances for loan losses, see "Operating and Financial Review and Prospects - Critical Accounting Policies - Allowances for Loan Losses." Under US GAAP, the analysis of the provisions for restructured and other impaired loans requires that we take into account the time delay in our ability to foreclose upon and sell collateral. The net present value of a restructured and other impaired loan includes the net present value of the underlying collateral, if any. As a result, even though our loans are generally over-collateralized, additional allowances are required under US GAAP because US GAAP takes into account the time value of money. Our restructured and other impaired loan portfolio largely includes project finance and other term loans. These loans are generally fully secured and have full recourse to the borrower. In most cases other than working capital finance, we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. In respect of working capital finance loans, we have a security interest and first lien on all current assets and a second lien on all fixed assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. ICICI typically lent between 60.0% and 80.0% of the appraised value of the collateral. Hence, these loans have historically been sufficiently over-collateralized so that once collateral is realized we recover a substantial amount of our loan outstanding. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We maintain the impaired assets on our books for as long as the enforcement process is ongoing. Accordingly, an impaired asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than US banks under similar circumstances. While determining the allowance for loan losses we consider the time taken for realizing the collateral. Hence, while impaired loans may continue for a longer time in our portfolio we believe our allowance for loan losses on such loans is adequate. In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks". Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans, is individually evaluated for impairment. We establish an aggregate allowance for loan losses on our smaller balance homogenous (impaired and non-impaired loans) via a process that includes an estimate of probable losses inherent in the portfolio, based upon various statistical analysis. These include migration analysis, in which historical delinquency and credit loss experience is applied to the current ageing of the portfolio, together with an analysis that reflects current trends and conditions. The use of different estimates or assumptions could produce different provisions for smaller balance homogeneous loan losses. For restructured and other impaired loans in excess of Rs. 100 million (US$ 2 million), which were 88.8% of our gross restructured and other impaired loan portfolio at March 31, 2005, we followed a detailed process for each account to determine the allowance for loan losses to be provided. For the balance of smaller loans in the restructured and other impaired loan portfolio, we follow the classification detailed below for determining the allowance for loan losses. 61

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

Cases Non-enforcement BIFR cases include cases which have been referred to the Board for Industrial and Financial Reconstruction, which are further categorized into accounts where the plant is under operation and accounts where the plant is closed. We expect that in accounts where the plant is operational, the secured portion of the loan is recoverable over specified annual payments. In respect of those accounts where the plant is closed, we expect that the secured portion of the loan will be recoverable at the end of a specified number of years based upon historical experience. Non-Enforcement Non-BIFR Cases and Other Loans Non-enforcement non-BIFR cases include cases, which are neither under litigation nor referred to the Board for Industrial and Financial Reconstruction. This category is also divided into accounts where the plant is under operation and accounts where the plant is closed. We expect that in those accounts where the plant is operational, the secured portion of the loan is recoverable over specified annual payments together with a recovery in interest due at a specified rate. In respect of those loans where the plant is closed, we expect that the secured portion of the loan will be recoverable over specified annual payments. The following table sets forth, for the period indicated, the results of our restructured and other impaired loan classification scheme. At March 31, 2005 --- Percentage expected to be Impaired Gross realized on a loans, net impaired net present of allowance for loans value basis loan losses ----------- --------------- --------------- (in millions, except percentages) Gross principal greater than Rs. 100 million..... Rs. 159,088 63.9% Rs. 101,713 Settlement cases................................ 355 64.8 230 Enforcement cases............................... 2,651 65.2 1,729 Non-enforcement BIFR cases....................... 1,356 39.1 530 Other loans.................................... 15,781 35.4 5,583 ----------- ----- ----------- Total... Rs. 179,231 61.3% Rs. 109,785 =========== ==== =========== We believe that the process for ascertaining allowance for loan losses described above adequately captures the known losses on our entire loan portfolio. We believe that our allowance for loan losses is adequate to cover all known losses in our portfolio. Subsidiaries and Affiliates Prior to the amalgamation, ICICI Bank had no subsidiaries. As we are the surviving legal entity in the amalgamation, the subsidiaries and affiliates of ICICI have become our subsidiaries and affiliates. The following table sets forth, for the period indicated, certain information relating to our direct subsidiaries and affiliates at year-end fiscal 2005. 62

Shareholding Total Stockholders' by ICICI Bank income equity Assets at Year of and direct in fiscal at March March 31, Name formation Activities subsidiaries 2005(1) 31, 2005(1) 2005(1)
-- (in millions, except percentages) ICICI Securities February Investment banking 99.9% Rs. 2,059 Rs. 4,600 Rs. 14,524 Limited(2) 1993 activities ICICI Venture Funds January Venture capital 100.0 733 354 464 Management 1988 management Company Limited ICICI Prudential Life July 2000 Life insurance 74.0 6,650 3,434 45,452 Insurance Company Limited(3) ICICI Lombard October 2000 General insurance 74.0 3,301 2,367 8,178 General Insurance Company Limited(3) ICICI Home May Home and property 100.0 2,424 1,729 30,875 Finance 1999 financing and Company Limited marketing ICICI International January Offshore fund 100.0 5 23 26 Limited 1996 management ICICI Trusteeship April Trusteeship services 100.0 1 2 Services Limited 1999 - ICICI Investment March Investment management 100.0 7 118 123 Management 2000 Company Limited ICICI Bank UK February 2003 Commercial banking 100.0 833 4,249 43,444 Limited ICICI Bank Canada September 2003 Commercial banking 100.0 111 523 7,659 ICICI Distribution Finance October 1996 Consumer credit 100.0 50 539 630 Private Limited(4) financing Prudential ICICI June Investment manager 45.0 1,020 921 1,104 Asset Management 1993 for Prudential Company Limited(5) Mutual Fund Prudential ICICI June Trustee company for 44.8 4 9 11 Trust Limited(5) 1993 mutual fund --------- (1) All financial information is in accordance with US GAAP. (2) Consolidated. (3) The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were not consolidated under US GAAP in fiscal 2004 and fiscal 2005, due to substantive participative rights retained by the minority shareholders, and have been accounted for by the equity method. (4) Acquired by us in fiscal 2004. Subsequent to year-end fiscal 2005, the company merged with ICICI Home Finance Company Limited. (5) Subsequent to year-end fiscal 2005, ICICI Bank acquired additional 6.0% from Prudential plc in August 2005, taking ICICI Bank's shareholding to 51%. The following table sets forth, for the period indicated, information on other significant entities required to be consolidated

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

-- Shareholding by ICICI Bank and venture capital funds Stockholders' or trusts to Total equity/net which ICICI Bank income in assets at Assets at Date of was a majority fiscal March 31, March 31, Name formation Activities contributory 2005(1) 2005(1) 2005(1) -- (in millions, except percentages) 3i Infotech October Software consulting and 92.5%(4) Rs. 2,553 Rs. 1,350 Rs. 5,149 Limited(2)(3) 1993 development and information (Formerly ICICI technology. Infotech Limited) ICICI Web Trade December Internet-based brokering 100.0 1,586 473 4,950 Limited(2)(3) 1999 services. ICICI OneSource December Business process outsourcing 99.6(5) 3,235 1,959 5,825 Limited(2)(3) 2001 and call center services. ICICI Equity March Investment in equity and 100.0 1,072 4,570 4,721 Fund 2000 equity-linked securities of mid sized Indian companies. ICICI Emerging September Investment in mid-sized and 98.9 55 3,838 3,864 Sector Fund 2002 early stage companies across sectors. ICICI Strategic February Mid-sized growth companies for 100.0 71 6,119 6,120 Investments 2003 funding capacity expansion and Fund growth. ICICI Eco-Net December Investment in equity or 92.0 (8) 723 723 Internet & 2000 equity-linked securities of Technology Fund early stage, unlisted internet and technology companies. --------- (1) All financial information is in accordance with US GAAP. (2) Consolidated. (3) Prior to the amalgamation, ICICI's entire interest in ICICI Web Trade Limited and majority interest in 3i Infotech Limited were transferred to ICICI Information Technology Fund and ICICI Equity Fund respectively. The majority interest in ICICI OneSource Limited and 3i Infotech Limited is currently held by ICICI Strategic Investments Fund and the minority interest by ICICI Bank. (4) The shareholding by ICICI Bank and venture capital funds or trusts to which ICICI Bank is a contributory was 54.3% at June 30, 2005. (5) Represents equity shareholding by ICICI Bank, and venture capital funds or trusts to which ICICI Bank was a contributory. The shareholding by ICICI Bank and venture capital funds or trusts to which ICICI Bank is a contributory, on a fully diluted basis (i.e. assuming conversion of participatory optionally convertible preference shares into equity) was approximately 61.3% at year-end fiscal 2005. 64

At year-end fiscal 2005, all of our subsidiaries and affiliated companies and entities consolidated or accounted for under the equity method under US GAAP, were incorporated or organized in India, except the following 16 companies: o ICICI Securities Holdings Inc., incorporated in the US; o ICICI Securities Inc., incorporated in the US; o ICICI Bank UK Limited, incorporated in the United Kingdom; o ICICI Bank Canada, incorporated in Canada; o 3i Infotech Inc., incorporated in the US; o 3i Infotech Pte. Limited, incorporated in Singapore; o 3i Infotech Pty. Limited, incorporated in Australia; o 3i Infotech SDN BHD, incorporated in Malaysia; o Semantik Solutions GmbH, incorporated in Germany; o ICICI International Limited, incorporated in Mauritius; o ICICI OneSource Limited, USA, incorporated in the US; o ICICI OneSource Limited, UK, incorporated in the United Kingdom; and o First Ring Incorporated, incorporated in the US; o Accounts Solutions Group, LLC, incorporated in US; o Pipal research Corporation, incorporated in the US; o Sherpa Business Solutions Inc., incorporated in the United States ICICI Securities Holdings Inc. is a wholly-owned subsidiary of ICICI Securities and ICICI Securities Inc. is a wholly-owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' financial statements. 3i Infotech Inc. and 3i Infotech Pte. Limited are wholly-owned subsidiaries of 3i Infotech Limited and are consolidated in its financial statements. 3i Infotech SDN BHD is a subsidiary of 3i Infotech Pte. Limited and is accounted for by the equity method in the financial statements of 3i Infotech Limited. During fiscal 2005, 3i Infotech Limited transferred its entire holding in 3i Infotech Pty. Limited to 3i Infotech Inc., US. Semantik Solutions GmbH is a joint venture between 3i Infotech Limited, Fraunhofer ISST and Innova Business

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

Subsequent to year-end fiscal 2005, we acquired Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US$ 4.4 million at year-end fiscal 2005. The value of this transaction is not material to our overall results. In September 2005, 3i Infotech Limited acquired Innovative Business Solutions Inc., a US based specialty IT solutions company, for an aggregate consideration of US$ 3.6 million. Technology We continue to endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain a competitive advantage and to improve our overall productivity and efficiency. Our technology initiatives are aimed at enhancing value, offering customers enhanced convenience and improved service while optimizing costs. Our focus on technology emphasizes: o Electronic and online channels to: o offer easy access to our products and services; o reduce distribution and transaction costs; o reach new target customers; o enhance existing customer relationships; and o reduce time to market. o Application of information systems to: o manage our large scale of operations efficiently; o effectively market to our target customers; o monitor and control risks; o identify, assess and capitalize on market opportunities; and o assist in offering improved products to customers. We also seek to leverage our domestic technology capabilities in our international operations. Technology Organization While we have dedicated technology groups for our products and services for retail and corporate customers, our enterprise-wide technology initiatives are coordinated by the Technology Management Group. The retail and corporate technology groups review the individual requirements of the various business groups while the technology management group aggregates the requirements of various business groups to ensure enterprise-wide consistency. Banking Application Software We use a banking application software that is flexible and scaleable and allows us to effectively and efficiently serve our growing customer base. Our upgraded core banking software is enabled with multi-currency features. A central stand-in server provides services all days of the week, throughout the year, to delivery channels. The server stores the latest customer account balances, which are continuously streamed from the core-banking database. We have a data center in Mumbai for centralized data base management, data storage and retrieval. Electronic and Online Channels We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped the differentiation of our products in the marketplace. Our branch banking software is flexible and scaleable and integrates well with its electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At year-end fiscal 2005, we had 1,910 ATMs across India. We were one of the first banks to offer online banking facilities to our customers. We now offer a number of online banking services to our customers for both corporate and retail products and services. Our telephone banking call centers employ approximately 2,600 phone banking officers, across two locations, at Mumbai and Hyderabad, which are operational round the clock. These telephone banking call centers use an Interactive Voice Response System. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship 66 with us. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities. We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended to all mobile telephone service providers across India and non-resident Indian customers in the United States of America, the United Kingdom, the Middle East and Singapore. High-Speed Electronic Communications Infrastructure We have a nationwide data communications network linking all our channels and offices. The network design is based on a mix of dedicated leased lines and satellite links to provide for reach and redundancy, which is imperative in a vast country like India. The communications network is monitored 24 hours a day using advanced network management software. We are moving towards multi protocol label switching (MPLS) as an alternative to lease lines, thus ensuring redundancy. Operations relating to Commercial Banking for Corporate Customers We have successfully centralized our corporate banking back office operations and rolled out a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the workflow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes. We have centralized the systems of the treasuries of all our international branches and subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained out of India. Customer Relationship Management We have implemented a customer relationship management solution for automation of customer handling in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the telephone banking call centers as well as a large number of branches. Data Warehousing and Data Mining We have a data warehouse for customer data aggregation. This data warehouse also provides a platform for data mining initiatives. We have implemented an Enterprise Application Integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative underpins our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It is also aimed to l provide us with the valuable information to compile a unified customer view and creates various opportunities associated with cross-selling other financial products. Data center and disaster recovery system While our primary data center is located in Mumbai, a separate disaster recovery data center has been set up in another city and is connected to the main data center in Mumbai. The disaster recovery data center can host critical banking applications in the event of a disaster at the primary site. Competition As a result of the acquisition of Bank of Madura, we became and continue to be the largest private sector bank in India and as a result of the amalgamation, we became and continue to be the second largest bank in India, in terms of total assets. We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We are the largest private sector bank in India and the second largest bank among all banks in the country, in terms of total assets, with total assets of Rs. 1,863.4 billion (US$ 42.7 billion) at year-end fiscal 2005. We seek to gain a competitive advantage over our competitors through our larger size and scale of operations and by offering innovative products and services, the use of technology, building customer relationships and developing a team of highly motivated and skilled employees. We 67

evaluate our competitive position separately in respect of our products and services for retail and corporate customers. Commercial banking products and services for retail customers In the retail markets, competition is primarily from Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in the aggregate had only 220 branches in India at the end of March 2005. Indian commercial banks have wide distribution networks but relatively less strong technological and marketing capabilities. We seek to compete in this market through a full product portfolio, effective distribution channels, which include agents, robust and centralized credit processes and collection mechanisms, experienced professionals and superior technology. Commercial banks attract the majority of retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize on our corporate relationships to gain individual customer accounts through payroll management products and will continue to pursue a multi-channel distribution strategy utilizing physical branches, ATMs, telephone banking call centers and the Internet to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers of various ages and income profiles. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits. Commercial banking products and services for corporate customers In products and services for corporate customers, we face strong competition primarily from public sector banks, foreign banks and other new private sector banks. Our principal competition in these products and services comes from public sector banks, which have built extensive branch networks that have enabled them to raise low-cost deposits and, as a result, price their loans and fee-based services very competitively. Their wide geographical reach facilitates the delivery of banking products to their corporate customers located in most parts of the country. We have been able, however, to compete effectively because of our efficient service and prompt turnaround time that we believe is significantly faster than public sector banks. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities. Traditionally, foreign banks have been active in providing trade finance, fee-based services and other short-term financing products to top tier Indian corporations. We effectively compete with foreign banks in cross-border trade finance as a result of our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and compete with foreign banks due to our technological edge and competitive pricing strategies. Other new private sector banks also compete in the corporate banking market on the basis of efficiency, service delivery and technology. However, we believe our size, capital base, strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge. In project finance, ICICI's primary competitors were established long-term lending institutions. In recent years, Indian and foreign commercial banks have sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge and capabilities in understanding risks and policy related issues as well as our advisory, structuring and syndication services have allowed us to gain credibility with project sponsors, overseas lenders and policy makers. New business areas Our international strategy is focused on India-linked opportunities in the initial stages. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers like 68

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

30,515 employees at year-end fiscal 2005, 8,126 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking. Management believes that it has good relationships with its employees. ICICI Bank has a staff center, which serves as a forum for grievances. The financial services industry in India is undergoing unprecedented change as deregulation gains momentum. Moreover, changing customer needs and rapid advances in technology are continually re-defining the lines of innovation and competition, thereby providing us with new challenges and opportunities. To meet these challenges, we have relied extensively on our human capital, which we believe comprises some of the best talent in the industry. We continue to attract graduates from the premier business schools of the country. We dedicate significant amount of senior management time to ensure that employees remain highly motivated and perceive the organization as a place where opportunities abound, innovation is fuelled, teamwork is valued and success is rewarded. Employee compensation is clearly tied to performance and we encourage the involvement of our employees in our overall performance and profitability through profit sharing incentive schemes based on the financial results. A revised performance appraisal system has been implemented to assist management in career development and succession planning. ICICI Bank has an employee stock option scheme to encourage and retain high performing employees. Pursuant to the employee stock option scheme as amended by the Scheme of Amalgamation and further amended in September 2004, up to 5.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock option entitles eligible employees to apply for equity shares. The grant of stock options is approved by ICICI Bank's board of directors on the recommendations of the Board Governance and Remuneration Committee. The eligibility of each employee is determined based on an evaluation of the employee including employee's work performance, technical knowledge and leadership qualities. Moreover, ICICI Bank places considerable emphasis and value on its policy of encouraging internal communication and consultation between employees and management. See also "Management - Compensation and Benefits to Directors and Officers - Employee Stock Option Scheme." ICICI Bank has training centers, where various training programs designed to meet the changing skill requirements of its employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offers courses conducted by faculty, both national and international, drawn from industry, academia and 69

ICICI Bank's own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training is also conducted through web-based training modules. In addition to basic compensation, employees of ICICI Bank are eligible to receive loans from ICICI Bank at subsidized rates and to participate in its provident fund and other employee benefit plans. The provident fund, to which both ICICI Bank and its employees contribute a defined amount, is a savings scheme, required by government regulation, under which ICICI Bank at present is required to pay to employees a minimum 9.5% annual return. If such return is not generated internally by the fund, ICICI Bank is liable for the difference. ICICI Bank's provident fund has generated sufficient funds internally to meet the minimum annual return requirement since inception of the funds. ICICI Bank has also set up a superannuation fund to which it contributes defined amounts. In addition, ICICI Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements. The following table sets forth, at the dates indicated, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities. At March 31, -- 2003 2004 2005 % to % to % to Number total Number total Number total -- ICICI Bank.................. 10,617 69.9% 13,549 71.5% 18,029 59.1% ICICI OneSource............. 2,056 13.5 3,902 20.6 5,856 19.1 ICICI Home Finance.......... 1,302 8.6 -(1) - 4,324 14.2 3i Infotech................. 147 1.0 1,141 6.0 1,813 5.9 ICICI Securities............ 927 6.1 146 0.8 172 0.6 Others...................... 130 0.9 204 1.1 321 1.1 --- Total number of employees... 15,179 100.0% 18,942 100.0% 30,515 100.0% === --------- (1) All employees of ICICI Home Finance became employees of ICICI Bank in August 2003. The increase in number of employees in fiscal 2005 was primarily in ICICI Bank and ICICI Home Finance, which have grown their distribution and operations capabilities and ICICI OneSource, as a result of both organic and inorganic growth in its business. The following table sets forth, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities at August 31, 2005. ------------------------- Number % to total ------------------------- ICICI Bank......................... 22,406 60.5% ICICI OneSource.................... 7,363 19.9 ICICI Home Finance................. 4,694 12.7 3i Infotech........................ 1,915 5.2 ICICI Securities................... 173 0.5 Others............................. 451 1.2 ------------------------- 37,002 100.0% ========================= The increase in number of employees during the period April 1 to August 31, 2005 was primarily on account of an increase in recruitment of employees by ICICI Bank, ICICI Home Finance and ICICI OneSource. The results of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company have been accounted for under the equity method due to substantive participative rights retained by the minority shareholders. ICICI Prudential Life Insurance had 5,186 employees at year-end fiscal 2005 and 6,083 employees at August 31, 2005 compared to 3,298 employees at year-end fiscal 2004. ICICI Lombard General Insurance had 1,249 employees at year-end fiscal 2005 and 1,525 employees at August 31, 2005 compared to 555 employees at year-end fiscal 2004. 70

Properties Our registered office is located at Landmark, Race Course Circle, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India. We had a principal network consisting of 510 branches, 52 extension counters and 1,910 ATMs at year-end fiscal 2005. These facilities are located throughout India. 40 of these facilities are located on properties owned by us, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, We have 18 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 14 regional processing centers in various cities and one central processing center at Mumbai. We also have one offshore banking unit each at Mumbai, Singapore and Bahrain. We have 873 apartments for our employees. We also provide residential and holiday home facilities to employees at subsidized rates. The net book value of all properties and equipment at year-end fiscal 2005 was Rs. 26.1 billion (US$ 597 million). Legal and Regulatory Proceedings We are involved in a number of legal proceedings in the ordinary course of our business. However, excluding the legal proceedings discussed below, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations. At year-end fiscal 2005, we had been assessed an aggregate of Rs. 28.0 billion (US$ 642 million) in excess of the provision made in our accounts, in income tax, interest tax, wealth tax and sales tax demands by the government of India's tax authorities for past years. We have appealed each of these tax demands. Based on consultation with counsel and favourable decisions in our own or other cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessment and accordingly has not provided for these tax demands at year-end fiscal 2005 o We have received favorable decisions from the appellate authorities with respect to Rs. 1.4 billion (US$ 33 million) of the assessment. The income tax authorities have appealed these decisions to higher appellate authorities and the same are pending adjudication. o In our appeal of the assessment of sales tax aggregating to Rs. 923 million (US$ 21 million), we are relying on a favorable decision of the Supreme Court of India in respect of a writ petition filed by us. o In our appeal of the assessments of income tax, interest tax and wealth tax aggregating to Rs 25.6 billion (US$ 587 million), we are relying on favorable precedents of the appellate court and expert opinions. Of the Rs. 28.0 billion (US$ 642 million), Rs. 11.1 billion (US$ 254 million) relates to the disallowance of depreciation claim on leased assets. This is an industry wide issue involving multiple litigations across the country. In respect of depreciation claimed by us for fiscal 1993 on two sale and lease back transactions, the Income Tax Appellate Tribunal, Mumbai held in August 2003 that these transactions were tax planning tools and no depreciation was allowable. As the Income Tax Appellate Tribunal's decision is based on the facts of two specific transactions, we believe that the Income Tax Appellate Tribunal's decision will not have an adverse tax impact on other sale and lease back transactions entered into by us. The tax impact of this decision is Rs. 189 million (US$ 4 million). We have appealed against this decision and based on judicial precedents and recent decisions of the Supreme Court and based on consultation with senior tax counsel and expert advice, we believe that we will receive a favorable decision in the matter. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us. Accordingly, we have not provided for this tax demand but have disclosed it as a contingent liability in the financial statements. At August 31, 2005, there were 17 litigations (each involving a claim of Rs. 10.0 million and more) against us, in the aggregate amount of approximately Rs. 80.4 billion (US$ 1.8 billion) (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). At August 31, 2005, two litigations were pending 71

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against our directors in an aggregate amount of Rs. 56.3 billion (US$ 1.3 billion) (to the extent quantifiable). There were three litigations where amounts claimed from us are Rs. 1.0 billion (US$ 23 million) or higher: o In April 1999, ICICI filed a suit before the High Court of Judicature at Bombay against Mardia Chemicals Limited for recovery of amounts totaling Rs. 1.4 billion (US$ 32 million) due from Mardia Chemicals. The suit was subsequently transferred to the Debt Recovery Tribunal, Mumbai. In July 2002, ICICI Bank issued a notice to Mardia Chemicals under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 (subsequently passed as an Act by the Indian Parliament) demanding payment of its outstanding dues. In August 2002, Mardia Chemicals filed a suit in the city civil court at Ahmedabad against ICICI Bank, Mr. K. V. Kamath, Managing Director & CEO and Ms. Lalita D. Gupte, Joint Managing Director, for an amount of Rs. 56.3 billion (US$ 1.3 billion) on the grounds that Mardia Chemicals had allegedly suffered financial losses on account of ICICI's failure to provide adequate financial facilities, ICICI's recall of the advanced amount and ICICI's filing of a recovery action against it. The city civil court held that the suit should have been filed in the pending proceedings before the Debt Recovery Tribunal, Mumbai. Mardia Chemicals filed an appeal before the High Court of Gujarat, which dismissed the appeal and ordered that the claim against ICICI Bank be filed before the Debt Recovery Tribunal, Mumbai and the claim against Mr. K.V. Kamath and Ms. Lalita D. Gupte be continued before the city civil court at Ahmedabad. The Debt Recovery Tribunal has admitted the counterclaim filed by Mardia Chemicals Limited. In June 2003, the promoters of Mardia Chemicals in their capacity as guarantors of loans given by ICICI to Mardia Chemicals filed a civil suit in the city civil court at Ahmedabad against ICICI Bank for an amount of Rs. 20.8 billion (US$ 477 million) on the grounds of loss of investment and loss of profit on investment. ICICI Bank has filed its reply seeking dismissal of the suit and the matter is currently pending before the City Civil Court, Ahmedabad. o In March 1999, ICICI filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for recovery of amounts totaling Rs. 169 million (US$ 4 million) due from Esslon Synthetics. In May 2001, the guarantor filed a counter-claim for an amount of Rs. 1.0 billion (US$ 23 million) against ICICI and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited has filed an application to amend the counterclaim in January 2004. ICICI Bank has filed its reply to the application for amendment. The application has been partly heard and is listed for further arguments. o ICICI had filed a recovery suit in 2001 in the Debt Recovery Tribunal, Mumbai against Dynamic Logistics Limited for Rs. 350 million (US$ 8 million). Dynamic Logistics Limited filed a counterclaim for Rs. 1.3 billion (US$ 30 million) in the Debt Recovery Tribunal, Mumbai. The matter is currently pending for hearing. Management believes, based on consultation with counsel, that the legal proceedings instituted by each of Mardia Chemicals, Esslon Synthetics and Dynamic Logistics Limited against us are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity. Based on a review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our consolidated financial position, results of operations or cashflows. An arbitration proceeding in London that had been brought against us and other Indian lenders in connection with loans to a large power generation project in the state of Maharashtra with a claim in an aggregate amount of US$ 534 million, has since been withdrawn and the matters relating to this arbitration proceeding treated as closed. 72

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA The following tables set forth our summary financial and operating data on a consolidated basis. The summary data for fiscal 2003, fiscal 2004 and fiscal 2005 have been derived from our audited consolidated financial statements as of the end of and for each of these years prepared in accordance with US GAAP. The summary data for ICICI for fiscal 2001 and fiscal 2002 have been derived from the audited consolidated financial statements of ICICI as of the end of and each of these fiscal years prepared in accordance with US GAAP. Our consolidated financial statements for fiscal 2005 and fiscal 2004 including our consolidated statement of operations, consolidated statement of cash flows and consolidated statement of stockholders' equity and other comprehensive income were audited by KPMG India, independent accountants. Following the approval of shareholders, the High Court of Gujarat at Ahmedabad and the High Court of Judicature at Bombay, the Reserve Bank of India approved the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank on April 26, 2002. The Statement on Financial Accounting Standard No. 141 on "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements contained in this annual report for fiscal 2003, as it was consummated in April 2002. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer and the surviving entity. Accordingly, the financial data contained in this annual report for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI. Following the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank. On the date of amalgamation, ICICI held a 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest was accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank was recorded as treasury stock at its historical carrying value. In September 2002, the treasury stock was sold to institutional investors for Rs. 13.2 billion (US$ 302 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US$ 14 million), was recognized in the statement of stockholders' equity as a capital transaction. The financial information for ICICI for fiscal 2002 and 2001 reflect results of ICICI Bank as an equity investment in accordance with ICICI's ownership interest in ICICI Bank prior to the amalgamation. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank in India, in an all stock merger and, as a result, the ownership interest of ICICI was reduced from 62.2% to 55.6%. In addition, during March 2001, ICICI reduced its interest in ICICI Bank to 46% through sales of equity shares in the Indian secondary markets to institutional investors. As a result of the foregoing, ICICI Bank ceased to be one of ICICI's subsidiaries as of March 22, 2001 and was accounted for under the equity method of accounting from April 1, 2000, the beginning of the fiscal year in which ICICI's majority ownership interest in ICICI Bank was deemed to be temporary. The consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, in each of fiscal 2001 and 2002 was deemed inappropriate because of substantive participative rights retained by the minority shareholders. Accordingly, such investees were no longer consolidated but were accounted for by the equity method in fiscal 2003. Prior period financial statements have been restated and as a result, the financial statements for fiscal 2001 and 2002 contained in this annual report are not the same as those contained in our annual report for fiscal 2002. There is no resultant impact on the net income or the stockholders' equity for fiscal 2001 and 2002. You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict the results in the future. 73

Year ended March 31, -- 2001 2002 2003 2004 2005 2005(1) ------------- ------------- ------------- ------------- ------------ ------------- (in millions, except per common share data) Selected income statement data: Interest income..................... Rs. 79,759 Rs. 78,600 Rs. 97,714 Rs. 90,688 Rs. 91,775 US$ 2,105 Interest expense.................... (67,893) (69,520) (83,208) (72,375) (68,409) (1,569) ----------- ----------- ----------- ----------- ----------- ----------- Net interest income................. 11,866 9,080 14,506 18,313 23,366 536 Dividends........................... 345 267 389 431 485 11 ----------- ----------- ----------- ----------- ----------- ----------- Net interest income, including dividends.............. 12,211 9,347 14,895 18,744 23,851 547 Provisions for loan losses.......... (9,892) (9,743) (19,649) (20,055) (14,677) (336) ----------- ----------- ----------- ----------- ----------- ----------- Net interest income/(loss), including dividends, after provisions for loan losses........ 2,319 (396) (4,754) (1,311) 9,174 211 Non-interest income................ 9,243 8,148 13,253 36,678 34,645 795 ----------- ----------- ----------- ----------- ----------- ----------- Net revenue......................... 11,562 7,752 8,499 35,367 43,819 1,006 Non-interest expense................ (5,479) (7,596) (18,609) (27,101) (33,089) (759) Equity in earnings/(loss) of affiliates..................... 735 294 (958) (1,437) (577) (13) Minority interest.................. 1 83 24 28 14 - ----------- ----------- ----------- ----------- ----------- ----------- Income/(loss) before income taxes and cumulative effect of accounting changes............. 6,819 533 (11,044) 6,857 10,167 234 Income tax (expense)/benefit........ (189) (251) 3,061 (1,638) (1,637) (38) ----------- ----------- ----------- ----------- ----------- ----------- Income /(loss) before cumulative effect of accounting changes, net of tax........................ 6,630 282 (7,983) 5,219 8,530 196 Cumulative effect of accounting changes, net of tax(2)......................... - 1,265 - - - - ---------- ------------ ------------- ------------ ---------- ---------- Net income/ (loss).................. Rs. 6,630 Rs. 1,547 Rs. (7,983) Rs. 5,219 Rs. 8,530 US$ 196 ========== ============ ============== ============ =========== ========== Per common share(3) Net income/(loss) from continuing operations - Basic(4)............. Rs. 16.88 Rs. 3.94 Rs. (14.18) Rs. 8.50 Rs. 11.72 US$ 0.27 Net income/(loss) from continuing operations - Diluted(5)........... 16.81 3.94 (14.18) Rs. 8.43 Rs. 11.60 0.27 Dividends(6)........................ 11.00 22.00 - 7.50 7.50 0.17 Book value.......................... 193.35 181.70 150.42 153.35 173.73 3.98 Common shares outstanding at end of period (in millions of common shares)........ 393 393 613 616 737 - Weighted average common shares outstanding - Basic (in millions of common shares).................... 393 393 563 614 728 - Weighted average common shares outstanding - Diluted (in millions of common shares)................. 393 393 563 619 734 - ---------- (1) Rupee amounts for fiscal 2005 have been translated into US dollars using the noon buying rate of Rs. 43.62 = US$ 1.00 in effect on March 31, 2005. (2) In June 2001, the FASB issued SFAS No. 141, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The excess of the cost of an acquired entity over the net of the amounts assigned to assets acquired and liabilities assumed shall be recognized as goodwill. SFAS No. 141 specifies that intangible assets acquired in a purchase method business combination must be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce need not be accounted separately. The excess of the fair value of the net assets over the cost of acquired entity is allocated pro rata to specified non-financial assets and remaining excess, if any, is recognized as an extraordinary gain. As of April 1, 2001, ICICI had an unamortized deferred credit of Rs. 1.3 billion (US$ 29 million) relating to the excess of the fair value of assets acquired over the cost of acquisition of SCICI. As required by SFAS No. 141, in conjunction with the early adoption of SFAS No. 142, the unamortized deferred credit as of April 1, 2001, was written-off and recognized as the effect of a change in the accounting principle. 74

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(3) For fiscal years 2001 and 2002, based on the exchange ratio of 1:2 in which the shareholders of ICICI were issued shares of ICICI Bank, number of shares has been adjusted by dividing by two. Hence, these numbers are different from the numbers reported in the annual report on Form 20-F for fiscal 2002. (4) Represents net income/(loss) before dilutive impact. (5) Represents net income/(loss) adjusted for full dilution. All convertible instruments are assumed to be converted to common shares at the beginning of the year, at prices that are most advantageous to the holders of these instruments Options to purchase 2,546,675, 7,015,800, 12,610,275 and 1,098,225 equity shares granted to employees at a weighted average exercise price of Rs. 226.0, Rs. 81.3, Rs. 154.7 and Rs. 266.6 were outstanding in fiscal 2001, 2002, 2003 and 2004, respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the

period. In fiscal 2003, we reported a net loss and accordingly all outstanding options at year-end fiscal 2003 are anti-dilutive. (6) In India, dividends for a fiscal year are normally declared and paid in the following year. The same was true for ICICI until fiscal 2001. However, the interim dividend for fiscal 2002 was paid by ICICI during fiscal 2002. We declared a dividend of Rs. 7.50 per equity share for fiscal 2003 and fiscal 2004, which was paid out in August 2003 and September 2004, i.e., in fiscal 2004 and fiscal 2005 respectively. We declared a dividend of Rs. 8.50 per equity share for fiscal 2005, which was paid out in August 2005, i.e., fiscal 2006. The dividend per equity share shown above is based on the total amount of dividends paid out on the equity shares during the year, exclusive of dividend tax. This was different from the dividend declared for the year. In US dollars, the dividend was US$ 0.19 per equity share for fiscal 2005. (7) Certain reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity. 75

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period. Year ended March 31, -- 2001 2002 2003 2004 2005 ------ ------ ------ ------ ------ Selected income statement data: Interest income................................ 11.29% 10.53% 8.63% 7.14% 5.87% Interest expense.............................. (9.61) (9.31) (7.35) (5.70) (4.37) ------ ------ ------ ------ ------ Net interest income........................... 1.68 1.22 1.28 1.44 1.50 Dividends...................................... 0.05 0.04 0.03 0.03 0.03 ------ ------ ------ ------ ------ Net interest income, including dividends....... 1.73 1.25 1.32 1.48 1.53 Provisions for loan losses..................... (1.40) (1.31) (1.73) (1.58) (0.94) ------ ------ ------ ------ ------ Net interest income/(loss), including dividends, after provisions for loan losses.................. 0.33 (0.05) (0.42) (0.10) 0.59 Non-interest income........................... 1.31 1.09 1.17 2.89 2.22 ------ ------ ------ ------ ------ Net revenue................................... 1.64 1.04 0.75 2.79 2.81 Non-interest expense.......................... (0.78) (1.02) (1.64) (2.13) (2.12) Equity in earnings/(loss) of affiliates........ 0.10 0.04 (0.08) (0.11) (0.04) Minority interest............................. 0.00 0.01 0.00 0.00 0.00 ------ ------ ------ ------ ------ Income/(loss) before income taxes and cumulative effect of accounting changes.......................... 0.97 0.07 (0.98) 0.54 0.65 Income tax (expense)/benefit (0.03) (0.03) 0.27 (0.13) (0.10) ------ ------ ------ ------ ------ Income/(loss) before cumulative effect of accounting changes, net of tax.................................. 0.94 0.04 (0.70) 0.41 0.55 Cumulative effect of accounting changes, net of tax......................... - 0.17 - - - ------ ------ ------ ------ ------ Net income/(loss)............................. 0.94% 0.21% (0.70)% 0.41% 0.55% ------ ------ ------ ------ ------ At March 31, --- 2001 2002 2003 2004 2005 2005(1) ----------- ----------- ------------- ------------- ------------- ----------- (in millions, except percentages) Selected balance sheet data: Total assets...................... Rs. 739,892 Rs. 743,362 Rs. 1,180,263 Rs. 1,409,131 Rs. 1,863,447 US$ 42,720 Securities........................ 18,861 60,046 280,621 310,368 380,959 8,733 Loans, net(2)..................... 602,023 523,601 630,421 728,520 999,858 22,922 Troubled debt restructuring (restructured loans), net...... 32,309 77,366 122,659 121,417 95,589 2,191 Other impaired loans, net......... 20,081 33,187 55,319 28,764 14,196 325 Total liabilities................ 663,829 671,754 1,087,926 1,313,556 1,733,383 39,738 Long-term debt................... 492,882 511,458 400,812 373,449 367,499 8,425 Deposits......................... 6,072 7,380 491,290 684,955 1,016,534 23,304 Redeemable preferred stock(3)..... 698 772 853 944 1,044 24 Stockholders' equity.............. 75,927 71,348 92,213 94,525 127,996 2,935 Common stock .... 3,924 3,922 6,127 6,164 7,368 169 Period average(4): Total assets...................... 706,343 746,330 1,132,638 1,269,638 1,562,983 35,832 Interest-earning assets........... 615,164 641,141 924,573 1,017,009 1,198,058 27,466 Loans, net(2)..................... 570,989 591,398 606,496 662,752 799,169 18,321 Total liabilities(5).............. 631,324 670,750 1,038,377 1,173,961 1,442,117 33,061 Interest-bearing liabilities...... 576,474 613,401 905,226 977,941 1,148,995 26,341 Long-term debt................... 462,916 504,103 455,347 382,674 359,724 8,247 Stockholders' equity.............. 75,019 75,580 94,261 95,678 120,866 2,771 Profitability: Net income/(loss) as a percentage of: 76

At March 31, -- 2001 2002 2003 2004 2005 2005(1) ----------- ----------- ------------ ------------ ------------ ----------- (in millions, except percentages) Average total assets.............. 0.94% 0.21% (0.70)% 0.41% 0.55% - Average stockholders' equity.... 8.84 2.05 (8.47) 5.45 7.06 - Average stockholders' equity (including redeemable preferred stock(6)........................ 8.89 2.12 (8.31) 5.50 7.08 - Dividend payout ratio(7).......... 52.90 635.20 - 88.10 64.57 - Spread(8) 1.19 0.93 1.38 1.52 1.71 - Net interest margin(9)............ 1.93 1.42 1.57 1.80 1.95 - Cost-to-income ratio(10).......... 25.54 43.42 66.11 48.90 56.57 - Cost-to-average assets ratio(11).. 0.78 1.02 1.64 2.13 2.12 - Capital: - Average shareholders' equity as a percentage of average total assets......... 10.62 10.13 8.32 7.54 7.73 - Average stockholders' equity (including redeemable preferred stock) as a percentage of average total assets(12)................ 10.95 10.23 8.39 7.61 7.80 - At or for the year ended March 31, -- 2001 2002 2003 2004 2005 ------ ------ ------ ------ ------ (in percentages) Asset quality: Net restructured loans as a percentage of net loans........................... 5.37% 14.78% 19.45% 16.67% 9.56% Net other impaired loans as a percentage of net loans......................... 3.34 6.34 8.77 3.95 1.42 Allowance for loan losses on restructured loans as a percentage of gross restructured loans................................ 26.03 18.64 16.78 25.23 36.07 Allowance for loan losses on other impaired loans as a percentage of gross impaired loans....................... 51.89 34.61 33.48 42.74 52.22 Allowance for loan losses as a percentage of gross loans................................ 5.20 6.54 7.92 8.40 7.06 ---------- (1) Rupee amounts at March 31, 2005 have been translated into US dollars using the noon buying rate of Rs. 43.62 = US$ 1.00 in effect at March 31, 2005. (2) Net of allowance for loan losses, security deposits and unearned income in respect of restructured and other impaired loans and allowances for non-impaired loan. (3) ICICI had issued preferred stock redeemable at face value after 20 years. Banks in India are not currently allowed to issue preferred stock. However, we are currently exempt from this restriction. (4) For fiscal years 2002, 2003, 2004 and 2005, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that fiscal year. For fiscal 2001, due to deconsolidation of ICICI Bank, the average balances are calculated as the average of quarterly balances outstanding at the end of June, September, December and March of that fiscal year. (5) Represents the average of the quarterly balance of total liabilities and minority interest. (6) Represents the ratio of net income plus dividend on redeemable preferred stock to the sum of average stockholders' equity and average redeemable preferred stock. Under Indian tax laws, dividend on preferred stock is not tax deductible. (7) Represents the ratio of total dividends paid on common stock, exclusive of dividend distribution tax, as a percentage of net income. 77

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(8) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. (9) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread. (10) Represents the ratio of non-interest expense to the sum of net interest income, dividend and non-interest income. (11) Represents the ratio of non-interest expense to average total assets. (12) ICICI Bank's capital adequacy is computed in accordance with the Reserve Bank of India's guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At March 31, 2005, ICICI Bank's total capital adequacy ratio was 11.78% with a Tier 1 capital adequacy ratio of 7.59% and a Tier 2 capital adequacy ratio of 4.19%. 78

OPERATING AND FINANCIAL REVIEW AND PROSPECTS You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements. The following discussion is based on our audited financial statements and accompanying notes, which have been prepared in accordance with US GAAP. Introduction Our loan portfolio, financial condition and results of operations have been, and in the future, are expected to be influenced by economic conditions in India and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers and by economic conditions in the United States and other countries influencing inflation and interest rates in India. For ease of understanding the discussion of our results of operations that follows, you should consider the introductory discussion of these macroeconomic factors. In addition, for a meaningful comparison of our results of operations for these years, you should also consider the amalgamation and the effect of other acquisitions. Indian Economy The rate of growth of GDP was 4.0% in fiscal 2003, 8.5% in fiscal 2004 and 6.9% in fiscal 2005. Growth in fiscal 2003 was impacted by a negative growth in the agriculture sector because of insufficient rainfall and resulting drought conditions prevailing in the country. The agriculture sector, which had recorded a negative growth of 7.0% in fiscal 2003 recorded a growth of 9.6% in fiscal 2004. In fiscal 2005, the growth of the agriculture sector declined to 1.1% because of insufficient rainfall in many parts of the country. This was partly offset by the sustained growth of the industrial and services sectors. The industrial sector grew by 6.4% in fiscal 2003, 6.5% in fiscal 2004 and 8.3% in fiscal 2005. The services sector grew by 7.9% in fiscal 2003, 8.9% in fiscal 2004 and 8.6% during fiscal 2005. During the first half of fiscal 2005, there was an increase in inflationary trends in India, primarily due to the increase in oil prices as well as prices of certain commodities. The full burden of the oil price increase has not yet been passed to the Indian consumers and has been largely absorbed by the government and government owned oil marketing companies. See also "Risk Factors - Risks Relating to India - A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business". The annual average rate of inflation measured by the Wholesale Price Index was 6.4% during fiscal 2005 compared to 5.4% during the previous year. The average annual rate of inflation decreased to 3.0% during fiscal 2006 (through August 27, 2005) from 8.7% during the corresponding period in the previous year. The average annual rate of inflation measured by the Consumer Price Index for industrial workers was 4.1% for July 2005. The Indian rupee depreciated by 0.14% against the US dollar during fiscal 2006 through September 9, 2005, moving from Rs. 43.75 per US$ 1.00 at year-end fiscal 2005 to Rs. 43.81 per US$ 1.00 on September 9, 2005. During fiscal 2005, the Indian rupee depreciated by 0.8% against the US dollar. It also depreciated against the pound sterling and the euro and appreciated against the Japanese yen. The impact of these and other factors and the overall growth in industry, agriculture and services during fiscal 2006 will affect the performance of the banking sector as it will affect the level of credit disbursed by banks, and the overall growth prospects of our business, including our ability to grow, the quality of our assets, the value of our investment portfolio and our ability to implement our strategy. Banking Sector According to the Reserve Bank of India's data, total deposits of all scheduled commercial banks increased by 12.4% in fiscal 2003, 17.7% in fiscal 2004, 14.3% in fiscal 2005 and 8.1% in fiscal 2006 (through August 5, 2005). Growth in deposits in fiscal 2003 includes the impact of the amalgamation, as some of ICICI's liabilities which were not included in banking deposits at year-end fiscal 2002, were included at year-end fiscal 2003. Bank credit of scheduled commercial banks grew by 14.7% in fiscal 2003, 15.5% in fiscal 2004, 29.9% in fiscal 2005 and 7.7% in fiscal 2006 (through August 5, 2005). Credit growth in fiscal 2003 included the impact of the amalgamation, as ICICI's credit was included in total banking system credit at year-end fiscal 2003 but not included at year-end fiscal 2002. The increase in credit growth during fiscal 2005 was driven by the continued growth in retail credit as well as 79

credit to the industrial and agricultural sectors. Also, after its conversion into a scheduled commercial bank with effect from October 11, 2004, Industrial Development Bank of India Limited's credit was included in total banking sector credit at year-end fiscal 2005. Excluding Industrial Development Bank of India Limited's credit, bank credit of scheduled commercial banks grew at 26.0% during fiscal 2005. Until fiscal 2005, there was a downward movement in interest rates, barring intra-year periods when interest rates were higher temporarily due to extraneous circumstances. This movement was principally due to the Reserve Bank of India's policy of assuring adequate liquidity in the banking system and generally lowering the rate at which it would lend to Indian banks to ensure that borrowers had access to funding at competitive rates. Banks generally followed the direction of interest rates set by the Reserve Bank of India and adjusted both their deposit rates and lending rates downwards until fiscal 2005. The inflationary trends in fiscal 2005 resulted in an increase in benchmark secondary market yields on government securities. The Reserve Bank of India also increased the risk weight for housing loans from 50.0% to 75.0% and for consumer credit, including personal loans and credit cards, from 100% to 125%, as a temporary counter-cyclical measure given the rapid growth in these segments. The Reserve Bank of India increased the cash reserve ratio to 5.0% effective October 2, 2004. However, in its mid-term review of the annual policy statement for fiscal 2005 released in October 2004, the Reserve Bank of India raised the reverse repo rate (i.e., the annualized interest earned by the lender in a repurchase transaction between a bank and the Reserve Bank of India) by 25 basis points to 4.75% in response to inflationary pressures in the economy. In the annual policy statement for fiscal 2006 announced in April 2005, the Reserve Bank of India further raised the reverse repo rate by 25 basis points to 5.0%. As a result of these increases, banks have also raised their deposit and lending rates. The following table sets forth the bank rate, reverse repo rate, average deposit rates and average prime lending rates of five major public sector banks for the last six fiscal years. Average deposit Average prime Reverse rate for over one lending rate Fiscal year Bank rate repo rate year term (range) (range) ------------------------------------ --------------- --------- ---------------- ------------- (in percentages) 2001.................................. 7.0% 7.0% 8.5-10.0% 11.0-12.0% 2002.................................. 6.50 6.0 8.0-8.5 11.0-12.0 2003.................................. 6.25 5.0 5.25-8.50 10.75-12.00 2004.................................. 6.0 4.5 5.00-6.25 10.50-11.50 2005.................................. 6.0 4.75 4.25-6.25 10.25-11.00 2006 (through August 31, 2005)........ 6.0 5.0 5.25-6.25 10.25-10.75 ---------- Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2002, Annual Report 2003-2004 and Weekly Statistical Supplements and Annual Policy Statement 2005-06. Amalgamation Following the approval of shareholders, the High Court of Gujarat at Ahmedabad and the High Court of Judicature at Bombay, the Reserve Bank of India approved the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank on April 26, 2002. The Statement on Financial Accounting Standards No. 141 "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is consummated. Accordingly, under US GAAP, the amalgamation has been reflected in the financial statements for fiscal 2003, as it was consummated in April 2002. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer and the surviving entity. Accordingly, the financial data for fiscal 2002 and prior years, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI. The financial information for ICICI for fiscal 2002 and 2001 reflect results of ICICI Bank as an equity investment in accordance with ICICI's ownership interest in ICICI Bank prior to the amalgamation. Following the amalgamation, the other subsidiaries and affiliates of ICICI have become subsidiaries and affiliates of ICICI Bank. 80

On the date of amalgamation, ICICI held 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step acquisition. Following the acquisition, the 46% ownership interest held by ICICI in ICICI Bank was recorded as treasury stock at its historical carrying value. In September 2002, the treasury stock was sold to institutional investors for Rs. 13.2 billion (US$ 302 million). The difference between the sale proceeds and the carrying value, net of related tax effects of Rs. 599 million (US$ 14 million), was recognized in the statement of stockholders' equity as a capital transaction. The total purchase price for the acquisition was Rs. 14.1 billion (US$ 323 million) including fair value of common stock issued on reverse acquisition of Rs. 12.0 billion (US$ 275 million). Intangible assets of Rs. 5.5 billion (US$ 126 million), relating to customer and deposit relationships is being amortized over a period of 10 years. Goodwill recognized in this transaction was Rs. 819 million (US$ 19 million). Effect of Other Acquisitions In fiscal 2005, ICICI OneSource, an entity consolidated in our US GAAP financial statements, acquired business process outsourcing and research companies in India and United States, namely, Pipal Research Corporation, RevIT systems Private Limited and Accounts Solutions Group, LLC for an aggregate cash consideration of Rs. 2,140 million (US$ 49 million). The business combination resulted in goodwill of Rs. 2,004 million (US$ 46 million) as the purchase price was more than the fair value of the assets acquired. In fiscal 2004, ICICI Bank acquired 100.0% ownership interest in Transamerica Apple Distribution Finance Private Limited for a cash consideration of Rs. 757 million (US$ 17 million). In fiscal 2004, ICICI OneSource, an entity consolidated in our US GAAP financial statements, acquired 99.8% ownership interest in First Ring Inc. The business combination was accounted for by the purchase method and accordingly the consolidated financial statements for fiscal 2004 include the results of operations of First Ring Inc. The business combination resulted in goodwill of Rs. 616 million (US$ 14 million) as the purchase price was more than the fair value of net assets acquired. In fiscal 2003, ICICI Infotech, an entity consolidated in our US GAAP financial statements, acquired the remaining 50.0% ownership interest in Tricolor Infotech International Inc., Mauritius for a cash consideration of Rs. 110 million (US$ 3 million). The assets of Tricolor Infotech International Inc. amounted to Rs. 35 million (US$ 802,384). The business combination was accounted for by the purchase method and accordingly the consolidated financial statements for fiscal 2003 include the results of operations of Tricolor Infotech International Inc. The business combination resulted in goodwill of Rs. 18 million (US$ 412,655) as the purchase price was more than the fair value of net assets acquired. In fiscal 2003, ICICI OneSource acquired a 100.0% ownership interest in Customer Asset India Private Limited, a company engaged in the business of providing contact center services through its offshore contact center at Bangalore, India for cash consideration aggregating Rs. 959 million (US$ 22 million). The business combination was accounted for by the purchase method and accordingly our consolidated financial statements for fiscal 2003 include the results of operations of Customer Asset India Private Limited. The business combination resulted in goodwill of Rs. 617 million (US$ 14 million) as the purchase price was more than the fair value of net assets acquired. During fiscal 2001, 3i Infotech(formerly ICICI Infotech Limited) acquired the following software development and services companies based in the United States: Ivory International Inc., Objects Xperts Inc. and Command Systems Inc. ICICI also acquired Ajax Software Solutions, a software development company based in India. The business combinations were accounted for under the purchase method and the revenues and total assets of the acquired companies were immaterial to ICICI's consolidated results of operations and financial position for fiscal 2001. In October 2002, the FASB issued SFAS No. 147, Acquisitions of Certain Financial Institutions, which requires that business combinations involving financial institutions within its scope, be accounted for under SFAS No. 141. Previously, generally accepted accounting principles for acquisitions of financial institutions provided for recognition of the excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset. Under SFAS No. 147, such excess is accounted for 81

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as goodwill. Adoption of SFAS No. 147 resulted in a reclassification of a previously recorded unidentifiable intangible asset of Rs. 581 million (US$ 13 million) and deferred tax liability of Rs. 208 million (US$ 5 million) to goodwill with effect from April 1, 2001. Further, as required by SFAS No. 147, ICICI reversed the amortization expense of Rs. 290 million (US$ 7 million) and the related income tax benefit of Rs. 103 million (US$ 2 million), by restating the results for fiscal 2002. ICICI adopted SFAS No. 142 on April 1, 2001, which resulted in reclassification of existing goodwill and intangible assets. In fiscal 2002, ICICI recorded goodwill of Rs. 354 million (US$ 8 million) relating to acquisitions of certain software services companies in fiscal 2001, of which goodwill of Rs. 70 million (US$ 2 million) had been recorded pending final allocation as of March 31, 2002. The revenues and total assets of the acquired companies were immaterial to the consolidated results of operations and financial position of ICICI. Substantially all goodwill at year-end fiscal 2002, related to the software development and services reporting unit of ICICI. No goodwill impairment loss was recorded during fiscal 2002, 2003 and 2004. In June 2001, the FASB issued SFAS No. 141, which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also specifies the criteria that intangible assets acquired in a purchase method business combination must be recognized and reported apart from goodwill, noting that any purchase price allocated to an assembled workforce may not be accounted separately. As of April 1, 2001, ICICI had an unamortized deferred credit of Rs. 1.3 billion (US$ 29 million) related to an excess of the fair value of assets acquired over the cost of acquisition of SCICI, a diversified lending institution acquired by ICICI in fiscal 1997. As required by SFAS No. 141, in conjunction with the early adoption of SFAS No. 142, the unamortized deferred credit as of April 1, 2001, has been written-off and recognized as the effect of a change in accounting principle. For certain information regarding the accounting treatment of ICICI's ownership in ICICI Bank in 2001 and 2002 and the change in accounting basis for our insurance subsidiaries in fiscal 2003, see "Selected Consolidated Financial and Operating Data". Results of Operations From fiscal 2002, we have experienced major changes and developments in our business and strategy. An understanding of these events and developments is necessary for an understanding of the discussion and analysis that follows. These changes are reflected in our financial statements in connection with or since the amalgamation of ICICI Limited into ICICI Bank. The first change reflects the impact of our history upon our average cost of funds. Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks. These include the prudential reserve and liquidity requirements, namely the statutory liquidity ratio and the cash reserve ratio. See "Supervision and Regulation - Legal Reserve Requirements". While we have benefited from the lower cost of funding as a bank as compared to ICICI as a non-bank financial institution, the imposition of the statutory liquidity ratio and the cash reserve ratio on the liabilities of ICICI have impacted our spread. As the average yield on investments in government of India securities and cash balances maintained with the Reserve Bank of India is typically lower than the yield on other interest-earning assets, our net interest margin has been adversely impacted. As a result, our net interest margin has been and is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI. We are expanding our deposit base and changing the mix of our liabilities away from the legacy ICICI liabilities towards the lower average cost deposits. The increase in investment in government securities has substantially increased our exposure to market risk. In a declining interest rate environment, we made gains on sale of government securities. A rise in interest rates would cause the value of our fixed income portfolio to decline and adversely affect the income from our treasury operations. See also "Risk Factors - Risks Relating to Our Business - Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance." Another key change reflects the implementation of our strategy to grow our retail loan portfolio. The results of our implementation of this strategy can be seen in the rapid growth in the retail loan portfolio. While we cannot guarantee that growth will continue at the same rate, we see continued significant demand for retail loans. Long-term project finance was a major proportion of ICICI's asset portfolio and continues to be a significant portion of our loan portfolio, though we have diversified our lending towards retail loans and working capital financing. Over the past several years, we and ICICI experienced a high level of impaired loans in our loan portfolio 82

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as a result of downturn in certain global commodity markets, increased competition in India, the high level of debt in the financing of projects and capital structures of Indian companies and high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, as well as delays experienced in enforcement of collateral when borrowers defaulted on their obligations to us. Our loan portfolio includes loans to projects under implementation and there are risks and uncertainties associated with the timely completion and viability of these projects. Our retail loans have grown rapidly and the level of impaired loans in our retail portfolio could increase if there is a rise in unemployment, prolonged recessionary conditions and a sharp and sustained rise in interest rates in India. See also "Risk Factors - Risks Relating to Our Business - If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer". In addition to the above, the directed lending norms of Reserve Bank of India require commercial banks to lend 40.0% of their net bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Prior to the amalgamation, the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending. Pursuant to the terms of Reserve Bank of India's approval to the amalgamation, we are required to maintain a total of 50.0% of our net bank credit on the residual portion of our advances (i.e., the portion of our total advances excluding advances of ICICI at year-end fiscal 2002) in the form of priority sector advances. This additional requirement of 10.0% by way of priority sector advances will apply until such time as the aggregate priority sector advances reach a level of 40.0% of our net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments and funds for reckoning as priority sector advances also apply to us. See "Supervision and Regulation - Directed Lending - Priority Sector Lending" and "Business - Loan Portfolio - Directed Lending - Priority Sector Lending". Consequences of Tsunami The Tsunami wave which hit the east coast of India on December 26, 2004, while horrible in its human and emotional consequences, did not have a material adverse impact on our results and financial operations as our operations are concentrated in other areas of the country and in other sectors of the Indian economy. See also "Risk Factors - Risks Relating to India - Natural calamities could adversely affect the Indian economy, our business and the price of our equity shares and ADSs." In response to the crisis, we decided to facilitate contributions to the relief effort through our branches and other channels, including by waiving transaction charges, and we donated Rs. 50 million to the Fund. In addition, our employees have made donations out of their salaries to aid the relief and rehabilitation efforts. Average Balance Sheet The average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year, June, September, December and March of that year. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The amortized portion of loan origination fees (net of loan origination costs) was included in interest income on loans, representing an adjustment to the yield. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include impaired loans and are net of allowance for loan losses. We did not recalculate tax-exempt income on a tax-equivalent basis because we believed that the effect of doing so would not be significant. Total interest income also includes other interest income, which is primarily interest on refund of income tax. The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which are major components of interest income, interest expense and net interest income. 83

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

------------------------ Total non-earning assets.................. 178,685 - 224,068 - 332,130 ------------------------- --------------------------- ------------------------ Total assets .... Rs. 1,132,638 Rs. 98,103 Rs. 1,269,638 Rs. 91,119 Rs. 1,562,983 92,260 ========================= ============================= ========================= Year ended March 31, -- 2003 2004 2005 -- Interest Average Interest Average Interest Average Average income/ yield/ Average income/ yield/ Average income/ Yield/ balance expense cost balance expense cost balance expense cost -- Liabilities: (in millions, except percentages) Savings account deposits: Rupee .... Rs. 30,828 Rs. 914 2.96% Rs. 56,843 Rs. 1,348 2.37% Rs. 98,114 Rs. 2,178 2.22% Foreign currency ..... 46 - 0.67 71 - 0.42 130 1 0.46 -------------------------- ------------------------ ----------------------- Total savings account deposits .... 30,874 914 2.96 56,914 1,348 2.37 98,244 2,179 2.22 Time deposits: 84

Year ended March 31, -- 2003 2004 2005 -- Interest Average Interest Average Interest Average Average income/ yield/ Average income/ yield/ Average income/ Yield/ balance expense cost balance expense cost balance expense cost -- (in millions, except percentages) Rupee .... 315,688 24,688 7.82 454,896 28,918 6.36 562,577 29,641 5.27 Foreign currency ..... 11,456 431 3.76 14,693 414 2.82 36,257 1,285 3.54 ------------------------- ----------------------- ----------------------- Total time deposits .... 327,144 25,119 7.68 469,589 29,332 6.25 598,834 30,926 5.16 Long-term debt: Rupee .... 390,602 45,661 11.69 330,443 36,425 11.02 291,969 28,236 9.67 Foreign currency ..... 64,745 2,420 3.74 52,231 1,896 3.63 67,755 2,974 4.39 ------------------------- ----------------------- ----------------------- Total long-term debt ... 455,347 48,081 10.56 382,674 38,321 10.01 359,724 31,210 8.68 Redeemable preferred stock....... 813 82 10.09 899 91 10.12 994 100 10.06 Trading account and other liabilities: Rupee................... 75,983 8,590 11.31 48,020 2,960 6.16 47,666 3,047 6.39 Foreign currency................ 15,065 423 2.81 19,845 323 1.63 43,533 947 2.18 ------------------------- ------------------------ ------------------------ Total trading account and other liabilities .... 91,048 9,013 9.90 67,865 3,283 4.84 91,199 3,994 4.38 Interest-bearing liabilities: Rupee .... 813,913 79,935 9.82 891,101 69,742 7.83 1,001,320 63,202 6.31 Foreign currency ..... 91,313 3,274 3.59 86,840 2,633 3.03 147,675 5,207 3.53 ------------------------- ----------------------- ----------------------- Total interest-bearing 905,226 83,209 9.19 977,941 72,375 7.40 1,148,995 68,409 5.95 liabilities........... Non-interest-bearing deposits: Rupee .... 31,172 - 53,941 - 88,061 - Foreign currency ..... - - 149 - 353 - - ------------------------- ------------------------ ------------------------ Total non-interest-bearing deposits .... 31,172 54,090 88,414 - Other liabilities ...... 101,979 - 141,930 - 204,708 - - ------------------------- ----------------------- ----------------------- Total non-interest-bearing liabilities .... 133,151 196,020 293,122 - Total liabilities ...... Rs. 1,038,377 Rs. 83,209 Rs.1,173,961 Rs. 72,375 Rs.1,442,117 Rs. 68,409 -------------------------- ----------------------- ------------------------ Stockholders' equity.... Rs. 94,261 - Rs. 95,678 - Rs. 120,866 - ------------------------- ----------------------- ------------------------ Total liabilities and stockholders' equity .... Rs. 1,132,638 Rs. 83,209 Rs.1,269,639 Rs. 72,375 Rs.1,562,983 Rs. 68,409 ========================== ======================== ======================== 85

Analysis of changes in interest income and interest expense volume and rate analysis The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes, which are due to both volume and rate, have been allocated solely to volume. Fiscal 2004 vs. Fiscal 2003 Fiscal 2005 vs. Fiscal 2004 -- Increase (decrease) due to Increase (decrease) due to -- Change in Change in Change in Change in average average average average Net change volume rate Net change volume rate -- Interest income: (in millions) Cash, cash equivalents and trading assets: Rupee .... Rs. 546 Rs. 652 Rs. (106) Rs. (1,461) Rs. (201) Rs. (1,260) Foreign currency .... (21) (117) 96 446 418 28 -- Total cash, cash equivalents and trading assets.................. 525 535 (10) (1,015) 217 (1,232) Securities: Rupee .... (1,372) 1,782 (3,154) (418) 968 (1,386) Foreign currency .... 3 3 - 402 393 9 -- Total securities .... (1,369) 1,785 (3,154) (16) 1,361 (1,377) Loans: Rupee .... (6,126) 5,491 (11,617) (463) 9,367 (9,830) Foreign currency .... 267 381 (114) 2,210 2,220 (10) -- Total loans .... (5,859) 5,872 (11,731) 1,747 11,587 (9,840) Other interest income ...... (323) (323) - 371 371 - -- Total interest income: Rupee .... (7,275) 7,602 (14,877) (1,971) 10,505 (12,476) Foreign currency .... 249 267 (18) 3,058 3,031 27 -- Total interest income ...... Rs. (7,026) Rs. 7,869 Rs.(14,895) 1,087 13,536 (12,449) Interest expense: Savings account deposits: Rupee .... Rs. 434 Rs. 617 Rs. (183) 830 916 (86) Foreign currency .... - - - 1 - 1 -- Total savings account deposits .... Rs. 434 Rs. 617 Rs. (183) 831 916 (85) Time deposits: Rupee .... 4,230 8,850 (4,620) 723 5,673 (4,950) Foreign currency .... (17) 91 (108) 871 764 107 -- Total time deposits .... 4,213 8,941 (4,728) 1,594 6,437 (4,843) Long-term debt: Rupee .... (9,236) (6,631) (2,605) (8,189) (3,721) (4,468) Foreign currency .... (524) (454) (70) 1,078 681 397 -- Total long-term debt .... (9,760) (7,085) (2,675) (7,111) (3,040) (4,071) Redeemable preferred stock(1 9 9 - 9 10 (1) Trading account and other liabilities: Rupee .... (5,630) (1,724) (3,906) 87 (23) 110 Foreign currency .... (100) 78 (178) 624 515 109 -- Total trading account and other liabilities .... (5,730) (1,646) (4,084) 711 492 219 Total interest expense: Rupee .... (10,193) 1,121 (11,314) (6,540) 2,855 (9,395) Foreign currency .... (641) (285) (356) 2,574 1,960 614 == Total interest expense ..... Rs. (10,834) Rs. 836 Rs.(11,670) (3,966) 4,815 (8,781) 86

Fiscal 2004 vs. Fiscal 2003 Fiscal 2005 vs. Fiscal 2004 -- Increase (decrease) due to Increase (decrease) due to -- Change in Change in Change in Change in average average average average Net change volume rate Net change volume rate -- Net interest income: Rupee .... 2,918 6,481 (3,563) 4,569 7,650 (3,081) Foreign currency .... 890 552 338 484 1,071 (587) == Total net interest income .. Rs. 3,808 Rs. 7,033 Rs. (3,225) 5,053 8,721 (3,668) == ---------- (1) Banks in India are not allowed to issue preferred stock. However, we have been currently exempted from this restriction. Yields, Spreads and Margins The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets. Year ended March 31,

--- 2001 2002 2003 2004 2005 --- (in millions, except percentages) Interest income................................ Rs. 79,759 Rs. 78,600 Rs. 97,714 Rs. 90,688 Rs. 91,775 Average interest-earning assets................ 615,164 641,141 924,573 1,017,009 1,198,058 Interest expense............................... 67,893 69,520 83,208 72,375 68,409 Average interest-bearing liabilities............ 576,474 613,401 905,226 977,941 1,148,995 Average total assets........................... 706,343 746,330 1,132,638 1,269,638 1,562,983 Average interest-earning assets as a percentage of average total assets............ 87.09% 85.91% 81.63% 80.10% 76.65% Average interest-bearing liabilities as a percentage of average total assets............ 81.61 82.19 79.92 77.03 73.51 Average interest-earning assets as a percentage of average interest-bearing liabilities.................................. 106.71 104.52 102.14 103.99 104.27 Yield... 12.97 12.26 10.57 8.92 7.66 Rupee....................................... 13.66 12.98 11.06 9.19 7.99 Foreign currency............................. 9.04 7.17 5.42 5.73 5.27 Cost of funds.................................. 11.78 11.33 9.19 7.40 5.95 Rupee....................................... 12.77 12.26 9.82 7.83 6.31 Foreign currency............................. 6.84 6.34 3.59 3.03 3.53 Spread (1)..................................... 1.19 0.93 1.38 1.52 1.71 Rupee....................................... 0.89 0.72 1.24 1.36 1.68 Foreign currency............................. 2.19 0.84 1.84 2.69 1.74 Net interest margin (2)........................ 1.93 1.42 1.57 1.80 1.95 Rupee....................................... 1.93 1.69 1.59 1.74 1.99 Foreign currency............................. 1.90 -0.48 1.35 2.45 1.69 ---------- (1) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. (2) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread. 87

Fiscal 2005 to Fiscal 2004 Summary Net income after tax amounted to Rs. 8.5 billion (US$ 196 million) for fiscal 2005 compared to Rs. 5.2 billion (US$ 120 million) for fiscal 2004, primarily due to a 27.6% increase in net interest income (excluding dividends) before provisions for loan losses to Rs. 23.4 billion (US$ 536 million) for fiscal 2005 from Rs. 18.3 billion (US$ 420 million) for fiscal 2004, and a decrease of 26.8% in provision for loan losses offset, in part, by a 22.1% increase in non-interest expense. o Net interest income (excluding dividends) before provisions for loan losses increased 27.6% to Rs. 23.4 billion (US$ 536 million) for fiscal 2005 from Rs. 18.3 billion (US$ 420 million) for fiscal 2004, reflecting an increase of 18.6% in the average volume of interest-earning assets and an increase in net interest margin by 15 basis points. o Non-interest income decreased by 5.5% for fiscal 2005 to Rs. 34.6 billion (US$ 794 million) from Rs. 36.7 billion (US$ 841 million) for fiscal 2004, primarily due to a decrease in trading account revenue and a decrease in gains from securities transactions offset by an increase in income from fees, commission and brokerage. o Non-interest expense increased 22.1% for fiscal 2005 to Rs. 33.1 billion (US$ 759 million) from Rs. 27.1 billion (US$ 621 million) for fiscal 2004, primarily due to a 28.9% increase in administration expenses and a 13.2% increase in salary expenses. o Provisions for loan losses decreased 26.8% to Rs. 14.7 billion (US$ 336 million) for fiscal 2005 from Rs. 20.1 billion (US$ 460 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. o Gross restructured loans decreased 7.9% to Rs. 149.5 billion (US$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US$ 3.7 billion) at year-end fiscal 2004. Gross other impaired loans decreased 40.8% to Rs. 29.7 billion (US$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US$ 1.2 billion) at year-end fiscal 2004. o Total assets increased 32.2% to Rs. 1,863.4 billion (US$ 42.7 billion) at year-end fiscal 2005 compared to Rs. 1,409.1 billion (US$ 32.3 billion) at year-end fiscal 2004. Net Interest Income The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends. Year ended March 31, --- 2004/2005 2004 2005 2005 % change --- (in millions, except percentages) Interest income .... Rs. 90,688 Rs. 91,775 US$ 2,105 1.2% Interest expense .... (72,375) (68,409) (1,569) (5.5) --- Net interest income, excluding income from dividends .... Rs.

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

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o an increase of Rs. 65.1 billion (US$ 1.5 billion) or 81.0% in the average volume of interest-earning foreign currency assets; o an increase of 25 basis points in rupee net interest margin to 2.0% in fiscal 2005 from 1.7% in fiscal 2004 o a decrease of 76 basis points in foreign currency net interest margin to 1.7% in fiscal 2005 from 2.5% in fiscal 2004. The average volume of interest-earning rupee assets increased by 12.4% or Rs. 115.9 billion (US$ 2.7 billion) to Rs. 1,052.5 billion (US$ 24.1 billion) during fiscal 2005 from Rs. 936.6 billion (US$ 21.5 billion) during fiscal 2004, primarily due to the increase in the average volume of loans. The average volume of loans increased by 20.6% to Rs. 799.2 billion (US$ 18.3 billion) in fiscal 2005 from Rs. 662.8 billion (US$ 15.2 billion) in fiscal 2004. The average volume of rupee loans increased by 17.0% or Rs. 100.9 billion (US$ 2.3 billion) to Rs. 692.9 billion (US$ 15.9 billion) at year-end fiscal 2005 from Rs. 592.0 billion (US$ 13.6 billion) at year-end fiscal 2004. This increase in average loans was primarily due to increased disbursements of retail finance loans offset, in part, by sell-down/securitization and repayments of loans. The average volume of foreign currency loans increased 50.2% to Rs. 106.2 billion (US$ 2.4 billion) at year-end fiscal 2005 from Rs. 70.7 billion (US$ 1.6 billion) at year-end fiscal 2004. Our gross loans increased 35.3% to Rs. 1,075.8 billion (US$ 24.7 billion) at year-end fiscal 2005, from Rs. 795.3 billion (US$ 18.2 billion) at year-end fiscal 2004, primarily due to the increase in gross consumer loans and credit card receivables. Gross rupee loans at year-end fiscal 2005 increased 31.3% to Rs. 926.4 billion (US$ 21.2 billion) compared to Rs. 705.7 billion (US$ 16.2 billion) at year-end fiscal 2004. Gross consumer loans and credit card receivables at year-end fiscal 2005 increased 70.3% to Rs. 531.2 billion (US$ 12.2 billion) from Rs. 311.9 billion (US$ 7.2 billion) at year-end fiscal 2004, driven by the growth in the consumer credit market and our continued strategic focus on this area. Our project and corporate finance and working capital finance loans increased 16.4% to Rs. 462.5 billion (US$ 10.6 billion) at year-end fiscal 2005 compared to Rs. 397.3 billion (US$ 9.1 billion) at year-end fiscal 2004. Gross foreign currency loans at year-end fiscal 2005 increased 66.7% to Rs. 149.3 billion (US$ 3.4 billion) compared to Rs. 89.6 billion (US$ 2.1 billion) at year-end fiscal 2004 primarily due to an increase in loans at our branch in Singapore and our subsidiary in the United Kingdom. Investment in government of India securities increased by Rs. 50.0 billion (US$ 1.1 billion) to Rs. 340.9 billion (US$ 7.8 million) at year-end fiscal 2005 from Rs. 291.0 billion (US$ 6.7 billion) at year-end fiscal 2004 primarily due to compliance with the statutory liquidity ratio on ICICI Bank's liabilities. The average volume of cash, cash equivalents and trading account assets increased by 19.6% to Rs. 92.7 billion (US$ 2.1 billion) in fiscal 2005 from Rs. 77.5 billion (US$ 1.8 billion) in fiscal 2004. Trading account assets increased by Rs. 383 million (US$ 9.0 million) to Rs. 75.5 billion (US$ 1.7 billion) at year-end fiscal 2005 from Rs. 75.2 billion (US$ 1.7 billion) at year-end fiscal 2004. Cash and cash equivalents increased by Rs. 56.7 billion (US$ 1.3 billion) to Rs. 155.6 billion (US$ 3.6 billion) at year-end fiscal 2005 from Rs. 99.0 billion (US$ 2.3 billion) at year-end fiscal 2004. Total interest income (excluding dividend) increased 1.2% to Rs. 91.8 billion (US$ 2.1 billion) for fiscal 2005 from Rs. 90.7 billion (US$ 2.1 billion) for fiscal 2004 primarily due to an increase of 12.4% in the average volume of interest-earning rupee assets to Rs. 1,052.5 billion (US$ 24.1 billion) during fiscal 2005 from Rs. 936.6 billion (US$ 21.5 billion) during fiscal 2004 offset, in part, by a decline of 120 basis points in the yield on interest-earning rupee assets. The yield on interest-earning rupee assets decreased 120 basis points to 8.0% in fiscal 2005 from 9.2% in fiscal 2004. There was a decline of 156 basis points in the yield on loans to 8.9% in fiscal 2005 from 10.4% in fiscal 2004 primarily due to origination of new loans at lower rates in line with the reduction in lending rates and the decline in our cost of funding, and a reduction in higher yield loans. The yield on our interest-earning foreign currency assets decreased to 5.3% for fiscal 2005 from 5.7% for fiscal 2004. Total interest expense decreased 5.5% to Rs. 68.4 billion (US$ 1.6 billion) during fiscal 2005 from Rs. 72.4 billion (US$ 1.7 billion) during fiscal 2004 primarily due to a decline of 145 basis points in the cost of liabilities offset, in part by a 17.5% increase in average interest-bearing liabilities to Rs. 1,149.0 billion (US$ 26.3 billion) in 89 fiscal 2005 from Rs. 977.9 billion (US$ 22.4 billion) in fiscal 2004. The average cost of rupee liabilities decreased 152 basis points to 6.3% in fiscal 2005 from 7.8% in fiscal 2004 primarily due to repayment of high cost borrowings. Average deposits, with an average cost of 4.2% for fiscal 2005, constituted 68.4% of total average interest-bearing liabilities compared to 59.4% of the total average interest-bearing liabilities with an average cost of 5.3% for fiscal 2004. While the average cost of long-term rupee debt decreased to 9.7% from 11.0%, the average cost of short-term rupee borrowings increased to 6.4% in fiscal 2005 compared to 6.2% in fiscal 2004. The average cost of foreign currency liabilities increased to 3.5% for fiscal 2005 from 3.0% for fiscal 2004. The foreign currency spread decreased 95 basis points to 1.7% for fiscal 2005 from 2.7% for fiscal 2004. The net interest margin increased by 15 basis points to 2.0% for fiscal 2005 from 1.8% for fiscal 2004 as rupee net interest margin increased by 25 basis points. A 1.5% decline in the cost of funds was offset, in part, by a 1.3% decline in the yield on average interest-earning assets. While our margin has increased, it still continues to be lower than that of other banks in India primarily due to maintenance of the statutory liquidity ratio and cash reserve ratio on ICICI's liabilities, which were not subject to these ratios prior to the amalgamation. The average cost of our total deposits, including non-interest bearing deposits, was 4.2% for fiscal 2005 compared to 5.3% for fiscal 2004. While our cost of deposits is in line with the cost of deposits of other banks in India, our total cost of funding is higher compared to other banks in India as a result of the higher-cost borrowings of ICICI. Non-Interest Income The following table sets forth, for the periods indicated, the principal components of non-interest income. Year ended March 31, --- 2005/2004 2004 2005 2005 % change ----------- ------------- ------------- ------------ (in millions, except percentages) Fees, commission and brokerage.......... Rs. 8,988 Rs. 15,660 US$ 359 74.2% Trading account revenue (1)............. 4,433 286 7 (93.5) Securities transactions (2)............. 12,800 5,925 135 (53.7) Foreign exchange transactions (3)....... 2,061 2,130 49 3.3 Gain on sale of loans................... 4,687 5,414 124 15.5 Software development and services....... 903 1,731 40 91.7 Profit on sale of certain premises and equipment................ 345 33 1 (90.4) Other income............................ 2,461 3,466 80 40.8 ----------- ------------- ------------- Total non-interest income............... Rs. 36,678 Rs. 34,645 US$ 795 (5.5)% =========== ============= ============= ---------- (1) Primarily reflects income from trading in government of India securities and corporate debt securities. (2) Primarily reflects capital gains/(losses) realized on the sale of securities, including fixed income and equity, venture capital investments and revenues from our investment banking subsidiary less other than temporary diminution. (3) Arises primarily from purchase and sale of foreign exchange on behalf of corporate clients and revaluation of foreign currency assets and liabilities and outstanding forward contracts. Non-interest income decreased by 5.5% for fiscal 2005 to Rs. 34.6 billion (US$ 795 million), from Rs. 36.7 billion (US$ 841 million) for fiscal 2004 primarily due to a decrease in trading account revenue and income on securities transactions, offset by an increase in income from fees, commission and brokerage. Fees, commission and brokerage increased 74.2% to Rs. 15.7 billion (US$ 359 million) for fiscal 2005 from Rs. 9.0 billion (US$ 206 million) for fiscal 2004 with growth across all our fee generating businesses. The large increase was primarily due to growth in retail liability product income such as account servicing charges, and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. During fiscal 2005 we increased charges and introduced new charges for some of the services that we offer to our deposit customers. During fiscal 2005 there was a significant increase in business volumes of transaction banking services such as bankers acceptances, bank guarantees and cash management services. Trading account revenue and gain on securities transactions decreased 64.0% to Rs. 6.2 billion (US$ 142 million) for fiscal 2005 from Rs. 17.2 billion (US$ 395 million) for fiscal 2004 as interest rates increased during this 90

period. The yield on 10-year government of India securities increased by 152 basis points to 6.68% during fiscal 2005. During fiscal 2004, the yield on 10-year government of India securities had declined by 105 basis points as compared to March 31, 2003 and we had capitalized on this decline to realize a high level of trading account revenue and gains on fixed income securities. The level of trading account revenue and gain on securities transactions is volatile as it depends on specific market conditions which may or may not be favorable. In fiscal 2005, gain on the sale of loans (including credit substitutes) increased by 15.5% to Rs. 5.4 billion (US$ 124 million) from Rs. 4.7 billion (US$ 107 million) in fiscal 2004. We view securitization and sell-down of corporate and retail loans as a key element of our business strategy, seeking to leverage our strong origination capabilities to meet the investment requirements of other financial intermediaries that have access to funding but relatively limited origination capabilities. Income from software development and services increased 91.7% to Rs. 1.7 billion (US$ 40 million) for fiscal 2005 from Rs. 903 million (US$ 21 million) for fiscal 2004 primarily due to the addition of new clients and increased sales of software products by 3i Infotech Limited (formerly ICICI Infotech Limited). Other income has increased on account of an increase in income from transaction processing services, earned by ICICI OneSource Limited to Rs. 3.2 billion (US$ 74 million) for fiscal 2005 from Rs. 1.8 billion (US$ 40 million) for fiscal 2004. Non-Interest Expense The following table sets forth, for the periods indicated, the principal components of non-interest expense. Year ended March 31, -- 2005/2004 2004 2005 2005 % change -- (in millions, except percentages) Employee expense: Salaries .... Rs. 7,198 Rs. 10,005 US$ 229 39.0% Employee benefits .... 2,778 1,287 30 (53.7) -- Total employee expense .... 9,976 11,292 259 13.2 Premises and equipment expense ...... 6,029 7,156 164 18.7 Administration and other expense .... 10,411 14,037 322 34.8 Amortization of goodwill and intangible assets .... 685 604 14 (11.8) -- Total non-interest expense .... Rs. 27,101 33,089 US$ 759 22.1% == Non-interest expense increased by 22.1% in fiscal 2005 to Rs. 33.1 billion (US$ 759 million) from Rs. 27.1 billion (US$ 621 million) in fiscal 2004 primarily due to an increase in administration expense and salary expenses. Employee expenses increased 13.2% to Rs. 11.3 billion (US$ 259 million) in fiscal 2005 from Rs. 10.0 billion (US$ 229 million) in fiscal 2004, primarily due to increase in the number of employees in ICICI Bank Limited to 18,029 employees at year-end fiscal 2005 from 13,549 employees at year-end fiscal 2004. The increase in employees is commensurate with the growth in our retail business. We had implemented an Early Retirement Option Scheme for 1,495 employees in fiscal 2004, for which we incurred an expense of Rs. 1.9 billion (US$ 44 million) on account of ex-gratia payments, termination benefits and leave encashment. Premises and equipment expense increased 18.7% to Rs. 7.2 billion (US$ 164 million) in fiscal 2005 from Rs. 6.0 billion (US$ 138 million) in fiscal 2004, primarily due to increased maintenance and depreciation expenses on premises, branches, ATMs, computers and computer software. The increase is also due to an increase in the number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. Administrative and other expenses increased 34.8% to Rs. 14.0 billion (US$ 322 million) in fiscal 2005 from Rs. 10.4 billion (US$ 239 million) in fiscal 2004, primarily due to an increase in advertisement expense, repairs and maintenance and retail business expenses in line with the increase in business volumes and increased expenses of the Internet-based brokering services subsidiary and our business process outsourcing subsidiary. The number of ATM's increased from 1,790 at year-end fiscal 2004 to 1,910 at year-end fiscal 2005. 91

Provisions for Loan Losses The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans. At March 31, --- 2005/2004 2004 2005 2005 % change ------------- ----------------- ------------- --------------- (in millions, except percentages) Gross restructured loans................ Rs. 162,398 Rs. 149,518 US$ 3,428 (7.9)% Allowance for loan losses on restructured loans................. (40,981) (53,929) (1,236) 31.6 ------------- ----------------- ------------- Net restructured loans................. 121,417 95,589 2,192 (21.3) ------------- ----------------- ------------- Gross other impaired loans.............. 50,238 29,713 681 (40.9) Allowance for loan losses on other impaired loans.............. (21,474) (15,517) (356) (27.7) ------------- ----------------- ------------- Net other impaired loans................ 28,764 14,196 325 (50.6) ------------- ----------------- ------------- Gross restructured and other impaired loans.................... 212,636 179,231 4,109 (15.7) Allowance for loan losses(1)............ (62,455) (69,446) (1,592) 11.2 ------------- ----------------- ------------- Net restructured and other impaired loans................. 150,181 109,785 2,517 (26.9) ------------- ----------------- -------------

Gross total loans...................... 795,287 1,075,758 24,662 35.3 Net total loans........................ 728,520 999,858 22,922 37.2 Gross restructured loans as a percentage of gross loans........ 20.42% 13.90% Gross other impaired loans as a percentage of gross loans........ 6.32 2.76 Net restructured loans as a percentage of net loans.......... 16.67 9.56 Net other impaired loans as a percentage of net loans.......... 3.95 1.42 Allowance for loans losses on restructured loans as a percentage of gross restructured loans.................... 25.23 36.07 Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans................. 42.74 52.22 Allowance on loan losses as a percentage of gross loans(2)....................... 8.40 7.06 ---------- (1) Excludes allowances on non-impaired loans. (2) Includes allowances on non-impaired loans. The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses. Year ended March 31, -- 2005/2004 2004 2005 2005 % change -- (in millions, except percentages) Total provisions for the year............ Rs. 20,055 Rs. 14,677 US$ 336 (26.8)% Provision for loans losses as a percentage of net Loans............. 2.75% 1.47% Gross restructured loans decreased 7.9% to Rs. 149.5 billion (US$ 3.4 billion) at year-end fiscal 2005 from Rs. 162.4 billion (US$ 3.7 billion) at year-end fiscal 2004 primarily due to the reclassification of certain loans as 92

unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of loans to certain companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year. Gross other impaired loans decreased 40.9% to Rs. 29.7 billion (US$ 681 million) at year-end fiscal 2005 from Rs. 50.2 billion (US$ 1.2 billion) at year-end fiscal 2004 primarily due to the reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, as restructured loans, and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts. As a percentage of net loans, net restructured loans were 9.6% at year-end fiscal 2005 and 16.7% at year-end fiscal 2004 and net other impaired loans were 1.4% at year-end fiscal 2005 and 4.0% at year-end fiscal 2004. Provisions for loan losses for fiscal 2005 decreased 26.8% to Rs. 14.7 billion (US$ 336 million) from Rs. 20.1 billion (US$ 460 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. The coverage ratio on gross restructured loans increased to 36.1% at year-end fiscal 2005 from 25.2% at year-end fiscal 2004 primarily due to the reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts, offset in part, by restructuring of loans to certain companies in the telecom and automobile industries and reclassification of other impaired loans that were restructured. The coverage ratio on other impaired loans increased to 52.2% at year-end fiscal 2005 from 42.7% at year-end fiscal 2004. We identify a loan as impaired when it is probable that we will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. Until year-end fiscal 2003, a loan was considered to be impaired if interest or principal was overdue for more than 180 days. From fiscal 2004, an asset is classified as impaired when principal or interest has remained overdue for more than 90 days. In addition, delays or shortfalls in loan repayments are evaluated along with other factors to determine if a loan should be placed on non-accrual status. Generally, loans with delinquencies below 90 days are placed on non-accrual status. The decision to place a loan on non-accrual status is also based on an evaluation of the borrower's financial condition, collateral, liquidation value, and other factors that affect the borrower's ability to repay the loan in accordance with the contractual terms. Generally, on placement of the loan on non-accrual status, interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and interest accrued and uncollected from the prior year is charged off against the allowance for loan losses. Thereafter, interest on non-accrual loans is recognized as interest income only to the extent of cash received and future collection of principal is not in doubt. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan, which we had classified as non-accrual, the loan is returned to accrual status. We classify a loan as a troubled debt restructuring where we have made concessionary modifications, that we would not otherwise consider, to the contractual terms of the loan to a borrower experiencing financial difficulties. Such loans are placed on a non-accrual status. For these loans, cash receipts are normally applied to principal and interest in accordance with the terms of the restructured loan agreement. With respect to restructured loans, performance prior to the restructuring or significant events that coincide with the restructuring are evaluated in assessing whether the borrower can meet the rescheduled terms and may result in the loan being returned to accrual status after a performance period. Consumer loans are generally identified as impaired when principal or interest has remained overdue for more than 90 days. Consumer loans when identified as impaired are placed on non-accrual status. The value of impaired loans is measured as the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the recovery of the loan is solely collateral dependent. If the value of the impaired loan is less than the recorded investment in the loan, we recognize this impairment by creating a valuation allowance with a corresponding charge to the provision for loan losses. We conduct a comprehensive analysis of our loan portfolio on a periodic basis. The analysis considers both qualitative and quantitative criteria including, among others, the account conduct, future prospects, repayment history and financial performance amongst others. For restructured and other impaired loans in excess of Rs. 100 million (US$ 2 million), we follow a detailed process for each loan to determine the allowance for loan losses to be provided. For the balance of smaller loans in the restructured and other impaired loan portfolio, we follow the 93

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classification detailed under "Business--Impaired Loans--Allowance for Loan Losses" for determining the allowance for loan losses. Our impaired loan portfolio is composed largely of project finance and other term loans where we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. ICICI typically lent between 60.0% and 80.0% of the appraised value of collateral. Hence, all of ICICI's loans have historically been sufficiently over-collateralized so that once collateral was realized, ICICI typically recovered the full principal along with a small portion of interest claims. However, recoveries may be subject to delays of up to several years, due to the long legal collection process in India. As a result, we make an allowance for loans based on the time value of money or the present value of expected realizations of collateral, which takes into account the delay we would experience before recovering its principal. The time to recovery, expected future cash flows and realizable value for collateral are periodically reviewed in estimating the allowance. We believe that the process for ascertaining allowance for loan losses described above adequately captures the expected losses on our entire loan portfolio. Income Tax Expense Income tax expense amounted to Rs. 1.6 billion (US$ 38 million) for fiscal 2005 and was at the same level in fiscal 2004. The effective rate of tax expense was 16.1% for fiscal 2005 compared to the effective tax expense of 23.9% for fiscal 2004. The effective tax rate of 16.1% for fiscal 2005 was lower compared to statutory tax rate of 36.6% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate. The Indian Finance Act 2005 imposes an additional income tax on companies called a "Fringe Benefits Tax", or FBT. Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and subjects the Bank to tax at a rate of 30%, exclusive of applicable surcharge and cess. FBT and other similar taxes enacted in the future by the government of India could adversely affect our profitability. This tax is effective from April 1, 2005. Financial Condition Assets The following table sets forth, at the dates indicated, the principal components of assets. At March 31, -- 2005/2004 2004 2005 2005 % change ----------------- -------------- --------- --------- (in millions, except percentages) Cash and cash equivalents......... Rs. 98,985 Rs. 155,639 US$ 3,568 57.2% Trading account assets (1) .... 75,155 75,538 1,732 0.5 Securities, excluding venture capital investments (2) .... 305,226 377,027 8,643 23.5 Venture capital investments ...... 5,142 3,932 90 (23.5) Investments in affiliates .... 3,619 4,725 108 30.6 Loans, net: Rupee .... 705,685 926,420 21,238 31.3 Foreign currency .... 89,602 149,338 3,424 66.7 Less: Allowances .... (66,767) (75,900) (1,740) 13.7 ------------- ------------- ----------- Total loans, net .... 728,520 999,858 22,922 37.2 Acceptances .... 65,142 74,116 1,699 13.8 Property and equipment .... 23,183 26,055 597 12.4 Other assets .... 104,159 146,557 3,361 40.7 ------------- ------------- ----------- Total assets .... Rs. 1,409,131 Rs. 1,863,447 US$ 42,720 32.2% ============= ============= ========== 94

------------ (1) Primarily includes government of India securities, corporate debt securities and mutual fund securities. (2) Primarily includes government of India securities and to a much smaller extent, corporate debt securities and equity securities. Our total assets increased 32.2% to Rs. 1,863.4 billion (US$ 42.7 billion) at year-end fiscal 2005 compared to Rs. 1,409.1 billion (US$ 32.3 billion) at year-end fiscal 2004, primarily due to an increase in loans, securities and cash and cash equivalents. Our net loans increased 37.2% to Rs. 999.9 billion (US$ 22.9 billion) at year-end fiscal 2005 compared to Rs. 728.5 billion (US$ 16.7 billion) at year-end fiscal 2004. Gross consumer loans and credit card receivables at year-end fiscal 2005 increased 42.2% to Rs. 531.2 billion (US$ 12.2 billion) from Rs. 311.9 billion (US$ 7.2 billion) at year-end fiscal 2004 in accordance with our strategy to grow our retail asset portfolio. Securities, excluding venture capital investment increased 23.5% to Rs. 377.0 billion (US$ 8.6 billion) at year-end fiscal 2005 from Rs. 305.2 billion (US$ 7.0 billion) at year-end fiscal 2004. Venture capital investments declined 23.5% to Rs. 3.9 billion (US$ 90 million) at year-end fiscal 2005 compared to year-end fiscal 2004 primarily due to the sale of investments. Cash, cash equivalents and trading account assets increased 32.8% to Rs. 231.1 billion (US$ 5.3 billion) at year-end fiscal 2005 from Rs. 174.1 billion (US$ 4.0 billion) at year-end fiscal 2004 due to an increase in call lending volumes at year-end fiscal 2005 as well as higher term lending by foreign branches. Investment in affiliates increased to Rs. 4.7 billion (US$ 108 million) at year-end fiscal 2005 from Rs. 3.6 billion (US$ 83 million) at year-end fiscal 2004. Acceptances increased 13.8% to Rs. 74.1 billion (US$ 1.7 billion) at year-end fiscal 2005 from Rs. 65.1 billion (US$ 1.5 billion) at year-end fiscal 2004 reflecting our focus on increasing revenues from non-fund based businesses. Property and equipment increased to Rs. 26.1 billion (US$ 597 million) at year-end fiscal 2005 from Rs. 23.2 billion (US$ 531 million) at year-end fiscal 2004. The increase was primarily due to additions in buildings and equipment of ICICI Bank Limited. This increase was commensurate with the increase in number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. Other assets increased 40.7% to Rs. 146.6 billion (US$ 3.4 billion) at year-end fiscal 2005 from Rs. 104.2 billion (US$ 2.4 billion) at year-end fiscal 2004. Certain securities sold on the last day of the year in the ordinary course of business for which the settlement was pending have contributed to this increase. At year-end fiscal 2005, other assets included deferred tax asset of Rs. 12.1 billion (US$ 278 million), intangible assets (including goodwill) of Rs. 11.6 billion (US$ 266 million) and Rs. 3.7 billion (US$ 86 million) of assets held for sale, which were primarily acquired through foreclosure of loans. Liabilities and Stockholders' Equity The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity. At March 31, -- 2004/2005 2004 2005 2005 % change -- (in millions, except percentages) Deposits .... Rs. 684,955 Rs. 1,016,534 US$ 23,304 48.4% Trading account liabilities....... 26,079 24,258 556 (7.0) Short-term borrowings .... 57,364 91,951 2,108 60.3 Acceptances .... 65,142 74,116 1,699 13.8 Long-term debt: Rupee .... 311,668 284,979 6,533 (8.6) Foreign currency .... 61,781 82,520 1,892 33.6 -- Total long-term debt .... 373,449 367,499 8,425 (1.6) Other liabilities .... 85,443 140,096 3,212 64.0 Taxes and dividends payable 20,180 17,885 410 (11.4) 95

Redeemable preferred stock(1)..... 944 1,044 24 10.6 -- Total liabilities .... 1,313,556 1,733,383 39,738 32.0 Minority interest .... 1,050 2,068 47 97.0 Stockholders' equity .... 94,525 127,996 2,935 35.4 -- Total liabilities and stockholders' equity............. Rs. 1,409,131 Rs. 1,863,447 US$ 42,720 32.2% == ------------ (1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue. Deposits increased by 48.4% to Rs. 1,016.5 billion (US$ 23.3 billion) at year-end fiscal 2005 from Rs. 685.0 billion (US$ 15.7 billion) at year-end fiscal 2004. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging our network of

branches, extension counters and ATMs. Our long-term debt decreased 1.6% to Rs. 367.5 billion (US$ 8.4 billion) at year-end fiscal 2005 from Rs. 373.4 billion (US$ 8.6 billion) at year-end fiscal 2004 on account of an 8.6% decrease in long-term rupee debt offset by a 33.6% increase in long-term foreign currency debt. Our short-term borrowings increased 60.3% to Rs. 92.0 billion (US$ 2.1 billion) at year-end fiscal 2005 compared to Rs. 57.4 billion (US$ 1.3 billion) at year-end fiscal 2004. Trading account liabilities decreased to Rs. 24.3 billion (US$ 556 million) at year-end fiscal 2005 compared to Rs. 26.1 billion (US$ 598 million) at year-end fiscal 2004. Taxes and dividends payable decreased 11.4% to Rs. 17.9 billion (US$ 410 million) at year-end fiscal 2005 from Rs. 20.2 billion (US$ 463 million) at year-end fiscal 2004. The carrying amount of redeemable preferred stock increased to Rs. 1,044 million (US$ 24 million) at year-end fiscal 2005 from Rs. 944 million (US$ 22 million) at year-end fiscal 2004. Minority interest increased to Rs. 2,068 million (US$ 47 million) at year-end fiscal 2005 from Rs. 1,050 million (US$ 24 million) at year-end fiscal 2004. Stockholders' equity increased 35.4% at year-end fiscal 2005 to Rs. 128.0 billion (US$ 2.9 billion) from Rs. 94.5 billion (US$ 2.2 billion) at year-end fiscal 2004. Fiscal 2004 to Fiscal 2003 Summary Net income after tax amounted to Rs. 5.2 billion (US$ 120 million) in fiscal 2004 compared to a loss of Rs. 8.0 billion (US$ 183 million) in fiscal 2003, primarily due to a 176.8% increase in non-interest income to Rs. 36.7 billion (US$ 841 million) in fiscal 2004 from Rs. 13.3 billion (US$ 304 million) in fiscal 2003 and a 26.2% increase in net interest income (excluding dividends) before provisions for loan losses to Rs. 18.3 billion (US$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US$ 333 million) in fiscal 2003. We made a profit on average assets of 0.4% for fiscal 2004 compared to a net loss on average assets of 0.7% for fiscal 2003 and a profit on average stockholders' equity of 5.5% for fiscal 2004 compared to a net loss on average stockholders' equity of 8.5% for fiscal 2003. o Net interest income (excluding dividends) before provisions for loan losses increased 26.2% to Rs. 18.3 billion (US$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US$ 333 million) in fiscal 2003, reflecting an increase of 10.0% in the average volume of interest-earning assets and increase of 14 basis points in the spread. o Non-interest income increased by 176.8% in fiscal 2004 to Rs. 36.7 billion (US$ 841 million) from Rs. 13.3 billion (US$ 304 million) in fiscal 2003, primarily due to increase in gains from securities transactions by Rs. 13.1 billion (US$ 301 million) and increase in income from fees, commission and brokerage by Rs. 3.6 billion (US$ 82 million). o Non-interest expense increased 45.6% in fiscal 2004 to Rs. 27.1 billion (US$ 621 million) from Rs. 18.6 billion (US$ 427 million) in fiscal 2003, primarily due to 85.3% increase in employee expenses (employee expenses in fiscal 2004 includes Early Retirement Option expense of Rs. 1.9 billion (US$ 44 million)) and 33.5% increase in administration expenses. o Provisions for loan losses increased to Rs. 20.1 billion (US$ 460 million) in fiscal 2004 from Rs. 19.6 billion (US$ 450 million) in fiscal 2003.
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o Gross restructured loans increased 10.2% to Rs. 162.4 billion (US$ 3.7 billion) at year-end fiscal 2004 from Rs. 147.4 billion (US$ 3.4 billion) at year-end fiscal 2003. Gross other impaired loans decreased 40.0% to Rs. 50.2 billion (US$ 1.2 billion) at year-end fiscal 2004 from Rs. 83.2 billion (US$ 1.9 billion) at year-end fiscal 2003. o Total assets increased 19.4% to Rs. 1,409.1 billion (US$ 32.3 billion) at year-end fiscal 2004 compared to Rs. 1,180.3 billion (US$ 27.1 billion) at year-end fiscal 2003 with trading account assets increasing by 89.6% and loans increasing by 15.6%. Net Interest Income The following table sets forth, for the periods indicated, the principal components of net interest income, excluding income from dividends. Year ended March 31, --- 2004/2003 2003 2004 2004 % change --- (in millions, except percentages) Interest income .... Rs. 97,714 Rs. 90,688 US$ 2,079 (7.2)% Interest expense .... (83,208) (72,375) (1,659) (13.0) --- Net interest income, excluding income from dividends .... Rs. 14,506 Rs. 18,313 US$ 420 26.2% === Net interest income (excluding dividends) increased 26.2% to Rs. 18.3 billion (US$ 420 million) in fiscal 2004 from Rs. 14.5 billion (US$ 333 million) in fiscal 2003 reflecting mainly the following: o an increase of Rs. 92.4 billion (US$ 2.1 billion) or 10.9% in the average volume of interest-earning rupee assets; o an increase of Rs. 85 million (US$ 2 million) or 0.1% in the average volume of interest-earning foreign currency assets; o an increase in rupee spread to 1.4% in fiscal 2004 from 1.2% in fiscal 2003; and o an increase in foreign currency spread to 2.7% in fiscal 2004 from 1.8% in fiscal 2003. The average volume of interest-earning rupee assets increased by 10.9% or Rs. 92.4 billion (US$ 2.1 billion) to Rs. 936.6 billion (US$ 21.5 billion) during fiscal 2004 from Rs. 844.2 billion (US$ 19.4 billion) during fiscal 2003, primarily due to the increase in the volume of loans. Our average volume of loans increased by 9.3% to Rs. 662.8 billion (US$ 15.2 billion) in fiscal 2004 from Rs. 606.5 billion (US$ 13.9 billion) in fiscal 2003. The average volume of rupee loans increased by 9.3% or Rs. 50.2 billion (US$ 1.2 billion) to Rs. 592.0 billion (US$ 13.6 billion) in fiscal 2004 from Rs. 541.9 billion (US$ 12.4 billion) in fiscal 2003. This increase in average loans was primarily due to increased disbursements of retail finance loans offset, in part, by sell-down/securitization and repayments of loans. The average volume of foreign currency loans increased 9.4% to Rs. 70.7 billion (US$ 1.6 billion) in fiscal 2004 from Rs. 64.6 billion (US$ 1.5 billion) in fiscal 2003. Our gross loans increased 16.2% to Rs. 795.3 billion (US$ 18.2 billion) at year-end fiscal 2004 from Rs. 684.6 billion (US$ 15.7 billion) at year-end fiscal 2003. Gross rupee loans at year-end fiscal 2004 increased 19.2% to Rs. 705.7 billion (US$ 16.2 billion) compared to Rs. 592.2 billion (US$ 13.6 billion) at year-end fiscal 2003. Gross consumer loans and credit card receivables at year-end fiscal 2004 increased 65.7% to Rs. 311.9 billion (US$ 7.2 billion) from Rs. 188.3 billion (US$ 4.3 billion) at year-end fiscal 2003. Our project and corporate finance and working capital finance loans decreased 13.4% to Rs. 400.2 billion (US$ 9.2 billion) at year-end fiscal 2004 compared to Rs. 462.3 billion (US$ 10.6 billion) at year-end fiscal 2003. 97

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

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

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Non-Interest Expense The following table sets forth, for the periods indicated, the principal components of non-interest expense. Year ended March 31, -- 2004/2003 2003 2004 2004 % change -- (in millions, except percentages) Employee expense: Salaries....................... Rs. 4,686 Rs. 7,198 US$ 165 53.6% Employee benefits............. 697 2,778 64 298.6 -- Total employee expense............ 5,383 9,976 229 85.3 Premises and equipment expense ... 4,784 6,029 138 26.0 Administration and other expense . 7,797 10,411 238 33.5 Amortization of goodwill and intangible assets............... 645 685 16 6.2 -- Total non-interest expense........ Rs. 18,609 Rs. 27,101 US$ 621 45.6% == Non-interest expense increased by 45.6% in fiscal 2004 to Rs. 27.1 billion (US$ 621 million) from Rs. 18.6 billion (US$ 427 million) in fiscal 2003 primarily due to an increase in employee expenses and administration expense. Employee expenses increased 85.3% to Rs. 10.0 billion (US$ 229 million) in fiscal 2004 from Rs. 5.4 billion (US$ 123 million) in fiscal 2003, primarily due to increase in the number of employees to 18,942 at year-end fiscal 2004 from 15,179 at year-end fiscal 2003. The increase in employees is commensurate with the growth in our retail business. We had implemented an Early Retirement Option Scheme for 1,495 employees in July 2003. An amount of Rs. 1.9 billion (US$ 44 million) has been expensed (included in employee benefits) on account of the ex-gratia payments under the Early Retirement Option Scheme, termination benefits and leave encashment in excess of the provisions made (net of tax benefits). Premises and equipment expense increased 26.0% to Rs. 6.0 billion (US$ 138 million) in fiscal 2004 from Rs. 4.8 billion (US$ 110 million) in fiscal 2003, primarily due to increased maintenance and depreciation expenses on premises, branches, ATM's, computers and computer software. The number of ATM's increased from 1,675 at year-end fiscal 2003 to 1,790 at year-end fiscal 2004 and the number of branches and extension counters increased from 446 at year-end fiscal 2003 to 469 at year-end fiscal 2004. Administrative and other expenses increased 33.5% to Rs. 10.4 billion (US$ 239 million) in fiscal 2004 from Rs. 7.8 billion (US$ 179 million) in fiscal 2003, primarily due to an increase in the retail business expenses and increase in general business volumes. Provisions for Loan Losses The following table set forth, at the dates indicated, certain information regarding restructured and other impaired loans. At March 31, -- 2004/2003 2003 2004 2004 % change -- (in millions, except percentages) Gross restructured loans.......... Rs. 147,391 Rs. 162,398 US$ 3,723 10.2% Allowance for loan losses on restructured loans............. (24,732) (40,981) (939) 65.7 -- Net restructured loans............ 122,659 121,417 2,784 (1.0) -- Gross other impaired loans........ 83,156 50,238 1,151 (39.6) Allowance for loan losses on other impaired loans............ (27,837) (21,474) (492) (22.9) -- Net other impaired loans.......... 55,319 28,764 659 (48.0) -- Gross restructured and other impaired loans................. 230,547 212,636 4,875 (7.8) Allowance for loan losses(1)...... (52,569) (62,455) (1,432) (18.8) -- 100

Net restructured and other impaired loans................. 177,978 150,181 3,443 (15.6) -- Gross total loans................ 684,640 795,287 18,232 16.16 Net total loans.................. 630,421 728,520 16,702 15.6 Gross restructured loans as a percentage of gross loans....... 21.53% 20.42% Gross other impaired loans as a percentage of gross loans....... 12.15 6.32 Net restructured loans as a percentage of net loans......... 19.45 16.67 Net other impaired loans as a percentage of net loans......... 8.77 3.95 Allowance for loans losses on restructured loans as a percentage of gross restructured loans............. 16.78 25.23 Allowance for loan losses on other impaired loans as a percentage of gross other impaired loans... 33.48 42.74 Allowance on loan losses as a percentage of gross loans(2).... 7.92 8.40 ------------ (1) Excludes allowances on non-impaired loans. (2) Includes allowances on non-impaired loans. The following table sets forth, for the periods indicated, certain information regarding provisions for loan losses. Year ended March 31, -- 2004/2003 2003 2004 2004 % change -- (in millions, except percentages) Total provisions for the year..... Rs. 19,649 Rs. 20,055 US$ 460 2.1% Provision for loans losses as a percentage of net loans......... 3.12% 2.75% Gross restructured loans increased 10.2% during fiscal 2004 to Rs. 162.4 billion (US$ 3.7 billion) at year-end fiscal 2004, from Rs. 147.4 billion (US$ 3.4 billion) at year-end fiscal 2003 primarily due to restructuring of loans to companies in the crude petroleum and refining and telecom industries and reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year, offset, in part, by reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts as per the contractual terms of repayment of the loan. Gross other impaired loans decreased 39.6% during fiscal 2004 to Rs. 50.2 billion (US$ 1.2 billion) at year-end fiscal 2004, from Rs. 83.2 billion (US$ 1.9 billion) at year-end fiscal 2003 primarily due to reclassification of other impaired loans that were restructured or transferred to an asset reconstruction company during the year as restructured loans and reclassification of certain loans as unimpaired based on satisfactory performance of the borrower accounts as per the contractual terms of repayment of the loan. As a percentage of net loans, net restructured loans were 16.7% at year-end fiscal 2004 compared to 19.5% at year-end fiscal 2003 and net other impaired loans were 3.9% at year-end fiscal 2004 compared to 8.8% at year-end fiscal 2003. During fiscal 2004, we transferred impaired loans of Rs. 23.0 billion (US$ 527 million) to Asset Reconstruction Company (India) Limited (See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to banks" and "Supervision and Regulation - Reserve Bank of India Regulations - Regulations Relating to Sale of Assets to Asset Reconstruction Companies"), of which Rs. 2.0 billion (US$ 46 million) was recognized as a sale in our US GAAP financial statements and Rs. 21.0 billion (US$ 481 million) is included in our restructured loans. Provisions for loan losses for fiscal 2004 increased 2.1% to Rs. 20.1 billion (US$ 460 million) from Rs. 19.6 billion (US$ 450 million) in fiscal 2003. The coverage ratio on gross restructured loans increased to 25.2% at year-end fiscal 2004 from 16.8% at year-end fiscal 2003. The coverage ratio on other impaired loans increased to 42.7% at year-end fiscal 2004 from 33.5% at year-end fiscal 2003. Income Tax Expense Income tax expense amounted to Rs. 1.6 billion (US$ 38 million) in fiscal 2004 compared to income tax benefit of Rs. 3.1 billion (US$ 70 million) in fiscal 2003. The effective rate of tax expense was 23.9% in fiscal 2004 101

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compared to effective rate of tax benefit of 27.7% in fiscal 2003. The effective tax rate of 23.9% in fiscal 2004 was lower compared to statutory tax rate of 35.9% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate. See Note 29 of our consolidated financial statements for a further discussion on income tax. Financial Condition Assets The following table sets forth, at the dates indicated, the principal components of assets. At March 31, -- 2004/2003 2003 2004 2004 % change -- (in millions, except percentages) Cash and cash equivalents......... Rs. 72,453 Rs. 98,985 US$ 2,269 36.6% Trading account assets (1) .... 39,634 75,155 1,723 89.6 Securities, excluding venture capital investments (2) .... 276,917 305,226 6,997 10.2 Venture capital investments ...... 3,704 5,142 118 38.8 Investments in affiliates .... 2,615 3,619 83 38.4 Loans, net: Rupee .... 594,955 705,685 16,178 18.6 Foreign currency .... 89,685 89,602 2,054 (0.1) Less: Allowances .... (54,219) (66,767) (1,530) 23.1 --- Total loans, net .... 630,421 728,520 16,702 15.6 Acceptances .... 43,252 65,142 1,493 50.6 Property and equipment .... 21,215 23,183 532 9.3 Other assets .... 90,052 104,159 2,388 15.7 --- Total assets .... Rs. 1,180,263 Rs. 1,409,131 US$ 32,305 19.4% === --------------- (1) Primarily includes government of India securities and corporate debt securities. (2) Primarily includes government of India securities and to a much smaller extent, corporate debt securities and equity securities. Our total assets increased 19.4% to Rs. 1,409.1 billion (US$ 32.3 billion) at year-end fiscal 2004 compared to Rs. 1,180.3 billion (US$ 27.1 billion) at year-end fiscal 2003, primarily due to an increase in loans, trading account assets and investments. Our net loans increased 15.6% to Rs. 728.5 billion (US$ 16.7 billion) at year-end fiscal 2004 compared to Rs. 630.4 billion (US$ 14.5 billion) at year-end fiscal 2003, reflecting a 18.6% increase in gross rupee loans, a 0.1% decrease in gross foreign currency loans and a 23.1% increase in allowance for loan losses. Gross consumer loans and credit card receivables increased 65.7% to Rs. 311.9 billion (US$ 7.2 billion) at year-end fiscal 2004 from Rs. 188.3 billion (US$ 4.3 billion) at year-end fiscal 2003 in accordance with our strategy to grow our retail asset portfolio. Securities, excluding venture capital investment increased 10.2% to Rs. 305.2 billion (US$ 7.0 billion) at year-end fiscal 2004 from Rs. 276.9 billion (US$ 6.3 billion) at year-end fiscal 2003 primarily due to investments in government securities for meeting the statutory liquidity ratio requirement. Cash, cash equivalents and trading account assets increased 55.4% to Rs. 174.1 billion (US$ 4.0 billion) at year-end fiscal 2004 from Rs. 112.1 billion (US$ 2.6 billion) at year-end fiscal 2003 primarily due to an increase in reverse repurchase transactions by Rs. 29.6 billion (US$ 678 million) from Rs. 5.4 billion (US$ 124 million) at year-end fiscal 2003 to Rs. 35.0 billion (US$ 802 million) at year-end fiscal 2004. Under the reverse repurchase transactions, securities were purchased under agreements to resell after a specified time. Such securities qualified as approved securities for statutory liquidity ratio requirements, and were of short maturity, carrying lower risk while 102

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yielding higher returns as compared to other short-term money market instruments. These transactions were typically used for liquidity management. Investment in affiliates increased to Rs. 3.6 billion (US$ 83 million) at year-end fiscal 2004 from Rs. 2.6 billion (US$ 60 million) at year-end fiscal 2003 due to additional investment in ICICI Prudential Life Insurance Company Limited. Acceptances increased 50.6% to Rs. 65.1 billion (US$ 1.5 billion) at year-end fiscal 2004 from Rs. 43.3 billion (US$ 992 million) at year-end fiscal 2003 reflecting our focus on increasing revenues from non-fund based businesses. Property and equipment increased to Rs. 23.2 billion (US$ 532 million) at year-end fiscal 2004 from Rs. 21.2 billion (US$ 486 million) at year-end fiscal 2003. Other assets increased 15.7% to Rs. 104.2 billion (US$ 2.4 billion) at year-end fiscal 2004 from Rs. 90.1 billion (US$ 2.1 billion) at year-end fiscal 2003. At year-end fiscal 2004, other assets included advance tax of Rs. 33.5 billion (US$ 768 million), deferred tax asset of Rs. 7.9 billion (US$ 182 million), intangible assets of Rs. 4.5 billion (US$ 103 million) and Rs. 4.8 billion (US$ 111 million) of assets held for sale, which were primarily acquired through foreclosure of loans. Liabilities and Stockholders' Equity The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity. At March 31, -- 2004/2003 2003 2004 2004 % change -- (in millions, except percentages) Deposits .... Rs. 491,290 Rs. 684,955 US$ 15,703 39.4% Trading account liabilities....... 26,086 26,079 598 (0.0) Short-term borrowings .... 42,095 57,364 1,315 36.3 Acceptances .... 43,252 65,142 1,493 50.6 Long-term debt: Rupee .... 350,633 311,668 7,145 (11.1) Foreign currency .... 50,179 61,781 1,416 23.1 -- Total long-term debt .... 400,812 373,449 8,561 (6.8) Other liabilities .... 66,658 85,443 1,959 28.2 Taxes and dividends payable ...... 16,880 20,180 463 19.5 Redeemable preferred stock(1)..... 853 944 22 10.7 -- Total liabilities .... 1,087,926 1,313,556 30,114 20.7 Minority interest .... 124 1,050 24 746.8 Stockholders' equity .... 92,213 94,525 2,167 2.5 -- Total liabilities and stockholders' equity............ Rs. 1,180,263 Rs. 1,409,131 US$ 32,305 19.4% == ------------------ (1) In line with the existing regulatory requirements in India, preferred stock issued by ICICI needed to be compulsorily redeemed within a specified time period. Accordingly, all series of preferred stock issued by ICICI were redeemable in accordance with the terms of the issue. Deposits increased by 39.4% to Rs. 685.0 billion (US$ 15.7 billion) at year-end fiscal 2004 from Rs. 491.3 billion (US$ 11.3 million) at year-end fiscal 2003. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs. Our long-term debt decreased 6.8% to Rs. 373.5 billion (US$ 8.6 billion) at year-end fiscal 2004 from Rs. 400.8 billion (US$ 9.2 billion) at year-end fiscal 2003 on account of 11.1% decrease in long-term rupee debt and 23.1% increase in long-term foreign currency debt. Our short-term borrowings increased 36.3% to Rs. 57.4 billion (US$ 1.3 billion) at year-end fiscal 2004 compared to Rs. 42.1 billion (US$ 965 million) at year-end fiscal 2003. Trading account liabilities decreased marginally by Rs. 7 million (US$ 160,477) at year-end fiscal 2004 compared to year-end fiscal 2003. Taxes and dividends payable increased 19.5% to Rs. 20.2 billion (US$ 463 million) at year-end 103

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fiscal 2004 from Rs. 16.9 billion (US$ 387 million) at year-end fiscal 2003. The carrying amount of redeemable preferred stock increased to Rs. 944 million (US$ 22 million) at year-end fiscal 2004 from Rs. 853 million (US$ 20 million) at year-end fiscal 2003. Minority interest increased to Rs. 1.1 billion (US$ 24 million) at year-end fiscal 2004 from Rs. 124 million (US$ 3 million) at year-end fiscal 2003. Stockholders' equity increased 2.5% at year-end fiscal 2004 to Rs. 94.5 billion (US$ 2.2 billion) from Rs. 92.2 billion (US$ 2.1 billion) at year-end fiscal 2003. Off Balance Sheet Items, Commitments and Contingencies Foreign Exchange and Derivative Contracts We enter into foreign exchange forwards, options, swaps and other derivative products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities. Since adoption of SFAS No. 133 and SFAS No. 138 effective April 1, 2001, all derivatives have been recorded as assets or liabilities on the balance sheet at their respective fair values with unrealized gains or losses recorded either in accumulated other comprehensive income or in the statement of income, depending on the purpose for which the derivative is held. Derivatives that do not meet the criteria for designation as a hedge under SFAS No. 133 at inception, or fail to meet the criteria thereafter, are accounted for in "Other assets" with changes in fair value recorded in the statement of income. The following table sets forth, at the dates indicated, the notional amount of derivative contracts. Notional principal amounts Balance sheet credit exposure (1) -- -- At March 31 At March 31 ----------- ------------ ------------ ---------- -------- --------- ---------- --------- 2003 2004 2005 2005 2003 2004 2005 2005 ----------- ------------ ------------ ---------- -------- --------- ---------- --------- (in millions) Interest rate products: Swap agreements.. Rs. 324,893 Rs.1,456,182 Rs 1,352,576 US$ 31,008 Rs. 137 Rs. 1,552 Rs. 582 US$ 13 Others .... - 43,073 479,098 US$ 10,983 - 43 Rs. (6)
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Total interest rate products... Rs. 324,893 Rs.1,499,255 Rs.1,831,674 US$ 41,991 Rs. 137 Rs. 1,595 Rs. 576 US$ 13
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Foreign exchange products: Forward contracts Rs. 277,280 Rs. 620,415 Rs. 867,644 US$ 19,891 Rs. (116) Rs. 398 Rs. (222) US$ (5) Swap agreements.. 14,611 46,724 97,496 2,235 539 263 Rs. 1,830 US$ 42 Others........... - 44,401 - - - (345) - -
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Total foreign exchange products....... Rs. 291,891 Rs. 711,540 Rs. 965,140 US$ 22,126 Rs. 423 Rs. 316 Rs. 1,608 US$ 37
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-------------- (1) Denotes the mark-to-market impact of the derivative and foreign exchange products on the reporting date. The notional principal amount of interest rate products increased to Rs. 1,831.7 billion (US$ 42.0 billion) at year-end fiscal 2005 compared to Rs. 1,499.3 billion (US$ 34.4 billion) at year-end fiscal 2004. The notional principal amount of foreign exchange products increased to Rs. 965.1 billion (US$ 22.1 billion) at year-end fiscal, 2005 compared to Rs. 711.5 billion (US$ 16.3 billion) at year-end fiscal 2004. This significant increase in the volumes of interest rates swaps and foreign exchange forward contracts was primarily due to increased transactions carried out by us on behalf of our customers and growth in the market for such products. Market volumes have also increased significantly during this period. As an active player and market-maker in swap and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination/cancellation of existing transactions, we have seen a substantial increase in the notional principal of our swap portfolio during this period. An interest rate swap does not entail exchange of notional principal and the cash flow arises on account of the difference between the interest rate pay and receive legs of the swap which is generally much lower than the notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is 104

covered by an exactly opposite transaction entered into with another counter-party, the net market risk of the two transactions will be zero whereas, the notional principle of the portfolio will be the sum of both transactions. Securitization We primarily securitize commercial loans through "pass-through" securitizations. In fiscal 2005, we securitized loans and credit substitutes which resulted in gains of Rs. 5.1 billion (US$ 116 million) compared to Rs. 4.2 billion (US$ 97 million) in fiscal 2004. The gains are reported as a component of gain on sale of loans and credit substitutes. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. The securitizations are either with or without recourse. In certain cases, we may enter into derivative transactions such as written put options and interest rate swaps with the transferees. In certain cases, we write put options, which require us to purchase, upon request of the holders, securities issued in certain securitization transactions. The put options seek to provide liquidity to holders of such instruments. If exercised, we are obligated to purchase the securities at the pre-determined exercise price. At year-end fiscal 2005, we had sold loans and credit substitutes with an aggregate put option exercise price of Rs. 57.2 billion (US$ 1.3 billion) compared to Rs. 38.3 billion (US$ 877 million) at year-end fiscal 2004. Variable Interest Entities During the year, we transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company set up under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and guidelines issued by the Reserve Bank of India. The trusts/funds (which are separate legal entities) issued security receipts to us and other transferors as consideration for the transaction. Certain transfers did not qualify for sale accounting under SFAS No. 140 and continue to be reflected as loans on our balance sheet. Other transfers qualified for sale accounting but were impacted by FIN 46/FIN 46R. We have consolidated entities in which we are the primary beneficiary at year-end fiscal 2005. Funds/trusts which are VIEs but in which we are not the primary beneficiary have not been consolidated. Our venture capital subsidiary is accounted for pursuant to specialized industry guidance applicable to investment companies. Pursuant to this guidance, investment holdings are accounted for at estimated fair value irrespective of the level of equity ownership. Some of these investment holdings may be deemed to be VIEs as defined in FIN 46R. The FASB permitted non-registered investment companies to defer consolidation of VIEs in which they are involved until the proposed Statement of Position on the clarification of the scope of the Investment Company Audit Guide is finalized. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46R to provide an exception for companies that qualify to apply the revised Audit Guide. We applied this deferral provision and did not consolidate additional assets in potential VIEs in which we are involved at year-end fiscal 2005. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46R, we will assess the effect of such guidance on our venture capital subsidiary. Loan Commitments We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 37.8 billion (US$ 867 million) at year-end fiscal 2005 compared to Rs. 73.9 billion (US$ 1.7 billion) at year-end fiscal 2004. The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards. Capital Commitments We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 604 million (US$ 14 million) at year-end fiscal 2005 compared to Rs. 294 million (US$ 7 million) at year-end fiscal 2004 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers. 105

Operating Lease Commitments We have commitments under long-term operating leases principally for premises. The following table sets forth, a summary of future minimum lease rental commitments at year-end fiscal, for non-cancelable leases. Lease rental commitments for fiscal (in millions) -- ------------ 2006... Rs. 866

2007... 835 2008... 829
2009... 813 2010... 690 Thereafter
.... 3,225 Total minimum lease commitments .... Rs. 7,258 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 relating to other types of financial instruments. We have the same appraisal process for guarantees as that for any other loan product. Guarantees increased by 31.2% to Rs. 160.5 billion (US$ 3.7 billion) at year-end fiscal 2005 from Rs. 122.3 billion (US$ 2.8 billion) at year-end fiscal 2004. The following table sets forth, at the dates indicated, guarantees outstanding. At March 31, --- 2004/2003 2005/2004 2003 2004 % change 2005 2005 % change --- (in millions, except percentages) Financial guarantees(1).... Rs. 69,076 Rs. 57,344 (17.0)% Rs. 60,672 US$ 1,391 5.8% Performance guarantees(2).. Rs. 37,042 65,000 73.8 99,808 2,288 53.6 -------------------------- ------------------------- Total guarantees .... Rs. 106,478 Rs. 122,344 14.9% Rs. 160,480 US$ 3,679 31.2% ========================== ========================== --------------- (1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies. (2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports. The following table sets forth contractual obligations on long-term debt, operating lease and guarantees at year-end fiscal 2005. Payments due by period --- Less than More than Contractual Obligations Total 1 year 1-3 years 3-5 years 5 years ----------------------------- ------------ ------------ ----------- ----------- ----------- (in millions) Long term debt obligations.... Rs. 368,152 Rs. 88,889 Rs. 118,217 Rs. 87,663 Rs. 73,383 Operating lease obligations... 7,258 866 1,664 1,503 3,225 Guarantees Financial guarantees.... 60,672 35,040 10,000 6,228 9,404 Performance guarantees.. 99,808 37,447 39,539 17,298 5,524 ------------ ------------ ----------- ----------- ----------- Total......................... Rs. 535,890 Rs. 162,242 Rs. 169,420 Rs. 112,692 Rs. 91,536 ============ ============ ========== ========== ========== Capital Resources ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of 106

International Settlements in 1988. ICICI Bank is required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital. At year-end fiscal 2005, ICICI Bank's capital adequacy ratio calculated in accordance with the Reserve Bank of India guidelines and based on its unconsolidated financial statements prepared in accordance with Indian GAAP was 11.8%. Using the same basis of calculation, at year-end fiscal 2005, ICICI Bank's Tier 1 capital adequacy ratio was 7.6% and its Tier 2 capital adequacy ratio was 4.2%. ICICI Bank raised additional Tier 1 capital through a public issue of equity shares aggregating to Rs. 32.5 billion (US$ 745 million) in fiscal 2005. The following table sets forth, at the dates indicated, risk-based capital, risk-weighted assets and risk-based capital adequacy ratios computed in accordance with the applicable Reserve Bank of India guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAP. Indian GAAP At March 31, 2005 ----------------------------- (in millions) Tier 1 capital .... Rs. 102,463 US$ 2,349 Tier 2 capital .... 56,566 1,297 ------------- ----------- Total capital .... Rs. 159,029 US$ 3,646 ============= =========== On- balance sheet risk weighted assets ..... Rs. 1,080,528 US$ 24,771 Off-balance sheet risk weighted assets ..... 207,968 4,768 ------------- ----------- Risk weighted assets on trading book 61,672 1,414 ============= =========== Total risk weighted assets .... Rs. 1,350,168 US$ 30,953 ============= =========== Tier 1 capital adequacy ratio .... 7.6% Tier 2 capital adequacy ratio .... 4.2 ------------ Total capital adequacy ratio .... 11.8% ------------ From time to time, we may access the capital markets through additional equity or debt offerings to increase our capital resources. Liquidity Risk Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price. The goal of liquidity management is to be able, even under adverse conditions, to meet all liability repayments on time and fund all investment opportunities. We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. Loan maturities and sale of investments also provide liquidity. Most of the funds raised are used to extend loans or purchase securities. Generally, deposits are of a shorter average maturity than loans or investments. Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. From time to time, we may buy back some of our outstanding bonds at our discretion in the open market or in privately negotiated transactions depending on market conditions, interest rates and other factors. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. 107

Another source of liquidity risk is the put options written by us on the loans, which we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the security holders. If exercised, we will be obligated to purchase the securities at the pre-determined exercise price. All put options were out-of-the-money for the holders. Under the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain 25.0% of our total demand and time liabilities by way of approved securities, such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India securities that we actively manage to optimize the yield and benefit from price movements. Until September 17, 2004, under the Reserve Bank of India's cash reserve ratio requirements, we were required to maintain 4.5% of our demand and time liabilities in a current account with the Reserve Bank of India. The Reserve Bank of India increased the cash reserve ratio to 5.0% in two stages (4.75% effective September 18, 2004 and 5.0% effective October 2, 2004). We also have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by the Reserve Bank of India. We maintain a substantial portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions, have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by the Reserve Bank of India. ICICI Securities, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates. We are required to submit gap analysis on a monthly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review our liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitor certain liquidity ratios on a fortnightly basis. Our bonds are rated AAA by two Indian credit rating agencies, ICRA Limited and Credit Analysis & Research Limited. Our term deposits are rated AAA by ICRA Limited. Our long-term foreign currency borrowings are rated Baa3 by Moody's Investors Service and BB+ by Standard and Poor's. Our short-term foreign currency ratings are Ba2/ Not Prime by Moody's Investors Service and B by Standard and Poor's. The outlook from Standard and Poor is stable. Moody's has a positive outlook on our Baa3 foreign currency senior debt rating, a stable outlook on our Baa3 subordinated debt rating and also a stable outlook on our Ba2 ratings on foreign currency deposits. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position. See also "Risk Factors - Risks Relating to Our Business - We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds". 108

Capital Expenditure The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets. Fiscal 2003 --- Cost at March Additions/ Deletions/ Net assets at March 31, 31, 2002 transfers transfers Depreciation 2003 ------------- ------------ ---------- ------------ ------------------------- (in millions) Land Rs. 1,336 Rs. 199 Rs. - Rs. 82 Rs. 1,453 US$ 33 Buildings.................. 7,208 4,224 (238) 930 10,264 235 Equipment, furniture and others.................... 5,727 7,808 (874) 4,234 8,427 193 Construction in progress.... 469 1,010 (402) 6 1,071 25 ------------- ------------ ---------- ------------ ----------- ----------- Total....................... Rs. 14,740 Rs. 13,241 Rs. (1,514) Rs. 5,252 Rs. 21,215 US$ 486 ============= ============ ========== ============ ========== =========== Fiscal 2004 --- Cost at March Additions/ Deletions/ Net assets at March 31, 31, 2003 transfers transfers Depreciation 2004 ------------- ------------ ---------- ------------ ------------------------- (in millions) Land Rs. 1,535 Rs. 79 Rs. (88) Rs. 207 Rs. 1,319 US$ 30 Buildings.................. 11,194 1,611 (492) 1,302 11,011 252 Equipment, furniture and others(1)................ 12,661 3,950 (212) 6,534 9,865 226 Construction in progress.... 1,077 (89) .. 988 23 ------------- ------------ ---------- ------------ ----------- ----------- Total Rs. 26,467 Rs. 5,640 Rs. (881) Rs. 8,043 Rs. 23,183 US$ 531 ============= ============ ========== ============ ========== =========== --------------- (1) Includes equipment and furniture, and others category as specified in Note 13 to our consolidated financial statements. Fiscal 2005 --- Cost at March Additions/ Deletions/ Net assets at March 31, 31, 2004 transfers transfers Depreciation 2005 ------------- ------------ ---------- ------------ ------------------------- (in millions) Land....................... Rs. 1,526 Rs. 190 Rs. (68) Rs. 268 Rs. 1,380 US$ 31 Buildings.................. 12,313 2,292 (50) 1,788 12,767 293 Equipment, furniture and others(1)............ 16,399 4,932 (230) 10,423 10,678 245 Construction in progress... 988 440 (191) 7 1,230 28 ------------- ------------ ---------- ------------ ----------- ----------- Total...................... Rs. 31,226 Rs. 7,854 Rs. (539) Rs. 12,486 Rs. 26,055 US$ 597 --------------- (1) Includes equipment and furniture, and others category as specified in Note 13 to our consolidated financial statements. Our capital expenditure on property and equipment was Rs. 7.9 billion (US$ 180 million) for fiscal 2005. Capital expenditure of Rs. 4.9 billion (US$ 113 million) on equipment, furniture and others included Rs. 1.7 billion (US$ 40 million) on computers and software. The increase of Rs. 2.9 billion (US$ 66 million) in the value of net assets was primarily due to additions in buildings, equipment and furniture of ICICI Bank Limited. This increase was commensurate with the increase in number of branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. 109

Significant Changes Except as stated in this annual report, no significant changes have occurred to us since the date of the fiscal 2005 consolidated financial statements contained in this annual report. Segment Revenues and Assets Our operations are classified into the following segments: commercial banking segment, investment banking segment and others. Segment data for previous periods has been reclassified on a comparable basis. The commercial banking segment provides medium-term and long-term project and infrastructure financing, securitization, factoring, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The investment banking segment includes ICICI Bank's treasury operations and the operations of ICICI Securities, and deals in the debt, equity and money markets and provides corporate advisory products such as mergers and acquisition advice, loan syndication advice and issue management services. Others consist of various operating segments that do not meet the requirements to be reported as an individual reportable segment as defined in SFAS No. 131 on Disclosure about Segments of an Enterprise and Related Information. Operating segments are defined as components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker evaluates performance and allocates resources based on an analysis of various performance indicators for each of the above reportable segments. Components of profit and loss are evaluated for commercial banking and investment banking segments. Further, the chief operating decision maker specifically reviews assets of our retail loan operations, which are part of the commercial banking segment. The segment-wise information presented below is consistent with the management reporting. Commercial Banking Segment Fiscal 2005 compared to Fiscal 2004 Net income of the commercial banking segment was Rs. 4.3 billion (US$ 99 million) in fiscal 2005 as compared to a net loss of Rs. 4.4 billion (US$ 100 million) in fiscal 2004, primarily due to an increase in net interest income by Rs. 5.7 billion (US$ 131 million) and non-interest income by Rs. 5.5 billion (US$ 126 million) in fiscal 2005 as compared to fiscal 2004 and lower provisions for loan losses of Rs. 14.7 billion (US$ 337 million) for fiscal 2005 compared to Rs. 20.0 billion (US$ 459 million) for fiscal 2004, offset, in part by an increase of Rs. 6.0 billion (US$ 138 million) in non-interest expense. Net interest income, including dividends, increased 32.3% to Rs. 23.4 billion (US$ 537 million) for fiscal 2005 from Rs. 17.7 billion (US$ 406 million) for fiscal 2004 primarily due to replacement of higher cost liabilities of ICICI Limited with relatively lower cost deposits resulting in a positive impact on the net interest income. Provisions for loan losses decreased 26.7% to Rs. 14.7 billion (US$ 337 million) for fiscal 2005 from Rs. 20.0 billion (US$ 459 million) for fiscal 2004 primarily due to lower additions to gross restructured and other impaired loans. Non-interest income increased 33.7% to Rs. 21.9 billion (US$ 502 million) in fiscal 2005 from Rs. 16.4 billion (US$ 375 million) in fiscal 2004. The large increase was primarily due to growth in retail liability product income like account servicing charges and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. During the year we increased charges and introduced new charges for some of the services that we offer to our deposit customers. There was a significant increase in business volume of transaction banking services like bankers acceptances, bank guarantees and cash management services. Non-interest expense increased 30.9% to Rs. 25.5 billion (US$ 584 million) in fiscal 2005 from Rs. 19.5 billion (US$ 446 million) in fiscal 2004 primarily due to an increase in salary and other administration expenses. Fiscal 2004 compared to Fiscal 2003 The commercial banking segment incurred a net loss of Rs. 4.4 billion (US$ 100 million) in fiscal 2004 and a net loss of Rs. 7.8 billion (US$ 180 million) in fiscal 2003, primarily due to provisions for loan losses of Rs. 20.0 billion (US$ 459 million) in fiscal 2004 and Rs. 19.6 billion (US$ 450 million) in fiscal 2003 respectively. The decrease in net loss in fiscal 2004 in comparison with fiscal 2003 was primarily due to an increase in non-interest income partly offset by an increase in non-interest expense. 110

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

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

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

Related party balances The following balances payable to/receivable from related parties were included in the balance sheet: At March 31, ------------------------- 2004 2005 ---------- ---------- (in millions) Loans..................................... Rs. 20 Rs. 9 Other assets............................... 3,353 62 Deposits.................................. 700 1,621 Other liabilities.......................... 50 23 Critical Accounting Policies In order to understand our financial condition and results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those policies. Our accounting and reporting policies are in accordance with US GAAP and conform to standard accounting practices relevant to our products and services and the businesses in which we operate. US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation. We have identified three critical accounting policies, based on the judgments and estimates required in the application of these policies. These include valuation of securities and accounting for derivative transactions and hedging activities, allowance for loan losses and accounting for securitization transactions. Additional information about these policies can be found in Note 1 to our consolidated financial statements. The statements below contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. See "Forward-Looking Statements". Allowance for loan losses The allowance for loan losses represents management's estimate of probable losses inherent in the portfolio. We have developed appropriate policies and procedures for assessing the adequacy of the allowance for loan losses that reflect our careful evaluation of credit risk considering all information available to us. In developing this assessment, we must rely on estimates and exercise judgment regarding matters where the ultimate outcome is unknown, such as economic factors, developments affecting companies in specific industries and issues with respect to single borrowers. Depending on changes in circumstances, future assessments of credit risk may yield materially different results, which may require an increase or a decrease in the allowance for loan losses. Larger balance, non-homogenous exposures representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources and payment record and the realizable value of any collateral. Loans identified as trouble debt restructuring or other impaired with a balance of Rs. 100 million and above are individually reviewed and an allowance is determined based on the difference between the loan's carrying value and the loan's fair value. Fair value is based on either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price or the fair value of the collateral, less disposal costs, if the loan is collateral dependent. No other allowance is provided on impaired loans that are individually reviewed. Each portfolio of smaller-balance, homogenous loans, including consumer loans and credit card receivables, is evaluated for impairment. The allowance for loan losses attributed to these loans is established by a process that includes an estimate of probable losses inherent in the portfolio. These include historical delinquency and credit loss experience and current trends and conditions. 113

These evaluation processes are subject to numerous estimates and judgments. The use of different estimates or assumptions could produce different results. We regularly monitor qualitative and quantitative trends in the loan portfolio, including changes in the levels of restructured loans and other impaired loans. The distribution of the allowance as described above does not diminish the fact that the entire allowance is available to absorb credit losses in the loan portfolio. Our principal focus, therefore, is on the adequacy of the total allowance for loan losses. Valuation of Securities and Accounting for Derivatives Transactions and Hedging Activities Our securities are classified into available for sale securities, trading securities, venture capital investments and non-readily marketable securities. The classification into available for sale and trading securities is based on management's intention at the time of purchase. We no longer classify investments in debt securities as held to maturity, due to sale of certain held to maturity securities in fiscal 2002 by ICICI for reasons other than those specified in SFAS No. 115. Further, we offer derivative products to our customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. The derivatives market in India is evolving and our derivative volumes have increased significantly since the amalgamation. The fair values of quoted securities are determined based on market prices. The fair value of securities for which quoted market prices are not available is estimated as follows: o The fair value of unquoted government of India securities is estimated based on the yields to maturity of these securities published by certain agencies approved by the Reserve Bank of India. o The fair value of other unquoted securities and preference shares is computed based on the mark-up, based on the credit rating of the issuer by a credit rating agency, over the yields to maturity for government of India securities, as published by certain agencies approved by the Reserve Bank of India. o The fair values of investments in unquoted mutual fund units are estimated based on the latest repurchase price declared by the mutual fund in respect of each particular scheme. If the repurchase price is not available, the fair value is estimated based on the net asset values of the respective mutual fund scheme. o The fair values of certain derivative contracts are derived from pricing models that consider market and contractual prices for the underlying financial instruments, as well as the time value of money, the yield curve and any other volatility factors underlying the positions. Changes in values of available-for-sale securities are recognized net of taxes as a component of stockholders' equity, unless the value is impaired and the impairment is not considered to be temporary. Impairment losses that are not considered temporary are recognized in the income statement. We conduct regular reviews to assess whether other-than-temporary impairment exists. Changes in the fair values of trading account assets are recognized in the income statement. Equity securities, forming part of our securities portfolio, are considered as publicly traded if they have been traded on a securities exchange within six months prior to the relevant fiscal year-end. The fair value of such securities is the last quoted price. Non-readily marketable equity securities are recorded at cost and a provision is made for other than temporary diminution. Equity securities acquired by conversion of loans in a troubled debt restructuring are stated at their fair values and accounted for in the same manner as equity investments acquired for cash. The fair values of publicly traded venture capital investments are generally based upon quoted market prices. In certain situations, including thinly traded securities, large block holdings, restricted shares or other special situations, the quoted market price is adjusted to produce an estimate of the attainable fair value for the securities. For securities that are not publicly traded, fair value is determined in good faith pursuant to procedures established by the board of directors of the venture capital subsidiary. In determining the fair value of these securities, consideration is given to the financial conditions, operating results and prospects of the underlying companies, and any other factors deemed relevant. Since the valuations are inherently uncertain, these estimated values may differ 114

significantly from the values that would have been used had a ready market for the investments existed. Changes in fair values of venture capital investments are recognized in the income statement. SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values with unrealized gains and losses recorded either in accumulated other comprehensive income or in the statement of income, depending on the purpose for which the derivative was held. We provide forward contracts to our customers for hedging their short-term exchange rate risk on foreign currency denominated receivables and payables. We generally provide this facility for a term of up to six months and occasionally up to 12 months. We also offer interest rate and currency swaps to our customers for hedging their medium and long-term risks due to interest rate and currency exchange rate movements. We offer these swaps for a period ranging from three to 10 years. We also hedge our own exchange rate risk related to our foreign currency trading portfolio with products from banking counterparties. At the inception of a hedge transaction, we formally document the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for measuring effectiveness of the hedge. In addition, we assess both at the inception of the hedge and on an ongoing basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective. Derivatives that do not meet the criteria for designation as a hedge under SFAS No. 133 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the statement of income. We discontinue hedge accounting prospectively when it is either determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction would occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate. Changes in the fixed income, equity, foreign exchange markets would impact our estimate of fair value in the future, potentially affecting principal trading revenues. Similarly, pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could produce different financial results. Securitization We primarily securitize commercial loans through "pass-through" securitizations. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. Transfers that do not meet the criteria for a sale under SFAS No. 140, are required to be recorded as secured borrowings with a pledge of collateral, and such secured borrowings are required to be reported as a component of other borrowings. Recourse and servicing obligations and put options written are recorded as proceeds of the sale. Retained beneficial interests in the loans and servicing rights are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization. The fair values are determined using financial models or quoted market prices or sale value of similar assets. Financial models and their underlying assumptions relating to delinquency, prepayments, servicing costs and conversions from floating rate loans to fixed rate loans, impact the amount and timing of gains and losses recognized and the valuation of retained interests, and the use of different financial models or assumptions could produce different financial results. 115

Recently Issued Accounting Standards Accounting changes and error corrections In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154") which replaces Accounting Principles Board ("APB") Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28". SFAS No. 154 applies to all voluntary changes in accounting principles and provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principles and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Share based payment On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123(R) would be applicable to all awards granted, modified or settled in the first reporting period under US GAAP that begins after June 15, 2005. Statement 123(R) permits public companies to adopt its requirements using one of two methods: A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. The company plans to adopt Statement 123 using the modified-prospective method. As permitted by Statement 123, the company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in our consolidated financial statements. Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. Other-than-temporary impairments of securities In November 2003, the Financial Accounting Standards Board ("FASB") ratified a consensus on the disclosure provisions of Emerging Issues Task Force ("EITF") Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." In March 2004, the FASB reached a consensus regarding the application of a three-step impairment model to determine whether investments accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and other cost method investments are other-than-temporarily impaired. However, with the issuance of FASB Staff Position EITF 03-1-1, 116

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

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

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

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

Our board of directors at September 23, 2005 had the following members:
-- Name, Designation and Profession Age Date of Appointment Other appointments
-- Mr. Narayanan Vaghul 69 March 27, 2002 Chairman Chairman Asset Reconstruction Company (India) Limited GIVE Foundation Chairman: Himatsingka Seide Limited Agriculture & Small Enterprises Business ICICI Knowledge Park Committee Mahindra Industrial Park Limited Board Governance & Remuneration Pratham India Education Initiative Committee Pratham Tamil Nadu Education Initiative Business Strategy Committee Director Credit Committee Air India Limited Risk Committee Air India Air Transport Services Limited Air India Engineering Services Limited Profession: Apollo Hospitals Enterprise Limited Development Banker Azim Premji Foundation Hemogenomics Private Limited Mittal Steel Europe SA Mittal Steel Company NV Mittal Steel Caribbean Mahindra & Mahindra Limited Nicholas Piramal India Limited Technology Network (India) Private Limited Wipro Limited
-- Mr. Sridar Iyengar 58 April 30, 2005 Director American India Foundation Profession: Foundation for Democratic Reforms in India Inc. Business Advisor Infosys Technologies Limited Progeon Limited Rediff.com Rediff Holdings Inc. TiE Inc.
-- Mr. Lakshmi Niwas Mittal 55 May 3, 2002 Director Artha Limited Profession: Galmatias Limited Industrialist Irish Ispat Limited Ispat Inland Holdings Inc. Ispat Inland Inc. Ispat Inland L.P. Ispat (US) Holdings Inc. LNM Capital Limited Lucre Limited Mittal Canada Inc. Mittal Steel Annaba Spa Mittal Steel Company N.V. Mittal Steel Company Limited Mittal Steel Europe SA Mittal Steel Galati SA Mittal Steel Holdings NV 120

-- Name, Designation and Profession Age Date of Appointment Other appointments
-- Mittal Steel Holdings BV Mittal Steel Lazaro Cardenas SA de CV Mittal Steel Mexico SA de CV Mittal Steel Ostrava a.s. Mittal Steel Point Lisas Limited Mittal Steel Poland S.A. Mittal Steel Skopje (CRM) a.d. Mittal Steel Skopje (HRM) a.d. Mittal Steel South Africa Limited Mittal Steel Tebessa Spa Mittal Steel Temirtau JSC Mittal Steel Zenica Nestor Limited Nuav Limited Pratham UK Limited Tommyfield Limited
-- Mr. Anupam Pradip Puri 59 May 3, 2002 Director Dr. Reddy's Laboratories Limited Profession: Godrej Consumer Products Limited Management Consultant Mahindra-British Telecom Limited Mahindra & Mahindra Limited Patni Computer Systems Limited --
Mr. Vinod Rai 57 January 3, 2003 Director Additional Secretary (Financial Sector) Bank of Baroda IFCI Limited Ministry of Finance, Government of India Infrastructure Development Finance Company Limited Profession: Small Industries Development Bank of India Government Service
-- Mr. Somesh Ramchandra Sathe 60 January 29, 1998 Managing Director Arbes Tools Private Limited Profession: ESSP Meditek Private Limited Technocrat Entrepreneur Sukeshan Equipments Private Limited
-- Mr. Mahendra Kumar Sharma 58 January 31, 2003 Vice-Chairman Hindustan Lever Limited Chairman: Chairman Fraud Monitoring Committee Vasishti Detergents Limited Share Transfer & Shareholders'/Investors' Director Grievance Committee Hind Lever Trust Limited Indexport Limited Profession: Lever India Exports Limited Company Executive Lever Associated Trust Limited Nepal Lever Limited Toc Disinfectants Limited -- -----
------------------ -- Mr. Priya Mohan Sinha 65 January 22, 2002 Chairman Bata

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

-- Name, Designation and Profession Age Date of Appointment Other appointments
-- Lafarge India Limited Wipro Limited
-- Prof. Marti Gurunath Subrahmanyam 59 May 3, 2002 Director Infosys Technologies Limited Profession: Nexgen Financial Holdings Limited Professor Nexgen Re Limited Nomura Asset Management (U.S.A.), Inc. Supply Chainge Inc. The Animi Offshore Fund Limited The Animi Offshore Concentrated Risk Fund Usha Communication Inc. Director - Board of Governors National Institute of Securities Markets Director - Advisory Board Metahelix Life Sciences Private Limited Microcredit Foundation of India
-- Mr. T.S. Vijayan 52 April 30, 2005 Managing Director Life Insurance Corporation of India Profession: Director Company Executive LIC HFL Care Homes Limited
-- Mr. V. Prem Watsa 55 January 29, 2004 Chairman & CEO Fairfax Financial Holdings Limited Profession: Chairman Company Executive 4129768 Canada Inc. Crum & Foster Holdings Corp. Northbridge Financial Corporation TIG Holdings, Inc. President 1109519 Ontario Limited 810679 Ontario Limited FFHL Share Option 1 Corp. The Sixty Two Investment Company Limited Vice-President FFHL Group Limited Vice-President & Secretary Hamblin Watsa Investment Counsel Limited Director Hudson Insurance Company Lindsey Morden Acquisitions Lindsey Morden Group Inc. Odyssey Re Holdings Corp. The Sixty Four Foundation The Sixty Three Foundation 122

-- Name, Designation and Profession Age Date of Appointment Other appointments
-- Mr. Kundapur Vaman Kamath 57 April 17, 1996 Chairman Managing Director & CEO ICICI Bank Canada (Managing Director ICICI Bank UK Limited Chairman: effective May 3, 20 ICICI Lombard General Insurance Company Limited Committee of Directors ICICI Prudential Life Insurance Company Limited ICICI Securities Limited Profession: ICICI Venture Funds Management Company Company Executive Limited Investment Credit Bank Limited Liability Company Director Indian Institute of Management, Ahmedabad Visa International Asia Pacific Regional Board Director - Board of Governors Indian Institute of Information Technology Member - Governing Board Indian School of Business -- Ms. Lalita Dileep Gupte 56 September 12, 1994 Director Joint Managing Director (Joint Managing Dir ICICI Bank Canada effective May 3, 20 ICICI Bank UK Limited Chairperson: ICICI Lombard General Insurance Company Limited Asset Liability Management Committee ICICI Prudential Life Insurance Company Limited ICICI Securities Limited Profession: ICICI Venture Funds Management Company Company Executive Limited Investment Credit Bank Limited Liability Company
-- Ms. Kalpana Morparia 56 May 3, 2002 Chairperson Deputy Managing Director ICICI Investment Management Company Limited Profession: Director Company Executive ICICI Lombard General Insurance Company Limited ICICI Prudential Life Insurance Company Limited ICICI Securities Limited ICICI Venture Funds Management Company Limited
-- Ms. Chanda

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

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

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

1,900,000 (US$ 43,558), Chanda D. Kochhar - Rs. Nil (US$ Nil), Nachiket Mor - Rs. 812,500 (US$ 18,627) and all other executive officers Rs. 4,788,750 (US$ 109,783). (2) Bonus for fiscal 2005 was paid in fiscal 2006. (3) Executive officers and directors as a group held around 0.5% of ICICI Bank's equity shares as of this date. (4) Each stock option, once exercised, is equivalent to one equity share of ICICI Bank. ICICI Bank granted these stock options to its executive officers at no cost. See "-Compensation and Benefits to Directors and Officers- Employee Stock Option Scheme" for a description of the other terms of these stock options. (5) In accordance with the Scheme of Amalgamation, directors and employees of ICICI have received stock options in ICICI Bank equal to half the number of the outstanding unexercised stock options they held in ICICI with the exercise price of these options being equal to twice the exercise price for the ICICI stock options exchanged. The stock options mentioned above include ICICI stock options converted into ICICI Bank stock options on this basis. Mr. K.V. Kamath is a mechanical engineer and a post-graduate in business management from the Indian Institute of Management, Ahmedabad. He joined ICICI in 1971 and worked in the areas of project finance, leasing, resources and corporate planning. In 1988, he left ICICI to join the Asian Development Bank, where he worked for six years. In January 1995, he joined a private sector group in Indonesia as advisor to its chairman. Mr. Kamath joined the board of directors of ICICI in October 1995. He was appointed Managing Director & CEO of ICICI in May 1996 and was re-appointed in May 2001. Mr. Kamath was a non-wholetime director on the board of ICICI Bank from April 1996. Effective May 3, 2002 our board appointed Mr. Kamath as Managing Director & CEO. Our board and shareholders have approved his re-appointment as Managing Director & CEO until April 30, 2009 on the expiry of his tenure of appointment on April 30, 2006, subject to the approval of the Reserve Bank of India. Ms. Lalita D. Gupte has a Bachelor of Arts degree and also holds a Masters degree in management science from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai. She joined ICICI in 1971, where she worked in the areas of project finance, leasing, resources and treasury, and credit operations. She joined the board of directors of ICICI in June 1994 as Executive Director and was designated as Deputy Managing Director in 1996. In April 1999, she was designated as the Joint Managing Director and Chief Operating Officer of ICICI. From July 2001, she was designated as Joint Managing Director and Chief Operating Officer - International Business. Ms. Gupte was a non-wholetime director on the board of ICICI Bank from September 1994. Effective May 3, 2002, our board appointed Ms. Gupte as Joint Managing Director. Our board and shareholders have approved her re-appointment as Joint Managing Director until October 31, 2006 on the expiry of her tenure of appointment on June 23, 2004. She is currently in charge of the international operations. Ms. Kalpana Morparia holds Bachelor's degrees in science and law. She worked in the legal department of ICICI from 1975 to 1994. From 1996, when she was designated as General Manager, she was in charge of the legal, planning, treasury and corporate communications departments. In 1998, she was designated a Senior General Manager of ICICI. She joined the board of directors of ICICI in May 2001. Effective May 3, 2002 our board appointed Ms. Morparia as an Executive Director. Effective February 1, 2004, our board designated her as Deputy Managing Director. She is currently in charge of the Corporate Centre which includes the strategy, risk management, legal, finance, treasury, secretarial, human resources management, corporate communications and facilities management and administration functions. Our board and shareholders have approved her re-appointment as a wholetime director until May 31, 2007 on the expiry of her current term of appointment on April 30, 2006, subject to the approval of the Reserve Bank of India. Ms. Chanda D. Kochhar holds a management degree from the Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate credit, infrastructure financing, e-commerce, strategy and retail finance. Ms. Kochhar was designated a Senior General Manager of ICICI in 2000 and was in charge of its retail business. She was appointed to our board as an Executive Director in April 2001. She is currently responsible for the retail banking operations. Our board and shareholders have approved her re-appointment as a wholetime director until March 31, 2011 on the expiry of her current term of appointment on March 31, 2006, subject to the approval of the Reserve Bank of India. Dr. Nachiket Mor holds a post-graduate diploma in finance management from the Indian Institute of Management, Ahmedabad and a Doctorate of Philosophy in Financial Economics from the University of Pennsylvania, Philadelphia, USA. He started his career as an officer in the corporate planning and policy cell of 126

ICICI in 1987. He has worked in the areas of project and corporate finance, corporate planning and treasury. Dr. Mor was designated a Senior General Manager of ICICI in 2000 and was in charge of treasury. He was appointed to our board of directors as an Executive Director in April 2001. He is currently responsible for wholesale banking. Our board and shareholders have approved his re-appointment as a wholetime director until March 31, 2011 on the expiry of his current term of appointment on March 31, 2006, subject to the approval of the Reserve Bank of India. Mr. Balaji Swaminathan is a graduate in commerce from Calcutta University, a chartered accountant and a cost and works accountant. Mr. Balaji Swaminathan started his career with KPMG International in 1989. He worked in KPMG India as Partner/Director from 1994 to 2001. He joined ICICI in August 2001 as its Chief Financial Officer and was the Chief Financial Officer of ICICI up to March 31, 2002. He was the Chief Financial Officer of ICICI Bank from April 1, 2002 to March 31, 2003. Currently, he is responsible for corporate banking. Mr. Bhargav Dasgupta is an engineer and has a post graduate degree in management from Indian Institute of Management, Bangalore. He joined ICICI in 1992 in the project finance department. In 2003 he was designated a Senior General Manager of ICICI Bank. Currently, he is responsible for international banking. Mr. K. Ramkumar is a science graduate from Madras University with post-graduate diploma in industrial relations and labor laws. He worked with ICI India before joining ICICI in 2001 in the human resources department. In 2004, he was designated as Senior General Manager of ICICI Bank and he is currently in charge of human resources management, facilities management and administration and retail infrastructure. Ms. Madhabi Puri-Buch is a graduate in mathematical economics and has a post-graduate degree in management from the Indian Institute of Management, Ahmedabad. She joined ICICI in 1989 in the project finance department. She left ICICI in 1992 and worked in ANZ Grindlays Bank and ORG MARG Research before joining ICICI again in January 1997 in the planning and treasury department. In 2003 she was designated a Senior General Manager of ICICI Bank. Currently, she is responsible for operations and service delivery, wholesale banking products and technology and the corporate brand management function. Mr. Nagesh Pinge is a commerce and law graduate from Mumbai University, and a chartered accountant. He joined ICICI in 1983 in the leasing department. He left ICICI in 1989 and worked in other financial services companies before joining ICICI again in April 1998 in the risk management department. He was designated as Senior General Manager in 2004 and is currently in charge of compliance and audit. Mr. P.H. Ravikumar is a graduate from Osmania University and is a Certified Associate of the Indian Institute of Bankers. Mr. Ravikumar started his career with Bank of India in 1972. He joined ICICI Bank in 1994. He was designated as Senior Executive Vice-President in 1998 and was in charge of treasury, foreign exchange and credit. Mr. Ravikumar joined ICICI in April 2001 as a Senior General Manager. He is currently on secondment to the National Commodity & Derivatives Exchange Limited as its Managing Director. Mr. Pravir Vohra is a post-graduate in economics from Delhi University. He was Joint President in 3i Infotech Limited (formerly ICICI Infotech Limited) before he joined ICICI Bank in 2002. He was designated as Senior General Manager in 2005 and he is currently in charge of the technology management and retail technology. Ms. Ramni Nirula is a post-graduate in management studies from Delhi University. She joined ICICI in 1975 and held various positions in the northern regional office of ICICI. She was designated as Senior General Manager of ICICI in fiscal 2000. She was the Managing Director & CEO of ICICI Securities from January 1, 2003 to January 31, 2004. She is currently responsible for government banking, rural and micro-banking and agri-business. Mr. Sanjiv Kerkar is a chemical engineer and holds a management degree from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He worked with ICICI from 1979 to 1993. Mr. Kerkar worked with Asian Finance and Investment Company from 1993 to 1996. In 1996, he re-joined ICICI and was designated a Senior General Manager of ICICI in 1998. Currently, Mr. Kerkar heads the Organizational Excellence Group, which is responsible for our quality initiatives. Mr. V. Vaidyanathan has Bachelor's and Master's degrees in business administration from Birla Institute of Technology & Science, Ranchi. He worked in Citibank N.A. before joining ICICI in 2000 in the personal financial 127

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services division. In 2003 he was designated a Senior General Manager of ICICI Bank. Currently, he is responsible for retail products and distribution. Ms. Vishakha Mulye is a commerce graduate from Mumbai University, and a chartered accountant. Ms. Mulye joined ICICI in 1993 in the project finance department. She was designated as Senior General Manager in 2004. Currently she is our Chief Financial Officer and Treasurer. Corporate Governance Our corporate governance policies recognize the accountability of the board and the importance of making the board transparent to all its constituents, including employees, customers, investors and the regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities. Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management. Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. Our board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of our board include: o approving corporate philosophy and mission; o participating in the formulation of strategic and business plans; o reviewing and approving financial plans and budgets; o monitoring corporate performance against strategic and business plans, including overseeing operations; o ensuring ethical behavior and compliance with laws and regulations; o reviewing and approving borrowing limits; o formulating exposure limits; and o keeping shareholders informed regarding plans, strategies and performance. To enable our board of directors to discharge these responsibilities effectively, executive management gives detailed reports on our performance to the board on a quarterly basis. Our board functions either as a full board or through various committees constituted to oversee specific operational areas. These board committees meet regularly. The constitution and main functions of the various committees are given below. Agriculture & Small Enterprises Business Committee The Agriculture & Small Enterprises Business Committee comprises four independent Directors - Mr. N. Vaghul, Mr. Somesh R. Sathe, Mr. M.K. Sharma and Mr. P.M. Sinha. Mr. N. Vaghul is the Chairman of the Committee. The functions of the Agriculture & Small Enterprises Business Committee include review of our business strategy in the agri-business and small enterprises segments and review of the quality of the agricultural lending and small enterprises finance credit portfolio. 128

Audit Committee The Audit Committee comprises three independent directors - Mr. Sridar Iyengar, who is a chartered accountant, Mr. M.K. Sharma and Mr. Somesh R. Sathe. In view of the retirement of Mr. Uday Chitale, the committee will appoint a Chairman at its next Meeting. Mr. M.K. Sharma was appointed as Alternate Chairman of the Committee effective July 22, 2004. Our board of directors has determined that Mr. Sridar Iyengar qualifies as an audit committee financial expert. The Audit Committee provides direction to the audit and risk management function and monitors the quality of the internal and statutory audit. The responsibilities of the Audit Committee include overseeing of the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and fixation of their remuneration, review of the annual financial statements before submission to our board, review of the adequacy of internal control systems and the internal audit function, review of customer service initiatives and functioning of customer service council, review of compliance with the inspection and audit reports of Reserve Bank of India and reports of statutory auditors, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit. In addition, as required by Rule 10A-3 under the Exchange Act, the Audit Committee is empowered to appoint and oversee the work of any registered public accounting firm, establish procedures for the receipt and treatment of complaints regarding accounting and auditing matters, engage independent counsel and provide for appropriate funding for compensation to be paid to any advisors. All audit and non-audit services to be provided by our principal accountants are pre-approved by the Audit Committee before such services are provided to us. Board Governance & Remuneration Committee The Board Governance & Remuneration Committee comprises five independent directors - Mr. N. Vaghul, Mr. Anupam Puri, Mr. P. M. Sinha, Mr. M.K. Sharma and Prof Marti G. Subrahmanyam. Mr. N. Vaghul is the Chairman of the Committee. The functions of the Board Governance & Remuneration Committee include recommendation of appointments to our board, evaluation of the performance of the Managing Director & CEO and other wholetime Directors on pre-determined parameters, recommendation to our board of the remuneration (including performance bonuses and perquisites) to wholetime directors, approving the policy for and quantum of bonus payable to the members of the staff, framing guidelines for the employees stock option scheme and recommendation of grant of stock options to the staff and wholetime directors of ICICI Bank and its subsidiary companies. Business Strategy Committee The Business Strategy Committee comprises five directors - Mr. N. Vaghul, Mr. Anupam Puri, Mr. M. K. Sharma, Mr. P. M. Sinha and Mr. K. V. Kamath. The majority of the members of this Committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee. The functions of the Business Strategy Committee are to approve the annual income and expenditure and capital expenditure budgets for presentation to our board for final approval and to review and recommend to our board our business strategy. Credit Committee The Credit Committee comprises four directors - Mr. N. Vaghul, Mr. Somesh R. Sathe, Mr. M. K. Sharma and Mr. K. V. Kamath. The majority of the members of the committee are independent directors and Mr. N. Vaghul is the Chairman of the Committee. The functions of this Committee include review of developments in key industrial sectors and approval of credit proposals in accordance with the authorization approved by our board. 129

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

Principal Accountant Fees and Services The total fees (excluding service tax and out of pocket expenses) paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2004 and fiscal 2005 and the fees for other professional services billed in fiscal 2004 and fiscal 2005 are as follows: Convenience translation into US$ --------------------- Year ended March 31, Year ended March 31, ------------------------ --------------------- 2004 2005 2005 ----------- ----------- --------------------- (in millions) Audit Audit of ICICI Bank Limited and its subsidiaries.................... Rs. 28.1 Rs. 31.8 728,857 Audit-related services Opinion on non-statutory accounts presented in Indian Rupees.... 0.2 6.7 153,709 Sub-total.. 28.3 38.5 882,566 Non-audit services Tax services Tax compliance.. 0.7 1.5 35,335 Application for offshore banking license........................ 1.0 - - Other services... 2.1 2.0 44,085 Sub-total.. 3.8 3.5 79,420 ------ ------ --------- Total... 32.2 42.0 961,986 ====== ====== ========= Fees for "other services" are principally fees related to certification services to one of our subsidiaries. Our Audit Committee approved the fees paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2005 and fees for other professional services billed in fiscal 2005. Our Audit Committee preapproves all major assignments undertaken for us by KPMG. Summary Comparison of Corporate Governance Practices The following is a summary comparison of significant differences between our corporate governance practices and those required by the NYSE for US issuers. Independent directors. A majority of our board are independent directors, as defined under applicable Indian legal requirements. Under these requirements, directors are not independent if they have any material pecuniary relationship or transactions with us, our management or our subsidiaries. We have not made a determination as to whether our directors would be considered independent under the NYSE rules. Though the judgment on independence must be made by our board, there is no requirement that our board affirmatively make such determination, as required by the NYSE rules. Further, one of our directors is a representative of the Indian government, as required by the terms of the loan and guarantee facilities provided by the Indian government. Non-management directors meetings. Though there is no such requirement under applicable Indian legal requirements, our non-management directors meet separately before each board meeting. Board Governance and Remuneration Committee and the Audit Committee. The members of our Board Governance and Remuneration Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our board are described above and comply with the spirit of the NYSE requirements for US issuers. Corporate Governance Guidelines. Under NYSE rules, US issuers are required to adopt and disclose corporate governance guidelines addressing matters such as standards of director qualification, responsibilities of directors, director compensation, director orientation and continuing education, management succession and annual 131

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

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

Employee Stock Option Scheme On January 24, 2000, our board approved an employee stock option scheme to attract, encourage and retain high performing employees. ICICI Bank's shareholders approved this scheme at the extraordinary general meeting on February 21, 2000. This scheme was drafted in accordance with guidelines issued by the Securities and Exchange Board of India. Under this scheme, up to 5.0% of our issued equity shares at March 31, 2000 could be allocated to employee stock options. The employee stock option scheme as amended by the Scheme of Amalgamation restricted the maximum number of options granted to any eligible employee (as defined below) to 0.05% of our issued equity shares at the time of the grant, and the aggregate of all such options to 5.0% of our issued equity shares following the amalgamation. In April 2004, our board approved the recommendation of the Board Governance & Remuneration Committee to modify the limit of the aggregate number of options that could be granted under the employee stock option scheme to 5.0% of our issued capital as on the date of grant. The shareholders approved the modification at our annual general meeting held on September 20, 2004. Under the stock option scheme, eligible employees are entitled to apply for equity shares. An eligible employee is a permanent employee or a director of ICICI Bank or of its subsidiaries or its holding company. ICICI Bank has no holding company. The options granted for fiscal 2003 and earlier vest annually in a graded manner over a three-year period, with 20.0%, 30.0% and 50.0% of the grants vesting each year, commencing not earlier than 12 months from the date of grant. Options granted for fiscal 2004 and thereafter vest in a graded manner over a four-year period with 20.0%, 20.0%, 30.0% and 30.0% of grants vesting each year, commencing from the end of 12 months from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The exercise price for options granted prior to June 30, 2003 is equal to the market price of our equity shares on the date of grant on the stock exchange, which recorded the highest trading volume on the date of grant. On June 30, 2003, the Securities and Exchange Board of India revised its guidelines on employee stock options. While the revised guidelines provided that companies were free to determine the exercise price of stock options granted by them, they prescribed accounting rules and other disclosures, including expensing of stock options in the income statement, which are applicable to our Indian GAAP financial statements, in the event the exercise price was not equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. Effective July 22, 2004, the Securities and Exchange Board of India revised this basis of pricing to the latest available closing price, prior to the date of the meeting of the board of directors in which options are granted, on the stock exchange which recorded the highest trading volume on that date. The exercise price for options granted by ICICI Bank on or after June 30, 2003, but before July 22, 2004 is equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. The exercise price of options granted on or after July 22, 2004 is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options. 133

The following table sets forth certain information regarding the stock option grants ICICI Bank has made under its employee stock option scheme. ICICI Bank granted all of these stock options at no cost to its employees. ICICI Bank has not granted any stock options to its non-wholetime directors. --- Date of grant Number of options granted Exercise price --- February 21, 2000........ 1,713,000 Rs. 171.90 US$ 3.94 April 26, 2001........... 1,580,200 170.00 3.90 March 27, 2002........... 3,155,000 120.35 2.76 April 25, 2003........... 7,338,300 132.05 3.03 July 25, 2003............ 147,500 157.03 3.60 October 31, 2003......... 6,000 222.40 5.10 April 30, 2004........... 7,539,500 300.10 6.88 September 20, 2004....... 15,000 275.20 6.31 April 30, 2005........... 4,906,180 359.95 8.25 August 20, 2005.......... 70,600 498.20 11.42 ICICI also had an employee stock option scheme for its directors and employees and the directors and employees of its subsidiary companies, the terms of which were substantially similar to the employee stock option scheme of ICICI Bank. The following table sets forth certain information regarding the stock option grants made by ICICI under its employee stock option scheme prior to the amalgamation. ICICI granted all of these stock options at no cost to its employees. ICICI had not granted any stock options to its non-wholetime directors. --- Date of grant Number of options granted Exercise price (1) --- August 3, 1999........... 2,323,750 Rs. 85.55 US$ 1.96 April 28, 2000........... 2,902,500 133.40 3.06 November 14, 2000........ 20,000 82.90 1.90 May 3, 2001.............. 3,145,000 82.00 1.88 August 13, 2001.......... 60,000 52.50 1.20 March 27, 2002........... 6,473,700 60.25 1.38 ------------- (1) The exercise price is equal to the market price of ICICI's equity shares on the date of grant. However, the share options granted on August 3, 1999 were accounted as a variable plan resulting in a compensation cost of Rs. 97 million (US$ 2 million) which is being amortized over the vesting period. In accordance with the Scheme of Amalgamation, directors and employees of ICICI and its subsidiary companies received stock options in ICICI Bank equal to half the number of their outstanding unexercised stock options in ICICI. The exercise price for these options is equal to twice the exercise price for the ICICI stock options. All other terms and conditions of these options are similar to those applicable to ICICI Bank's stock options pursuant to its employee stock option scheme. The following table sets forth certain information regarding the options granted by ICICI Bank (including options granted by ICICI adjusted in accordance with the Scheme of Amalgamation) at August 31, 2005. 134

--- Particulars ICICI Bank --- Options granted................................... 33,933,755 Options vested.................................... 17,283,736 Options exercised................................. 11,555,804 Options forfeited/lapsed.......................... 3,186,365 Extinguishment or modification of options.......... None Amount realized by sale of options................ Rs. 1,725,660,773 Total number of options in force.................. 19,191,586 In April 2000, 3i Infotech Limited (formerly ICICI Infotech Limited) approved an employee stock option plan. Under the plan, 3i Infotech is authorized to issue up to 5.0% of its issued equity shares at the time of grant of the options to an eligible employee and 25.0% of its issued equity shares at the time of grant of the options, in aggregate, to all the eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over a three-year period with 20.0%, 30.0% and 50.0% of the options vesting at the end of each year from the date of grant of the options. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. During fiscal 2005, 3i Infotech consolidated its equity shares and re-denominated the face value of its equity shares from Rs. 5 per share to Rs. 10 per share. The number of stock options and their grant prices were also changed accordingly. In April 2005, 3i Infotech made an initial public offering of shares and its shares were listed on stock exchanges in India. 3i Infotech had granted a total of 3,844,050 options from fiscal years 2001 through fiscal year 2005 at the fair value of the underlying shares on the respective grant dates, ranging from Rs. 75 (US$ 1.72) per share to Rs. 200 (US$ 4.59) per share. The fair values were determined by an external valuation specialist and represented management's best estimates considering all known factors. In fiscal 2005, 3i Infotech granted 3,645,775 options in addition to the above, prior to its initial public offering, at Rs. 100 (US$ 2.29) per share. Of the stock options granted since fiscal 2001, 910,820 were forfeited by year-end fiscal 2005. Of the stock options granted since fiscal 2001, 2,443,050 were granted to our directors and executive officers. In October 2002, the board of directors of ICICI Venture Funds Management Company approved a Carry Plan for its employees. The Carry Plan provides for ICICI Venture Funds Management Company to directly pay carry from the performance fee earned by it from the funds managed or advised on by it, to its employees through specific carry trusts created for the purpose. Pursuant to the approval of the board of directors of ICICI Venture Funds Management Company, carry documents have been finalized and the Carry Plan is being implemented. ICICI OneSource has two employee stock option plans. Under the first of these plans, the Compensation Committee of ICICI OneSource is authorized to issue stock options to eligible employees of ICICI OneSource and its subsidiaries, up to 10.0% of the paid up share capital of ICICI OneSource. Eligible employees are granted an option to purchase equity shares of ICICI OneSource at pre-determined exercise price, subject to vesting conditions. The options vest in a graded manner over a four-year period with 25.0% of the options vesting at the end of first year and 12.5% of the options vesting every six months. The options granted may be exercised within nine years from the date of grant. The terms and conditions of the second plan are essentially similar to the first plan, except the following: o The aggregate number of shares to be allotted under the new employee stock option plan, to all persons resident outside India shall not exceed 5.0% of the fully diluted share capital of ICICI OneSource. o The exercise period, within which the employees would exercise the options, would be five years from the date of the grant. 135

The aggregate of stock options to be granted to the employees and directors of ICICI OneSource under both the employee stock option plans may not exceed 10.0% of the fully diluted share capital of ICICI OneSource. ICICI OneSource had granted 3,855,000 options during fiscal 2003 under the first employee stock option plan, at the fair value of Rs. 11.25 per equity share. ICICI OneSource granted 14,120,500 options and 825,000 options during fiscal 2004 under the second employee stock option plan, at the fair value of Rs. 12.89 per equity share and Rs. 18.53 per equity share respectively. ICICI OneSource also granted 375,000 options during fiscal 2004, under the first employee stock option plan, at the fair value of Rs. 12.83 per equity share. ICICI OneSource further granted 200,000 and 3,830,000 stock options during the fiscal 2005 under the second employee stock option plan at the fair value of Rs. 18.53 and Rs. 19.85 per equity share, respectively. The fair values for the fiscal years 2003, 2004 and 2005 have been determined either by an external valuation specialist or based on the highest valuation of the ICICI OneSource received from prospective investors who had indicated their willingness to invest in ICICI OneSource at that valuation. As the shares of ICICI OneSource are not quoted on stock exchanges, the fair value represents management's best estimates considering all known factors. In fiscal 2005, ICICI Prudential Life Insurance Company Limited approved an employee stock option scheme. Under the scheme, ICICI Prudential is authorized to issue options up to 3.0% of its issued capital as on the date of grant. In fiscal 2005, ICICI Prudential issued 3,169,500 founder employee options which vest over a three-year period, with 50% of the options vesting at the end of one year from the date of grant, 25% at the end of the second year and 25% at the end of the third year and authorized the issue of 3,661,250 options for fiscal 2005 that will vest in four equal installments starting from the end of one year from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The exercise price for founder employee options is Rs. 45 (US$ 1.04) per equity share. The exercise price for options granted for fiscal 2005 is Rs. 51 (US$ 1.17) per equity share. Currently, the shares of ICICI Prudential are not quoted on stock exchanges and hence the fair value represents management's best estimates considering all known factors and taking into account prevalent practices for valuation of life insurers. ICICI Lombard General Insurance Company has approved an employee stock option plan under which it is authorised to issue up to 0.10% of its issued equity shares at the time of grant of the options to an eligible employee in a financial year and 5% of its issued equity shares at the time of grant of the options, in aggregate, to all the eligible employees. Eligible employees are granted an option to purchase shares subject to vesting conditions. The options vest in a graded manner over a four-year period with 20%, 20%, 30% and 30% of the options vesting at the end of each year from the date of grant of the options. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. ICICI Lombard has granted 3,399,560 options during fiscal 2006 at the fair value of the underlying shares, on the grant date, of Rs. 35 (US$ 0.80) per equity share. In addition, ICICI Lombard has also granted 917,500 one-time founders stock options during fiscal 2006 at the same rate, which would vest in a graded manner over a two-year period, with 50% of the grants vesting each year, commencing from the end of 12 months from the date of grant. The fair value for fiscal year 2006, has been determined by an external valuation specialist. As the shares of ICICI Lombard are not quoted on stock exchanges, the fair value, as determined by the valuation specialist represents management's best estimates considering all known factor. Loans ICICI Bank has internal rules and regulations to grant loans to employees and wholetime directors to acquire certain assets such as property, vehicles and other consumer durables. ICICI Bank's loans to employees have been made at interest rates ranging from 2.5% to 3.5% per annum and are repayable over fixed periods of time. The loans are generally secured by the assets acquired by the employees. ICICI Bank had given loans to its employees for purchasing its shares in the offering made by ICICI in June 1997 at the public offering price. Bank of Madura had also given loans to employees for purchasing preferential shares in the offering made by Bank of Madura in August 1995. Pursuant to the Banking Regulation Act, ICICI Bank's non-wholetime directors are not eligible for any loans. At year-end fiscal 2005, there were loans of Rs. 4.5 billion (US$ 103 million), compared to loans of Rs. 3.8 billion (US$ 87 million) at year-end fiscal 2004, outstanding to ICICI Bank employees. This amount included loans of Rs. 70 million (US$ 2 million), compared to Rs. 27 million (US$ 618,982) at year-end fiscal 2004, to certain of its directors and executive officers (including employees who became executive officers during fiscal 2005), made on the same terms, including interest rates and collateral, as loans to other employees. 136

Gratuity Under Indian law, ICICI Bank is required to pay a gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from ICICI, employees inducted from Bank of Madura and employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura. The gratuity funds for employees inducted from ICICI and Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpus of these funds at year-end fiscal 2005 based on their unaudited financial statements was Rs. 478 million (US$ 11 million). The gratuity fund for employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura, is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover. The total corpus of the funds at year-end fiscal 2005 was Rs. 184 million (US$ 4 million) compared to Rs. 89 million (US$ 2 million) at year-end fiscal 2004. Superannuation Fund ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. The fund is administered by the Life Insurance Corporation of India. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment. The total corpus of the superannuation fund was Rs. 812 million (US$ 19 million) at year-end fiscal 2005 compared to Rs. 683 million (US$ 16 million) at year-end fiscal 2004. Subsequent to year end fiscal 2005, the superannuation fund is being administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Insurance Company Limited. Provident Fund ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpuses of the funds for employees inducted from Bank of Madura, and other employees of ICICI Bank, based on the latest audited figures, at year-end fiscal 2005 were Rs. 338 million (US$ 8 million), and Rs. 1.7 billion (US$ 39 million) respectively. ICICI Bank made aggregate contributions of Rs. 280 million (US$ 6 million) to these funds during fiscal 2005, compared to Rs. 236 million (US$ 5 million) in fiscal 2004. Pension Fund Out of the employees inducted from Bank of Madura and employed with ICICI Bank at end of fiscal 2005, 433 employees opted for pensions and 595 employees opted for a provident fund. For employees who opted for a provident fund, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff of Bank of Madura) is credited to the provident fund every month. For employees who opted for pensions, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff of Bank of Madura) is credited to the pension fund every month. These funds are managed by in-house trustees. The investments of the funds are made 137

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

OVERVIEW OF THE INDIAN FINANCIAL SECTOR The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the government of India and its various ministries and the Reserve Bank of India, and has not been prepared or independently verified by us. This is the latest available information to our knowledge at September 20, 2005. Introduction The Reserve Bank of India, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following: o commercial banks; o long-term lending institutions; o non-bank finance companies, including housing finance companies; o other specialized financial institutions, and state-level financial institutions; o insurance companies; and o mutual funds. Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The government of India's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999. See "--Banking Sector Reform--Committee on Banking Sector Reform (Narasimham Committee II)". This discussion presents an overview of the role and activities of the Reserve Bank of India and of each of the major participants in the Indian financial system, with a focus on the commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on long-term lending institutions and commercial banks is then presented. Finally, reforms in the non-banking financial sector are briefly reviewed. Reserve Bank of India The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's money supply and foreign exchange and also serves as a bank for the government of India and for the country's commercial banks. In addition to these traditional central banking roles, the Reserve Bank of India undertakes certain developmental and promotional roles. The Reserve Bank of India issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The Reserve Bank of India requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the Reserve Bank of India's role as the regulatory and supervisory authority of India's financial system and its impact on us, see "Supervision and Regulation". Commercial Banks Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. At year-end fiscal 2005, there were 284 scheduled commercial banks in the country, with a network of 68,116 branches serving approximately Rs. 17.53 trillion (US$ 401.9 billion) in deposit accounts. 139

Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 69.5% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks. Public Sector Banks Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks and 196 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 47,320 branches, and accounted for 70.4% of the outstanding gross bank credit and 74.0% of the aggregate deposits of the scheduled commercial banks at year-end fiscal 2005. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest bank in India. At year-end fiscal 2005, the State Bank of India and its seven associate banks had 13,722 branches. They accounted for 24.2% of aggregate deposits and 23.1% of outstanding gross bank credit of all scheduled commercial banks. Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. There were 196 regional rural banks at year-end fiscal 2005 with 14,433 branches, accounting for 3.5% of aggregate deposits and 2.8% of gross bank credit outstanding of scheduled commercial banks. Private Sector Banks After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks which showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including ICICI Bank. These banks are collectively known as the "new" private sector banks. At the end of June 2005, there were nine "new" private sector banks. A merger between two of these banks, Centurion Bank and Bank of Punjab, has been announced and will be effective October 1, 2005. In addition, 21 private sector banks existing prior to July 1993 were operating at year-end fiscal 2005. At year-end fiscal 2005, private sector banks accounted for approximately 18.1% of aggregate deposits and 20.0% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,143 branches accounted for 9.0% of the total branch network of scheduled commercial banks in the country. At the year-end fiscal 2005, ICICI Bank accounted for approximately 5.3% of aggregate deposits and 8.0% of non-food credit outstanding of the scheduled commercial banks. Foreign Banks At the year-end fiscal 2005, there were 31 foreign banks with 220 branches operating in India. Foreign banks accounted for 4.4% of aggregate deposits and 6.7% of outstanding gross bank credit of scheduled commercial banks at year-end fiscal 2005. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of the parent bank. In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks. The Reserve Bank of India issued a notification on "Roadmap for presence of foreign banks in India" on February 28, 2005, announcing the following measures with respect to the presence of foreign banks: 140

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o During the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries. o In addition, during the first phase, foreign banks would be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring. o For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under-banked areas. During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. Cooperative Banks Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, the Reserve Bank of India undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently the Reserve Bank of India is responsible for supervision and regulation of urban cooperative banks, and the National Bank for Agriculture and Rural Development for state cooperative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003, which has been introduced in the Indian Parliament, provides for the regulation of all cooperative banks by the Reserve Bank of India. See also "-- Recent Structural Reforms - Proposed Amendments to the Banking Regulation Act". In its Annual Policy Statement for fiscal 2005, the Reserve Bank of India announced that it proposed to consider issuance of fresh licenses to urban cooperative banks only after a comprehensive policy on urban cooperative banks was in place, including an appropriate legal and regulatory framework for the sector. In the mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India announced that a vision document for the future role of urban cooperative banks is being evolved to ensure depositors' interests and avoid contagion while providing useful service to local communities. With respect to structural issues, the Reserve Bank of India has stated that it would be encouraging growth of strong and viable entities within this sector through consolidation. A task force appointed by the government of India to examine the reforms required in the cooperative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for cooperative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for fiscal 2006, the Finance Minister accepted the recommendations of the Task Force in principle and proposed to call state governments for consultation and begin to implement the recommendations in the states willing to do so. In the Annual Policy Statement for fiscal 2006, the Reserve Bank of India has stated that it is in the process of preparing a medium-term framework for urban cooperative banks up to 2010. Long-Term Lending Institutions The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India, IFCI Limited, Industrial Investment Bank of India as well as ICICI prior to the amalgamation. 141

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

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

Mutual Funds At the end of August 2005, there were 30 mutual funds in India with total assets under management of Rs. 1,957.3 billion (US$ 44.6 billion). From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. In this year, the SEBI (Mutual Fund) Regulation 1993 was issued by the Securities and Exchange Board of India, under which all mutual funds (except for the Unit Trust of India) were to be registered and governed. The industry is now regulated by a more comprehensive SEBI (Mutual Fund) Regulation, 1996 which replaced the SEBI (Mutual Fund) Regulation, 1993. The total number of private sector mutual funds at the end of August 2005 was 24 with a 79.0% market share in terms of total assets under management. In 2001, Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the government of India implemented a package of reform measures for Unit Trust of India, including guaranteeing redemption and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two mutual funds structured in accordance with the regulations of the Securities and Exchange Board of India, one comprising assured return schemes and the other comprising net asset value based schemes. Impact of Liberalization on the Indian Financial Sector Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Indian government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidized rates through loans and equity from the government of India and from funds guaranteed by the government of India originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies. The focus of the commercial banks was primarily to mobilize household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, emergence of a liberalized domestic capital market, and entry of new private sector banks, along with the broadening of long-term lending institutions' product portfolios, have progressively intensified the competition between banks and long-term lending institutions. The Reserve Bank of India has permitted the transformation of long-term lending institutions into banks subject to compliance with the prudential norms applicable to banks. Banking Sector Reform Most large banks in India were nationalized in 1969 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, impaired assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered. 144

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

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

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companies to be approved by the majority of the shareholders of both companies and by the Reserve Bank of India. It also provides, if the merger is approved, for dissenting shareholders at their option to be paid in exchange for their shares the value of their shares as determined by the Reserve Bank of India; o bring all cooperative banks under the supervision of the Reserve Bank of India; and o remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company. Legislative Framework for Recovery of Debts due to Banks In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, has received registration from the Reserve Bank of India and commenced operation in August 2003. Several petitions challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. The government of India, while announcing its budget for fiscal 2005, proposed to amend the Act to further strengthen the recovery process. In November 2004, the government of India issued an ordinance amending the Securitisation Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the Securitisation Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See "Supervision and Regulation - Reserve Bank of India Regulations - Regulations relating to Sale of Assets to Asset Reconstruction Companies." Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed. Corporate Debt Restructuring Forum To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the 146

Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Universal Banking Guidelines Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. Pension Reforms Currently, there are three categories of pension schemes in India: pension schemes for government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the government (the Public Provident Fund to which contribution may be made up to a maximum of Rs. 70,000 or US$ 1,605 per annum) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme. In 1998, the government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the government announced that a high level committee would be formulated to design a contribution-based pension scheme for new government recruits. The government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the government announced that it would be mandatory for its new employees (excluding defense personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the government announced that the new pension scheme would be applicable to all new recruits to Indian government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional, developmental and regulatory functions with respect to the pension sector. The Union Budget for fiscal 2006 has recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the government would issue guidelines for such investment. 147

Credit Policy Measures As part of its effort to continue bank reform, the Reserve Bank of India has announced a series of measures in its monetary and credit policy statements aimed at deregulating and strengthening the financial system. Annual Policy Statement for Fiscal 2005 In its annual policy statement for fiscal 2005 announced in May 2004, the Reserve Bank of India kept the bank rate and reverse repo rate (the annualized interest earned by the lender in a repurchase transaction between two banks or between a bank and the Reserve Bank of India) unchanged at 6.0% and 4.5% respectively and introduced the following key measures: o Banks were permitted to raise long-term bonds with a minimum maturity of five years to the extent of their exposure of residual maturity of more than five years to the infrastructure sector; o the scope of definition of infrastructure lending was expanded to include construction relating to projects involving agro-processing and supply of inputs to agriculture, construction of preservation and storage facilities for processed agro-products and construction of educational institutions and hospitals; o measures were announced to facilitate the flow of credit to agricultural and related sectors by including loans for storage facilities and securitized agricultural loans as priority sector advances; o resident individuals were permitted to remit freely up to US$ 25,000 per calendar year, for any current or capital account transaction or a combination of these. Indian corporates and partnership firms are allowed to invest up to 100.0% of their net worth overseas; o banks were permitted, under exceptional circumstances, with the approval of their Boards, to consider enhancement of the exposure to the borrower up to a maximum of 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosures in its annual report; and o a graded higher provisioning requirement according to the age of non-performing assets, which are included under "doubtful for more than three years' category, was introduced with effect from March 31, 2005. See "Supervision and Regulation". Mid-term Review of the Annual Policy Statement for Fiscal 2005 In the mid-term review of the annual policy statement announced in October 2004, the Reserve Bank of India raised the reverse repo rate by 25 basis points to 4.75% with effect from October 27, 2004. The bank rate, however, was kept unchanged at 6.0%. The following measures were also introduced: o ceiling on non resident external deposit rates were raised to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 50 basis points from the existing level of USD LIBOR/SWAP rates; and o as a temporary counter-cyclical measure, the risk weight was increased from 50.0% to 75.0% in the case of housing loans and from 100.0% to 125.0% in the case of consumer credit including personal loans and credit cards. Annual Policy Statement for Fiscal 2006 In its annual policy statement for fiscal 2006 announced in April 2005, the Reserve Bank of India: o raised the reverse repo rate by 25 basis points to 5.0% and reduced the spread between the reverse repo and the repo rate to 100 basis points from

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

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

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

Income-tax Act as reduced by equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, the Reserve Bank of India issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier 1 capital. Tier 2 capital consists of undisclosed reserves, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier 2 capital and total subordinated debt considered as Tier 2 capital cannot exceed 50.0% of Tier 1 capital. Tier 2 capital cannot exceed Tier 1 capital. Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit/ guarantees and documentary credits are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open position limits of the bank carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. In December 2004, the Reserve Bank of India increased the risk weights on housing loans from 50.0% to 75.0% and on consumer credit including personal loans and credit card receivables from 100.0% to 125.0% as a temporary counter-cyclical measure given the rapid growth of these segments. In July 2005, the Reserve Bank of India increased the risk weights on capital market exposure and exposure to commercial real estate from 100.0% to 125.0%. In April 2005, the Reserve Bank of India issued draft guidelines on securitization, which if implemented in their present form would require a significantly higher level of capital to be maintained for securitized assets. Effective March 31, 2001, banks and financial institutions were required to assign a risk weight of 2.5% in respect of the entire investment portfolio to cover market risk, over and above the existing risk weights for credit risk in non-government and non-approved securities. In fiscal 2002, with a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the Reserve Bank of India advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years, by fiscal 2006. This reserve has to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier 2 capital. In June 2004, the Reserve Bank of India issued guidelines on capital for market risk. The guidelines prescribe the method of computation of risk-weighted assets in respect of market risk. The aggregate risk weighted assets are required to be taken into account for determining the capital adequacy ratio. Banks are required to maintain a capital charge for market risk in respect of their trading book exposure (including dividend) by year-end fiscal 2005 and securities included under available for sale category by year-end fiscal 2006. In April 2005, the Reserve Bank of India specified that banks which have maintained capital of at least 9.0% of the risk weighted assets for both credit risk and market risk for investments under the held for trading and available for sale categories, open gold position limit, open foreign exchange position limit, trading positions in derivatives and derivatives entered into for hedging trading book exposures may treat the balance in excess of 5.0% in the investment fluctuation reserve as Tier 1 capital. Banks satisfying the above criteria may also transfer the amount in excess of the said 5.0% in the investment fluctuation reserve to the statutory reserve. In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines, which are proposed to be effective from April 1, 2006, specify that all banks in India will adopt the standardized approach for credit risk and the basic indicator approach for operational risk with effect from March 31, 2007. After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

Loan Loss Provisions and Non-Performing Assets In April 1992, the Reserve Bank of India issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, which are revised from time to time. These guidelines are applied for the calculation of impaired assets and loan loss provisions under Indian GAAP. The principal features of these Reserve Bank of India guidelines, which have been implemented with respect to ICICI Bank's loans, debentures, lease assets, hire purchases and bills are set forth below. Asset Classification An impaired asset (also called non-performing assets pursuant to the Reserve Bank of India guidelines) is an asset in respect of which any amount of interest or principal is overdue for more than 90 days (180 days until year-end fiscal 2003). In particular, an advance is an impaired asset where: o interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan; o the account remains "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit; o the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted; o interest and/or principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes; and o any amount to be received remains overdue for a period of more than 90 days in respect of other accounts. Interest in respect of non-performing assets is not recognized or credited to the income account unless collected. Non-performing assets are classified as described below. Sub-Standard Assets. Assets that are non-performing assets for a period not exceeding 12 months (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected. Doubtful Assets. Assets that are non-performing assets for more than 12 months (18 months until year-end fiscal 2004). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collec