

News Release**October 31, 2002****Performance Review – Half-year ended September 30, 2002**

The Board of Directors of ICICI Bank Limited (NYSE: IBN) at its meeting held at Mumbai today, approved the audited accounts of the Bank for the half-year ended September 30, 2002 (H1-2003). The Board also reviewed the unaudited consolidated accounts for the period. ICICI Limited (ICICI) and two of its subsidiaries merged with the Bank on March 30, 2002. The results for H1-2003 are therefore not comparable with the results on a standalone basis for the half-year ended September 30, 2001 (H1-2002).

Results

The Bank's profit after tax increased 13% from Rs. 253 crore for the quarter ended June 30, 2002 (Q1-2003) to Rs. 285 crore for the quarter ended September 30, 2002 (Q2-2003). The Bank's profit after tax for H1-2003 was Rs. 538 crore as compared to Rs. 131 crore for H1-2002.

In accordance with Reserve Bank of India (RBI) norms, the Bank reduces the amortisation of premium on SLR investments in the "Held-to-Maturity" category from the interest income. This amortisation charge increased from Rs. 9 crore in Q1-2003 to Rs. 41 crore in Q2-2003. Further, in accordance with its revised accounting policy for income recognition on assistance to projects under implementation which have undergone significant delays, the Bank has suspended accrual of income on certain loans (although such non-accrual is not required by RBI norms), resulting in a reduction in interest income by about Rs. 40 crore in Q2-2003. The impact of the amortisation charge and non-accrual of interest was partially offset by a reduction in funding costs due to repayment of erstwhile ICICI's high-cost borrowings.

In accordance with the Scheme of Amalgamation, the ICICI Bank Shares Trust divested 101.4 million shares of the Bank (transferred to the Trust by erstwhile ICICI prior to the merger) in September 2002, to strategic and institutional investors, resulting in capital gains of Rs. 1,191 crore flowing to the Bank.

The Bank has made accelerated/ additional provisions and write-offs of Rs. 1,686 crore against loans and other assets, primarily relating to erstwhile ICICI's portfolio. The positive deferred tax impact of the additional provisions, net of provision for tax on profits for the period, was Rs. 443 crore.

Operational highlights

The Bank's customer assets at September 30, 2002 were about Rs. 58,400 crore as against about Rs. 57,500 crore at March 31, 2002. There was a decline in the corporate assets by about Rs. 5,000 crore, primarily due to sell-down of loans as part of the Bank's strategy of churning its portfolio. However, the retail assets (including the assets of ICICI Home Finance Company, the Bank's wholly-owned subsidiary) increased by about Rs. 5,800 crore (a growth of 35%) to about Rs. 13,500 crore. Retail assets now constitute 13% of total assets and 22% of customer assets compared to 7% of total assets and 13% of customer assets at March 31, 2002. The growth in retail assets reflects the Bank's leadership across product segments. During H1-2003, the Bank achieved market leadership in home loan approvals. The Bank's retail approvals and disbursements in Q2-2003 were about Rs. 6,200 crore and Rs. 4,800 crore respectively, including home loan approvals and disbursements of about Rs. 3,770 crore and Rs. 2,370 crore respectively.

During H1-2003, the Bank repaid about Rs. 11,000 crore of erstwhile ICICI's liabilities as they fell due in accordance with their terms of repayment. At September 30, 2002, deposits constituted 42% of the Bank's funding compared to 35% at March 31, 2002.

As part of its strategy to offer an enhanced value proposition to its corporate clients, ICICI Bank reorganised its corporate Internet banking services into "ICICI e-business". ICICI Bank launched new client-specific solutions, such as the Roaming Current Account and a multi-lingual Internet portal for emerging corporates. ICICI Bank continued to leverage its corporate relationships in its retail business.

ICICI Bank continued to make progress in its international business initiatives. During H1-2003, ICICI Bank achieved an increase in NRI deposits and remittances and focused on new correspondent banking relationships, while establishing a presence and initiating dialogues with regulators in various target geographies.

At September 30, 2002, the Bank's net non-performing assets were Rs. 2,879 crore constituting 4.9% of customer assets. The Bank's standard assets included net restructured assets of Rs. 5,767 crore. At September 30, 2002, the Bank had a provision coverage of 6.5% against corporate standard assets, indicating the strength of the Bank's balance sheet.

ICICI Bank's capital adequacy at September 30, 2002 was 12.32% (including Tier-1 capital adequacy of 8.05%), well above RBI's requirement of 9.0%.

Unaudited Consolidated Accounts under Indian GAAP

The consolidated profit after tax was Rs. 506 crore in H1-2003 including the results of operations of subsidiaries and affiliates of erstwhile ICICI that became subsidiaries of the Bank on the merger. The Bank had no subsidiaries at September 30, 2001.

The consolidated profit was lower than the Bank's standalone profit due to the loss of Rs. 67 crore incurred by ICICI Prudential Life Insurance Company Limited, which had an impact of Rs. 50 crore on the Bank's consolidated profit in line with its shareholding of 74%. ICICI Prudential Life Insurance Company is India's largest private life insurance company and had sold over 180,000 policies by September 30, 2002. Losses in the initial years are a normal feature of the life insurance business, due to provisions required for future bonus payments and servicing costs and non-amortisation of agency commissions and operating expenditure. These expenses are disproportionately high initially due to the front-ended commission structure mandated by regulators and high marketing and administrative costs that yield benefits in later years as the business grows in scale.

The Bank's general insurance subsidiary, ICICI Lombard General Insurance Company Limited, achieved financial break-even during Q2-2003. ICICI Securities & Finance Company Limited earned a profit after tax of Rs. 45 crore in H1-2003.

Rs. 1 crore = 10.0 million

Except for the historical information contained herein, statements in this Release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion in business, the adequacy of our allowance for credit losses, technological implementation and changes, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



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