



12th Annual Report and Accounts 2005-2006

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Enclosures :

Notice
Attendance Slip and Form of Proxy

Registered Office

Landmark, Race Course Circle, Vadodara 390 007

Corporate Office

ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

Statutory Auditors

S. R. Batliboi & Co.
Chartered Accountants, Express Towers, 6th Floor, Nariman Point, Mumbai 400 021

Registrar and Transfer Agents

3i Infotech Limited (formerly ICICI Infotech Limited)
Maratha Mandir Annexe, Dr. A. R. Nair Road, Mumbai Central, Mumbai 400 008

Message from the Chairman



The Indian economy and banking sector have witnessed another year of robust growth. The services sector has maintained the growth trends seen over the past several years. The industrial sector's growth is indicative of the sustained resurgence in manufacturing activity in the country, driven by enhanced efficiency and global competitiveness. Growth in these sectors has resulted in rising household incomes and stimulated growth in consumer demand. Underpinning this growth are India's people and our vast pool of young talent that has emerged as a key competitive advantage vis-à-vis other nations. Overall, the forces of favourable demographics, knowledge capital, industrial competitiveness and integration with the global economy appear to be propelling the economy within striking distance of double - digit GDP growth.

The banking sector mirrors these trends. Since the early years of this decade, retail credit – the financing of households for asset creation – has been a major growth driver. ICICI Bank has actively participated in this process, and indeed, played a key role in catalysing growth in retail credit. From a new growth horizon five years ago, this has now become a core element of our business. Going forward, this will continue to be a major part of our activity. We now see several other opportunities before us in the process of economic development and growth of financial intermediation.

Inadequate infrastructure continues to pose a bottleneck in India's growth. Power, airports and ports, urban rejuvenation and rural infrastructure are all areas where the current facilities are inadequate to support the growth targets that we have set for ourselves. There are encouraging developments in these segments, with policy initiatives that seek to combine the essential government interventions with the benefits of private participation. ICICI Bank is focusing closely on this area, and hopes to play a key role by leveraging its strong competencies in this business. We will seek to create financing structures to promote the flow of financing towards infrastructure projects, while adopting appropriate risk mitigation measures to ensure the sustainability of these projects and the exposures taken by lenders.

While the performance of the agricultural sector too has improved, after a year of low growth, this sector continues to be plagued by dependence on the vagaries of climatic conditions and inefficiencies in the agricultural value chain. It is, in a way, the weak link in India's growth equation

and impacts not only those directly dependent on agriculture for livelihood but the entire rural economy, which accounts for over two-thirds of our people. The social and economic consequences of this imbalance in our growth paradigm are serious. At the same time, the opportunity for unleashing a wave of growth and prosperity by addressing the needs of the rural economy is immense. Enhancing access to financial services is a critical element of the movement to realise the potential of rural India – and this is where we at ICICI Bank are seeking to focus our energies.

Our rural strategy seeks to deliver a comprehensive range of products and services to all customer segments in rural India through appropriate channels, balancing developmental and commercial considerations. This represents a complex and challenging task. It requires us to develop a deep and comprehensive understanding of rural customers and their varying needs, overcome barriers of distance and solve the problem of the high cost-to-serve and high credit risks associated with traditional banking models. This is essential for rural banking to be sustainable.

Over the last few years, we have indeed made substantial progress in this endeavour. We have created a suite of innovative credit, savings and investment and insurance products targeted at the entire socio-economic spectrum of the rural population – farmers, traders, entrepreneurs and other rural households, including those at the most vulnerable level of the income pyramid. We have developed new models of outreach in rural India through a wide range of partnerships with entities that are vitally interested in rural development and share our own objectives, such

as companies that depend on agriculture. We have identified micro-finance institutions as a key mode of outreach, and are seeking to combine their social mobilization skills with our financial strength and expertise. We are indeed moving from partnering with existing micro-finance institutions to supporting the development of new entities, through dedicated training and sponsorship.

Technology is a key element of our rural banking strategy. Several years ago, we pioneered the large-scale delivery of technology-enabled banking services in urban India. We are now extending this to the rural areas, through internet kiosks, specially developed ATMs and smart cards with bio-metric authentication. We are facilitating the creation of a shared technology platform to be used by micro-finance institutions, to enable seamless and low-cost operations.

These initiatives are at various stages, and we have a long way to go. The challenge before us is to scale up the implementation of these plans and make a meaningful difference to the rural landscape. We will continue to innovate and evolve, and work in close coordination with policy-makers, regulators and other enterprises that are seeking to unleash the potential of the rural economy. This is the next stage in the growth and expansion of ICICI Bank, and we hope that we will be able to fulfil the promise of our initial success. We look forward to all our stakeholders joining us on this journey.



N. VAGHUL
Chairman

Letter from the Managing Director & CEO



Dear Stakeholders,

The Indian economy has demonstrated a shift to a higher growth trajectory with the average annual growth rate of real GDP increasing from 5.8% in the 1980s to 6.3% during 1992-2006. More recently, the economy has shown an even more accelerated growth momentum, with average GDP growth of around 8% per annum during the last three years. A look at the history of some of the world's major economies shows that high growth can be sustained for a long period of time. For instance, after the Second World War, Japan grew at a compounded annual growth rate of 8.5% from 1955 to 1975. During this period its GDP increased by over five times. Similarly China has grown at a compounded annual growth rate of 9.5% since its economic reform process started in 1979 and its GDP has increased by about ten

times in this period. The Indian economy today has the same characteristics as these economies in the early years of their growth: favourable demographics, human capital, rising competitiveness of industry and increasing savings rate.

Our favourable demographic profile, with 69% of the population being less than 35 years of age, is spurring consumption demand. The Indian consumer now seeks to fulfill his lifestyle aspirations at a younger age, with an optimal combination of equity and debt to finance consumption and asset creation. The last few years have seen the Indian industry make a strong recovery. Our companies have become more efficient in terms of processes and quality, have better capital structures and are becoming competitive on a global scale. India is also becoming a major hub for manufacturing and export of manufactured products. The big growth story of the last decade has of course been the services sector. The services sector has established a completely new growth paradigm. It has brought to the fore the knowledge capital and entrepreneurial ability of the Indian people. By sublimating our knowledge capital into wealth creation, we have demonstrated that our people, not just our mines, land, factories and physical production facilities, are our key economic resource. The strengthening of economic activity in the recent years has been supported by increase in gross domestic investment rates from 23.0% of GDP in fiscal 2002 to 30.1% in fiscal 2005, coupled with more efficient use of capital. Gross domestic savings rate has also improved from 26.5% to 29.1% during the same period. This

saving-investment balance imparts stability and provides the foundation for sustained growth. India today is indeed at the cusp of a paradigm change in its growth trajectory and its position in the world.

The ICICI group has built sound growth platforms for capitalising on the opportunities arising out of the sustained growth of the Indian economy. We identified retail finance as the key growth opportunity at the beginning of the decade and built a scalable platform for capitalising on this opportunity. Today we continue to maintain our leadership position in retail credit across the full spectrum of products. We also continue to maintain our leadership position among private sector in life and non-life insurance providers. We have deepened our relationships with the corporate sector to offer a full suite of products like transaction banking, foreign exchange and derivatives apart from working capital loans and project finance. International business, the third horizon of our growth, has seen rapid progress in the last year. We are now present in 13 geographies and are serving the banking needs of Indian corporates going global and the Indian diaspora present across the world. We have used technology as a key enabler and differentiator for all our growth platforms. This has allowed us to achieve efficient intermediation by enabling rapid scale up and at the same time offer the best class service to our customers.

A critical factor in the long-term sustainability of social development and economic prosperity in India is bringing the benefits of economic growth to rural India. It is only by delivering financial

services to people in rural areas that they can be brought within the ambit of mainstream economic activity and the full potential of the country's physical and human resources can be realised. We see the rural markets as the next horizon of growth for us and are creating a holistic proposition to address this opportunity. Our strategy is to offer a full spectrum of products to meet the needs of various segments of the rural population through a combination of innovative channels, in a profitable manner. We are using technology extensively to address the challenges associated with delivery of financial services in rural areas. Our rural portfolio has more than doubled in the last year and we hope to significantly scale up our operations in the future.

Given the long terms prospects of the economy and opportunities in each of our areas of business we strengthened our capital base by raising additional equity capital of about Rs. 80.00 billion. This has significantly enhanced our ability to capitalise on the growth opportunities.

We believe that we have created a sound platform in each of the areas of opportunity presented by the Indian economy. We also have the required financial, human and technical resources to build a superstructure on this foundation and create value for all our stakeholders. We look forward to your continued support in this endeavour.

K. Vaman Kamath

K.V. KAMATH
Managing Director & CEO

Board of Directors

N. Vaghul, Chairman
Sridar Iyengar
R. K. Joshi
L. N. Mittal
Narendra Murkumbi
Anupam Puri
Vinod Rai
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam
T. S. Vijayan
V. Prem Watsa
K. V. Kamath, *Managing Director & CEO*
Lalita D. Gupte, *Joint Managing Director*
Kalpana Morparia, *Joint Managing Director*
Chanda D. Kochhar, *Deputy Managing Director*
Nachiket Mor, *Deputy Managing Director*

Senior Management

Senior General Managers

Bhargav Dasgupta
Sanjiv Kerkar
Vishakha Mulye, *Chief Financial Officer & Treasurer*
Ramni Nirula
Nagesh Pingre
Madhabi Puri-Buch
K. Ramkumar
V. Vaidyanathan
Pravir Vohra

Jyotin Mehta
General Manager & Company Secretary

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Board Committees

Audit Committee

Sridar Iyengar, *Chairman*
Narendra Murkumbi
M. K. Sharma

Board Governance & Remuneration Committee

N. Vaghul, *Chairman*
Anupam Puri
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam

Credit Committee

N. Vaghul, *Chairman*
Narendra Murkumbi
M. K. Sharma
P. M. Sinha
K. V. Kamath

Fraud Monitoring Committee

M. K. Sharma, *Chairman*
Narendra Murkumbi
K. V. Kamath
Kalpana Morparia
Chanda D. Kochhar

Risk Committee

N. Vaghul, *Chairman*
Sridar Iyengar
Marti G. Subrahmanyam
V. Prem Watsa
K. V. Kamath

Share Transfer & Shareholders' / Investors' Grievance Committee

M. K. Sharma, *Chairman*
Narendra Murkumbi
Kalpana Morparia
Chanda D. Kochhar

Committee of Directors

K. V. Kamath, *Chairman*
Lalita D. Gupte
Kalpana Morparia
Chanda D. Kochhar
Nachiket Mor

Asset Liability Management Committee

Lalita D. Gupte, *Chairperson*
Kalpana Morparia
Chanda D. Kochhar
Nachiket Mor

Directors' Report

Your Directors have pleasure in presenting the Twelfth Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

The financial performance for fiscal 2006 is summarised in the following table:

Rs. billion, except percentages	Fiscal 2005	Fiscal 2006	% change
Net interest income and other income	62.55	91.71	46.6
Operating profit	29.56	46.90	58.7
Provisions & contingencies	4.29	15.94	271.6
Profit before tax	25.27	30.97	22.6
Profit after tax	20.05	25.40	26.7
Consolidated profit after tax	18.52	24.20	30.6

APPROPRIATIONS

The profit & loss account shows a profit after taxation of Rs. 25.40 billion after provisions and contingencies of Rs.15.94 billion (including Rs. 8.02 billion on account of amortisation of premium on government securities) and after taking into account all expenses. The disposable profit is Rs. 27.28 billion, taking into account the balance of Rs. 1.88 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 85% (Rs. 8.50 per equity share of Rs. 10) for the year and have appropriated the disposable profit as follows:

Rs. billion	Fiscal 2005	Fiscal 2006
To Statutory Reserve, making in all Rs. 20.99 billion	5.02	6.36
To Investment Fluctuation Reserve (IFR)	— ⁽²⁾	— ⁽¹⁾
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 14.69 billion	0.25	2.75
To Revenue and other Reserves, making in all Rs. 50.84 billion	6.20 ⁽²⁾	0.68 ⁽¹⁾
Dividend for the year (proposed)		
- On equity shares @ 85% (@85% ⁽³⁾ for fiscal 2005)	6.33	7.59
- On preference shares (Rs.)	35,000	35,000
- Corporate dividend tax	0.90	1.06
Leaving balance to be carried forward to the next year	1.88	2.93

(1) In addition to appropriation of profits, balance in IFR of Rs. 13.20 billion (after appropriation to IFR during the year of Rs. 8.04 billion) was transferred to revenue and other reserves.

(2) In addition to appropriation of disposable profits, excess balance of Rs. 2.14 billion in IFR was transferred to Revenue and other Reserves in fiscal 2005. This amount was re-appropriated back to IFR in the quarter ended June 30, 2005.

(3) Including a special dividend of 10% to mark the completion of 50 years in finance by the ICICI group.

ISSUANCE OF EQUITY CAPITAL

In fiscal 2006, ICICI Bank successfully concluded a capital raising exercise, raising a total of Rs. 80.01 billion through the first simultaneous public issue in India and American Depositary Share (ADS) issue in the United States, with a Public Offering Without Listing (POWL) of ADSs in Japan. The public issue in India was subscribed approximately seven times. The issue was priced at Rs. 525 in the domestic market and USD 26.75 in the ADS market which represented a discount of under 1% to the last closing price on stock exchanges in India and the United States, respectively.

SUBSIDIARY COMPANIES

At March 31, 2006, ICICI Bank had 16 subsidiaries:

Domestic Subsidiaries

ICICI Securities Limited
ICICI Venture Funds Management Company Limited
ICICI Prudential Life Insurance Company Limited
ICICI Lombard General Insurance Company Limited
ICICI Home Finance Company Limited⁽⁴⁾
ICICI Investment Management Company Limited
ICICI Trusteeship Services Limited
ICICI Brokerage Services Limited⁽¹⁾
Prudential ICICI Asset Management Company Limited⁽⁵⁾
Prudential ICICI Trust Limited⁽⁵⁾

International Subsidiaries

ICICI Bank UK Limited
ICICI Bank Canada
ICICI Securities Holdings Inc.⁽¹⁾
ICICI Securities Inc.⁽²⁾
ICICI International Limited
ICICI Bank Eurasia Limited Liability Company⁽³⁾

(1) Subsidiary of ICICI Securities Limited

(2) Subsidiary of ICICI Securities Holdings Inc.

(3) Formerly known as Investitsionno-kreditny Bank.

(4) ICICI Distribution Finance Private Limited, a subsidiary of ICICI Bank, merged with ICICI Home Finance Company Limited, effective August 11, 2005.

(5) Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited became subsidiaries of ICICI Bank effective August 26, 2005, pursuant to the acquisition of additional 6% of the equity share capital of these companies by ICICI Bank from Prudential Corporation Holdings Limited.

Fullfilling a variety of banking and finance needs across customer segments



Banking Accounts

ICICI Bank offers a range of banking accounts tailor-made for every customer segment, from children to senior citizens. Convenience and ease of access are the benefits of ICICI Bank accounts.



Insurance

The ICICI group offers a range of insurance products to cover varying needs ranging from life, pensions and health, to home, motor and travel insurance. The products are made accessible to customers through a wide network of advisors, bank partners, corporate agents and brokers with the added convenience of being able to buy online.



Asset Management

Prudential ICICI Asset Management Company offers a wide range of retail mutual fund products tailored to suit varied risk and maturity profiles.



Trade Services

ICICI Bank offers online remittances as well as online processing of Letters of Credit and Bank Guarantees.

As approved by the Central Government vide letter dated June 16, 2006 under Section 212(8) of the Companies Act, 1956, copies of the balance sheet, profit & loss account, report of the board of directors and report of the auditors of each of the subsidiary companies have not been attached to the accounts of the Bank for fiscal 2006. The Bank will make available these documents/details upon request by any Member of the Bank. These documents/details will be available on the Bank's website www.icicibank.com and will also be available for inspection by any Member of the Bank at its Registered Office and Corporate Office and also at the registered offices of the concerned subsidiaries. As required by Accounting Standard-21 (AS-21) issued by the Institute of Chartered Accountants of India, the Bank's consolidated financial statements included in this Annual Report incorporate the accounts of its subsidiaries. A summary of key financials of the Bank's subsidiaries is also included in this Annual Report.



Lalita D. Gupte Joint Managing Director

"If fiscal 2005 saw the Bank take its first steps to becoming an international bank, fiscal 2006 was the year where this transformation was most visible. We leveraged our international branches and subsidiaries to the maximum, continuing to build our customer base amongst the NRIs while adding a significant number of local customers as well. What's more, this growth in customer numbers came as we continued to maintain and even better the levels of service quality."

DIRECTORS

Pursuant to the provisions of Section 10A(2A) of the Banking Regulation Act, 1949, Uday M. Chitale and Somesh R. Sathe retired from the Board effective August 21, 2005 and January 29, 2006, respectively, on completion of eight years as non-whole-time directors of the Bank. The Board places on record its appreciation of the valuable contribution made by them to the Bank's growth and development.

The Board, at its Meeting held on October 13, 2005, appointed R. K. Joshi, Chairman-cum-Managing Director, General Insurance Corporation of India as an additional Director of the Bank. The Board at its Meeting held on January 20, 2006 appointed Narendra Murkumbi, founder Managing Director, Shree Renuka Sugars Limited as an additional Director of the Bank. R. K. Joshi and Narendra Murkumbi hold office up to the date of the forthcoming Annual General Meeting (AGM) but are eligible for appointment.



Cash Management

ICICI Bank offers a complete range of highly customised solutions for managing both the collections and payments requirements of clients by leveraging technology. Daily customised transaction reports and real time web-enabled downloads, provide on-tap information facilitating effective working capital management.



Treasury Solutions

ICICI bank's vision of being the leading provider of risk and market solutions is articulated and delivered through the Global Markets Group, ICICI Bank's client-centric treasury. The Bank delivers innovative, cost effective products to its clients in India and other geographies. It has a significant share of the risk solutions market (forex, fixed income and derivatives) in India on account of its franchise, ability to understand the client's business and its capability to structure solutions to complex problems on a strategic as well as a transactional plane.



SME Services

ICICI Bank offers the SME segment end-to-end solutions that simplify and speed up business. These solutions span a gamut of services, comprising credit solutions like term loans, working capital (fund based and non-fund based), transaction banking solutions like cash management services, trade finance and forex services, investment services and risk management solutions like derivatives.



Corporate Banking

ICICI Bank offers comprehensive and customised financial solutions for its corporate clients, including rupee and foreign currency debts, working capital credit, structured financing syndication and transaction banking products and services.