



**New
Horizons**

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11th ANNUAL REPORT
2004-2005

New Horizons

Over the last decade, we have been at the forefront of retail finance in India, to emerge as the market leader in retail credit in the country. We are now seeking new horizons in our rural banking operations and our international business. Our vision is to be the leading provider of financial services to our target customers, from villages in India's heartland to the leading financial centres across the world.

As we expand the frontiers of our business, our core strengths continue to lie in innovation and technology. We are using new channels of outreach to deliver micro finance solutions in rural India. Through focused strategies and by actively leveraging our technology platforms, we have established a meaningful international presence in a relatively short span of time.

Our products and services are finding great appeal across all audiences, at home and abroad. As we reach out to new markets through our rural and international initiatives, we continue to be guided by our vision of market leadership, customer satisfaction and value creation.



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



Message from the Chairman



It is a matter of great satisfaction that the world today sees India as a place of achievement and potential, a source of intellectual capital and a driver of global growth in the twenty-first century. This is the outcome of several decades of work by government and private enterprise in independent India. The first four decades were characterised by a centralised planning process that determined the allocation of resources with the aim of controlling the direction of development in line with stated national priorities. This did indeed lay the foundations of an industrial economy and the creation of economic and social infrastructure. We made significant investment in higher education that is

in a sense the basis of today's knowledge economy. However, we realised that excessive government involvement and insulation from the global markets was not sustainable; there was a need to integrate with the global economy and allow market forces to determine resource allocation, with government limiting its role in business. The decade following the reforms of the early 1990s has been truly transformational, and today we have a vibrant and robust economy, that combines democratic processes and social concerns with economic growth objectives driven by free markets.

One of the pillars of our economy, in the building of which we can take justifiable pride, is our financial sector. The evolution of the Indian financial sector has mirrored the transformation of the economy. In the years following independence, the focus of policy makers was on making banking more accessible across the country, mobilising resources from households and channelising these resources into areas identified as development priorities. While the commercial banks were mobilisers of retail savings and lenders for short maturities, the dedicated development banks provided long-term project finance. We also focused on creating other components of the financial system - insurance companies, mutual funds, venture capital companies, stock exchanges and credit rating agencies. This process gathered momentum in the post-reform era, with an explosion of new players and competitive products and services. While the entry of private sector players saw modern, technology-enabled financial services being provided on a mass scale, the existing government-owned players also responded by upgrading their offerings to the customer and gradually adopting technology in their operations. Banks significantly expanded the range of products and services that they offer to customers, from traditional deposit and corporate lending products to consumer loans, treasury and fee-

based products and services. They also started delivering their products and services through new channels like ATMs and the internet. New players in the insurance and asset management sectors also catalysed innovation in these sectors, with a customer-friendly approach and a wider array of choices for the customer on what products and services they could have and the channels they could use to access the provider.

This was backed by the simultaneous development of a regulatory framework covering all areas of the financial sector. Prudential norms were introduced to improve the quality of financial reporting and capitalisation levels in the banking system. Separate regulators were set up for the capital markets and the insurance sector, to oversee their orderly functioning within the liberalised regime. The approach has been one of combining dynamism with conservatism to ensure healthy growth of the financial sector. While there is a view that a gradualist approach has slowed down the growth process relative to other nations, this must be viewed in the context of the health and resilience of the financial sector despite the restructuring of the economy over the past decade. While the scale of financial intermediation in India must certainly increase, we have been successful in creating an efficient growth paradigm based on market forces combined with high standards of regulation and governance.

As we go forward, the financial sector has a critical role to play in the full realisation of India's potential. At the core of this is the need to vastly increase the access to financial services in the rural areas, particularly among lower-income groups, as well as the poor in the urban areas. This will bring people into the economic mainstream, tap their productivity and result in larger and larger sections of our people contributing to India's growth as well as benefiting from it. We must leverage all our

existing skills - financial and technological - and acquire the new capabilities necessary to make this happen, partnering with government and other financial, industrial and social organisations to bring about widespread change and prosperity.

At the ICICI group we see ourselves as a strong and effective player in the financial system. We have evolved and grown and changed with India over the last five decades. We provide the full range of financial services to corporate and retail customers and are rapidly expanding our scale of operations. Our strategy is to continue to grow our existing businesses and create a robust business model for rural India and the urban low-income segment, play a serious and proactive role in India's growth and development and establish a meaningful presence in target markets overseas. We believe that given our innate strengths, we can realise this vision.



N. VAGHUL
Chairman

Letter from the Managing Director & CEO



Dear Stakeholders,

Fiscal 2005 was a momentous year for the Indian economy and for us at the ICICI group. The Indian economy displayed maturity and resilience in the face of changing global trends and low growth in agriculture, conclusively demonstrating the robust fundamentals underlying the growth momentum that we have seen in recent years. The ICICI group marked its 50th year by consolidating its leadership position in various businesses and achieving strong growth in each area of its operations. This was made possible by our focus on building platforms for growth over the past several

years. I would like to take this opportunity to talk about the evolution of our strategy and these growth platforms, and the new dimensions that we see opening up for us in the coming years.

In 1996, mid-way through the first decade after India embarked on economic reforms, we looked at our businesses in the context of the evolving landscape of the economy and the financial sector. We were essentially a single product company, offering only long-term project finance to the corporate sector, with significant risk concentrations. As Indian industry itself went through a deep structural change in a globalised competitive environment, there were challenges posed by the impact of globalisation on the operations of many of our clients - but also opportunities for profitable growth. We quickly took steps to diversify our product portfolio to capitalise on the full range of opportunities in the corporate sector as well as proactively address the impact of the challenges the industrial sector was facing. We saw the need to strengthen our balance sheet and accessed the international markets for capital.

In 1998, we embarked on a transformational change with our entry into retail finance. Our strategy was underpinned by two fundamental beliefs - firstly, that the market for retail financial services in India would witness explosive growth; and secondly, that large-scale use of technology was the key to success in this business. This process of change and diversification was a major challenge for an organisation that had dealt only with corporate clients for four decades of its existence. We made significant investments in technology, both at customer touchpoints and at back-offices. We created a new distribution model for retail credit, moving the sales interface to the point-of-sale of the product being financed or indeed, to the customer's home or office. We put in place robust credit approval and

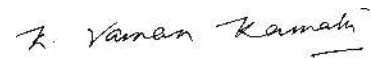
monitoring processes. From 2001, we started scaling up the retail business rapidly. With the merger of ICICI with ICICI Bank in 2002, we integrated our corporate and retail banking growth platforms. The last three years have seen us leveraging these platforms to become the market leader in retail credit, triple our deposit base and diversify and grow our revenue streams across product lines and customer segments. We have also achieved leadership positions among the private sector players in life and non-life insurance, which we entered less than five years ago.

In 2001, we initiated the building of our third growth platform - our international operations. We saw an opportunity in the growing internationalisation of India, the Indian diaspora's need for high quality, technology-enabled banking services and the international expansion of Indian industry. Since 2003, when we established our first overseas branch, we have made rapid progress in capitalising on these opportunities. Our international operations are already contributing to our revenues, and we are rapidly scaling up our operations in various geographies. We are leveraging our international presence, the global communications infrastructure and our India-based technology platforms to offer a unique value proposition to our customers.

There is a growing focus in India today, among policy makers and industry, on realising the potential of the rural economy as an engine of India's growth. In consonance with the government's emphasis on reaching out to the rural population, we are creating a platform for scaling up the delivery of financial services in rural India. We believe that this will be the next dimension of our growth. Our strategy is built around offering a full range of products to meet the needs of various segments of the rural economy, including micro-financial services for low income customers, through a variety of

innovative channels. Technology is a key element of our strategy to expand access to financial services in a sustainable and profitable manner. While several of these initiatives are still being conceptualised or in the early stages of their implementation, we hope to significantly scale-up our operations in this area over the medium term.

While we operate in diverse businesses, the core building blocks are the same in each case - our people and our ability to harness technology, and the ceaseless innovation that is the defining characteristic of our strategic evolution. We constantly seek to identify and assess new opportunities and create the organisational capabilities to translate them into viable businesses. In doing so, we challenge existing paradigms, driving change rather than only responding to it. Going forward, we will continue to strive to innovate and capture opportunities for growth and value creation. As in our journey thus far, we look forward to the continued support of all our stakeholders in this endeavour.



K. V. KAMATH
Managing Director & CEO

Board of Directors

N. Vaghul, *Chairman*
Uday M. Chitale
Sridar Iyengar
L. N. Mittal
Anupam Puri
Vinod Rai
Somesh R. Sathe
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, *Deputy Managing Director*
Chanda D. Kochhar, *Executive Director*
Nachiket Mor, *Executive Director*

Senior Management

SENIOR GENERAL MANAGERS

Bhargav Dasgupta
M. N. Gopinath
N. S. Kannan
Sanjiv Kerkar
Vishakha Mulye
Ramni Nirula
Nagesh Pingre
Madhabi Puri-Buch
K. Ramkumar
Balaji Swaminathan
V. Vaidyanathan
Pravir Vohra

Jyotin Mehta
General Manager & Company Secretary

Board Committees

AGRICULTURE & SMALL ENTERPRISES BUSINESS COMMITTEE

N. Vaghul, *Chairman*
Somesh R. Sathe
M. K. Sharma
P. M. Sinha

FRAUD MONITORING COMMITTEE

Uday M. Chitale, *Chairman*
M. K. Sharma
K. V. Kamath
Kalpana Morparia
Chanda D. Kochhar

AUDIT COMMITTEE

Uday M. Chitale, *Chairman*
Somesh R. Sathe
M. K. Sharma

RISK COMMITTEE

N. Vaghul, *Chairman*
Uday M. Chitale
Marti G. Subrahmanyam
V. Prem Watsa
K. V. Kamath

BOARD GOVERNANCE & REMUNERATION COMMITTEE

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

SHARE TRANSFER & SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Uday M. Chitale, *Chairman*
Somesh R. Sathe
Kalpana Morparia
Chanda D. Kochhar

BUSINESS STRATEGY COMMITTEE

N. Vaghul, *Chairman*
Anupam Puri
M. K. Sharma
P. M. Sinha
K. V. Kamath

COMMITTEE OF DIRECTORS

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

CREDIT COMMITTEE

N. Vaghul, *Chairman*
Somesh R. Sathe
M. K. Sharma
K. V. Kamath

ASSET LIABILITY MANAGEMENT COMMITTEE

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

Your Directors have pleasure in presenting the Eleventh Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2005. The year 2005 marks the completion of 50 years in finance by the ICICI group.

FINANCIAL HIGHLIGHTS

The financial performance for fiscal 2005 is summarised below:

	Rs. billion, except percentages		
	Fiscal 2004	Fiscal 2005	% change
Net interest income and other income	50.52	62.55	23.8
Operating profit	24.81	29.56	19.1
Provisions & contingencies	5.79	4.29	(25.9)
Profit before tax	19.02	25.27	32.9
Profit after tax	16.37	20.05	22.5
Consolidated profit after tax	15.80	18.52	17.2

APPROPRIATIONS

The profit & loss account shows a profit after taxation of Rs. 20.05 billion after write-offs and provisions of Rs. 4.29 billion and after taking into account all expenses. The disposable profit is Rs. 20.58 billion, taking into account the balance of Rs. 0.53 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 75% (Rs. 7.50 per equity share of Rs. 10) for the year and a special dividend of 10% (Rs. 1 per equity share of Rs. 10) to mark the completion of 50 years in finance by the ICICI group and have appropriated the disposable profit as follows:

	Rs. billion	
	Fiscal 2004	Fiscal 2005
To Statutory Reserve, making in all Rs. 14.63 billion	4.09	5.02
To Investment Fluctuation Reserve (IFR)	2.76	-
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 11.94 billion	0.25	0.25
To Revenue and other Reserves, making in all Rs. 44.63 billion ⁽¹⁾	2.65	6.20
Dividend for the year (proposed)		
- On equity shares @ 85% (@75% in fiscal 2004)	5.44 ⁽²⁾	6.33
- On preference shares (Rs.)	35,000	35,000
- Corporate dividend tax	0.70 ⁽²⁾	0.90
Leaving balance to be carried forward to the next year	0.53	1.88

(1) In addition to appropriation of disposable profits, excess balance of Rs. 2.14 billion in IFR has been transferred to Revenue and other Reserves in fiscal 2005.

(2) Excluding the impact of issue of 6,992,187 equity shares on May 24, 2004 by exercise of the green shoe option, after the adoption of the audited accounts by the Board on April 30, 2004.

SPONSORED AMERICAN DEPOSITARY SHARE (ADS) ISSUE

In March 2005, ICICI Bank sponsored an ADS offering of 20.7 million ADS (41.4 million shares), including exercise of over-allotment option of 1.5 million ADS (3.0 million shares) through a public offering on the New York Stock Exchange. The issue price was fixed at US\$ 21.11 per ADS with each ADS representing two underlying equity shares. This represented a premium of 18% to the closing domestic price on March 11, 2005, the last date for tender of shares in the offering. The offering was subscribed approximately four times. The gross proceeds from the ADS offering were US\$ 436.7 million. The consideration per share, after deduction of expenses for the ADS offering, was Rs. 453.16.



GOING PLACES

Backed by its domestic banking experience, ICICI Bank has expanded its global footprint in ten countries around the world. The product and service propositions offered by ICICI Bank appeal not only to the Indian diaspora and Indian corporates with international aspirations, but also to a diverse customer profile overseas. ICICI Bank is thus seeking to emerge as a major global bank.

ICICI Bank has subsidiaries in Canada, UK and Russia, branch offices in Singapore and Bahrain and representative offices in USA, China, UAE, Bangladesh and South Africa.