

Towards a better life



14th Annual Report and Accounts 2007-2008

Towards a Better Life

The ICICI Group was formed with the objective of supporting India's growth and development. While we have transformed from a development bank to a diversified financial services group, this vision continues to form the core of all we do. We partner the growth of Indian business and help individuals improve their quality of life, through convenient access to financial products and services. We are focusing on the full spectrum of financial services needs, from banking in rural areas to banking for the Indian community overseas. In addition to financial services, we support initiatives for socio-economic development through projects focused on healthcare, education and access to markets.

We seek to improve access to opportunity, and the ability to make the most of it, for businesses and individuals - to help people move towards a better life.

Vision

To be the leading provider of financial services in India and a major global bank.

Mission

We will leverage our people, technology, speed and financial capital to:

- be the banker of first choice for our customers by delivering high quality, world-class products and services.
- expand the frontiers of our business globally.
- play a proactive role in the full realisation of India's potential.
- maintain a healthy financial profile and diversify our earnings across businesses and geographies.
- maintain high standards of governance and ethics.
- contribute positively to the various countries and markets in which we operate.
- create value for our stakeholders.

Contents

Message from the Chairman	2
Letter from the Managing Director & CEO	4
Board of Directors	6
Board Committees	6
Senior Management	6
Directors' Report	7
Auditors' Certificate on Corporate Governance	33
Business Overview	34
Promoting Inclusive Growth	45
Organisational Excellence	48
Management's Discussion and Analysis	49
Key Financial Indicators	64
Particulars of Employees under Section 217 (2A) of the Companies Act, 1956	65

Financials :

Auditors' Report	F1
Balance Sheet	F2
Profit and Loss Account	F3
Cash Flow Statement	F4
Schedules	F5
Statement pursuant to Section 212 of the Companies Act, 1956	F46
Consolidated Financial Statements of ICICI Bank Limited and its subsidiaries	F47
Reconciliation to US GAAP and related notes	F84
BASEL II – Pillar 3 Disclosures (Consolidated)	F93

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

B S R & Co.
Chartered Accountants, KPMG House, Kamala Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013

Registrar and Transfer Agents

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

Message from the **Chairman**



The world around us continues to change rapidly. We are seeing a new world order taking shape, with the locus of the global economy shifting towards India and China. These two nations are the key drivers of global growth. The recent turmoil in western economies and the relative insulation of Asia has heightened this trend. This is a time of opportunity, but also a time to be conscious of risks as we cannot be wholly immune to the negative consequences of global developments as well as our many internal challenges. On balance, the outlook for India continues to support the expectation of a long period of sustained high growth.

In this context, Indian businesses must be conscious of their role as participants in the transformation of India. With power and wealth comes the responsibility to use them judiciously in a way that has a positive impact on society and not just on a narrow set of stakeholders. India continues to experience internal issues that are perhaps even more challenging than the potential external risks. These are the wide disparities

in education, access to basic services, income levels and standards of living among our people; regional and urban-rural asymmetries in development and economic growth; and the resultant inability of significant portions of our population to participate in our country's extraordinary growth and wealth creation. Indian business must take cognizance of these issues, and apply its entrepreneurial capabilities, strengths in innovation and financial capital to devise and implement solutions that will accelerate resolution of these problems in a sustainable manner. We must work towards ensuring that the disadvantaged have equal opportunity to improve the quality of their lives and are not left behind those with ready access to the fruits of economic growth. It is heartening to note that many Indian corporations are indeed thinking along these lines and taking measures in this direction. What is essential now is industry-wide collaboration and scaling up of these efforts to ensure that our objectives are achieved in as accelerated a time-frame as possible.

The second dimension of responsible corporate behaviour is the maintenance of ethical standards in the functioning of organisations. As businesses experience rapid growth with increasing complexity and diversification, it is important to build and sustain core values of upholding law and regulation and being fair in dealings with all stakeholders. This is an ongoing and evolving process and no organisation can claim perfection on these parameters. However, what they must and can do is to ensure that the core values are clear and the ground rules are laid down, and that the organisational structure and governance process has mechanisms that incentivise appropriateness in all actions of the organisation. On this aspect as well, it is a matter of satisfaction to see the evolution and maturity of the governance standards of Indian

business. By and large, Indian business has recognised the critical importance of good governance, in all its dimensions.

Social responsibility and ethical behaviour are not inconsistent with narrower objectives of profitability and shareholder wealth maximisation. Indeed, they are critical to sustainable, long-term value creation. Contributing to an ecosystem that empowers people to participate productively in the economy creates new growth opportunities for business; maintaining high ethical standards ensures healthy market behaviour and the primacy of legitimate economic forces.

At the ICICI Group, we view our social initiatives and our ethical standards as core elements of the foundation we are building for our growth. During the year, we have sought to take our social initiatives to the next level through the establishment

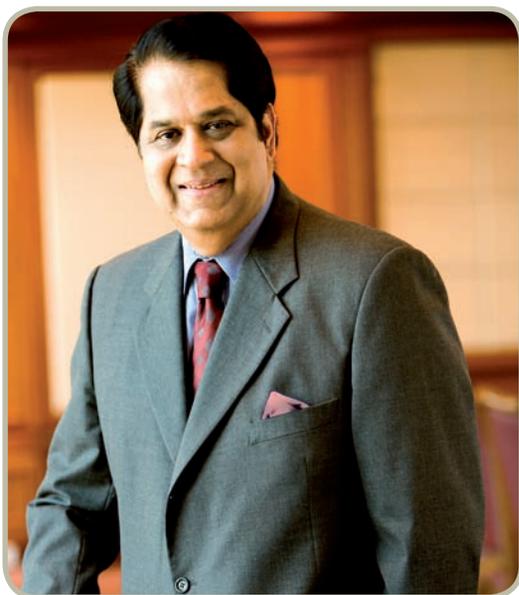
of The ICICI Foundation for Inclusive Growth. We believe that this will significantly expand the ICICI Group's activities in the area of corporate social responsibility, philanthropy and community development. The Foundation will seek to catalyse and accelerate social and economic inclusion by bridging economic and human development gaps.

The ICICI Group will continue to leverage growth opportunities in India and overseas, seek to make a significant contribution to the integrated development of our country and build a platform for sustained growth that will create value for our stakeholders.



N. VAGHUL
Chairman

Letter from the **Managing Director & CEO**



Dear Stakeholders,

We are passing through an exciting as well as challenging phase in the global economy and in India. The strong growth momentum of the Indian economy over the past few years and the continuing transformation of India have changed our positioning in the world. Indian business and Indian talent have made their mark in every sphere and continue to do so. The growth outlook for the Indian economy remains strong. While the services sector and household consumption and asset creation were the key growth drivers over the past few years, industrial investment, in both infrastructure and manufacturing, is emerging as the key growth driver for the coming years. While difficulties experienced in global markets and the challenge of domestic inflation driven by global factors and supply side constraints would continue to test the economy's resilience, we are confident that strong fundamental factors of domestic demand and global competitiveness would continue to support high growth rates for the foreseeable future.

At the ICICI Group, our strategy of building multiple growth engines across the spectrum of financial services and maintaining appropriate levels of capital is standing us in good stead during this period. At a more basic level, our focus on building strategic agility and strong execution capability enables us to shift gears and focus as required by the opportunities and the environment at different times. We have thus recalibrated our business mix, with the corporate & investment banking segment becoming an increasingly important growth driver, offsetting the relative moderation in the retail segment, which continues to be the largest part of our balance sheet. We are focusing on strengthening our retail liability franchise in India as well as in select international markets, to support our strong asset origination capabilities and meet the demand for retail credit in India and Indian corporate credit both in India and globally. Our non-banking businesses, namely insurance, asset management, private equity and securities, continue to sustain their leadership positions. We see robust growth in financial services in India and in the select segments of international markets where we operate. With our capital raising exercise in 2007, we are now well-capitalised to support this growth.

Since its inception, the ICICI Group has been a facilitator of India's growth, through all its activities, such as domestic and cross-border finance for corporates, mortgage and consumer lending, technology-driven transaction banking, equity financing for businesses and innovative insurance products. In recent years, we, as part of a larger systemic drive, have accorded a special emphasis to the issue of inclusive growth. This is driven by a realisation that while a large part of India's growth momentum is self-sustaining, there is a need to build capacity among the less advantaged sections of society to participate in this growth and indeed add to it. This would

also benefit the existing participants in the growth process, as the fuller realisation of the country's growth potential would provide new opportunities for profitable growth.

The challenge of inclusive growth has many dimensions. A key element of an inclusive growth strategy is enhancing, indeed universalising, access to financial services. This implies access not only to credit, but to a basic bank account, transaction capability and risk mitigants like insurance. The ICICI Group, as part of its banking and insurance businesses, is working towards meeting these needs. This poses several challenges, as the traditional models of outreach are not viable for large-scale delivery of financial services to the poor, especially in rural areas. We are experimenting with a range of models and technologies to devise scalable and sustainable solutions.

Our commitment to inclusive growth goes beyond the financial services element which is part of our regular business operations. For many years, we have had a dedicated team driving our social initiatives in key focus areas, which included micro-finance, primary education and healthcare. During the year, our Board has established The ICICI Foundation for Inclusive Growth to take forward and scale up these initiatives, as well as take up new areas that require innovative interventions.

One particular area that is of critical importance to the future of India is education. We are today facing a situation where

it is not employment generation which is a challenge, but finding the requisite numbers of people with the requisite skills to fill the jobs that are available or being created every year. This is leading to the paradox of unemployment and poverty co-existing with skill shortage and wage inflation. We require a concerted and combined effort by government, educational institutions and business organisations to devise curricula and training material that are relevant to the emerging needs of employers, and devise simple, cost-effective and scalable methods for delivery of education and training to large numbers of people. There is a need to rapidly expand vocational training and basic skill-building for both the industrial and services sectors. At the ICICI Group, we have launched several initiatives in partnership with educational institutions to provide affordable training in financial services that will result in the students being employment-ready on completion of their courses.

In summary, the outlook for the Indian economy and our businesses is positive and we see ourselves participating in a sustained period of high economic growth. We look forward to the continued support of all our stakeholders as we grow our franchises in India and abroad to achieve our vision of being the leading provider of financial services in India and a major player in the global banking landscape.

K. Vaman Kamath

K. V. KAMATH
Managing Director & CEO

Board of Directors

N. Vaghul, *Chairman*
Sridar Iyengar
L. N. Mittal
Narendra Murkumbi
Anupam Puri
Arun Ramanathan
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam
T. S. Vijayan
V. Prem Watsa
K. V. Kamath, *Managing Director & CEO*
Kalpana Morparia, *Joint Managing Director*
(Up to May 31, 2007)
Chanda D. Kochhar, *Joint Managing Director & CFO*
Nachiket Mor, *Deputy Managing Director*
(Up to October 18, 2007)
V. Vaidyanathan, *Executive Director*
Madhabi Puri Buch, *Executive Director*
(w.e.f. June 1, 2007)
Sonjoy Chatterjee, *Executive Director*
(w.e.f. October 22, 2007)

Senior Management

K. Ramkumar
Group Chief Human Resources Officer
Pravir Vohra
Group Chief Technology Officer

Sandeep Batra
Group Compliance Officer
& Company Secretary

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

Customer Service 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
Chanda D. Kochhar
V. Vaidyanathan*

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
Chanda D. Kochhar
Madhabi Puri Buch*

Strategy Committee

N. Vaghul, *Chairman*
Narendra Murkumbi
M. K. Sharma
K. V. Kamath
Chanda D. Kochhar

Committee of Directors

K. V. Kamath, *Chairman*
Chanda D. Kochhar
V. Vaidyanathan
Madhabi Puri Buch*
Sonjoy Chatterjee**

* Effective June 1, 2007

** Effective October 22, 2007

Directors' Report

Your Directors have pleasure in presenting the Fourteenth Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2008.

Financial Highlights

The financial performance for fiscal 2008 is summarised in the following table:

Rs. billion, except percentages	Fiscal 2007	Fiscal 2008	% change
Net interest income and other income	125.65	161.15	28.3%
Operating profit	58.74	79.61	35.5%
Provisions & contingencies ¹	22.26	29.05	30.5%
Profit before tax	36.48	50.56	38.6%
Profit after tax	31.10	41.58	33.7%
Consolidated profit after tax	27.61	33.98	23.1%

1. Excludes provision for taxes.

Appropriations

The profit & loss account shows a profit after tax of Rs. 41.58 billion after provisions and contingencies of Rs. 29.05 billion and all expenses. The disposable profit is Rs. 51.56 billion, taking into account the balance of Rs. 9.98 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 110% (Rs. 11 per equity share of face value Rs. 10) for the year and have appropriated the disposable profit as follows:

Rs. billion	Fiscal 2007	Fiscal 2008
To Statutory Reserve, making in all Rs. 39.39 ¹ billion	7.80	10.40
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 20.94 billion	4.50	1.75
To Capital Reserve, making in all Rs. 8.01 billion	1.21	1.27
Dividend for the year (proposed)		
– On equity shares @ 110% (@100% for fiscal 2007)	9.01	12.28 ²
– On preference shares (Rs.)	35,000	35,000
– Corporate dividend tax	1.53	1.50
Balance to be carried forward to the next year ³	9.98	24.36

1. Includes Rs. 0.20 billion transferred on amalgamation of The Sangli Bank Limited with the Bank.

2. Includes dividend for fiscal 2007 paid on shares issued pursuant to exercise of employee stock options after the balance sheet date and prior to the record date.

3. After taking into account transfer to Reserve Fund Rs. 3.14 million for fiscal 2008, making in all Rs. 4.53 million.



**“Now I have
something I never
had before.
Confidence.”**

-Satyamma

Towards a better life.

**Micro-finance schemes
have improved the lives
of about 3.5 million people.**

Satyamma now makes a profit of over Rs. 2400 every week selling betel leaves- a remarkable improvement over the Rs. 140 she used to earn working as an agricultural labourer. As one of the 3.5 million people who have benefited from the ICICI Group's micro-finance initiatives, Satyamma today walks with her head held high.