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ICICI BANK LTD  
Form 20-F  
September 30, 2004

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
- Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended March 31, 2004
- 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 - 616,391,905 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

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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

Form 20-F	Item Number and Caption	Location

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Part - I

1	Identity of Directors, Senior Management and Advisers	Not applicable
2	Offer Statistics and Expected Timetable	Not applicable
3	Key Information	Selected Consolidated Financial and Operating Data Exchange Rates..... Risk Factors.....
4	Information on the Company	Business..... Operating and Financial Review and Prospects--Capital Expenditure..... Operating and Financial Review and Prospects--Effect of Other Acquisitions..... Operating and Financial Review and Prospects--Segment Revenues and Assets..... Overview of the Indian Financial Sector..... Supervision and Regulation.....
5	Operating and Financial Review and Prospects	Operating and Financial Review and Prospects..... Business--Risk Management.....
6	Directors, Senior Management and Employees	Management..... Business--Employees.....
7	Major Shareholders and Related Party Transactions	Business--Shareholding Structure and Relationship with the Government of India..... Operating and Financial Review and Prospects--Related Party Transactions..... Management--Interest of Management in Certain Transactions..... Management--Compensation and Benefits to Directors and Officers--Loans..... Market Price Information..... Note 30 in Notes to Consolidated Financial Statements.....
8	Financial Information	Report of Independent Auditors on Consolidated Financial Statements..... Consolidated Financial Statements and the notes thereto..... Operating and Financial Review and Prospects--Significant Changes..... Business--Legal and Regulatory Proceedings.....
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9	The Offer and Listing	Market Price Information..... Restriction on Foreign Ownership of Indian Securities.....

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10	Additional Information	Additional Information..... Exchange Controls..... Taxation..... Restriction on Foreign Ownership of Indian Securities..... Dividends.....
11	Quantitative and Qualitative Disclosures About Market Risk	Business--Quantitative and Qualitative Disclosure About Market Risk.....
12	Description of Securities Other than Equity Securities	Not applicable
Part - II		
13	Defaults, Dividend Arrearages and Delinquencies	Not applicable
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable
15	Controls and Procedures	Business--Risk Management.....
16	[Reserved]	Not applicable
16A	Audit Committee Financial Expert	Management--Corporate Governance--Audit Committee
16B	Code of Ethics	Management--Corporate Governance--Code of Ethics.
16C	Principal Accountant Fees and Services	Management--Corporate Governance--Principal Accountant Fees and Services.....
16D	Exemptions from the Listing Standards for Audit Committees	Not applicable
16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Not applicable
Part - III		
17	Financial Statements	See Item 18
18	Financial Statements	Report of Independent Auditors on Consolidated Financial Statements..... Consolidated Financial Statements and the notes thereto.....
19	Exhibits	Exhibit index and attached exhibits.....

### 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

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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 and fiscal 2004, 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.

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.

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### 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

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limited to, the actual growth in demand for banking and other financial products and services, our ability to successfully implement our strategy, our ability to integrate recent or future mergers or acquisitions into our operations, future levels of impaired loans, our growth and expansion, 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, our exposure to market risks and the market acceptance of and demand for Internet banking services. 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 general economic and political conditions in India, southeast Asia, and the other countries which have an impact on our business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India, the United States or elsewhere, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country or any other acts of terrorism world-wide, the monetary and interest rate policies of India, political or financial instability in India or any other country caused by political uncertainty, tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets and level of Internet penetration in India and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general 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 in this annual report.

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### 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 the 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 consistently 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. Since the Indian rupee was made convertible on the current account in March 1993, it has steadily 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.

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The rupee has again depreciated against the dollar during fiscal 2005 (through August 31, 2004) by 6.8%. 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)
1999.....	42.50	42.27
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 (through September 24, 2004).....	46.35	45.39

  

Month	High	Low
March 2004.....	45.32	43.40
April 2004.....	44.52	43.40
May 2004.....	45.57	44.55
June 2004 .....	46.21	44.94
July 2004.....	46.45	45.66
August 2004 .....	46.40	46.21
September 2004 (through September 24, 2004).....	46.35	45.81

- (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, 2004. 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, 2004 was Rs. 43.40 per US\$ 1.00 and at August 31, 2004 was Rs. 46.35 per US\$ 1.00.

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### 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.

The Indian economy has shown sustained growth over the last few years with real GDP growing at 8.2% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. The Index of Industrial Production grew at 6.9% in fiscal 2004 compared to 5.8% in fiscal 2003 and 2.7% in fiscal 2002. Any slowdown in the Indian economy

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or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. With the increasing importance of retail loans to our business, any slowdown in the growth of sectors like housing and automobiles could adversely impact our performance. Further, with the increasing importance of the agricultural sector in our business, any slowdown in the growth of the agricultural sector could also adversely impact our performance. Growth in the agricultural sector in India has been variable and dependent on climatic conditions, primarily the level and timing of rainfall. The agricultural sector grew by 9.1% in fiscal 2004 compared to a decline of 5.2% during fiscal 2003. Any slowdown could adversely affect 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 our 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 were approximately 26.7% of total imports in fiscal 2004. 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. Crude oil prices declined in fiscal 2002 due to weaker demand. During fiscal 2003, crude oil prices initially rose as a result of Middle-East tensions and in particular the US-led military action in Iraq before declining on account of the relatively short duration of the war. Conditions remain volatile in the Middle-East where most of the world's oil production facilities are located. There has been a sharp increase in global crude oil prices over the past few months (due to increased international oil demand and tensions in the Middle East), which has contributed to a rise in inflation, higher market interest rates in the Indian economy and a higher trade deficit. Any significant increase or volatility in oil prices, due to continuing or further tensions or hostilities or otherwise, could affect the Indian economy and the Indian banking and financial system, in particular through its impact on inflation, interest rates and the trade deficit. This could adversely affect our business including 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 our ADSs.

A significant change in the Indian government's economic liberalization and deregulation policies could disrupt our business and cause the price of our equity shares and our ADSs to go down.

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. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including our equity shares and our ADSs.

The most recent parliamentary elections were completed in May 2004. A coalition government led by the Indian National Congress party has been formed with Dr. Manmohan Singh as the Prime Minister of India. A significant change in the government's policies could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity

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shares and our ADSs.

Financial instability in other countries, particularly emerging market countries, could disrupt our business and cause the price of our equity shares and our ADSs to go down.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in the past years has affected the Indian economy even though India was relatively unaffected by the financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector, including us. Any financial disruption could have an adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business could suffer and the price of our equity shares and our ADSs could go down.

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In recent years, there have been military confrontations between India and Pakistan in the Kashmir region and present relations between India and Pakistan continue to be tense on the issues of terrorism, armament and Kashmir. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs. For example, the terrorist attacks in the United States on September 11, 2001 and subsequent military action in Afghanistan and Iraq affected markets all over the world. The United States' continuing battle against terrorism could lengthen these regional hostilities and tensions. Further, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country leading to overall political and economic instability, it could have an adverse effect on our business, our future financial performance and the price of our equity shares and our ADSs.

Trade deficits could cause our business to suffer and the price of our equity shares and our ADSs to go down.

India's trade relationships with other countries can also influence Indian economic conditions. In fiscal 2004, India experienced a trade deficit of Rs. 628.7 billion (US\$ 14.5 billion), an increase of Rs. 268.7 billion (US\$ 6.2 billion) from fiscal 2003. In fiscal 2005 (through July 2004), the trade deficit increased significantly to Rs. 385.7 billion (US\$ 8.9 billion) as compared to Rs. 251.0 billion (US\$ 5.8 billion) in the corresponding period of the previous year, mainly due to the rise in global crude oil prices. International crude oil prices have increased from US\$ 35.75 per barrel at March 31, 2004 to US\$ 43.72 per barrel at July 31, 2004. If trade deficits increase or are no longer manageable, 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 have a negative impact on the Indian economy and could cause our business to suffer and the price of our equity shares and our ADSs to go down.

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. 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 5.2%. According to the India Meteorological Department, rainfall for the period June 1, 2004 to August 25, 2004 has been 6.0% below normal. The erratic progress of the monsoon in 2004 has adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting our business and causing the price of our equity shares and our ADSs to go down.

Financial difficulty and other problems in certain financial institutions in India could cause our business to suffer and the price of our equity shares and our ADSs to go down.

As an Indian bank, we are exposed to the risks of the Indian financial system which in turn may be affected by financial difficulties and other problems faced by certain Indian financial institutions. See "Overview of the Indian Financial Sector". As an emerging market system, the Indian financial system faces risks of a nature and extent not typically faced in developing countries, 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 during April 11 to 13, 2003 on account of these unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise in future, any failure to control such situations could result in large deposit withdrawals which would adversely impact our liquidity position.

In addition, certain Indian financial institutions have experienced difficulties in recent years. In July 2004, on an application by the Reserve Bank of India, the Indian government issued an order of moratorium on Global Trust Bank, a new private sector bank, and restricted withdrawals by depositors. The Reserve Bank of India subsequently announced a merger of Global Trust Bank with Oriental Bank of Commerce, a public sector bank. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business, our future financial performance, our shareholders' funds and the price of our equity shares and our ADSs.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact us.

India's foreign exchange reserves increased 47.5% during fiscal 2004 and 7.2% during fiscal 2005 (through September 10, 2004) to US\$ 118.3 billion. A decline in these reserves could result in reduced liquidity and higher interest rates in the Indian economy. Reduced liquidity or an increase in interest rates in the economy following a decline in foreign exchange reserves could adversely

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affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs. See also "- Risks Relating to Our Business".

Any down-grading of India's debt rating by an international rating agency could cause our business to suffer and the price of our equity shares and our ADSs to go down.

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 our ADSs.

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### Risks Relating to Our Business

Our business is particularly vulnerable to interest rate risk and volatility in interest rates could cause our net interest margin, the value of our fixed income portfolio and our income from treasury operations to decline and adversely affect our financial performance.

As an Indian bank, we are, as a result of the Indian reserve requirements more structurally exposed to interest rate risk than banks in many other countries. Under the regulations of the Reserve Bank of India, our liabilities are subject to the statutory liquidity ratio requirement which requires that a minimum specified percentage, currently 25.0%, of a bank's demand and time liabilities be invested in government of India securities and other approved securities. Pursuant to the amalgamation, the statutory liquidity ratio requirement was imposed on the liabilities acquired from ICICI. We earn interest on such government of India securities at rates which are less favourable than those which we typically receive in respect of our retail and corporate loan portfolio. The statutory liquidity ratio generally has a negative impact on net interest income and net interest margin since it requires us to invest in lower interest-earning securities. If our cost of funds does not decline at the same time and to the same extent as the yield on our interest-bearing assets, or if the yield on our interest-bearing assets does not increase at the same time and to the same extent as our cost of funds, our net interest margins would be adversely impacted. Our subsidiary ICICI Securities is a primary dealer in government of India securities and its net income in fiscal 2004 had a high proportion of fixed income securities trading gains. During fiscal 2005, the secondary market yields on government of India securities have been volatile due to expectations of tightening of monetary policy and increase in interest rates as a result of global trends, particularly in the United States, and rising oil prices and their impact on inflation in India. The yield on 10-year government of India securities increased from 5.1% at March 31, 2004 to a high of 6.7% at August 11, 2004 before declining again to 6.1% at August 31, 2004. The Reserve Bank of India has increased the cash reserve ratio (the percentage of a bank's demand and time liabilities that it must maintain in the form of cash balances with the Reserve Bank of India) from 4.5% to 4.75% effective September 18, 2004 and 5.0% effective October 2, 2004. In a rising interest rate environment, especially if the rise were sudden or sharp, we would be materially adversely affected by the decline in market value of our government securities portfolio and other fixed income securities. Our income from treasury operations is particularly vulnerable to interest rate volatility and an increasing interest rate environment is likely to adversely affect the income from our treasury operations. Declines in the value of our trading portfolio in such an environment will adversely affect our income.

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A large proportion of ICICI's loans comprised project finance assistance, a substantial portion of which was particularly vulnerable to completion risk.

Long-term project finance assistance was a significant proportion of ICICI's asset portfolio. Although retail loans have significantly increased in our balance sheet, long-term project finance continues to be a significant proportion of our loan portfolio. The viability of these projects depends upon a number of factors, including completion risk, market demand, government policies and the overall economic environment in India and international markets. We cannot be sure that these projects will perform as anticipated. Over the last several years, we and ICICI experienced a high level of impaired loans in our project finance loan portfolio to industrial companies as a result of the downturn in certain global commodity markets and increased competition in India. In addition, a significant portion of infrastructure and other projects financed by us are still under implementation and present risks, including delays in the commencement of operations and breach of contractual obligations by counterparties that could impact the project's ability to generate revenues. We cannot assure you that future credit losses on account of such loans would not have a materially adverse effect on our profitability. If a substantial portion of these loans were to become impaired, the quality of our loan portfolio could be adversely affected.

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We have high concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become impaired, the quality of our loan portfolio could be adversely affected.

At year-end fiscal 2004, our 20 largest borrowers, based on gross outstanding balances, totaled approximately Rs. 149.6 billion (US\$ 3.5 billion), which represented approximately 18.6% of our total gross loans outstanding (gross of unearned income and security deposits). Our largest single borrower by outstanding at that date was approximately Rs. 17.5 billion (US\$ 402 million), which represented approximately 2.2% of our total gross loans outstanding. The largest borrower group of companies under the same management control accounted for approximately 4.5% of our total gross loans outstanding. Credit losses on these large single borrower and group exposures could adversely affect our business, our financial performance, our stockholders' equity and the prices of our equity shares and our ADSs.

At year-end fiscal 2004, we had extended loans to several industrial sectors in India. At that date, approximately 40.5% of our gross restructured loan portfolio was concentrated in three sectors: iron and steel (19.6%), crude petroleum and refining (10.8%) and textiles (10.1%). At that date, approximately 42.2% of our gross other impaired loan portfolio was concentrated in three sectors: power (23.7%), iron and steel (11.2%) and petrochemicals (7.3%). Our total loan portfolio also had a significant concentration of loans in these sectors. These sectors have been adversely affected by economic conditions over the last few years in varying degrees. Although our loan portfolio contains loans to a wide variety of businesses, financial difficulties in these sectors could increase our level of impaired loans and adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

If we are not able to control or reduce the level of impaired loans in our portfolio, our business will suffer.

Our gross restructured loans represented 20.4% of our gross loan portfolio

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at year-end fiscal 2004 and 21.5% of our gross loan portfolio at year-end fiscal 2003. Our gross other impaired loans represented 6.3% of our gross loan portfolio at year-end fiscal 2004 and 12.2% of our gross loan portfolio at year-end fiscal 2003. Our net restructured loans represented 16.7% of our net loans at year-end fiscal 2004 and 19.5% of our net loans at year-end fiscal 2003. Our net other impaired loans represented 4.0% of our net loans at year-end fiscal 2004 and 8.8% of our net loans at year-end fiscal 2003.

In absolute terms, our total gross restructured and other impaired loans declined by 7.8% in fiscal 2004 over fiscal 2003. In fiscal 2003, our total gross restructured and other impaired loans increased by 58.1% over the total combined gross impaired loans of ICICI and ICICI Bank at year-end fiscal 2002.

The growth of our and ICICI's gross restructured and other impaired loans over the past few years can be attributed to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings, which reduced the profitability for certain borrowers, and the resultant restructuring of certain Indian companies. The decline in our total gross restructured and other impaired loans is primarily due to recoveries and reclassification of loans as unimpaired based on satisfactory performance of the borrower accounts as per the contractual terms of payment. This was offset, in part, by the continuing process of restructuring of loans to corporations in several sectors as well as classification of additional loans as impaired based on default in payment. It is expected that the restructuring process will continue in fiscal 2005.

Further, we have experienced rapid growth in our retail loan portfolio. Our gross consumer loans and credit card receivables increased from Rs. 188.3 billion (US\$ 4.3 billion), constituting 27.5% of

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our gross loans at year-end fiscal 2003 to Rs. 311.9 billion (US\$ 7.2 billion), constituting 39.2% of our gross loans at year-end fiscal 2004. We cannot assure you that there will be no additional impaired loans on account of these retail loans and that such impaired loans will not have a materially adverse impact on the quality of our loan portfolio. The factors that could cause impaired loans in our retail loan portfolio to increase are substantially similar to those factors relevant in developed countries which include rise in unemployment, prolonged recessionary conditions and a sharp and sustained rise in interest rates.

The directed lending norms of the Reserve Bank of India require that every bank should extend 40.0% of its net bank credit to certain eligible sectors, which are categorized as "priority sectors". Priority sectors are specific sectors such as agriculture and small-scale industries, and also include housing finance loans up to certain limits. Considering that the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending, the Reserve Bank of India directed us to maintain an additional 10.0% over and above the requirement of 40.0%, i.e., 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 loans. 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. We may experience a significant increase in impaired loans in our directed lending portfolio, particularly loans

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to the agriculture sector and small-scale industries, since economic difficulties are likely to affect those borrowers more severely and we would be less able to control the quality of this portfolio.

A number of factors will affect our ability to control and reduce impaired loans. Some of these, including developments in the Indian economy, movements in global commodity markets, global competition, interest rates and exchange rates, are not within our control. There can be no assurance that troubled debt restructuring approved by us will be successful and the borrowers will meet their obligations under the restructured terms. Although we are increasing our efforts to improve collections and to foreclose on existing impaired loans, we cannot assure you that we will be successful in our efforts or that the overall quality of our loan portfolio will not deteriorate in the future. If we are not able to control and reduce our impaired loans, or if there is a significant increase in our impaired loans, our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs could be adversely affected.

If there is a further deterioration in our impaired loan portfolio and we are not able to improve our allowance for loan losses as a percentage of impaired loans, the price of our equity shares and our ADSs could go down.

Although we believe that our allowance for loan losses is adequate to cover all known losses in our portfolio of assets, 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.

At year-end fiscal 2004, our allowance for loan losses on restructured loans represented 25.2% of gross restructured loans and our allowance for loan losses on other impaired loans represented 42.7% of gross other impaired loans. At year-end fiscal 2003, our allowance for loan losses on restructured loans represented 16.8% of gross restructured loans and our allowance for loan losses on other impaired loans represented 33.5% of gross other impaired loans.

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 our ADSs.

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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 customers, primarily comprising loans made by ICICI, is secured by real assets, including property, plant and equipment. Our loans to corporate customers also include working capital credit facilities that are typically secured by a first lien on inventory, receivables and other current assets. In some cases, we may have taken further security of a first or second lien on fixed assets, a pledge of financial assets like marketable securities, corporate guarantees and personal guarantees. A substantial portion of our loans to retail customers is also secured by the assets financed, predominantly property and vehicles. Although in general our loans are over-collateralized, an economic downturn could result in

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a fall in relevant collateral values.

In India, foreclosure on collateral generally requires a written petition to an Indian court or tribunal. 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. In the event a corporate borrower makes a reference to a specialized quasi-judicial authority called the Board for Industrial and Financial Reconstruction, foreclosure and enforceability of collateral is stayed. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, has strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues from corporate borrowers. There can be no assurance that the legislation 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." We cannot guarantee that we will be able to realize the full value on our collateral, as a result of, among other factors, delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral and fraudulent transfers by borrowers. A failure to recover the expected value of collateral security could expose us to a potential loss. Any unexpected losses could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

We face greater credit risks than banks in developed countries.

Our principal business is to provide financing to our clients, a predominant number of whom are based in India. At year-end fiscal 2004, loans outside India constituted only 1.4% of our gross loans. In the past, ICICI focused its activities on financing large-scale projects. Increasingly, we are focusing on lending to individuals, as well as large corporate customers, many of who have strong credit ratings, as well as select small and middle market companies. Our loans to small and middle market companies can be expected to be more severely affected by adverse developments in the Indian economy than loans to large corporations. In all of these cases, we are subject to the credit risk that our borrowers may not pay in a timely fashion or may not pay at all. The credit risk of all our borrowers is higher than that in more developed countries due to the higher uncertainty in the Indian regulatory, political, economic and industrial environment and difficulties that many of our borrowers face in adapting to instability in world markets and technological advances taking place across the world. Unlike several developed countries, India does not have an operational nationwide credit bureau which may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings has reduced the profitability of certain of our borrowers which in turn could adversely affect our loan portfolio and accordingly our business.

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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. However, a large portion of our assets, primarily the

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assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. Our customer deposits are generally of less than one year maturity. If a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position could be adversely affected. The failure to obtain rollover of customer deposits upon maturity or to replace them with fresh deposits could have a material adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

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 during the period April 11 to 13, 2003, on account of these unsubstantiated rumours. We successfully controlled the situation, but if such situations were to arise in future, any failure to control such situations could result in large deposit withdrawals, which would adversely impact our liquidity position.

Material changes in the regulations which govern us could cause our business to suffer and the price of our equity shares and our ADSs to go down.

Banks in India operate in a highly regulated environment. The Reserve Bank of India extensively supervises and regulates banks. In addition, banks are subject generally to changes in Indian law, as well as to changes in regulation and government policies, income tax laws and accounting principles. See "Supervision and Regulation". For example, on September 11, 2004, the Reserve Bank of India increased the cash reserve ratio from 4.5% to 4.75% effective September 18, 2004 and 5.0% effective October 2, 2004 and reduced the rate of interest that it pays on the eligible cash reserve ratio balances from the bank rate (currently 6.0%) to 3.5%. This will have a negative impact on our net interest income in fiscal 2005. The laws and regulations governing the banking sector could change in the future and any such changes could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

A determination against us in respect of disputed tax assessments may adversely impact our financial performance.

At year-end fiscal 2004, we had been assessed an aggregate of Rs. 25.2 billion (US\$ 579 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. We have appealed each of these tax 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, and 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 our ADSs.

We are involved in various litigations and any final judgement 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 our 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. 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. The vast majority of these cases arise in the normal course and do not involve the risk of a material adverse impact on our financial performance or stockholders' equity. Where we assess that there is a material

risk of loss, it is our policy to make provisions for the loss; however, we do not make provisions where our assessment is that the risk is insignificant. We have not made any provisions for a suit filed by Mardia Chemicals against ICICI Bank, Mr. K. V. Kamath, Managing Director and 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. We cannot guarantee that the judgment in this suit would be favourable to us and should our assessment of the risk change, our view on provisions will also change. We have also not made any provisions for an arbitration proceeding in London, brought against us and other Indian lenders by certain foreign lenders in relation to a dispute under an inter-creditor agreement in connection with a power project, the principal sponsor of which has filed for bankruptcy in the United States, claiming damages against us and other Indian lenders in an aggregate amount of US\$ 534 million. Any final judgement awarding material damages against us in this arbitration proceeding could, however, have a material adverse impact on our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs. We cannot guarantee that the arbitration will be concluded in a manner favourable to us and should our assessment of the risk change, our view on provisions will also change.

We have experienced recent and rapid growth in our retail loan portfolio and our business strategy supports continued growth in this area. Our inability to grow further or succeed in retail products and services may adversely affect our business.

We are a relatively new entrant into the retail loan business and have achieved significant growth in this sector since the amalgamation. At year-end fiscal 2004, consumer loans and credit card receivables represented 39.2% of our gross loans outstanding as compared to 27.5% of our gross loans outstanding at year-end fiscal 2003. Our present business strategy reflects continued focus on further growth in this sector. 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 our ADSs.

Retail products and services could expose us to the risk of financial irregularities by various intermediaries and customers. We cannot assure you that our skills and management information systems will be adequate to successfully manage these retail products and services. Our retail loans are relatively new and there is no assurance that there will be no additional impaired loans on account of these loans and that such impaired loans will not have a materially adverse impact on the quality of our loan portfolio.

If we are not able to succeed in our new business areas, we may not be able to meet our projected earnings and growth targets.

ICICI entered the life insurance business in fiscal 2001 and the non-life insurance business in fiscal 2002 through its majority-owned joint ventures, which are now majority-owned joint ventures of ICICI Bank. We are also seeking to expand internationally by leveraging on our home country links and technology competencies in financial services. We are a new entrant in the international business and the skills required for this business could be different from those for our domestic businesses. The life insurance business and the international

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business are expected to require substantial capital. We cannot be certain that these new businesses will perform as anticipated. Our inability to grow or succeed in new business areas may adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and our ADSs.

We are exposed to fluctuation in foreign exchange rates.

As a financial intermediary we are exposed to exchange rate risk. We comply with regulatory limits on our unhedged foreign currency exposure by making foreign currency loans on terms that are

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generally similar to our foreign currency borrowings and thereby transferring the foreign exchange risk to the borrower or through active use of cross-currency swaps and forwards to generally match the currencies of our assets and liabilities. However, we are exposed to fluctuation in foreign currency rates for our unhedged exposure. Adverse movements in foreign exchange rates may also impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our business, our future financial performance, our shareholders' funds and the price of our equity shares and our 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. Additionally, 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 government of India has also announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India or acquire up to 74.0% of any Indian private sector bank. 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 our ADSs.

Significant security breaches in our computer system and network infrastructure and frauds could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the Internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, 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 our ADSs. Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system related and other frauds, there can be no assurance that we would be able to prevent frauds. Our reputation could be adversely affected by significant frauds committed by employees, customers or outsiders.

System failures could adversely impact our business.

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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 our ADSs.

Any inability to attract and retain talented professionals may 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. An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business, our future financial performance and the price of our equity shares and our ADSs.

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### Risks Relating to the ADSs and Equity Shares

You will not be able to vote your ADSs.

ADS holders have no voting rights unlike holders of the equity shares who have voting rights. The depository will exercise its right to vote on the equity shares represented by the ADSs as directed by our board of directors. However, under the 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 the depository, which owned approximately 21.8% of our equity shares as of August 27, 2004, could vote only 10.0% of our equity shares. If you wish, you may withdraw the equity shares underlying the 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. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depository 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 ICICI Bank is considered to be a passive foreign investment company.

Based upon certain proposed Treasury Regulations which are proposed to be effective for taxable years beginning after December 31, 1994 and upon certain management estimates, ICICI Bank does not expect to be a Passive Foreign Investment Company (PFIC). ICICI Bank has based the expectation that it is currently not a PFIC on, among other things, provisions in the proposed Treasury Regulations that provide that certain restricted reserves (including cash and securities) of banks are assets used in connection with banking activities and are not passive assets, as well as the composition of ICICI Bank's income and ICICI Bank's assets from time to time. Since there can be no assurance that such proposed Treasury Regulations will be finalized in their current form or not at all, and since the composition of income and assets of ICICI Bank will vary over time, there can be no assurance that ICICI Bank will not be considered a PFIC for any taxable year. If ICICI Bank is a PFIC for any taxable year during which a US investor (see "Taxation - United States Taxation") holds equity shares or ADSs of ICICI Bank, the US investor would be subject to special tax rules, including the possible imposition of interest charges (see "Taxation - United

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States Tax - Passive Foreign Investment Company Rules").

Your ability to withdraw equity shares from the depositary facility is uncertain and may be subject to delays.

India's restrictions on foreign ownership of Indian companies limit the number of shares that may be owned by foreign investors and generally require government approval for foreign ownership. Investors who withdraw equity shares from the depositary facility will be subject to Indian regulatory restrictions on foreign ownership upon withdrawal. It is possible that this withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of equity shares from the depositary facility upon surrender of ADSs, see "Restriction on Foreign Ownership of Indian Securities".

Your ability to sell in India any equity shares withdrawn from the depositary facility 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 an ADS will require the Reserve Bank of India's approval for each such transaction unless the sale of such equity shares is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. We cannot guarantee that any approval will be obtained in a timely manner or at all. Because of possible delays in obtaining 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.

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Restrictions on withdrawal of ADSs from the depositary facility and redeposit of equity shares in the depositary facility could adversely affect the price of our ADSs.

An ADS holder who surrenders an ADS and withdraws equity shares may be able to redeposit those equity shares in the depositary facility in exchange for ADSs. In addition, an investor who has purchased equity shares in the Indian market may be able to deposit them in the ADS program. However, in either case, the deposit or redeposit of equity shares may be limited by securities law restrictions and will be restricted so that the cumulative aggregate number of equity shares that can be deposited or redeposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. An investor who has purchased equity shares in the Indian market could, therefore, face restrictions in depositing them in the ADS program. This increases the risk that the market price of the ADSs will be below that of the equity shares. For a discussion of the legal restrictions triggered by withdrawal of ADSs from the depositary facility and redeposit of equity shares in the depositary facility, see "Restriction on Foreign Ownership of Indian Securities".

Certain shareholders own a large percentage of our equity shares. Their actions could adversely affect the price of our equity shares and our ADSs.

Life Insurance Corporation of India, General Insurance Corporation of India and government-owned general insurance companies, each of which is directly or indirectly controlled by the Indian government, are among our principal shareholders. At August 27, 2004, government-controlled entities owned approximately 17.1% of our outstanding equity shares. Deutsche Bank Trust Company Americas holds the equity shares represented by 80.01 million ADSs outstanding and equivalent to 21.8% of our outstanding equity shares, as depositary on behalf of the holders of the ADSs. The ADSs are listed on the New

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York Stock Exchange. Our other large equity shareholders include Allamanda Investments Pte. Limited, a subsidiary of Temasek Holdings Limited, the government of Singapore, HWIC Asia Fund, an affiliate of Fairfax Financial Holdings Limited and Bajaj Auto Limited, an Indian company. Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and our ADSs.

Conditions in the Indian securities market may affect the price or liquidity of our equity shares and our ADSs.

The Indian securities markets are smaller and more volatile than securities markets in developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. The Stock Exchange, Mumbai, or the BSE, was closed for three days in March 1995 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, formerly known as the Calcutta 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 Stock Exchange, Mumbai and the National Stock Exchange halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. 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 occurred between listed companies and stock exchanges and other regulatory bodies, which in some

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cases may have 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 could occur in the future and, if they did, they could affect the market price and liquidity of our equity shares and 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 Stock Exchange, Mumbai and the National Stock Exchange of India. 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.

The imposition of securities transaction tax could adversely impact the Indian securities market and the price of our equity shares and our ADSs.

The government of India's budget for fiscal 2004 has introduced the securities transaction tax. Effective October 1, 2004, the purchase and sale of equity shares on a recognized stock exchange in India settled by

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actual delivery or transfer will be subject to securities transaction tax at the rate of 0.075%, on the value of the transaction, recoverable from the purchaser and the seller. See "Taxation - Taxation on sale of Equity Shares or ADSs". The introduction of the transaction tax could have a negative impact on market sentiment and trading volumes and may adversely impact the price of our equity shares and ADSs.

As a result of Indian government regulation of foreign ownership, the price of our ADSs could go down.

Foreign ownership of Indian securities is heavily regulated and is generally restricted. ADSs issued by companies in certain emerging markets, including India, may trade at a discount or premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares.

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.

Subsequent to year-end fiscal 2004, we issued 115,920,758 new equity shares, representing 18.8% of our outstanding equity shares at year-end fiscal 2004. In addition, up to 5.0% of our issued equity shares may be issued in accordance with our employee stock option scheme to eligible employees. At August 31, 2004, ICICI Bank had granted a total of 28,941,975 stock options, of which 5,642,108 had been exercised, 5,809,619 had vested but had not been exercised and 2,373,639 had lapsed or been forfeited at that date. The total stock options granted, less options lapsed or forfeited, were 3.7 % of our issued equity shares. There is a risk that growth in our business, including in our international operations and our insurance business, could require us to fund this growth through additional equity offerings. Any future issuance of equity shares would dilute the positions of investors in the ADSs and equity shares, and could adversely affect the market price of our equity shares and our 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 preemptive rights for equity shares underlying ADSs unless a registration statement under 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 statement 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 the time. We do not commit that we would file a registration statement under these circumstances. If ICICI Bank issues any such securities in the future, such securities may be issued to the depositary, which may sell such securities in the securities markets in India for the benefit of the investors in the ADSs. There can be no assurance as to the value, if any, the depositary would receive upon the sale of these

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securities. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional interests in ICICI Bank 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 and risks associated with the conversion of rupee proceeds into foreign currency.

Investors that purchase ADSs are required to pay for the ADSs in US dollars. Investors are subject to currency fluctuation risk and convertibility risks since the equity shares 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 converted into US dollars for distribution to ADS investors. Investors that seek to convert the rupee proceeds of a sale of equity shares withdrawn upon surrender of ADSs into foreign currency and export the foreign currency will need to obtain the approval of the Reserve Bank of India for each such transaction. In addition, investors that seek to sell equity shares withdrawn from the depositary facility will have to obtain approval from the Reserve Bank of India, unless the sale is made on a stock exchange or in connection with an offer made under the regulations regarding takeovers. Holders of rupees in India may also generally not purchase foreign currency without general or special approval from the Reserve Bank of India. However, dividends received by the depositary in rupees and, subject to approval by the Reserve Bank of India, rupee proceeds arising from the sale on an Indian stock exchange of equity shares, which have been withdrawn from the depositary facility, may be converted into US dollars at the market rate.

On an average annual basis, the rupee has declined against the US dollar since 1980. As measured by the Reserve Bank of India's reference rate, the rupee lost approximately 12.8% of its value against the US dollar from September 1999 to May 2002, depreciating from Rs. 43.47 per US\$ 1.00 on September 1, 1999 to Rs. 49.03 per US\$ 1.00 on May 31, 2002 before appreciating to Rs. 45.39 per US\$ 1.00 on May 28, 2004. The rupee has depreciated again by 4.2% since May 28, 2004 to reach Rs. 47.31 per US\$ 1.00 on August 27, 2004. In addition, in the past, the Indian economy has experienced severe foreign exchange shortages.

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. For the purpose of computing the amount of capital gains subject to tax, Indian law specifies that the cost of acquisition of the equity shares will be deemed to be the share price prevailing on the BSE or the National Stock Exchange on the date the depositary advises the custodian to redeem receipts in exchange for underlying equity shares. The period of holding of such equity shares, for determining whether the gain is long-term or short-term, commences on the date of the giving of such notice by the depositary to the custodian. Investors are advised to consult their own tax advisers and to consider carefully the potential tax consequences of an investment in the ADSs.

There may be less company information available in Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed countries. The Securities and Exchange Board of India is responsible for

improving disclosure and other regulatory standards for the Indian securities markets. The Securities and Exchange Board of India has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries.

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## 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 2004, we made a net profit of Rs. 5.2 billion (US\$ 120 million) compared to a net loss of Rs. 8.0 billion (US\$ 184 million) in fiscal 2003. At year-end fiscal 2004, we had assets of Rs. 1,409.1 billion (US\$ 32.5 billion) and stockholders' equity of Rs. 94.5 billion (US\$ 2.2 billion).

ICICI Bank was organized under the laws of India in 1994 as a private sector commercial bank. ICICI Bank was an affiliate company of ICICI. ICICI was organized under the laws of India in 1955 and together with its subsidiaries and affiliates was a diversified financial services group. In April 2002, ICICI and two of its subsidiaries, ICICI Personal Financial Services and ICICI Capital Services merged with and into ICICI Bank in an all-stock amalgamation.

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 for fiscal 2003 and fiscal 2004 contained in this annual report, 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.

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.

During fiscal 2004, we offered products and services in the areas of commercial banking to corporate and retail customers, both domestic and international, investment banking and other products including insurance.

Our commercial banking products and services for retail customers include both retail loans and retail liability products and services. We offer a wide range of retail credit products including home loans, automobile loans, commercial vehicle loans, two wheeler loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares. We also offer loans and fee-based services to small enterprises, which include suppliers and dealers of large corporations, and clusters of small enterprises that have a homogeneous profile. We take rupee and foreign currency deposits from customers in India as well as non-resident Indians. Our deposit products include checking accounts and time deposits, with specific products for customers in various

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segments, like student accounts, payroll accounts, accounts for small businesses and non-resident Indian accounts. We also offer retail bond products. Our other retail products and services include private banking, debit cards, fund transfer facilities and utility bill payment services. We also distribute third party investment products, including government of India Relief Bonds, mutual funds and insurance policies issued by our joint ventures, ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company.

Our commercial banking operations for corporate customers include a range of products and services for India's leading corporations and growth-oriented middle market businesses. Our products and services for corporate customers include loan products and fee and commission-based products and services. Our loan products consist of project finance, corporate finance and working capital loans, including cash credit facilities and bill discounting. Fee and commission-based products and

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services include documentary credits, standby letters of credit, project finance guarantees, cash management services, escrow and trust and retention accounts, cross-border trade services, payment services, custodial services and loan syndication. We also take rupee or foreign currency deposits with fixed or floating interest bases from our corporate customers. Our deposit taking products include certificates of deposit, checking accounts and time deposits. We also offer agricultural financing products.

Our investment banking business includes ICICI Bank's treasury operations. ICICI Bank's treasury operations include maintenance and management of regulatory reserves, proprietary trading in equity, fixed income and foreign exchange, a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services. Through its treasury operations, ICICI Bank manages its balance sheet including the maintenance of required regulatory reserves and seeks to optimize profits from its trading portfolio by taking advantage of market opportunities. There is no restriction on active management of ICICI Bank's regulatory portfolio through sales and purchases of securities. Our investment banking business also includes corporate advisory services, including advice on financing and strategic transactions, underwriting and placement of equity offerings and brokering, and fixed income operations, including primary dealership in government securities and proprietary operations in various money market instruments, all of which are undertaken by ICICI Securities Limited, our investment banking subsidiary. Funds managed by our subsidiary ICICI Venture Funds Management Company Limited provide venture capital funding to start-up companies, as well as private equity to a range of companies.

Our other businesses include life insurance and non-life insurance. ICICI Prudential Life Insurance Company, our joint venture with Prudential plc, offers a range of life insurance products to individuals in India. ICICI Lombard General Insurance Company, our joint venture with Lombard Canada Limited, offers property and other non-life insurance products to companies and individuals in India.

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

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presence. We currently have subsidiaries in the United Kingdom and Canada, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates and Bangladesh. We have also received regulatory approval to set up a representative office in South Africa and propose to establish a subsidiary in Russia.

We offer our customers a choice of delivery channels including physical branches, ATMs, telephone banking call centers and the Internet. In recent years, we have expanded our physical delivery channels, including bank branches and ATMs, to cover a total of approximately 1,790 locations in 311 centers throughout India at year-end fiscal 2004.

We have consistently used technology to differentiate our products and services from those of our competitors. For example, we were among the first banks in India to offer Internet banking. Our technology-driven products also include cash management services, mobile phone banking services and electronic commerce-based business-to-business and business-to-consumer banking solutions. To support our technology initiatives, we have set up online real time transaction processing systems. We remain focused on changes in customer needs and technological advances and seek to remain at the forefront of electronic banking in India.

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

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web site address is [www.icicibank.com](http://www.icicibank.com). Our agent for service of process in the United States is CT Corporation System and their address is 111 Eighth Avenue, New York, New York, 10011.

### History

ICICI was formed in 1955 at the initiative of the World Bank, the government of India and representatives of Indian industry. 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 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 75.0% by ICICI and 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

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banks, has 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 Bank. 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.

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### Shareholding Structure and Relationship with the Government of India

The following table sets forth, at August 27, 2004, certain information regarding the ownership of our equity shares.

	Percentage of total equity shares outstanding	Nu
Government-controlled shareholders:		
Life Insurance Corporation of India.....	10.11	
General Insurance Corporation of India and government-owned general insurance companies.....	6.30	
Other government-controlled institutions, corporations and banks.....	0.67	
Total government-controlled shareholders.....	17.08	
Other Indian investors:		
Individual domestic investors (1) (2).....	7.92	
Bajaj Auto Limited .....	3.40	
Indian corporates and others (excluding Bajaj Auto Limited).....	0.97	

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Mutual funds and banks (other than government-controlled banks).....	0.53
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Total other Indian investors.....	12.82
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Total Indian investors.....	29.90
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Foreign investors:	
Deutsche Bank Trust Company Americas, as depository.....	21.79
Allamanda Investments Pte. Limited.....	9.02
HWIC Asia Fund.....	4.63
Government of Singapore.....	4.22
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).....	30.44
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Total foreign investors.....	70.10
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Total .....	100.00
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(1) Executive officers and directors as a group held less than 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\$ 748 million).

The holding of government-controlled shareholders was 17.1% as at August 27, 2004 against 17.8% at August 29, 2003. The holding of Life Insurance Corporation of India was 10.1% at August 27, 2004 compared to 8.0% at August 29, 2003 primarily due to the issuance of shares to Life Insurance Corporation of India in April 2004.

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, generally their respective chairman, on our board. Mr. P.C. Ghosh, the current chairman of the General Insurance Corporation of India was appointed as a

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director effective January 31, 2003. Mr. S.B. Mathur, chairman of Life Insurance Corporation of India was appointed as a director effective January 29, 2004. See "Management--Directors and Executive Officers" for a discussion of the composition of our board of directors.

The holding of other Indian investors was 12.8% as at August 27, 2004, against 15.6% as at August 29, 2003. The total holding of Indian investors was 29.9% as at August 27, 2004 compared to 33.4% as at August 29, 2003. The holding of foreign investors increased to 70.1% as at August 27, 2004 from 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 80.01 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 owned approximately 21.8% of our equity shares as of August 27, 2004, could only 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.

### 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 our international business.

The key elements of our business strategy are to:

- o fully leverage on the synergies of the amalgamation and our enhanced capital base following our recent share issuance;
- o focus on profitable, quality growth opportunities by:
  - maintaining and enhancing our strong retail franchise;
  - maintaining and enhancing our strong corporate franchise;
  - building an international presence; and
  - enhancing our strengths in the insurance business.
- o emphasize conservative risk management practices and enhance asset quality;
- o use technology for competitive advantage; and
- o attract and retain talented professionals.

### Fully Leverage on the Synergies of the Amalgamation and Our Enhanced Capital Base following Our Recent Share Issuance

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 among all banks in India, in terms of total assets. The amalgamation increased our capital base, lowered the cost of our funding compared to ICICI and expanded the scope of our business operations. Subsequent to year-end fiscal 2004, we completed a share issuance of Rs. 32.5 billion (US\$ 748 million) to support growth in various areas of our business operations. We aim to continue to leverage on our larger size and enhanced capital base, comprehensive suite of products and

services, extensive corporate and retail customer relationships, technology-enabled distribution architecture, strong brand franchise and vast talent pool to develop and increase our market share in profitable business lines.

Focus on Profitable, Quality Growth Opportunities by:

Maintaining and Enhancing our Strong Retail Franchise

We believe that the Indian retail financial services market is likely to continue to experience sustained growth. 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, on an incremental basis, 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. We are also focusing on growth in our retail deposit base to diversify our funding towards more stable and lower cost funding sources. We earn fee income from our commercial banking services to retail customers, including retail loan processing fees, credit card and debit card fees, and retail transaction fees. Our ATM acquiring business also generates fee income when customers of other banks execute transactions at our ATMs. We have also entered the credit card acquiring business, in which we earn income on transactions executed at merchant point of sale terminals owned by us. We also offer our customers depository share accounts and direct sales of third party mutual funds and government of India Relief Bonds, for which we earn fee income. 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. We will also continue to securitize a portion of the retail assets originated by us.

We have integrated our strategy with regard to small enterprises with our strategy for retail products and services. We are focusing on offering working capital loans and other banking products and services to suppliers or dealers of large corporations, and clusters of small enterprises that have a homogeneous profile.

Maintaining and Enhancing our Strong Corporate Franchise

Our commercial banking services to corporate customers will continue to focus on leveraging our strong corporate relationships and increased capital base to increase our market share in non-fund based working capital products and fee-based services. Our corporate lending activities will continue to focus on structured finance, corporate finance and working capital lending to highly rated corporations. We will also focus on achieving directed lending obligations to the agricultural sector through carefully structured credit products. The government policy focus on infrastructure development, including resolution of certain issues through legislation, and the repositioning and emerging global competitiveness of the Indian industry offer growth opportunities in the area of project financing. In project finance, we will continue to focus on structuring and syndication of financing for large projects by leveraging our expertise in project financing, and on actively managing our project finance portfolio to reduce portfolio concentration and to manage portfolio risk. We view ourselves not only as a provider of project finance but also as an arranger and facilitator, creating appropriate financing structures that may serve as

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financing and investment vehicles for a wider range of market participants.

Our goal is to provide a comprehensive and integrated service to corporate treasurers through our client bankers. We aim to increase the cross selling of our products and services and maximize the value of our corporate relationships through the effective use of technology, speedy response times, quality service and the provision of products and services designed to meet specific customer needs. We will continue to actively manage our asset portfolio through securitization of assets as well as

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through acquisition of credit portfolios from other institutions and banks, to diversify the portfolio, reduce long-term balance sheet exposures and maximize risk-adjusted returns.

### Building an International Presence

We believe that the international markets present a major growth opportunity and have therefore expanded the range of our commercial banking products in international markets. Our initial strategy for growth in international markets is based on leveraging home country links for international expansion by capturing market share in select international markets. 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 across all major countries. Most of these countries have significant trade and other relationships with India.

We have identified North America, the United Kingdom, the Middle-East and South-East Asia as the key regions for establishing our international presence. We currently have subsidiaries in the United Kingdom and Canada, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates and Bangladesh. We have also received regulatory approval to set up a representative office in South Africa and propose to establish a subsidiary in Russia.

With the establishment of a presence in key overseas locations, we aim to expand our offering to include local banking to non-resident Indians as well as to the broader local market. We propose to increase our scale of operations in each of these locations by launching appropriate products that leverage our technological capabilities and relative cost efficiencies.

### Enhancing Our Strengths in the Insurance Business

Following the deregulation of the insurance sector in India, private sector companies were allowed to enter the insurance business. We have a joint venture partnership with Prudential plc of UK for the life insurance business. We have a 74.0% interest in this joint venture. This joint venture company, ICICI Prudential Life Insurance Company Limited, obtained the license to conduct life insurance business in November 2000 and commenced business operations in December 2000. ICICI Prudential Life Insurance Company is the largest private sector life insurance company in India, with about 31% market share in the private sector based on incremental premium income (i.e., new business) in fiscal 2004. ICICI Bank distributes life insurance policies issued by ICICI Prudential Life Insurance Company through ICICI Bank's branch network, based on a customer referral arrangement.

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In the non-life insurance sector, we have a joint venture partnership with Lombard Canada Limited. We have a 74.0% interest in this joint venture. The joint venture company, ICICI Lombard General Insurance Company Limited, obtained the license to conduct general insurance business in August 2001 and subsequently commenced operations. ICICI Lombard General Insurance Company is the largest private sector general insurance company in India, with about 22% market share in the private sector in fiscal 2004. ICICI Lombard General Insurance Company offers general insurance products to corporate and retail customers and seeks to capitalize on our customer relationships.

The key dimensions of our strategy for growth in the insurance business are innovative products, a wide distribution network, a prudent portfolio mix and sound risk management practices. In addition, we are focussed on leveraging our corporate and retail customer base for cross selling insurance products.

### Emphasize Conservative Risk Management Practices and Enhance Asset Quality

We believe that conservative risk management policies, processes and controls are critical for long-term sustainable competitive advantages in our business. ICICI Bank's Risk Management Group

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is an independent, centralized group responsible for establishing and implementing company-wide risk management policies, with an increasing focus on enhancing asset quality. An independent, centralized Compliance and Audit Group and a Middle Office Group monitor adherence to regulations, policies and procedures. We continue to build on our credit risk management procedures, credit evaluation and rating methodology, credit risk pricing models, proprietary analytics and monitoring and control mechanisms. We expect to enter new product markets only after conducting detailed risk analysis and pilot testing programs.

To reduce risk, we have diversified our loan portfolio towards retail lending and shorter-term working capital, while continuing to focus on corporate lending to highly-rated corporate customers and structured finance. In addition, we seek to lower the credit risk profile of the project and corporate loan portfolio through the increased use of financing structures based on a security interest in the cash flows generated from the business of the borrower and increased collateral, including additional security in the form of liquid assets, such as investment securities and readily marketable real property. We are also trying to mitigate project risk through the allocation of risk to various project counterparties, such as construction contractors, operations and maintenance contractors and raw material and fuel suppliers, by entering into rigorous project contracts with those counterparties. We seek to control credit risk in the retail loan portfolio, the small enterprises loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection and recovery systems. We have placed emphasis on recruiting experienced retail credit professionals to staff our retail credit approval function. We have also established standards and investigative verification procedures for selection of our marketing and processing agents. While our lending to the agricultural sector and small scale industries to comply with the priority sector lending norms of the Reserve Bank of India may result in higher credit risk, we are seeking to develop appropriate credit approval criteria and credit delivery structures to mitigate this risk.

Management has placed great emphasis on asset quality and this focus has been institutionalized across the organization. We believe we are the market driver in India in achieving early settlements with troubled borrowers, thus

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maximizing our cash flows from these loans. Our Special Asset Management Group has the responsibility for managing large impaired loans and accounts under watch.

### Use Technology for Competitive Advantage

We seek to be at the forefront of technology usage in the financial services sector. Information technology is a strategic tool for our business operations to gain a competitive advantage and to improve overall productivity and efficiency of the organization. All of our technology initiatives are aimed at enhancing value, offering customer convenience and improving service levels while optimizing costs.

We expect to continue with our policy of making investments in technology to achieve a significant competitive advantage. The key objectives behind our information technology strategy continue to be:

- o building a cost-efficient distribution network to accelerate the development of our retail franchise;
- o enhancing cross selling and client segmenting capability by using analytical tools and efficient data storage and retrieval systems;
- o improving credit risk and market risk management; and
- o improving product and client profitability analysis.

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### Attract and Retain Talented Professionals

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Recruitment is a key management activity and we continue to attract graduates from the premier Indian business schools as well as employees with other professional qualifications. Recruitment and assimilation of talented professionals from other organizations is a key element of our strategy.

Our management team is committed to enhancing shareholder value and our performance targets seek to meet this primary objective. We believe we have created the right balance of performance bonuses, stock options and other economic incentives for our employees so that they will be challenged to develop business, achieve profitability targets and control risk. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

### Overview of ICICI Bank's Products and Services

We offer products and services in the areas of commercial banking to retail and corporate customers, both domestic and international, investment banking and other products like insurance.

#### Commercial Banking

#### Commercial Banking Products and Services for Retail Customers

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### General

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 on an incremental basis. 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.

We offer a wide variety of consumer credit products such as home loans, automobile loans, commercial vehicle loans, two wheeler loans, dealer financing, personal loans, credit cards, loans against time deposits and loans against shares. Our total retail loans at year-end fiscal 2004 included consumer loans and credit card receivables of Rs. 311.9 billion (US\$ 7.2 billion), which were 39.2% of our total gross loans at year-end fiscal 2004.

Our commercial banking operations for retail customers also consist of raising deposits from retail customers. In addition, we offer retail liability products in the form of a variety of unsecured redeemable bonds. Issuance of these bonds to the public was undertaken by ICICI and continued by us following the amalgamation pursuant to the approval of the Reserve Bank of India.

ICICI Bank's affiliate Prudential ICICI Asset Management Company, a joint venture between Prudential Corporation plc of the United Kingdom and ICICI Bank, offers a variety of mutual fund products. All of ICICI Bank's retail products are marketed under the "ICICI Bank" brand. To enhance our brand equity, we undertake comprehensive brand building and advertising campaigns with advertisements in print and television. Studies undertaken periodically by independent market research agencies commissioned by us have shown that our brand is among the top two financial services brands in India.

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### Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial vehicle loans, two wheeler loans, personal loans and credit cards. We also fund dealers who sell automobiles, two wheelers and commercial vehicles. We also provide loans against time deposits and loans against shares, including for subscriptions to initial public offerings of Indian companies.

### Home Finance

Our home finance business involves giving long-term secured housing loans to individuals and corporations. We also provide construction finance to builders. We provide housing loans directly and also through our wholly-owned subsidiary called ICICI Home Finance Company, which serves as the focal point for marketing, distribution and servicing of our home loan products. Currently, these loans are being given to resident and non-resident Indians for the purchase, construction and extension of residential premises and to self-employed professionals for office premises. At year-end fiscal 2004, our total home finance loans were approximately 53.0% of our consumer loans and

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credit card receivables.

### Automobile Finance

Automobile finance generally involves the provision of retail consumer credit for an average maturity of three to five years to acquire specified new and used automobiles. Automobile loans are secured by a lien on the purchased automobile. We have "preferred financier" status with 12 car manufacturers in India. We have a strong external distribution network and a strong in-house team to manage the distribution network which has been instrumental in achieving this leadership position. At year-end fiscal 2004, our total automobile finance loans were approximately 22.0% of our consumer loans and credit card receivables. We also give loans for the purchase of two wheelers. At year-end fiscal 2004, our total two wheeler finance loans were approximately 3.0% of our consumer loans and credit card receivables.

### Commercial Business

We fund commercial vehicles, utility vehicles and construction and farm equipment sold through manufacturer-authorized dealers. The finance is generally for a maximum term of five to seven years through loans, hire purchase agreements or a lease. At year-end fiscal 2004, our total commercial business loans were approximately 13.0% of our consumer loans and credit card receivables.

### Personal Loans

Personal loans are unsecured loans provided to customers for various purposes such as higher education, medical expenses, social events and holidays. At year-end fiscal 2004, our total personal loans were approximately 2.7% of our consumer loans and credit card receivables.

### Credit Cards

In January 2000, ICICI Bank launched its credit card operations. As the Indian economy develops, we expect that the retail market will seek short-term credit for personal uses, and our offering of credit cards will facilitate further extension of our retail credit business. We also expect that as credit usage increases, we will be able to leverage our customer relationships to cross sell additional retail and consumer-oriented products and services. At year-end fiscal 2004, we had approximately 2.3 million credit cards and our credit card receivables were approximately 3.4% of our consumer loans and credit card receivables.

### Dealer Funding

We fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. These loans are generally given for a short term. In May 2003, we acquired Transamerica

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Apple Distribution Finance Private Limited, which has now been renamed ICICI Distribution Finance Private Limited. ICICI Distribution Finance was primarily engaged in providing distribution financing in the two-wheeler segment. The acquisition supplemented our retail franchise, especially in the two-wheeler segment.

### Lending to Small Enterprises

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We are seeking to extend our reach to the growing small enterprises sector without the accompanying high credit risks which are normally associated with advances to small enterprises, through our Small Enterprises Group. This group focuses on supply chain financing, including the financing of selected suppliers of our existing corporate clients. Typically, the financing is in the form of short-term revolving facilities with overdraft or bill discounting limits and is extended only to carefully pre-selected suppliers and dealers to be used only for genuine transactions with our corporate clients. The group is also involved in financing based on a cluster or community based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals.

### Retail Deposits

Our retail deposit products include the following:

- o time deposits including:
  - rec