COMMITTEES OF THE BOARD

Audit and Risk Committee

Uday M. Chitale
Lalita D. Gupte
R. Rajamani
B. V. Bhargava
Satish C. Jha

Committee of Directors

K. V. Kamath
Lalita D. Gupte
B. V. Bhargava
Uday M. Chitale
H. N. Sinor

Compensation Committee

Lalita D. Gupte
Somesh R. Sathe
Uday M. Chitale
H. N. Sinor

Nomination Committee

K. V. Kamath
R. Rajamani
B. V. Bhargava
H. N. Sinor

Share Transfer Committee

Lalita D. Gupte
B. V. Bhargava
Uday M. Chitale
H. N. Sinor

CONTENTS

Directors

R. Rajamani	
B. V. Bhargava	
Somesh R. Sathe	
Satish C. Jha	
Uday M. Chitale	
K. V. Kamath	*Nominee of ICICI*
Lalita D. Gupte (Smt.)	*Nominee of ICICI*
H. N. Sinor	*Managing Director and Chief Executive Officer*

Executives

Senior Executive Vice Presidents

P. H. Ravikumar
M. N. Gopinath
Alladi Ashok

Executive Vice Presidents

E. S. Mohan
A. V. A. Subramaniam
G. Venkatakrishnan

Senior Vice Presidents

Mohan N. Shenoi
K. S. Harshan
R. B. Nirantar
A. Hari Prasad
M. S. Annigeri
Ashok Kumar Patni
Sateesh D. Mahale
R. Jayaprakash
Ujjal Choudhury

Company Secretary

Bhashyam Seshan

Statutory Auditors

S. B. Billimoria and Company
Chartered Accountants
Meher Chambers, R. Kamani Road
Ballard Estate
Mumbai 400 001

Registrars and Share Transfer Agents

ICICI Infotech Services Limited
Maratha Mandir Annexe
Dr. Anand Rao Nair Road
Near Mumbai Central Station
Mumbai 400 008

Registered Office

Landmark
Race Course Circle
Vadodara 390 007

Corporate Office

ICICI Towers
4th floor, South Tower
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

Sixth Annual General Meeting is scheduled to be held in the Professor Chandravadan Mehta (Professor C. C. Mehta) Auditorium, General Education Centre, Opposite D. N. Hall Ground, The Maharaja Sayajirao University, Pratapgunj, Vadodara 390 002, India, on Monday, May 29, 2000 at 3.00 p. m.

Notice to the Members

ICICI BANK LIMITED

Registered Office : Landmark, Race Course Circle, Vadodara 390 007

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of the ICICI BANK LIMITED will be held in the Professor Chandravadan Mehta (Professor C. C. Mehta) Auditorium, General Education Centre, Opposite D. N. Hall Ground, The Maharaja Sayajirao University, Pratapgunj, Vadodara 390 002, India, on Monday, May 29, 2000 at 3.00 p.m., to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the financial year ended March 31, 2000 and the Balance Sheet as at March 31, 2000 together with the Reports of the Board of Directors and the Auditors thereon.

2. To declare a dividend on the equity shares.

3. To appoint a Director in place of Shri R. Rajamani who retires by rotation and being eligible offers himself for re-appointment.

4. To appoint a Director in place of Shri Somesh R. Sathe who retires by rotation and being eligible offers himself for re-appointment.

5. To appoint the Statutory Auditors for the Company and in this connection, to pass, with or without modifications, the following Resolution as a Special Resolution :

   THAT pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. B. Billimoria and Company, Chartered Accountants, be and are hereby, re-appointed Statutory Auditors of the Company to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting, on a remuneration to be fixed by the Board of Directors of the Company in addition to reimbursement of all out-of-pocket expenses in connection with the audit of the accounts of the Company.

   THAT the Board of Directors be and is hereby authorised to appoint Auditors, as and when required, to audit the accounts in respect of the Company's branches/offices and to fix their remuneration.

By Order of the Board of Directors

Place : Vadodara
Date : April 24, 2000

Bhashyam Seshan
Company Secretary

NOTES :

A. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos. 3, 4 and 5 set out in the Notice is annexed hereto.

B. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND, AND ON A POLL, TO VOTE INSTEAD OF THE MEMBER. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

Annexure to the Notice

EXPLANATORY STATEMENT

(Under Section 173 (2) of the Companies Act, 1956)

Item No. 3 :

Although not strictly necessary, the Explanatory Statement is being given for Item No. 3 of the Notice dated April 24, 2000. The Resolution deals with re-appointment of Shri R. Rajamani as a Director of the Bank. Shri Rajamani was appointed as a Director of the Bank in December 1994. Shri Rajamani has specialised knowledge of banking, finance and administration. He retired as the Secretary, Ministry of Environment and Forest, Government of India in August 1994. Shri Rajamani has been regularly attending meetings of the Board, Audit and Risk Committee and Nomination Committee of the Board. During the period April 1, 1999 to March 31, 2000, Shri Rajamani attended 13 of the 15 meetings of the Board, 5 of the 6 meetings of the Audit and Risk Committee of the Board and 2 of the 3 meetings of the Nomination Committee of the Board.

The Directors recommend the re-appointment of Shri R. Rajamani as a Director of the Company.

None of the Directors is in any way concerned or interested in the Resolution at Item No. 3 of the Notice except Shri R. Rajamani.

Item No. 4 :

Although not strictly necessary, the Explanatory Statement is being given for Item No. 4 of the Notice dated April 24, 2000. The Resolution deals with re-appointment of Shri Somesh R. Sathe as a Director of the Bank. Shri Sathe was appointed as a Director of the Bank in January 1998. Shri Sathe has specialised knowledge of working of small scale industries. Shri Sathe has been regularly attending meetings of the Board and Compensation Committee of the Board. During the period April 1, 1999 to March 31, 2000, Shri Sathe attended all the 15 meetings of the Board and all the 4 meetings of the Compensation Committee of the Board.

The Directors recommend the re-appointment of Shri Somesh R. Sathe as a Director of the Company.

None of the Directors is in any way concerned or interested in the Resolution at Item No. 4 of the Notice except Shri Somesh R. Sathe.

Item No. 5 :

Although not strictly necessary, the Explanatory Statement is being given for Item No. 5 of the Notice dated April 24, 2000 as the Resolution is proposed as a Special Resolution.

Section 224A of the Companies Act, 1956 provides that in the case of companies in which not less than 25 per cent of the subscribed share capital of a company is held, whether singly or in any combination, by public financial institutions, banks, insurance companies, government companies, Central Government or state government(s), the appointment or re-appointment of an Auditor of the Company shall be made by a Special Resolution. The ICICI Limited which is a public financial institution in terms of Section 4-A of the Companies Act, 1956, holds more than 25 per cent of the subscribed equity share capital of the Company. Hence, a Special Resolution is proposed for the re-appointment of M/s. S. B. Billimoria and Company, Chartered Accountants, as the Company's Statutory Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting.

Annexure to the Notice

As required M/s. S. B. Billimoria and Company have forwarded a certificate to the Company stating that the re-appointment, if made, will be within the limit specified in sub-section (1-B) of Section 224 of the Companies Act, 1956.

The Directors recommend the re-appointment of M/s. S. B. Billimoria and Company, Chartered Accountants, as the Statutory Auditors of the Company for the year 2000-2001, as per the Resolution at Item No. 5 of the Notice.

None of the Directors is in any way concerned or interested in the Resolution at Item No. 5 of the Notice.

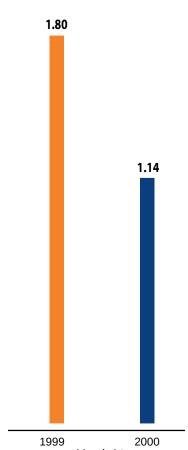
All the documents referred to in the Notice and the Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturdays from the date hereof up to the date of the Meeting.

By Order of the Board of Directors

Place : Vadodara
Date : April 24, 2000

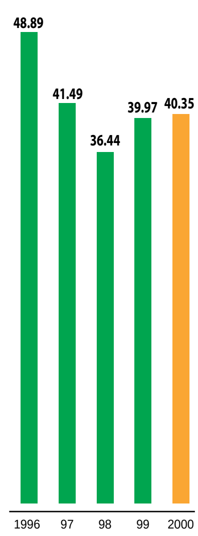
Bhashyam Seshan
Company Secretary

Asset quality improves



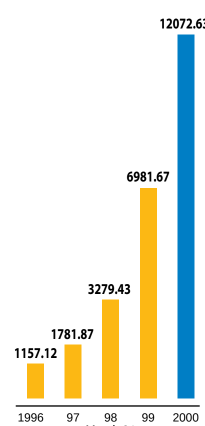
Net Non-performing assets to net loans and credit like instruments
(percent)

Operating expenses to Net income ratio steady



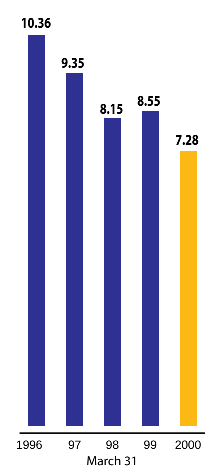
Operating cost to total income*

Working funds keep rising



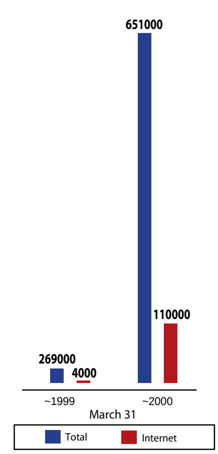
Working funds keep rising
(Rs. crore)

Cost of deposits declines



Cost of deposits
(per cent)

Number of accounts and internet accounts

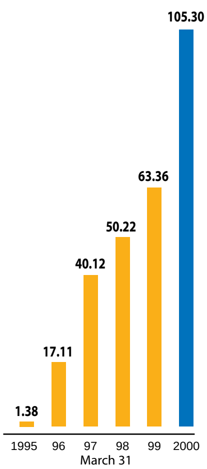


* In Rupees. Adjusted with interest expenses

Performance Highlights

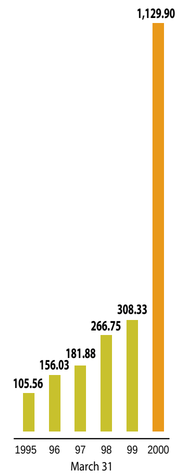
In terms of Indian Accounting Standards

Growth in PAT on an upward trend



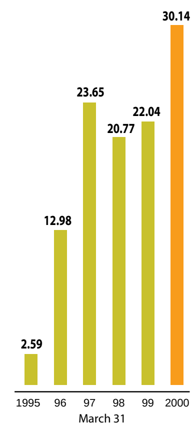
Growth in net profits
(Rupees in crores)

Net worth spurts in FY2000



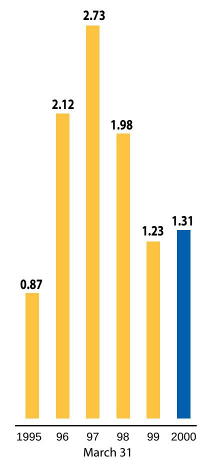
Net worth
(Rupees in crores)

Return on average net worth increases



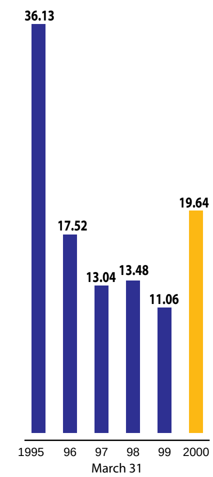
Return on average net worth
(per cent)

Return on average assets rises



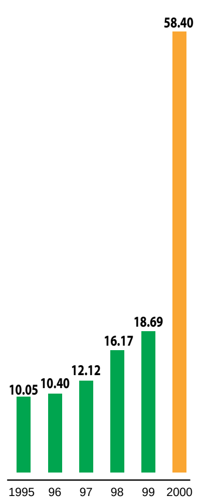
Return on average assets
(per cent)

Capital adequacy in FY2000 strengthened



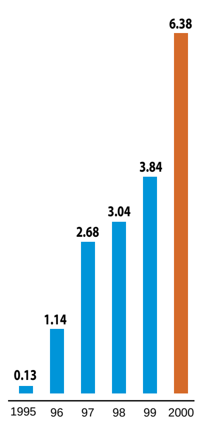
Capital adequacy ratio
(per cent)

Book value of share expands



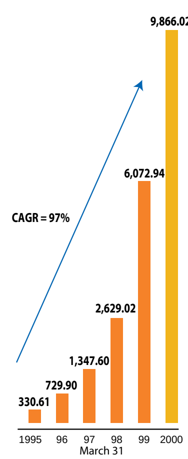
Book value per share
(Rupees)

Earnings per share rises



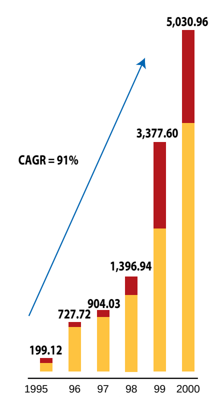
Earnings per share
(Rupees)

Deposits keep growing



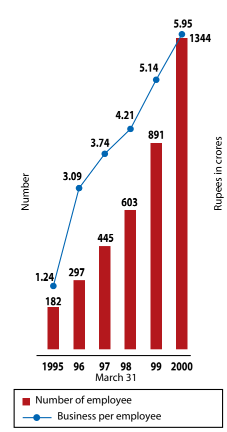
Deposits
(Rupees in crores)

Total advances increase commensurately



Composition of Total Advances
(Rupees in crores)

The driving force : Human resources



Report of the Directors

To the Members,

We are pleased to present the Sixth Annual Report to the Members, along with the audited Balance Sheet as on March 31, 2000, and the Profit and Loss Account and Cash Flow Statement for the financial year ended March 31, 2000.

The Bank achieved record financial results last year and more importantly was able to position itself on a strong growth platform for the coming year. Details of these have been dealt with in the Management's Discussion and Analysis section of the Report. The major highlights are briefly outlined below :

- Post tax profit of Rs. 105.30 crores, an increase of 66.19 per cent over the previous year;
- Return on average net worth was 30.14 per cent;
- Earnings per share on weighted average basis improved to Rs. 6.38 from Rs. 3.84;
- Return on average total assets was 1.31 per cent;
- Deposits stood at Rs. 9,866.02 crores, a growth of 62.46 per cent;
- Advances (including credit like instruments) stood at Rs. 5,030.96 crores, a growth of 48.51 per cent;
- Net interest income increased from Rs. 118.53 crores to Rs. 185.92 crores, growth rate of 56.85 per cent;
- Non-interest income increased to Rs. 194.05 crores and constituted 18.54 per cent of total income;
- Net non-performing loans as a percentage of net advances (including credit like instruments) came down from 1.80 per cent to 1.14 per cent;
- Number of retail deposit accounts increased from 2,61,000 to 6,37,000, a growth of 144.06 per cent;
- Number of Internet accounts increased exponentially to reach 1,10,000;
- Staff productivity remained high throughout the year;
- Each branch maintained its growth target at a high level; and
- The Bank maintained its competitive position in all aspects of operations.

The most remarkable achievement of the Bank during the year, was the successful listing of its American Depository Shares (ADS) on the New York Stock Exchange (NYSE) on March 28, 2000. With the listing, the Bank has emerged as the first Indian and second bank from Asia to list on the NYSE. The ADS are at present being actively traded at a significant premium to the offer price. Subsequent to the issue, the net worth of the Bank has increased to Rs. 1,129.90 crores, placing it among the top ten banks in India in terms of net worth. The Bank now has its own position in the global financial market.

DIVIDEND

The new technology initiatives undertaken by the Bank during the year and the strong interim financial results led to improved market perception and a significant upward re-rating on the local bourses. The equity shares, which were trading at around Rs. 27.40 per share during March 1999, improved to Rs. 267.05 per share as on March 31, 2000. Similarly, the market capitalisation of the Bank increased to Rs. 5,256.05 crores on that date, up from Rs. 452.10 crores as at March 31, 1999.

Report of the Directors

Considering the strong profit performance, the Directors recommend, for approval of the Members, a dividend at the rate of Rs. 1.50 per share compared with Rs. 1.20 per share last year. The new equity shares allotted on March 31, 2000 pursuant to the issue of ADS are not entitled to dividend for the year ended March 31, 2000, as stated in the issue prospectus.

FINANCIAL HIGHLIGHTS

The financial performance during the year ended March 31, 2000 is briefly summarised in the Table I below :

TABLE I (Rupees in crores)

Particulars	For the current year ended March 31, 2000	For the previous year ended March 31, 1999
Gross Income (Interest income plus other income)	1,046.92	633.08
Profit before depreciation, provisions and contingencies	251.46	142.13
Depreciation on fixed assets	24.79	17.53
Profit before provisions and contingencies	226.67	124.60
Provisions and contingencies	121.37	61.24
Profit after tax	105.30	63.36

The Bank posted an operating profit and net profit of Rs. 226.67 crores and Rs. 105.30 crores respectively for the financial year 1999-2000 as against Rs. 124.60 crores and Rs. 63.36 crores respectively in the previous year.

The Bank registered an increase of 65.37 per cent in its total income, owing to a rise of 56.76 per cent in interest income. The average yield on advances was 12.06 per cent. Other income increased by 117.95 per cent and amounted to Rs. 194.05 crore. Other income accounted for 18.54 per cent of total income. The compounded annual growth rate in total income was 104.68 per cent in the last five years.

Interest expenses increased by 56.74 per cent during this period, while operating expenses rose by 84.78 per cent. The average cost of deposits was 7.28 per cent. Total provisions and contingencies during the year were Rs. 121.37 crores compared to Rs. 61.24 crores in 1998-99. Net profits increased by 66.19 per cent to Rs. 105.30 crores. During 1999-2000, the Bank achieved a return of 30.14 per cent on average net worth and 1.31 per cent on average total assets. The cost-to-income ratio remained virtually unchanged at 40.35 per cent in 1999-2000. Earnings per share for 1999-2000 was Rs. 6.38. The Bank has also maintained a healthy capital adequacy ratio of 19.64 per cent, with Tier-I capital being 17.42 per cent.

The above financial results are based on figures arrived at as per Indian Accounting Standards. Working results compiled in accordance with the United States Generally Accepted Accounting Principles (US GAAP) are also appended.

APPROPRIATIONS

Appropriations from profit after tax have been effected as per details in Table II below :

TABLE II (Rupees in crores)

Particulars	For the current year ended March 31, 2000	For the previous year ended March 31, 1999
Profit after tax	105.30	63.36
Balance of profit brought forward	0.13	0.39
Amount available for appropriations	105.43	63.75
Out of above,		
Transfer to		
• Statutory Reserve	25.00	20.00
• Investment Fluctuation Reserve	—	4.84
• Other Reserves	52.82	17.00
Transfer towards		
• Proposed Dividend	24.75	19.80
• Proposed Corporate Dividend Tax	2.72	1.98
Balance of profit carried forward	0.14	0.13

GROUP SYNERGY

The Bank restructured its business into three strategic business units viz., Corporate Banking, Retail Banking and Treasury with effect from April 1, 1999 to provide sharp business focus. These business units work closely with the Major Clients Group, Growth Clients Group and Personal Financial Services Group of ICICI, which are client driven business groups catering to the needs of customers of the Bank as well as those of other ICICI group companies. The group restructuring model has provided significant cross-selling opportunities and enabled the Bank to take advantage of ICICI's strong relationships with 1,000 corporate entities in India to market the Bank's products and services. The Bank has also been able to market its retail products to the employees of these corporates. However, while reaping the benefits of group synergy, the Bank has taken separate and independent strategic decisions and maintained an arms-length relationship with the other group companies to retain its independence and efficiency. The Bank has simultaneously widened its reach to customers outside the ICICI group umbrella to propel higher business levels.

NEW INITIATIVES

The Bank has always endeavoured to be a fast mover in all its initiatives to provide a 'one-stop' financial solution to its customers with speed and quality being the guiding forces. To maximise customer choice and convenience, the Bank has used multiple delivery channels including conventional branch outlets (bricks and mortar), and electronic banking channels including Automated Teller Machines, telephone call-centers and the Internet. This 'clicks and bricks' approach has led to increased business volumes, lower service delivery time, increased business efficiency and a reduction in the cost of client servicing.

In keeping with its leadership status in Internet Banking in India, the Bank pioneered a number of Business-to-Business (B2B) and Business-to-Customer (B2C) initiatives during the year. The Bank's B2B solution – 'i-payments' - aims at facilitating online supply chain management for its corporate clients by linking them with their suppliers and dealers in a closed business loop. All the members of this loop are required to maintain accounts with the Bank. The Bank expects this product to be a key driver in increasing business volumes in the years to come. The Bank has also entered into arrangements with several utility service providers like mobile phone and electricity supply companies to enable its customers to pay their utility bills online. The Bank's arrangements with a leading Internet service provider is expected to lead to increased online visibility and enhanced access to its services.

Through the establishment of a seperate Risk Management department, the Bank has strengthened risk management measures. Separate front, mid and back offices have been established to deal, monitor and settle Treasury activities. The Bank has also strengthened the audit function, both internal and external. Further, the Bank has made arrangements to conduct concurrent audits to cover about 85 per cent of the business using the services of reputed firms of chartered accountants. This has resulted in a significant reduction in net non-performing loans from 1.80 per cent of net loans (including credit like instruments) at March 31, 1999 to 1.14 per cent at March 31, 2000.

ADDITIONAL CAPITAL

Subsequent to the approval for fresh issue of capital accorded by the Members at the Extraordinary General Meeting held on February 21, 2000, your Bank floated its American Depositary Shares (ADS) in the international market. The ADS issue of USD 175 million was made in the last week of March 2000 and received an overwhelming response, with a total order book of USD 2.2 billion (institutional investors USD 1.5 billion and retail investors USD 0.75 billion). Each ADS was issued at USD 11 and represented two underlying equity shares of the Bank, each having a face value of Rs. 10. The Bank allotted 1,59,09,090 ADS represented by 3,18,18,180 equity shares of Rs. 10 each on March 31, 2000, which represented 10.61 per cent of the authorised share capital. After the ADS issue the share holding of the parent ICICI Limited has declined to 62.24 per cent from 74.25 per cent.

CAPITAL ADEQUACY

As on March 31, 2000, the Tier I capital of the Bank stood at Rs. 1,125.07 crores and Tier II capital at Rs. 143.73 crores. Thus, the capital adequacy ratio at 19.64 per cent of risk-weighted assets, is significantly in excess of the 9 per cent benchmark stipulated by the RBI and provides the Bank with enormous scope for future growth

BRANCH EXPANSION

The Bank's 'clicks and bricks' distribution network has enabled its customers to access and utilise the Bank's services round the clock. The Bank has also extended its reach during the year by setting up many off-site and work-site Automated Teller Machines (ATMs), and Internet Kiosks, attached to local branches, at high footfall locations including petrol stations, consumer stores, and airports,

As on March 31, 2000, the services of the Bank were available through a network of 81 branches, 16 extension counters and 175 ATMs. These access points were located in 47 centres spread across 17 States and Union Territories. Of the 81 branches, 35 (43 per cent) are located in metropolitan cities, 23 (29 per cent) in urban centres, 18 (22 per cent) in semi-urban locations and 5 (6 per cent) in rural centres.

INFORMATION TECHNOLOGY

The Bank has viewed advanced information technology as a managerial and competitive tool and has tried to harness technology to the maximum extent possible to deliver superior customer service. In its issue dated March 6, 2000, Forbes Global magazine has rated the Bank's web-site to be extremely user-friendly and ranked it among the top 15 banking web-sites in the world. The Bank's recent initiatives in B2B and B2C have gained favourable acceptance from its customers and the Bank plans to continue to web-enable its existing products and services. In this context, the Bank recently launched a web-enabled credit card, which allows card owners to track their card usage details, and effect payment through the Internet. However, the Bank has taken adequate safety measures to ensure the security and integrity of the data. These measures include, among others, installation of firewalls, use of encryption to safeguard the data and strict adherence to time-tested security procedures by staff members.

In order to enable the branches to have sharper customer focus, the Bank has centralised the back office functions by forming Regional Processing Centres (RPCs), which have considerably lowered the cost of transaction processing.

Report of the Directors

HUMAN RESOURCES

The Bank has continued to lay great emphasis on human resource development, to make its employees attain global standards in productivity, thereby maximising value creation for its stakeholders. Accordingly, the staff of the Bank, numbering 1,344 as on March 31, 2000, has undergone significant training in a variety of training programmes at regular intervals during the year. As many as 878 employees attended training programmes during the year, both domestic and overseas, and the average training per person was 37 hours, which compares favourably with international benchmarks. The employees form the backbone in all the initiatives undertaken by the Bank, which remains committed to constantly upgrading their skills through training to ensure constant improvements in performance. A performance bonus scheme provides wide ranging incentives to employees.

EMPLOYEE STOCK OPTION SCHEME

With a view to attract talent and motivate employees, an Employee Stock Option Scheme (the Scheme) for employees of the Bank (including whole time directors) and of ICICI Limited (our holding company) was introduced during the year. The Scheme is expected to create an 'ownership attitude' amongst the employees and further the long term development of the Bank.

The Scheme was drawn in accordance with guidelines issued by the Securities and Exchange Board of India (SEBI) and approved by the Members at the Extraordinary General Meeting held on February 21, 2000. A total of 17,13,000 stock options have been effectively granted to 426 employees and directors of the Bank and ICICI Limited during the year with each stock option being convertible into one equity share. The options when fully exercised by the employees over time, would constitute 0.87 per cent of the issued capital of the Bank as on March 31, 2000. The stock options were granted at Rs. 171.90 per option, which was the closing price on The Stock Exchange Mumbai (BSE) on February 21, 2000.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure to this Report.

STATUTORY DISCLOSURE OF PARTICULARS

The requirements of disclosure, in terms of Section 217(1)(e) of the Companies Act, 1956, pertaining to steps taken regarding conservation of energy, do not apply to your Bank. The Bank uses state-of-the-art technology to ensure superior processing capabilities in operations leading to world-class customer service. The Bank is constantly reviewing the enhancement in technological upgradation with the help of ICICI Infotech Services Limited and other reputed IT companies.

CORPORATE GOVERNANCE

The Bank continues to adopt best practices in corporate governance. The corporate governance practices followed by the Bank are enclosed as an annexure to this Report.

AUDITORS

M/s. S. B. Billimoria and Company, Chartered Accountants, and Statutory Auditors of the Bank for the year 1999-2000 would be retiring at the conclusion of the forthcoming Annual General Meeting (AGM) scheduled on Monday, May 29, 2000 and are eligible for re-appointment. The auditors have confirmed their eligibility and willingness to accept the office, if re-appointed. The Members are requested to consider their re-appointment, at a remuneration to be decided by the Board of Directors, for the financial year ending March 31, 2001, as set out in the Notice convening the AGM.

The Board has appointed KPMG as chartered accountants in order to restate the financials of the Bank under US GAAP. Their report and certified financials are enclosed as a part of the Annual Report.

Report of the Directors

The Members at their Fifth AGM held on Monday, June 14, 1999 had approved the proposal to seek exemption for certain branches from the purview of statutory audit. However, these branches would be subject to audit once in every three years.

DIRECTORS

There was no change in the constitution of the Bank's Board of Directors during the year.

In terms of Article 143 of the Articles of Assocation (the Articles), Shri R. Rajamani and Shri Somesh R. Sathe, Directors, would be retiring at the forthcoming AGM and being eligible, offer themselves for re-appointment under Article 144 of the Articles. Their appointment as Directors requires the approval of the Members, for which necessary resolutions have been incorporated in the Notice of the AGM.

Shri H. N. Sinor, the Managing Director and Chief Executive Officer of the Bank has been elected on March 29, 2000, as a member of the Managing Committee of Indian Banks' Association (IBA), representing the private sector banks in India. Shri Sinor is also a member of National Payments Council constituted by the Reserve Bank of India (RBI) and two other committees. He was also a member of the Task Force for evolving vocational standards constituted by Indian Institute of Bankers (IIB).

The sitting fees payable to non whole-time Directors has been increased effective April 1, 2000 from Rs. 2,000 to Rs. 5,000 per Director for attending the meetings of the Board and from Rs. 1,000 to Rs. 2,000 for attending meetings of the committees of the Board in accordance with the stipulations under the Companies Act, 1956. The Managing Director and Chief Executive Officer as well as ICICI nominated Directors are not paid the sitting fees.

RELOCATION OF CORPORATE OFFICE

In order to achieve greater group synergy and closer co-ordination amongst companies of the ICICI group, and keeping in mind the need for increasing working space, the Corporate Office of the Bank was shifted to ICICI Towers in Bandra-Kurla Complex, Mumbai in October 1999.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the valuable patronage, co-operation and goodwill received by it from customers, correspondent banks, financial institutions, ICICI group and its employees.

The Board places on record its gratitude to the Government of India, State Governments, the SEBI, the RBI, the IBA, the IIB, stock exchanges, the Foreign Exchange Dealers' Association of India, and other regulatory authorities and institutions for their continued guidance and support.

The Board acknowledges the co-operation and encouragement extended to the Bank by the United States Securities and Exchange Commission, the governing board of the New York Stock Exchange, the underwriters, the legal counsels and all others, who helped to make the ADS issue of the Bank a grand success.

The Bank has taken strides in every sphere of activity largely due to the commitment and dedication of the staff and the teamwork across the group companies, backed by leading-edge technology. The Board places on record its sincere appreciation for the untiring efforts made by each and every member of the staff.

For and on behalf of the Board of Directors

H. N. Sinor
Managing Director and
Chief Executive Officer

Place : Mumbai
Date : April 24, 2000

Management's Discussion and Analysis

The most important management fundamental is staying close to customers to satisfy their needs and aspirations and anticipate their expectations.

VISION AND STRATEGY

The Annual Report is not just a summary of the Bank's performance but an instrument to communicate the guiding philosophy of the Bank. The Bank believes in adding shareholder value with customer satisfaction and staff motivation being the major driving forces. The Bank believes in reaching the top of every line of banking business, so that it becomes the preferred brand for banking solutions for both corporations and individuals. The Bank's identity embodies trust, integrity, loyalty and achievement. The key driver to success has been the relentless pursuit of excellence through innovation, sound management practices and the rapid application and assimilation of new technology to meet the ever-growing competitive pressures and challenges in the financial services sector without sacrificing the basic tenets of quality banking and prudence. Your Bank has become a major force in the Indian banking industry and has also emerged as an important player at the global level in a short span of time, which is rather unique.

The Bank has grown at a rapid pace and has scaled new heights and leadership positions in terms of clients, products, talent, reach and capital – all vital ingredients for continuous growth and profitability. The Bank has pioneered a number of firsts in the banking industry, and during fiscal 2000, became the first Indian commercial bank and second bank from Asia to list on the New York Stock Exchange (NYSE). This was a reflection of the confidence reposed in the Bank's capability and potential for growth by the global investor community. With the equity infusion, the stage has now been set for consolidation, while simultaneously seeking faster growth. Today, the Bank stands at the forefront of the Indian financial sector by combining the best of retail, corporate and treasury products, with sound risk management practices, human resources and state-of-the-art technology support.

Business today is being done at the speed of thought and the real challenge for the future lies in anticipating the demands of the new age and providing sustainable solutions. The Bank's strategy revolves around the twin paradigms of top-line and bottom-line growth, and the objective so far has been to be the leading technology-enabled financial services provider to retail customers, Indian corporates, small scale industries and agricultural sector for their banking requirements. The Bank has adopted a focused 'customer-centric' approach, as it is believed that products should be devised for the customer and not the other way round.

The Bank believes that the 'clicks and bricks' distribution strategy, which is a convergence between the physical and the virtual, can create enormous value in the times to come. The endeavour has been to leverage the power of the Internet to generate revenue on the one hand and drive down transaction costs on the other, while maintaining a high level of customer service. The Bank has at the same time concentrated on the rapid growth of the physical delivery channels and branch network on account of the diversity and geographical spread of customers in the country.

The Bank has pursued organic growth systematically, while keeping its eyes open to acquisitions if the latter were to generate economics of scale with synergy and add to shareholder value. The Bank has been successful in building a strong retail franchise through customer acquisition and retention, sustained growth in treasury income and the maintenance of a balanced corporate loan portfolio. The creation of a balanced asset portfolio consisting of loans to better rated companies and to top-tier mid-market growth oriented companies has enabled the Bank to maintain a stable flow of revenue and enhanced asset quality. The Bank began offerring Internet based business-to-business solutions for closed user groups to its corporate customers during the year, and intends to offer business-to-business open payment gateway solutions soon to facilitate future customer acquisition. The Bank also started offerring capital market services during the year. The Bank remains committed to leveraging technology to develop innovative customer solutions to attain growth with profitability within the framework of sound risk management practices.

The Bank believes that the key to success will be the ability to maintain business efficiency and culture and motivate and expand its pool of skilled and experienced professionals, by creating an environment that offers growth, learning, excitement, comfortable working conditions and competitive remuneration.

ECONOMIC BACKDROP

The test of a first rate intelligence is the ability to hold two opposite ideas in mind at the same time and still retain the ability to function.

The Indian economy has shown a process of recovery in 1999-2000 and is on the upswing of the industrial business cycle. GDP growth is expected to be around 6.00 per cent in FY2000. Industry has grown by 7.90 per cent in the first 11 months of FY2000. This brighter economic outlook was manifested in the form of high growth in bank credit by

21.90 per cent. Non-food credit rose by 20.60 per cent and total credit to the commercial sector (including credit like instruments) increased by 17.20 per cent. Industrial growth was aided by a faster growth in exports of 11.30 per cent during the first 11 months which, in turn was supported by a recovery in the world economy and a turnaround in the East Asian countries. Doubts about the issue of political stability were cast aside, with a new coalition government assuming power in Delhi in October 1999. The Government has shown its commitment to the continuance of economic reforms, thus providing the right signal for future growth and development. The recent visit of the US President to India has added a new dimension to the Indo-US economic and trade relations. This will have far reaching implications for the up-liftment of the Indian economy.

The Indian economy was, however, affected adversely by the Kargil conflict, the mid-term elections and the Orissa cyclone, all of which increased the government's unplanned expenditure and resulted in a higher fiscal deficit. The resulting increase in government borrowings combined with an industrial recovery led to an increased demand for funds. The overall environment is not likely to change in FY2001 as industrial growth is expected to be stronger, and government borrowing higher during the year.

Nominal interest rates are still comparatively high and the RBI as well as the Government have taken measures to moderate these levels. The RBI effectively used monetary policy during FY2000 to moderate liquidity in the system by altering the cash reserve ratio (CRR) and the Bank Rate to ensure stable interest rates. Open Market Operations were used to control the level of liquidity in the system as well as check volatility in the foreign exchange market. The Ministry of Finance has also signalled a lower interest rate regime by reducing rates on comparable savings instruments such as provident funds. The RBI has taken certain initiatives at the beginning of fiscal 2001 to reduce interest rates by lowering the Bank Rate from 8 per cent to 7 per cent and the CRR from 9 per cent to 8 per cent. This would directly lower the cost of refinance to banks as well as infuse liquidity into the system. The response of certain banks has been positive with some of them lowering the deposits as well as lending rates by 50 to 100 basis points.

The RBI tightened the regulatory environment during the year in line with international best practices. The capital adequacy ratio to be attained by March 2000 was increased from 8 per cent to 9 per cent and further provisioning requirements were introduced on standard assets with a minimum provision of 0.25 per cent to be made for the year ending March 31, 2000. The RBI had issued guidelines for the establishment of Asset-Liability Management systems in banks in September 1998, which was made effective from April 1, 1999. Subsequently, in October 1999, the RBI laid down the guidelines for the establishment of risk management systems in banks.

ENVIRONMENT OF OPPORTUNITIES

The successful banker has to manage ambiguity and paradox, and must search for change, respond to it and exploit it as an opportunity.

The Indian banking sector consists of public sector, private sector and foreign banks apart from smaller regional and co-operative banks. Public sector banks dominate the banking sector in terms of market share, but are hindered by legacy factors as well as service quality issues. Private banks are constraint by the size factor as they are basically niche players. Foreign banks have a limited branch network and capital commitment. As a result, the Bank is uniquely positioned for growth within the existing set of players, as it does not have any legacy problems and is also not constrained by size as well. The share of the Bank in total deposits of all scheduled commercial banks was 0.98 per cent as on March 31, 2000, while its share in incremental deposits was 2.72 per cent. The share in total advances (including credit-like instruments but excluding food credit) was 1.07 per cent while its share in incremental advances was 2.38 per cent. These figures show an increasing trend, but are numerically small and offer ample opportunities for expansion of market share.

The corporate banking customers in India are becoming increasingly sophisticated in their requirements and demands products uniquely structured to meet specific requirements, while retail customers are seeking more convenient modes to deploy household savings. In this environment, the Bank has created a unique market presence by leveraging on the group synergies and the strong ICICI brand image to offer customised solutions, and quality products and services to both corporate and retail customers. The multi-channel 'clicks and bricks' strategy has enabled wider reach at an efficient cost. The Bank is viewed as one of the few quality service providers in the existing financial system.

The Bank has been very proactive to changes in the business environment and has seized opportunities as and when they have arisen. Thus, the sudden resurgence of the mutual funds industry in 1999-2000 offered a business opportunity and the Bank responded by marketing mutual fund units through its branches to augment fee-based income.

Management's Discussion and Analysis

Looking ahead, the critical strategic requirement is the effective harnessing of technology to innovate and create products that cater to a varied set of customer preferences. In this context, the Bank plans to continue its 'bricks and mortar' approach to product delivery with technology upgradation, to ensure that all its products are made available on all possible channels to maximize customer choice and convenience.

The banking system is undergoing a rapid metamorphosis with all banks bracing up to meet the challenges thrown up by technological change. It is here that speed of thought and action gains significance, and your Bank has endeavoured to institutionalise speed across the organization. This was reflected in the Bank's ADS offering, where the whole process from conception to listing was completed in just over 64 days. However, creating excellence is a continuous process, and the pace has to be enhanced to ensure that the Bank remains at the forefront of the Indian banking sector.

The performance of the Bank in 1999-2000 must hence be viewed against the backdrop of the emergence of a dynamic growth process in the economy, increasing competition, adverse external conditions resulting in higher government borrowing and a pro-active monetary authority transmitting the appropriate impulses through monetary policy.

ICICI BANK IN 1999-2000

The progress made in the main lines of business are discussed sequentially.

CORPORATE BANKING

The perspicuous banker must shift economic resources from an area of low yield to an area of higher productivity and return.

The corporate banking division of the Bank works closely with the Major Clients Group (MCG) and Growth Clients Group (GCG) of ICICI group to cross-sell a broad range of wholesale financial products. The Bank has capitalised on the strong corporate relationships enjoyed by ICICI to forge business relationships with a number of India's leading corporates. As on March 31, 2000, 25 branches offered corporate banking services.

Consistent with the ICICI group's strategy to consolidate its position as the leading provider of financial solutions, the Bank launched 'Corporate Infinity' – an Internet banking service for corporates – in August 1999 to deliver a complete range of high quality financial services to corporate customers at their offices. Corporate Infinity provides multi-location, multi-user access to the ICICI group's products and services on a 24-hour basis. Cash Management Services (CMS), which are offered exclusively to corporate customers, recorded significant growth in volumes on the back of the group synergy to record throughputs of Rs. 65,000 crores during the year and income of Rs. 12 crores. The Bank also launched 'i-payments' – a web-based online supply chain management solution – during the year. This product has gained considerable market acceptance and the Bank has already entered into memoranda of understanding with over 100 large Indian companies.

The Bank achieved significant growth in its loan portfolio, with the total outstanding balances in the credit portfolio rising from Rs. 2,110.12 crores in FY99 to Rs. 3,657.34 crores in FY2000, thus registering an increase of 73.32 per cent. Investments in corporate debt instruments rose from Rs. 1,277.48 crores in FY99 to Rs. 1,373.62 crores in FY2000, thus registering an increase of 7.52 per cent and amounting to 27.30 per cent of total loans. The two together yielded a credit-deposit ratio of 50.99 per cent in FY2000 compared with 55.78 per cent in FY99. Priority sector advances amounted to Rs. 1,014.14 crores, constituting 29.20 per cent of net bank credit. Export credit was Rs. 400.89 crores.

As on March 31, 2000 the highest industry exposure in gross outstanding loans were to finance, chemicals and engineering. The Bank was able to leverage group synergy and enter into relationships with several large corporates having better credit ratings during the year. This resulted in a significant improvement in asset quality as corporate borrowers with a rating of A and above constituted 50.98 per cent of total advances as against 46.58 per cent in the previous year.

The Bank has diversified its product range to provide a more comprehensive portfolio of services for its corporate clients. The new products include channel finance, vendor bill finance, IPO finance, and agricultural finance. The Bank is now providing customised solutions to corporate customers with large dealer networks. The Bank has also added to its portfolio a number of co-operative banks, by providing a line of credit to meet their customers' requirements. The Bank is also in the process of entering into factoring and DVP financing.

The Bank has also started providing cross border loans to joint ventures (JV) and wholly owned subsidiaries (WOS) of Indian companies. The Bank has so far assisted four such ventures located in the US and UK with a total exposure of USD 13.98 million (Rs. 60.98 crores).

Management's Discussion and Analysis

INTERNATIONAL BANKING

The Bank offers International banking services through 35 select branches, 19 of which are connected to the SWIFT network. The Bank's technological capabilities have enabled the delivery of superior service. The Bank is able to pay/ credit all identified remittances from abroad within 24 hours of receipt into its NOSTRO accounts.

The Bank has correspondent arrangements with over 105 major banks, spread over all the important countries enjoying active trade relationships with India. The services offered include a wide variety of fee-based corporate products and services, like documentary credits, guarantees, and treasury-based derivative products. The Bank maintains 22 nostro accounts in 15 currencies. These relationships have helped the Bank to facilitate cross border transactions effectively and is expected to lead to reciprocal business flows in the future.

As on March 31, 2000, the portfolio of documentary credits was Rs. 848.96 crores, standby letters of credit Rs. 756.44 crores, forward contract Rs. 7,354.97 crores and interest rate swaps about Rs. 9.00 crores.

CORPORATE TRUST SERVICES

The Bank is a leading Trust and Retention accounts (Escrow) services provider in India. The services envisage acquiring and managing the cash-flows throughout a defined period. The portfolio comprises of over 100 accounts covering a wide range of projects from power, telecom, oil exploration to mergers and acquisitions and securitisation transactions.

RETAIL BANKING

Innovation is the specific tool of bankers with a vision, by which they exploit change as an opportunity for a different business or a different service.

It has been recognised that the retail segment provides opportunities to build a stable deposit base, lower the overall cost of funds as well as widen the reach of the Bank. Thus, retail banking is a major thrust area for the Bank. The basic strategy in this area has been to leverage brand identity, target middle and upper middle class customers, create channel density, concentrate on a multi-channel technology-enabled network and expand the range of products and services to create an effective exit barrier for customers. The retail banking initiatives during the year were based on the creation of innovative products within the realm of both traditional banking and electronic banking as it was felt that India's vast geography necessitated a variety of distribution channels.

The 'Power Pay' account launched in September 1996 is aimed at a select group of corporate customers to help them streamline their salary payments. Power pay allows the employees' salaries to be directly credited to a special savings account established for this purpose. As on March 31, 2000, around 950 companies were using this facility and the number of Power Pay accounts was 1,47,298. This direct deposit of pay-cheques provides the Bank with a competitive advantage as these payroll account holders often enter into further relationships with the Bank including opening time deposits and subscribing to credit cards.

In August 1999, a premium current account product was launched, to cater to the needs of the small business segment. In addition to the conventional banking facilities, this account offers free-cash remittance, free cash pick-up and delivery, pick-up of cheques and documents and a sweep facility to automatically transfer any excess balance in the current account to a time deposit and vice-versa. To facilitate rapid customer growth, the Bank has introduced an Internet-based student account scheme during the year.

On August 15, 1999, the Bank became the first bank in India to introduce utility bill payments through the Internet. The Bank has entered into tie-ups with leading telecommunications companies such as MTNL and Tata Teleservices, Internet service providers like VSNL and cellular operators such as BPL Mobile, Airtel and Usha Martin. Tie-ups have also been established with BEST and BSES for payment of electricity bills in Mumbai.

In October 1997, the Bank launched India's first Internet banking service, and thus pioneered the concept of net-banking. Two years later, in September 1999, it introduced an online account opening facility for non-resident Indians (NRIs). The total number of NRI accounts increased by 12,600 to 23,422 as on March 31, 2000. NRIs are also allowed easy transfer of funds to India (to 173 locations) through a web-based remittance facility called Money2India, which was launched in October 1999. Further, to facilitate advisory services for NRIs, an on-line service called 'Sawal Jawab' was introduced to provide information relating to financial and tax matters.

On January 21, 2000 the Bank launched its credit card business by offering a VISA credit card to retail consumers in Mumbai. Three kinds of cards are offered : True Blue, Sterling Silver and Solid Gold. These cards are equipped with several value-added features that are unique to the market. Thus, the cardholders are given the flexibility to set spending limits on their supplementary cards. There are online facilities for making applications, accessing information and effecting payments. As on March 31, 2000, the Bank had issued 10,656 cards.

The Bank has aggressively expanded its ATM network to widen customer reach. The introduction of the ATM 'Switch' allows on-line access to accounts, for which a unique 12-digit code has been provided for identification purposes. Off-site ATMs have been set up at offices of select corporate clients, large residential colonies, airports and arterial roads in metropolitan cities. To increase the number of such off-site ATMs, the Bank has entered into agreements with three major public sector petroleum companies to deploy ATMs at their petrol stations. The Bank is also planning to install ATMs at cyber cafes and outlets of consumer durable companies and retail chain stores (an arrangement with Foodworld is already in place). As a result of these efforts, the total number of ATMs of the Bank rose from 65 as on March 31, 1999 to 175 as on March 31, 2000 - 99 on-site, 58 off-site and 18 work-site ATMs.

The Bank has entered into a tie-up with Orange, the cellular service provider in Mumbai, to introduce mobile banking to its customers. As a result, customers common to both the organisations can track their personal finances through their mobile phones. The Bank has also finalised arrangements with Airtel in Delhi and is presently in negotiation with several other operators in major cities.

The Bank has made arrangements with ICICI to offer depositary services to customers through its branches. This has increased the Bank's fee income and float maintained by customers in their accounts. By March 31, 2000, the Bank had 60,071 demat accounts. The Bank has also undertaken the distribution of mutual funds units through its branches to further augment its fee income.

The Bank has appointed direct selling agents to market its products and has also established Regional Processing Centres at four locations to ensure better co-ordination and efficiency.

The Bank increased the number of branches from 55 as on March 31, 1999 to 81 as on March 31, 2000. Of the 81 branches, 58 were located in cities while 23 were in semi-urban and rural areas. The number of extension counters rose from 9 to 16 during this period. The number of retail deposit accounts with the Bank rose from 2,61,000 as on March 31, 1999 to 6,37,000 as on March 31, 2000. The number of 'Infinity' users increased from 4,000 to 1,10,000 in the same period.

The Bank's deposits increased by 62.46 per cent from Rs. 6,072.94 crores in FY99 to Rs. 9,866.01 crores in FY2000. Demand deposits (savings plus current) and term deposits constituted 21.50 per cent and 78.50 per cent respectively of total deposits. Of the total deposits, retail deposits accounted for about 31.00 per cent while wholesale deposits contributed to 69.00 per cent.

DOMESTIC TREASURY OPERATIONS

The immediacy with which information is blended with intuition and impulse translates into increased earnings.

During the year, the Treasury was shifted to a state-of-the-art Dealing Room in the new corporate office. The Domestic Treasury operations were further streamlined by creation of separate desks for liquidity management, fixed income securities trading and equity trading by deploying additional dealers and back-up staff. The expansion of the team was carried out keeping in mind the potential for substantial trading profits in both the segments viz., fixed income securities and equities. In view of the high volatility in the equity market, the Domestic Treasury Department introduced 'disciplined trading' which minimises the risks arising from a downturn in the market, while capturing gains from any significant upward movement in stock prices. The equity desk also participated aggressively in the initial public offerings of several companies, particularly in the technology sector, and posted handsome gains through divestment in the secondary markets following the listing of these scrips.

The dealers actively participated in trading of fixed income securities taking views on interest rate movements from time to time. The process was further aided by the perceptions of the Bank's economist based on macro-economic factors. The economist provided valuable inputs on the movement of overnight rates, which further facilitated the active management of the portfolio. These helped to fine-tune the pricing of deposits.

The Department also invested actively in various mutual funds to benefit from the upswing in the stock markets during the year. Significant investments in mutual funds – both debt and equity oriented – also facilitated better tax-planning.

The Department posted a trading volume of about Rs. 22,000 crores in debt and equity during the year 1999 – 2000, which was significantly higher than the volume of about Rs. 9,900 crores posted during 1998 – 99. The trading profits booked were also significantly higher.

As a means of improving risk management, the entire trading portfolio was marked to market on a daily basis and the gain/loss on the portfolio was monitored regularly. This exercise also facilitated a constant review of profit booking opportunities based on informed judgements. Going forward, it is proposed to estimate Value at Risk (VaR) on the Bank's Government of India securities portfolio on a regular basis, as an additional tool for risk management.

FOREX TREASURY OPERATIONS

A stable currency seldom causes excitement. On the other hand, volatility creates opportunities, which rightly perceived and acted upon leads to the creation of wealth.

The forex treasury is now fully equipped with state-of-the-art systems and technology comparable to global standards. The Bank's forex treasury is a significant player in the foreign exchange market and offers a complete range of foreign exchange and select derivative products to its corporate and non-corporate customers. It also engages in inter-bank deposit dealings, proprietary trading in currencies and foreign currency balance sheet management.

The derivative products of the Bank are structured to hedge medium and long-term currency and interest rate exposure for corporate clients. These products help corporates with long-term foreign currency borrowings to hedge their exposures. As on March 31, 2000 the Bank had concluded 26 such transactions with a total value of about USD 178.00 million.

The Bank has earned an income of Rs. 22.39 crores from foreign exchange activities - 34.38 per cent lower than the previous year's income of Rs. 34.12 crores. The reduction in earnings was on account of adverse market conditions, including introduction of the Euro as a new currency replacing a few active currencies.

The Bank has plans to undertake transaction in USD, Euro, GBP and Yen denominated foreign government securities to enhance the yield on foreign currency denominated liabilities comprising of FCNR(B), EEFC and RFC deposits. The security account required for the purpose is already in place.

The Bank's Authorised Dealers' license (AD license) to deal in foreign exchange has been renewed by the Reserve Bank of India on a permanent basis with effect from July 1999. The Bank was elected to the Managing Committee of the Foreign Exchange Dealers' Association of India (FEDAI) to represent private sector banks. The Bank and two other private banks now represent the 27 member strong private sector banks of India in the FEDAI. The Bank is also a member of the RBI Working Group for introduction of E-commerce and two other technical committees set up by the FEDAI.

RISK MANAGEMENT

A business has to try and minimise risk. But, if its behaviour is governed by the attempt to escape risk, it will end up by taking the least rational risk of all : the risk of doing nothing.

The Bank is in the business of managing risks to create and enhance shareholder value. The risks that the Bank is exposed to are credit, market and operational risk. The goals of risk management are to understand, measure and monitor various risks that arise in the course of ordinary business and to ensure that the Bank adheres strictly to the policies and procedures established to address them. In October 1999, the risk management function was reorganised and integrated into a distinct and independent Risk Management Department. The Risk Management Department works in close association with the business units to implement various risk management strategies and identifies, assesses, monitors and manages all major risks in accordance with well-defined policies, procedures and practices.

Three committees have been established to oversee the risk management function : Credit Risk Management Committee, Asset Liability Management Committee and the Operational Risk Management Committee. These committees report to the Audit and Risk Committee of Directors on a quarterly basis.

Credit risk is the risk of loss due to borrower or counterparty default and is extensively monitored at the transaction and portfolio levels. After conducting a detailed analysis of the credit risk involved, each and every borrower is assigned a rating code. The Bank has introduced a new rating module with a 10-point rating scale ranging from AAA to B with an additional default rating of D. The Department is in the process of re-rating the entire Bank's exposure based on this model which should be completed by the first quarter of FY 2001.

Market risk is the risk of loss to future earnings due to adverse changes in the values of financial instruments caused by changes in market prices or rates, including interest rates, foreign exchange rates and prices of equity shares. As there is no singular measure that captures all aspects of market risk, the Bank is in the process of using several risk measures – statistical and non-statistical.

Exposure to fluctuations in interest rates is measured by a gap analysis, which provides a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time periods according to contracted maturities or anticipated re-pricing data. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would give the extent to which the Bank is exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities.

In the area of foreign exchange trading, loss limits have been established for the two halves of the year. An internally designed VaR model is in place that measures the market risk of the foreign exchange spot position.

Equity risk is managed by establishing position limits, loss limits, stop-loss limits and holding limits.

Liquidity risk pertains to the inability to meet all liability repayments on time and fund investment opportunities. A regular maturity gap analysis is prepared to review the overall liquidity position.

The Bank is in the process of introducing 'stress-tests/loss-limits' pertaining to liquidity, exchange and interest rate risks. This combined with the application of VaR on an extended domain would help to alert the management in time on the likelihood of potential trading losses. In addition, appropriate trigger points for these parameters are expected to serve as early warning signals enabling the management to take corrective action well in advance.

The Bank has clearly segregated front, mid and back offices for dealing, monitoring and settling of treasury activity. The mid-office has been established independent of the treasury to monitor the risks in treasury operations and ensure adherence to various risk control limits on a daily basis.

Given the size and reach of the Bank, it is exposed to *operational risks* and hence, a system of controls has been put in place at various levels to provide the management with timely and accurate information. The Audit Department is part of the operational risk group and inspects branches and conducts revenue and management audits based on an inspection calendar drawn up each year. The primary objective of the inspection function is to effectively manage operational risks by ensuring that business activities are being carried out in accordance with laid down policies, systems and procedures.

The Bank has made arrangements to conduct concurrent audits to cover about 85 per cent of the business using reputed chartered accountancy firms. The Bank has plans to introduce snap audits which will help to rectify any procedural irregularities, especially in newly opened branches and new activities.

INFORMATION TECHNOLOGY

Technology provides the excitement and the headlines. It creates the vision for enterprise and innovation. It is the reason why we perceive and understand various phenomena.

The Bank's IT department was consolidated into ICICI Infotech Services Limited, the technology arm of the ICICI group. ICICI Infotech Services Limited now provides the Bank, and other companies in the group, a complete package of technology services.

The Bank uses the banking software, BANCS2000, developed by Infosys Technologies Limited, which is flexible and scalable and integrates seamlessly with the multiple electronic delivery channels. The Bank is presently in the process of migrating from a distributed computing paradigm to a centralised set up with the consolidation of all servers and databases expected to be completed by end of August 2000. High-end mainframe class Sun servers (E10000 and E6500) have been procured for server consolidation to facilitate the transition to the centralised mode.

To improve customer convenience, an ATM 'Switch' was installed during the year, which enabled online access to accounts. As on March 31, 2000, 175 ATMs were connected to this switch. The ATMs are soon to be integrated with the recently launched credit card system. The Bank has now opted to upgrade the existing switch to Base-24 software from ACI, USA to keep pace with the rapid expansion in the ATM network.

The Bank has invested in advanced systems from IBM, Reuters and TIBCO to monitor risk limits and exposures on a real time basis.

The Bank has a TCP/IP network, which is used to provide Anywhere Banking services and ATM connectivity, and also for intra-office e-mail. This communication network is monitored round the clock using HP-OpenView – the network management software.

As the Bank depends a lot on its technological base to provide customers with high quality service, the security systems consist of detailed and well laid out processes including access control, complex passwords and dual authentication. For the Internet banking service, the Bank uses 128-bit encryption, secure socket layer technology, digital certificates, multiple firewalls and isolation of web servers. Technical security advisory organisations have been contracted to test our system security and have found the Bank's systems to be highly resilient to possible hacker attacks.

The Bank made a smooth transition into the year 2000 and was unhampered by the Y2K bug.

HUMAN RESOURCES DEVELOPMENT

The achievement of an organisation is the result of the combined efforts of each and every employee. All individuals want to do a good job, and if they are provided with the proper environment, they will do so. People rarely succeed at anything unless they enjoy doing it.

The Bank has always viewed Human Resource (HR) Development as a critical activity, as it plays a very important role in culture building and gives an impetus to the effort put in achieving business goals more efficiently.

A seminar was conducted in January 1999 which enabled the Bank to establish clearly the link between business strategy and human resource strategy. Accordingly, different kinds of mindsets were worked out to ascertain the requirements in the staff in the three main lines of business – corporate banking, retail banking and treasury operations.

A new organisational structure effective April 1, 1999 was implemented successfully with the 'change agent' role played by the HR Department. Three different job profiles viz., customer service and cross selling of products, back office operations and marketing and sales emerged after the new organisational structure was put in place.

The recruitment process has been fine tuned through specially devised processes that identify an individual's degree of customer orientation – the principal trait needed in the banking business. New recruits have been provided training in skill upgradation and team building and development of an appropriate mindset for better conduct of banking business. Training programs of shorter duration were designed for the existing staff, with specific focus on product information, customer service, cross selling of products and operational excellence.

The promotion process has been designed on the principles of openness and transparency. Career progression is based on performance of employees being above an acceptable level with emphasise on those with high business drive and potential. These exercises are carried out by the Career Development Centre, which offers a comprehensive competency building programme. This process has been followed for the last 5 years and has been perceived as being fair and credible by the employees.

A high level of performance is rewarded by a system of performance bonus. The ratio of variable bonus to fixed salary is fairly high to attract and retain the best talent in the Bank. Further, to ensure that the Bank does not lose high performers and to increase the motivation levels and instill a feeling of ownership, the Bank has introduced an Employee Stock Option Scheme (the Scheme). The first grant of stock options under the Scheme was made during the year.

The total number of staff of the Bank increased from 891 as on March 31, 1999 to 1,344 as on March 31, 2000. On an average, an employee received 37 hours of training during the year. The Bank conducted 34 internal and 67 external training programmes involving 658 and 198 employees respectively. Further, 22 employees were a part of overseas training programmes.

These proactive HR policies have helped the Bank to obtain higher contributions from its employees as well as achieve its business goals. The Bank has constantly strived to make the working conditions comfortable for its employees. It is, however, recognised that HR policies need to be fine-tuned regularly to ensure alignment with global best practices.

MANAGEMENT OF NON PERFORMING ASSETS

A non-performing asset is an asset in respect of which interest or principal has remained past due for more than two quarters. In particular, loans are not classified as non-performing until the borrower has missed two interest payments (180 days) or two principal payments (180 days). Interest in respect of non-performing assets is not recognised or credited to the income account unless collected.

ASSET CLASSIFICATION

Assets are classified as described below:

- *Standard Assets :* Assets that do not have any problems or do not carry more than normal risk attached to the business.
- *Sub-Standard Assets :* Assets that are non-performing assets for a period not exceeding two years (18 months by March 31, 2001).
- *Doubtful Assets :* Assets that are non-performing assets for more than two years and have not been written off, either wholly or partially (18 months by March 31, 2001).
- *Loss Assets :* Assets that are considered uncollectible and identified as a loss by the Bank, the Reserve Bank of India or our external auditors.

Renegotiated or rescheduled loans must have no past due amounts for one year after renegotiation or rescheduling for the loan to be upgraded.

In addition to these standard categories, the Bank has introduced two more categories of assets to provide early warning signals for the reduced performance of an asset. A watch list identifies assets that are being serviced but whose industry may be undergoing temporary difficulties. A system of classifying accounts as Special Attention Accounts helps to monitor assets that are not in order and are likely to slip into the non-performing category.

The EBDTA method has also been used for early detection of potential non-performing loans. Negative earnings before depreciation, tax and amortisation serve as an early warning indicator. Such assets are analysed and monitored more closely and different options are considered.

NPAs OF THE BANK : YEAR END POSITION

Gross NPAs of the Bank stood at Rs. 99.11 crores as on March 31, 2000 compared with Rs. 101.45 crores as on March 31, 1999. The ratio of gross NPAs to gross advances (including credit-like instruments) fell from 2.95 per cent to 1.94 per cent and the ratio of net NPAs to net advances fell from 1.80 per cent to 1.14 per cent respectively during this period.

The methods for resolving non-performing loans include the following :

- Negotiated or compromise settlements on a one-time settlement basis;
- Encouraging the financial restructuring of troubled but viable borrowers;
- Encouraging the consolidation of troubled borrowers in fragmented industries with stronger industry participants; and
- Early enforcement of collateral through judicial means.

Total provisions made by the Bank in 1999-2000 were Rs. 121.37 crores compared with Rs. 61.24 crores in 1998-99.

US GAAP FINANCIALS

During the year, the Bank appointed KPMG, the international accounting firm, to restate its financial statements for the year ended March 31, 2000 as per US GAAP. A brief summary of the financials in accordance with US GAAP are as per the table on the following page.

Management's Discussion and Analysis

(Rupees in millions, except earnings per share)

Sl. No.	Particulars	For the year ended	
		March 31, 2000	March 31, 1999
1	Interest revenue	8,434	5,390
2	Interest expense	6,656	4,244
3	Net interest revenue	1,778	1,146
4	Provision for credit losses	(427)	(540)
5	Net interest revenue after provision for credit losses	1,351	606
6	Fees and commissions	607	370
7	Treasury revenue including trading account, securities and foreign exchange	1,152	496
8	Non-interest revenue (6+7)	1,759	866
9	Net revenue (5+8)	3,110	1,472
10	Salaries and employee benefits	316	204
11	Premises and equipment expense	340	232
12	Administration and other expense	673	363
13	Non-interest expense (10+11+12)	1,329	799
14	Income before taxes (9-13)	1,781	673
15	Income tax expense	379	170
16	Net income	1,402	503
17	Loans, net	47,016	27,597
18	Total assets	130,416	76,265
19	Deposits	98,660	60,729
20	Total liabilities	119,029	73,435
21	Stockholders' equity	11,387	2,830
22	Earnings per share (in rupees) Basic and diluted	8.49	3.05

Note : 1 crore = 10 million   10 lakhs = 1 million   1 lakh = 0.10 million

Abbreviations - expansion to a few of the abbreviations used in the Management's Discussion and Analysis are :

ATM - Automated Teller Machines; BEST - Bombay Electricity Supply and Transport (a corporation providing electricity and public transportation system in the city of Mumbai); BSES - Bombay Suburban Electricity Supply (a corporation providing electricity in the suburbs of Mumbai); DVP - Delivery-versus-Payment; EBDTA - Earnings before depreciation, taxes and amortisation; EEFC - Exchange Earners Foreign Currency accounts; FCNR (B) - Foreign Currency Non-Repatriable (Banks) accounts; GDP - Gross Domestic Product; IPO - Initial public offering; MTNL - Mahanagar Telephone Nigam Limited (an Internet and telephone service provider within the country); NRI - Non-resident Indians; RBI - Reserve Bank of India; RFC - Resident Foreign Currency accounts; SWIFT - Society for Worldwide Interbank Financial Telecommunication; TCP/IP - Transmission Control Protocol/Internet Protocol; VSNL - Videsh Sanchar Nigam Limited (an Internet and telephone service provider for connections out of India)

Statement pursuant to Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 (Forming part of the Report of the Directors)

Name	Qualification	Age in years	Designation/ Nature of Duties	Remuneration received Gross (Rs.)	Remuneration received Net (Rs.)	Experience No. of Years	Date of commencement of employment	Last Employment
Shri A. G. Swar	B.Sc., LLM, CAIIB	42	Manager	6,57,038	4,40,342	19	15.09.1994	State Bank of India
Shri A. Hari Prasad	M.A., CAIIB, PGDBM	46	Senior Vice President	8,87,818	5,73,091	23	01.06.1995	State Bank of India
Shri A. V. A. Subramaniam	B.A., DSM, CAIIB	58	Senior Vice President	10,75,156	7,04,678	28	16.01.1995	State Bank of India
Shri Alladi Ashok	B.Sc.	49	Senior Executive Vice President	11,81,940	7,51,407	28	19.02.1996	State Bank of India
Shri Anand Kumar	B.Sc., PGDBM, MBA, LLB., Dip. in Training&Development	45	Vice President	6,98,208	4,57,303	17	01.08.1994	Bank of India
Shri Ashok Kumar Patni	M.A.	45	Senior Vice President	10,00,381	6,57,832	23	01.05.1996	State Bank of Bikaner and Jaipur
Shri B. B. Ruddra	M.A., PGDFM, CAIIB	47	Vice President	8,29,419	5,42,858	22	11.10.1996	Bank of India
Shri B. N. Doshi	B.Com., CAIIB	48	Vice President	7,50,147	4,98,906	24	07.06.1995	Bank of India
Shri Balaram N. K.	B.A.	40	Vice President	7,55,797	4,85,692	17	18.04.1994	State Bank of India
Shri Bhashyam Seshan	B.Com., ACS	44	Vice President	8,67,997	5,90,065	21	08.09.1994	State Bank of Travancore
Shri Devender Gupta	B.A., DBM, CAIIB	41	Vice President	7,67,080	5,07,071	19	23.07.1996	Indian Overseas Bank
Shri Dhamodaran S.	B.Sc., CAIIB	45	Vice President	7,66,326	5,20,222	16	04.04.1994	State Bank of India
Shri E. S. Mohan	M.Sc., MBA, CAIIB, DBM, CAIB (London), Diploma in International Banking (London)	49	Executive Vice President	7,27,330	5,20,694	26	13.06.1994	Bank of India
Shri G. Venkatakrishnan	B.Sc., M.Sc., CAIIB, DBM, ICWAI, CS	50	Executive Vice President	11,37,256	6,71,283	26	15.12.1997	State Bank of India
Shri H. N. Sinor	B.Com., LLB	55	Managing Director & CEO	32,66,336	20,77,617	34	01.07.1997	Central Bank of India
Shri Jayant R. Nalawade	B.Com., M.Com.	45	Vice President	6,72,684	4,47,178	19	01.12.1997	Bank of Maharashtra
Shri K. S. Harshan	M.A., DBM	48	Senior Vice President	9,01,095	5,82,391	23	02.05.1994	Union Bank of India
Shri M. N. Gopinath	B.Com., MBA, CAIIB	51	Senior Executive Vice President	15,54,221	10,36,986	30	01.06.1995	Bank of India
Shri M. N. Shenoi	BBM, DBM, CAIIB	42	Senior Vice President	9,41,778	6,32,350	21	01.03.1994	Corporation Bank
Shri M. S. Annigeri	B.Sc.	46	Senior Vice President	9,32,020	6,02,007	20	06.02.1996	State Bank of India
Shri Muralidharan R.	B.Sc., M.A., CAIIB	39	Vice President	8,13,492	5,40,586	15	16.05.1994	State Bank of India
Shri N. Ganesh	B.Com., CAIIB	40	Manager	6,12,417	4,15,175	14	06.05.1994	Allahabad Bank
Shri P. H. Ravikumar	B.Com., CAIIB, CAIB (London), Dip. in French	48	Senior Executive Vice President	13,02,877	8,53,982	27	15.07.1994	Bank of India
Shri P. N. Desai	B.A., CAIIB	53	Manager	6,23,200	4,19,573	18	19.04.1994	State Bank of India
Shri P. S. Prasad	B.Sc., BE, JAIIB	46	Vice President	8,41,253	5,47,036	20	18.10.1996	State Bank of India
Shri Paulas Antonio D'lima	B.A.	41	Vice President	7,27,439	4,72,564	23	04.10.1995	Bank of Maharashtra
Shri Prakash V.	B.Sc., M.Sc., CAIIB, DBM	38	Vice President	6,85,727	4,57,094	15	26.03.1997	State Bank of India
Shri R. B. Nirantar	B.Com., BGL, CAIIB, Dip. in IR&P Management	46	Senior Vice President	9,82,085	6,67,572	21	23.05.1994	Union Bank of India
Shri R. Jayaprakash	B.Sc., M.Sc., MAM	51	Senior Vice President	9,01,927	5,86,241	25	07.03.1995	UTI Bank Limited
Shri Rajeev Deoras	BE, CAIIB	41	Vice President	7,95,564	5,18,460	16	18.06.1994	State Bank of India
Shri S. N. Patnaik	B.Sc., M.A., MBA	44	Vice President	7,27,494	4,88,001	19	16.11.1996	Canara Bank
Shri Sanjay R. Tikotekar	B.Com., LLB, CAIIB	41	Vice President	6,48,567	4,20,227	19	01.12.1994	Bank of Maharashtra
Shri Sankar P.	B.Com., CAIIB	45	Vice President	7,72,293	5,22,127	17	31.05.1996	State Bank of India
Shri Sateesh D. Mahale	B.Sc., M.Sc.	47	Vice President	9,09,673	5,88,098	24	25.04.1994	State Bank of India
Shri Srinivasa G. M. Bhat	B.Com., M.Com., CAIIB, ICWAI, DCA	40	Vice President	6,87,048	4,60,020	17	14.12.1996	UTI Bank Limited
Shri Suniel Joshi	B.Sc., M.Sc., MBA	42	Vice President	7,88,072	5,46,949	18	02.05.1994	Punjab National Bank
Shri Swaminathan K	M.Com., CAIIB, ICWAI	46	Vice President	6,71,072	4,40,422	19	24.02.1997	Union Bank of India
Shri T. V. Narayanan	B.Com., CAIIB	40	Vice President	7,56,517	4,98,937	16	16.05.1994	State Bank of India
Shri Ujjal Choudhury	M.A., PGDBM	44	Vice President	8,76,474	5,73,911	22	24.04.1995	Alg Osaibi Money Exchange
Shri Vatsal S. R.	B.Com., CAIIB, CAIB (London)	46	Vice President	7,10,823	4,71,457	26	04.09.1995	Canara Bank
Shri Walter Pinto	B.A., LLB, CAIIB	49	Vice President	7,97,381	5,31,051	22	01.09.1994	State Bank of India
Smt Manjari Anil Bhargava	B.A., M.A.	43	Vice President	6,08,662	3,91,931	19	01.03.1996	Punjab National Bank

Notes :

1. Rules and conditions of service include benefits of Provident Fund, Gratuity Fund, Superannuation Fund, Leave Fare Concession, Medical Benefits, etc. The gross remuneration includes Basic Salary, Dearness Allowance, House Rent Allowance, Leave Encashment, Leave Travel Concession, Company's contribution to Provident Fund, Superannuation Fund and taxable value of perquisites, etc. (if eligible). Net remuneration is shown after deduction from gross remuneration, of contribution to Provident Fund, Superannuation Fund, Professional tax and Income tax.
2. Designations and remuneration are as at March 31, 2000.
3. The employees are not related to any director.
4. None of the employees by him / herself alongwith his / her spouse and dependent children hold more than two per cent of the paid up capital of the Company.

Place : Mumbai
Date : April 24, 2000

H. N. Sinor
Managing Director and Chief Executive Officer