ICICI Bank

5TH ANNUAL REPORT AND ACCOUNTS 1998-99

Directors

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

Executives

Senior Executive Vice Presidents	A. G. Prabhu
	P. H. Ravikumar
	M. N. Gopinath
Executive Vice Presidents	Alladi Ashok
	E. S. Mohan
Senior Vice Presidents	A. V. A. Subramaniam
	G. Venkatakrishnan
	Mohan N. Shenoi
	Neeraj B. Bhai
	K. S. Harshan
	R. B. Nirantar
	A. Hariprasad
	M. S. Annigeri
	Ashok Kumar Patni
Company Secretary	Bhashyam Seshan

Statutory Auditors

S. B. Billimoria & 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
Near Mumbai Central Station
Dr. Anand Rao Nair Road
Mumbai 400 008

Registered Office

Landmark
Race Course Circle
Vadodara 390 007

Corporate Office

Zenith House
Third Floor
Keshavrao Khadye Marg
Mahalakshmi
Mumbai 400 034

directors' report

To the Members

The Directors are pleased to present their Fifth Annual Report to the Members, together with the audited Profit and Loss Account for the financial year ended March 31, 1999, the Balance Sheet and the Cash Flow Statement as at March 31, 1999. The annual accounts are appended for being adopted by the Members at their Fifth Annual General Meeting (AGM) scheduled to be held on Monday, June 14, 1999.

FINANCIAL PERFORMANCE FOR THE YEAR UNDER REVIEW

RESULTS

2. The salient features of the financial performance during the year ended March 31, 1999 are summarized in Table I below :

TABLE I (Rupees in million)

Particulars	For the current year ended March 31, 1999	*For the previous year ended March 31, 1998*
Gross income (interest income plus other income)	**6,330.86**	*3,435.40*
Profit before depreciation, provisions and contingencies	**1,421.26**	*1,149.37*
Depreciation on fixed assets	**175.28**	*144.72*
Profit before provisions and contingencies	**1,245.98**	*1,004.65*
Provisions and contingencies	**612.40**	*502.44*
Profit after tax	**633.58**	*502.21*

3. The financial year 1998-99 ended with an operating profit and net profit of Rs. 1,245.98 million and Rs. 633.58 million respectively as against Rs. 1,004.65 million and Rs. 502.21 million in the previous year, resulting in an increase of 26.16 per cent in the profit after tax.

APPROPRIATIONS

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

TABLE II (Rupees in million)

Particulars	For the current year ended March 31, 1999	*For the previous year ended March 31, 1998*
Profit after tax	**633.58**	*502.21*
Balance of profit brought forward	**3.92**	*0.18*
Amount available for appropriations	**637.50**	*502.39*
Transfer to		
• Statutory Reserve	**200.00**	*270.00*
• Investment Fluctuation Reserve	**48.35**	—
• Other Reserves	**170.00**	*50.00*
Transfer towards		
• Proposed Dividend	**198.00**	*162.25*
• Proposed Corporate Dividend Tax	**19.80**	*16.22*
Balance of profit carried forward	**1.35**	*3.92*

DIVIDEND

5. The Directors recommend, for approval of the Members, a dividend at the rate of Rs. 1.20 per share on 165,000,700 equity shares of Rs. 10 each, amounting to Rs.198 million.

OTHER HIGHLIGHTS

6. Other financial highlights as at March 31, 1999 are as per Table III.

TABLE III

Particulars	For the current year ended March 31, 1999	*For the previous year ended March 31, 1998*
Net worth (Rupees in million)	**3,083.31**	*2,667.53*
Earnings per share (Rs.)	**3.84**	*3.04*
Book value per share (Rs.)	**18.69**	*16.17*
Capital Adequacy Ratio (per cent)	**11.06**	*13.48*
• Tier I	**(7.32)**	*(13.38)*
• Tier II	**(3.74)**	*(0.10)*
Return on average Net Worth (per cent)	**22.03**	*20.77*

TIER II CAPITAL

7. The Bank raised its Tier II capital in two tranches; the first tranche of Rs. 1,000 million was raised in May 1998 carrying interest at the rate of 13.50 per cent per annum payable half yearly for 63 months and the second tranche of Rs. 680 million in January 1999 at the rate of 14.25 per cent per annum payable annually for 87 months by private placement of subordinated unsecured non-convertible redeemable debentures.

GROUP SYNERGY

8. The year 1998-99 was a watershed year for ICICI Bank. After spending the first four years in building a strong base, stable systems and procedures, careful and appropriate technology platform, and open and transparent human resources (HR) practices, the Bank decided to take a quantum jump in business growth to emerge as an aggressive player in the market. In one of the more challenging periods for the financial services industry in recent years, the Bank scripted a new chapter laying down the broad contours of a roadmap for assuming its rightful role as a dominant player in the banking market place. The result: growth in a single year more than the cumulative growth of the previous years in terms of branch expansion and business volumes.

9. The strength to grow at this scorching pace, well beyond the industry growth rates, has been facilitated by the ICICI Group's decision to create a common brand identity for all its companies and to work together to provide a one-stop financial supermarket which would target a major share of clients' total wallet size. During the year, as part of the Group's strategy, the Bank was actively involved in discussions with McKinsey and Company, consultants of international repute, who were engaged by ICICI to advise on group restructuring. In order to generate greater synergy through closer co-ordination amongst Group companies – without sacrificing the principles of arm's length relationship – the Bank has reorganised its organizational structure by setting up strategic business units, for retail banking, corporate banking and forex & treasury operations, as independent profit centres. The new structure has been put in place effective April 1, 1999.

10. As a part of this strategic initiative to harness the synergies within the ICICI Group companies and to provide a common platform for servicing customers, the brand image is sought to be projected with uniformity across various companies in the Group through a new logo which projects the Group's vision of providing total financial and banking solutions for corporate and individual customers. This synergistic approach has demonstrated the success of the strategy. What has started in 1998-99 will be carried through, with much more refinement, in the new millennium for expanding the business volume and adding to the shareholders' value.

PROPOSED NAME CHANGE

11. In keeping with the ongoing dynamic changes in business and the popularity of the Bank amongst the public which knows it as 'ICICI Bank', your Directors have thought it appropriate to approach the Members for their approval to change the name of the Bank to 'ICICI Bank Limited' which will be subject to approval of the Reserve Bank of India (RBI) and such other authorities as may be required. Necessary resolution for obtaining the approval of the Members has been incorporated in the Notice of the forthcoming AGM.

OPERATIONS

BRANCH EXPANSION

12. As at March 31, 1999, the services of the Bank are made available through a network of 55 branches, 9 extension counters and 8 work-site/off-site Automated Teller Machines Centres. Of the 55 branches, 25 (45 per cent) are located in metropolitan cities, 13 (24 per cent) in urban centres and 17 (31 per cent) in semi-urban/rural locations. These are spread across 33 centres in 14 states for providing quality service to customers. Besides these physical outfits, virtual banking facilitated by the Bank's Internet based Infinity provides for a round-the-clock service to its customers.

RESOURCES

13. The Bank's deposits grew to Rs. 60,729.44 million from Rs. 26,290.24 million as at the end of previous year, registering a growth of 131 per cent. The demand deposits (savings plus current accounts) and term deposits constituted 13.23 per cent and 86.77 per cent respectively.

CREDIT

14. The Bank recorded significant growth of its advances portfolio. The total outstanding under both advances portfolio and investment in corporate debt instruments rose 142.50 per cent to Rs. 33,876.01 million from Rs. 13,969.42 million. The two together yielded a credit-deposit ratio of 55.78 per cent (compared to 53.14 per cent in the previous year). Priority sector advances amounted to Rs. 6,163.00 million, constituting 30.44 per cent of the net bank credit. Export credit was Rs. 2,541.48 million, constituting 11.91 per cent of the net bank credit.

15. During the year, there has been a major shift in the Bank's corporate banking focus. Prime Lending Rate of the Bank was dropped to 13.50 per cent per annum in August 1998 to bring it in alignment with the industry trend and for securing better quality loan assets. Though business with prime corporates fetches lower yields, the risk-adjusted yield is better in view of lower delinquency in such lending. Besides, the Bank has in place appropriate risk management mechanisms for on-going monitoring of its advances portfolio, including supervision and follow-up of non-performing assets.

TREASURY

Foreign Exchange Operations

16. The Bank now has 27 'B' category branches and 28 'C' category branches authorized to handle foreign exchange business. Of the 'B' category branches, 18 branches are already on the network of the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The remaining 9 branches would be on SWIFT during 1999 - 2000.

17. The overall growth of India's international trade was quite sluggish during 1998-99. Despite this, the Bank was able to show substantial improvement in its merchant turnover. Similarly, proprietary trading volumes recorded a significant increase; so also the income from these transactions. The Bank's overall foreign exchange earnings almost doubled to Rs. 341.16 million in 1998-99 from Rs. 171.11 million in 1997-98.

18. The Bank was one of the arrangers to the State Bank of India's Resurgent India Bonds (RIBs) issue in August 1998. From amongst all Indian banks, the Bank had mobilized the largest amount, aggregating USD 142 million—rupee equivalent of about Rs. 6,030 million—second only to the State Bank of India. This success in resource raising got the Bank the Asian Banking Award for the Best Fund Sourcing Programme.

Domestic Money Market Operations

19. Measures by the RBI at the beginning of the year to soften interest rates were reversed by the middle of August 1998 following a second speculative attack on the rupee in less than twelve months. The RBI raised the Bank Rate, the Repo Rate and the Cash Reserve Ratio requirements—to achieve some stability in the value of the rupee. The tightening of money supply was also aimed at reining in inflation, partly attributed to the runaway growth in money supply caused by inflows of USD 4.17 billion under RIBs. The year 1998-99 saw a major spurt in private placement of debt papers by better-rated corporates to meet their working capital requirements. The Bank used the opportunities selectively and the year saw its corporate debt portfolio grow impressively from Rs. 2,690.70 million to Rs. 12,774.81 million.

20. In March 1999 the RBI reversed the August 1998 measures, thus signalling a lower interest rate regime. As a result the Money Market was subjected to alternate bouts of easy and tight money conditions during the year. The Bank, nevertheless, conducted large volume treasury operations with due care and caution, in Government and other securities with the objective of maximizing income arising out of interest and price differentials during the year.

Cash Management Services

21. The year was the second full year of functioning of Cash Management Services (CMS). The volumes have doubled in the process and so also the number of corporates availing the services. The Bank has earned a reputation, amongst corporates, as one of the most efficient CMS providers. As a result, the Bank expects the volumes to grow strongly in the years to come.

Risk Management

22. As part of the internal control systems, the concept of 'Value at Risk' which was introduced on a pilot basis in October 1997 has been fully integrated into the daily Management Information Systems and is now one of the regular control measures along with other traditional tools.

23. A formal structure for Asset-Liability Management (ALM) was put in place, ahead of RBI guidelines in this regard. Broad maturity mismatch gap limits were set up and were monitored at regular intervals. Further, work is being done in this area to evolve a more sophisticated model to derive maximum benefit from the exercise as a risk management tool. The structure of the Asset Liability Committee (ALCO) was formalized during the year, which enables regular control mechanism. During the year, given the rapid growth in the balance sheet size, continuous monitoring of balance sheet composition by ALCO was vital. With the help of technology, the Bank was able to systematize (in the domestic context), complete un-run maturity gaps, concentration index, cost to close gaps and earnings at risk. The ALM would be critical in the years to come, given the Bank's rapid projected growth.

INFORMATION TECHNOLOGY

24. Information Technology (IT) continued to be a key competitive strength of the Bank. In recognition of its pioneering role in leveraging the Internet for business advantage, the Bank received a number of national and international awards. The web-based services were enhanced further by adding the funds transfer feature. This capability enables the Internet Banking customer to transfer funds between his accounts held at any of the branches of the Bank. Customer service received a boost with the introduction of the 'Anywhere Banking' facility enabling routine banking transactions to be performed by the customer from any branch of the Bank. Information systems within the Bank were enhanced by the implementation of a comprehensive HR management system and the credit information system.

25. The Bank received the following accolades for its IT initiatives:

- 'Highly Commended' rating given by the Financial Times, London and UUNET, UK, in recognition of an organization which has used the Internet effectively to meet its business objectives.
- 'Cyber Corporate of the Year' – the award instituted by the Economic Times and the Microland Limited in recognition to a corporate making the best use of Internet for enhancing its business.
- 'Best IT Usage' – the award given by the TCS Limited and the Computer Society of India in recognition of projects where information technology was used for the benefit of an organization.

Year 2000 preparedness

26. The Bank is fully committed to identifying and addressing Year 2000 (Y2K) issues affecting its operations well in time before the millennium crossover. With this objective, the Bank had initiated the Y2K Project as early as June 1997. A senior officer heads the project. The progress is monitored monthly by the Board of Directors.

27. The task of making all in-house systems of the Bank Y2K ready has been substantially completed by March 31, 1999. Various initiatives like exhaustive inventory of Y2K status, criticality of Y2K compliance, testing of software packages, hardware, etc., have already been taken. The Bank is in the process of assessing the Y2K compliance of its business partners like

correspondent banks, suppliers and borrowers. The Bank recognises that a modern financial institution functions in an environment characterized by complex inter-dependence. Y2K problems in any of the links that serve the financial industry can have an impact on all the players in the industry. The Bank has, therefore, prepared a Business Continuity Plan which documents the fallback measures, like manual account keeping, maintenance of manual reports/ledgers, etc., to be taken to ensure that all critical operations—especially those relating to customer service—can be carried out notwithstanding any Y2K related failures. The Bank will also launch a communication campaign to reassure its customers regarding the preparedness of the Bank to meet Y2K problems, if any.

28. The Bank has spent an amount of Rs. 4.95 million during 1998-99 on the Y2K Project. The expenditure on this project during 1999-2000 is estimated to be Rs. 5 million.

METHODS AND INSPECTION

29. Internal audit of all branches that were due for audit during the year as well as of departments at the Corporate Office was undertaken in accordance with the RBI guidelines and directives of the Audit Committee of the Board. The focus is on adherence to systems and procedures by branches besides calling attention to the irregularities/aberrations. The system of evaluating branches based on key parameters of operational efficiency has been successfully streamlined during the year. The Concurrent Audit Systems at 17 branches covers more than 50 per cent of the aggregate business of the Bank as stipulated by the RBI. A cell to undertake the Systems Audit was set up during the year.

HUMAN RESOURCES

30. During the financial year, the Bank recruited 288 employees taking the total from 603 as at March 31, 1998 to 891 as at March 31, 1999. The Bank conducted extensive training programmes with the help of in-house faculty drawn from branches, to update the knowledge and skills of its staff. Many employees were deputed to training schools, including overseas training programmes, to expose them to modern management practices. Overall, an average of 34 hours of training per employee was imparted which compares well with the best practices followed internationally. The Bank also launched its Intranet facility with an HR page to start with. The Intranet is used for disseminating information related to employees and is also used as a training channel.

PARTICULARS OF EMPLOYEES

31. 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. A total of 17 employees figure in the list which can be had from the Registered Office of the Bank.

STATUTORY DISCLOSURE OF PARTICULARS

32. The requirements of disclosure, in terms of Section 217(1)(e) of the Companies Act, 1956, of steps taken as regards conservation of energy and technology absorption do not apply to your Bank.

CORPORATE GOVERNANCE

33. The Bank is committed to good corporate governance. The underlying philosophy of the Bank is that it would, in all its dealings, be fair, transparent and follow the extant rules and regulations in letter and spirit. The Board has constituted various committees—Audit, Compensation, Nomination, Share Transfer and a Committee of Directors—to decide on operational issues, restricting itself to formulating strategic and policy matters and ensuring regulatory compliance. The Board of Directors and its committees meet frequently and are attended by the Directors regularly.

DEMATERIALIZATION OF SHARES

34. The equity shares of the Bank were also offered in dematerialized form at the time of the public offer. As a regulatory support to shift the market from physical form to electronic form, the Securities and Exchange Board of India (SEBI) has mandated that for institutional investors, settlement of transactions would compulsorily be in electronic form for a select list of securities. The shares of the Bank were brought within this purview with effect from October 15, 1998. Effective May 31, 1999, trading in the Bank's shares, which are put through specified stock exchanges, will have to be settled only through the electronic form by all investors. In the meantime, the Bank has started offering the services of ICICI Depository through its branches.

REGISTRARS AND SHARE TRANSFER AGENTS

35. The Registrars and Share Transfer Agents of the Bank (the Registrars) upgraded their systems for processing of share transfers, updating of details of Members, attending to their complaints, etc. This has resulted in reduction of the time between the receipt of transfer requests/queries and their reply. The Registrars have changed their name from ICICI Investors' Services Limited to ICICI Infotech Services Limited, effective March 9, 1999.

AUDITORS

36. M/s. S. B. Billimoria and Company, Chartered Accountants, who had been appointed by the Members at their previous AGM as the Statutory Auditors (the auditors) of the Bank for the year 1998-99 would be retiring at the conclusion of the forthcoming AGM 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, 2000, as set out in the Notice convening the AGM.

DIRECTORS

37. The constitution of the Board underwent changes during the year. Shri P. V. Maiya, the Chairman of the Bank, laid down office on May 31, 1998, after serving the Bank for four and a half years, on completion of his term of office. The Board of Directors has placed on record its sincere appreciation and gratitude for the valuable services rendered by Shri P. V. Maiya in having given the Bank a strong foundation during its formative years and giving it a shape and substance. The Board acknowledged the contribution of Shri Maiya in building up the Bank's systems and procedures, HR policy and practices as well as for his guidance and direction for the growth and development of the Bank.

38. At the Fourth AGM held on Monday, June 15, 1998, the Members had appointed Shri H. N. Sinor as the Managing Director and Chief Executive Officer of the Bank for a period of five years effective June 1, 1998.

39. ICICI Limited has, in terms of Article 128 (a) of the Articles of Association (Articles) of the Company, nominated Smt. Lalita D. Gupte as its Nominee Director, subject to retirement by rotation.

40. In terms of Article 143 of the Articles, Dr. Satish C. Jha and Shri Uday M. Chitale, 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.

ACKNOWLEDGEMENT

41. The Board places on record its appreciation for the valuable patronage, co-operation and goodwill received by it from customers, correspondent banks, financial institutions, foreign institutional investors, foreign financial institutions, ICICI Limited, ICICI Infotech Services Limited and other companies in the ICICI Group and their employees. The support and the backing of the Members have been a source of strength to the Bank in all its endeavours.

42. The Board places on record its gratitude to the Reserve Bank of India, the SEBI, stock exchanges and other regulatory authorities, the Government of India and state governments for their continued guidance and support.

43. The staff of the Bank has displayed dedication and consistent commitment. Teamwork at every level, right across the Group companies, well supported by the appropriate technology architecture, has been the hallmark of this success. The Bank's performance demonstrates that the team's goal of transforming ICICI franchise into a top-class financial services company has started taking shape. The Board places on record its appreciation for the excellent contribution made by each and every member of the staff, which has made this possible.

For and on behalf of the Board of Directors

H. N. SINOR
Managing Director and
Chief Executive Officer

Mumbai
April 22, 1999

auditors' report

To the Members of ICICI Banking Corporation Limited

We have audited the attached Balance Sheet of the ICICI BANKING CORPORATION LIMITED as at March 31, 1999 and the Profit and Loss Account of the Bank for the year ended on that date, annexed thereto. We report thereon as follows:

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
2. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.
3. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
4. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches.
5. The Balance Sheet and the Profit and Loss Account dealt with by this Report are in agreement with the books of account and the Branch returns.
6. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this Report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956, in so far as they apply to banks.
7. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies and give a true and fair view:
   i) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 1999 and
   ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date.

For S. B. BILLIMORIA & COMPANY
Chartered Accountants

Mumbai
April 22, 1999

SANJIV N. SHAH
Partner

balance sheet as at March 31, 1999

ICICI Bank

	Schedule	As on 31.03.99	*As on 31.03.98*
			(Rupees in million)
CAPITAL AND LIABILITIES:			
Capital	1	**1,650.01**	*1,650.01*
Reserves & Surplus	2	**1,433.30**	*1,017.52*
Deposits	3	**60,729.44**	*26,290.24*
Borrowings	4	**1,998.88**	*1,922.25*
Other Liabilities and Provisions	5	**4,005.06**	*1,914.30*
Total		**69,816.69**	*32,794.32*
ASSETS:			
Cash and balances with Reserve Bank of India	6	**4,658.08**	*3,100.97*
Balances with banks and money at call and short notice	7	**11,724.41**	*5,627.90*
Investments	8	**28,612.27**	*10,233.92*
Advances	9	**21,101.20**	*11,278.71*
Fixed Assets	10	**1,996.28**	*1,836.99*
Other Assets	11	**1,724.45**	*715.83*
Total		**69,816.69**	*32,794.32*
Contingent Liabilities	12	**50,139.70**	*29,062.49*
Bills for Collection		**4,384.61**	*2,181.88*

profit & loss account for the year ended March 31, 1999

	Schedule	Year ended 31.03.99	*31.03.98*
			(Rupees in million)
I. INCOME:			
Interest earned	13	**5,440.52**	*2,584.88*
Other income	14	**890.34**	*850.51*
Total		**6,330.86**	*3,435.39*
II. EXPENDITURE:			
Interest expended	15	**4,255.18**	*1,854.66*
Operating expenses	16	**829.70**	*576.08*
Provisions and contingencies [Refer Note 1 (c)]		**612.40**	*502.44*
Total		**5,697.28**	*2,933.18*
III. PROFIT/LOSS:			
Net profit/loss (-) for the year		**633.58**	*502.21*
Profit/loss (-) brought forward		**3.92**	*0.18*
Total		**637.50**	*502.39*
IV. APPROPRIATIONS:			
Transfer to Statutory Reserve		**200.00**	*270.00*
Transfer to Investment Fluctuation Reserve		**48.35**	—
Transfer to other reserves		**170.00**	*50.00*
Transfer to proposed dividend		**198.00**	*162.25*
Transfer to corporate dividend tax		**19.80**	*16.22*
Balance carried over to Balance Sheet		**1.35**	*3.92*
Total		**637.50**	*502.39*
Significant Accounting Policies and Notes to Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet & the Profit & Loss Account.

As per our Report of even date

For and on behalf of the Board of Directors

For S. B. BILLIMORIA & CO.
Chartered Accountants

SANJIV N. SHAH
Partner

Mumbai, April 22, 1999

G. VENKATAKRISHNAN
Chief Financial Officer

BHASHYAM SESHAN
Company Secretary

LALITA D. GUPTE
Director

UDAY M. CHITALE
Director

SOMESH R. SATHE
Director

K. V. KAMATH
Director

B. V. BHARGAVA
Director

H. N. SINOR
Managing Director & CEO

forming part of the Balance Sheet

(Rupees in million)

	As on 31.03.99	As on 31.03.98
1. Capital:		
Authorized Capital		
30,00,00,000 Equity Shares of Rs. 10 each	**3,000.00**	*3,000.00*
Issued, Subscribed and Paid-up Capital		
16,50,00,700 *(Previous year 16,50,00,700)*		
Equity Shares of Rs. 10 each	**1,650.01**	*1,650.01*
Less: Calls Unpaid	**—**	—
Add: Forfeited Shares	**—**	—
Total	**1,650.01**	*1,650.01*
2. Reserves and Surplus:		
I. Statutory Reserves		
Opening balance	**588.60**	*318.60*
Additions during the year	**200.00**	*270.00*
Deductions during the year	**—**	—
II. Capital Reserves		
Opening balance	**—**	—
Additions during the year	**—**	—
Deductions during the year	**—**	—
III. Share Premium		
Opening balance	**375.00**	—
Additions during the year	**—**	*375.00*
Deductions during the year	**—**	—
IV. Revenue and other Reserves		
Opening balance	**50.00**	—
Additions during the year*	**218.35**	*50.00*
Deductions during the year	**—**	—
V. Balance in Profit and Loss Account	**1.35**	*3.92*
Total	**1,433.30**	*1,017.52*

* Includes Investment Fluctuation Reserve Rs. 48.35 million *(Previous year Rs. NIL)*

	As on 31.03.99	As on 31.03.98
3. Deposits:		
A. I. Demand Deposits		
(i) from banks	**73.99**	*37.23*
(ii) from others	**5,692.21**	*3,594.49*
II. Savings Bank Deposits	**2,271.19**	*1,037.38*
III. Term Deposits		
(i) from banks	**13,141.53**	*2,585.57*
(ii) from others	**39,550.52**	*19,035.57*
Total	**60,729.44**	*26,290.24*
B. I. Deposits of branches in India	**60,729.44**	*26,290.24*
II. Deposits of branches outside India	**—**	—
Total	**60,729.44**	*26,290.24*
4. Borrowings:		
I. Borrowings in India		
(i) Reserve Bank of India	**1,484.80**	—
(ii) Other banks	**417.73**	*292.87*
(iii) Other institutions and agencies	**96.35**	*1,629.38*
II. Borrowings outside India	**—**	—
Total	**1,998.88**	*1,922.25*
Secured borrowings in I and II above Rs. 'NIL'		
5. Other Liabilities and Provisions:		
I. Bills payable	**1,121.88**	*1,078.10*
II. Inter-office adjustments (net)	**—**	—
III. Interest accrued	**234.91**	*175.65*
IV. Unsecured Redeemable Debentures/Bonds [Subordinated for Tier II Capital]	**1,680.00**	—
V. Others (including provisions)	**968.27**	*660.55*
Total	**4,005.06**	*1,914.30*

(Rupees in million)

	As on 31.03.99	As on 31.03.98
6. Cash and Balances with Reserve Bank of India:		
I. Cash in hand (including foreign currency notes)	**92.64**	*69.99*
II. Balances with Reserve Bank of India		
(i) In Current Accounts	**4,565.44**	*3,030.98*
(ii) In Other Accounts	**—**	—
Total	**4,658.08**	*3,100.97*
7. Balances with Banks and Money at Call and Short Notice:		
I. In India		
(i) Balances with banks		
(a) in Current Accounts	**438.06**	*152.52*
(b) in other deposit accounts	**1,981.65**	*100.00*
(ii) Money at call and short notice		
(a) with banks	**1,970.15**	*86.30*
(b) with other institutions	**—**	—
Total	**4,389.86**	*338.82*
II. Outside India		
(i) in Current Accounts	**203.53**	*264.83*
(ii) in other deposit accounts	**—**	—
(iii) Money at call and short notice	**7,131.02**	*5,024.25*
Total	**7,334.55**	*5,289.08*
Grand Total (I + II)	**11,724.41**	*5,627.90*
8. Investments:		
I. Investments in India in		
(i) Government securities	**15,273.62**	*7,046.70*
(ii) Other approved securities	**—**	—
(iii) Shares	**1,380.03**	*470.34*
(iv) Debentures and Bonds	**6,666.14**	*2,165.06*
(v) Subsidiaries and/or joint ventures	**—**	—
(vi) Others (CPs, Mutual Fund Units, etc.)	**5,292.48**	*551.82*
Total	**28,612.27**	*10,233.92*
II. Investments outside India	**—**	—
Grand Total	**28,612.27**	*10,233.92*
9. Advances:		
A. (i) Bills purchased and discounted	**4,549.59**	*1,409.16*
(ii) Cash credits, overdrafts and loans repayable on demand	**13,835.05**	*8,415.94*
(iii) Term loans	**2,716.56**	*1,453.61*
Total	**21,101.20**	*11,278.71*
B. (i) Secured by tangible assets	**18,253.51**	*10,573.44*
(ii) Covered by Bank/Government Guarantees	**576.15**	*64.40*
(iii) Unsecured	**2,271.54**	*640.87*
Total	**21,101.20**	*11,278.71*
C. I. Advances in India		
(i) Priority sector	**4,778.16**	*3,286.69*
(ii) Public sector	**42.81**	—
(iii) Banks	**—**	—
(iv) Others	**16,280.23**	*7,992.02*
Total	**21,101.20**	*11,278.71*
II. Advances outside India		
(i) Due from banks	**—**	—
(ii) Due from others		
(a) Bills purchased and discounted	**—**	—
(b) Syndicated loans	**—**	—
(c) Others	**—**	—
Total	**—**	—
Grand Total (C. I + II)	**21,101.20**	*11,278.71*

ICICI Bank

forming part of the Balance Sheet

(Rupees in million)

	As on 31.03.99	*As on 31.03.98*
10. Fixed Assets:		
I. Premises		
At cost as on 31st March of preceding year	**1,066.20**	*288.17*
Additions during the year	**235.92**	*778.03*
Deductions during the year	**—**	*—*
Depreciation to date	**(86.07)**	*(41.27)*
II. Other Fixed Assets (including Furniture and Fixtures)		
At cost as on 31st March of preceding year	**497.98**	*313.54*
Additions during the year	**208.56**	*186.51*
Deductions during the year	**(3.36)**	*(2.07)*
Depreciation to date	**(289.69)**	*(189.78)*
III. Assets on Lease		
At cost as on 31st March of preceding year	**623.49**	*527.49*
Additions during the year	**34.87**	*96.00*
Deductions during the year	**(48.08)**	*—*
Depreciation to date	**(86.40)**	*(55.83)*
Accumulated lease adjustment and provisions	**(157.14)**	*(63.80)*
Total	**1,996.28**	*1,836.99*
11. Other Assets:		
I. Inter-office adjustments (net)	**0.10**	*—*
II. Interest accrued	**661.50**	*273.64*
III. Tax paid in advance/tax deducted at source (net)	**22.35**	*5.45*
IV. Stationery and Stamps	**0.23**	*0.13*
V. Non-banking assets acquired in satisfaction of claims	**—**	*—*
VI. Others*	**1,040.27**	*436.61*
Total	**1,724.45**	*715.83*

* Includes advances for Capital Assets Rs.90.88 million *(Previous year Rs. 12.97 million)*

	As on 31.03.99	*As on 31.03.98*
12. Contingent Liabilities:		
I. Claims against the Bank not acknowledged as debts	**2.82**	*6.29*
II. Liability for partly paid investments	**37.50**	*—*
III. Liability on account of outstanding forward exchange contracts	**39,666.78**	*23,528.01*
IV. Guarantees given on behalf of constituents		
(a) In India	**4,629.82**	*2,646.68*
(b) Outside India	**—**	*—*
V. Acceptances, endorsements and other obligations	**5,586.59**	*2,866.42*
VI. Other items for which the Bank is contingently liable	**216.19**	*15.09*
Total	**50,139.70**	*29,062.49*

forming part of the Profit & Loss Account

(Rupees in million)

	Year ended 31.03.99	*Year ended 31.03.98*
13. Interest Earned:		
I. Interest/discount on advances/bills	**2,259.54**	*1,432.50*
II. Income on investments	**2,084.95**	*795.22*
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**1,094.11**	*321.41*
IV. Others	**1.92**	*35.75*
Total	**5,440.52**	*2,584.88*
14. Other Income:		
I. Commission, exchange and brokerage	**374.11**	*251.69*
II. Profit on sale of investments	**124.37**	*352.42*
Less: Loss on sale of investments	**—**	*—*
III. Profit on revaluation of investments	**—**	*7.20*
Less: Loss on revaluation of investments	**—**	*—*
IV. Profit on sale of land, buildings and other assets	**(0.95)**	*(0.44)*
V. Profit on exchange transactions	**341.16**	*171.10*
Less: Loss on exchange transactions	**—**	*—*
VI. Income earned by way of dividends, etc., from subsidiary companies and/or joint ventures abroad/in India	**—**	*—*
VII. Miscellaneous income *	**51.65**	*68.54*
Total	**890.34**	*850.51*

* Includes Rs. 51.50 million *[Previous year Rs. 66.56 million]* being the amount of lease rental income after adjusting the net lease equalization of Rs. 47.70 million *[Previous year Rs. 40.49 million]*

	Year ended 31.03.99	*Year ended 31.03.98*
15. Interest Expended:		
I. Interest on deposits	**3,718.74**	*1,619.49*
II. Interest on Reserve Bank of India/ inter-bank borrowings	**203.98**	*100.95*
III. Others	**332.46**	*134.22*
Total	**4,255.18**	*1,854.66*
16. Operating Expenses:		
I. Payments to and provisions for employees	**181.88**	*122.67*
II. Rent, taxes and lighting	**113.70**	*77.06*
III. Printing and stationery	**32.40**	*29.51*
IV. Advertisement and publicity	**33.90**	*20.53*
V. Depreciation on Bank's property	**175.28**	*144.72*
VI. Directors' fees, allowances and expenses	**0.55**	*0.47*
VII. Auditors' fees and expenses (including branch auditors)	**1.28**	*1.13*
VIII. Law charges	**9.56**	*3.31*
IX. Postages, telegrams, telephones, etc.	**43.27**	*21.52*
X. Repairs and maintenance	**75.71**	*41.97*
XI. Insurance	**22.48**	*11.44*
XII. Other expenditure	**139.69**	*101.75*
Total	**829.70**	*576.08*

17. **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

A. SIGNIFICANT ACCOUNTING POLICIES

1. Investments:

a) All investments are categorized as per Reserve Bank of India (RBI) guidelines and classified as 'current'. They are valued at cost and/or market/fair value as at March 31, 1999 in accordance with guidelines issued by Reserve Bank of India.

b) Depreciation/appreciation for each category is aggregated. Net appreciation, if any, for each category is ignored.

c) Costs such as brokerage, commission, etc., pertaining to fixed income securities, paid at the time of acquisition, are charged to revenue.

d) Broken period interest on debt instruments is treated as a revenue item.

2. Advances, Income Recognition and Provisioning:

a) All credit exposures are classified as per the RBI guidelines into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets for income recognition and provisioning.

b) Interest income is recognized in the Profit and Loss account as it accrues except in the case of non-performing assets where it is credited to Interest Suspense Account and not reckoned as income in the accounts.

c) Lease income is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period, as per the Guidance Note on Accounting for Leases (Revised) issued by the Institute of Chartered Accountants of India.

d) Provision for non-performing assets is made in conformity with RBI guidelines.

3. Fixed Assets and Depreciation:

a) Premises and other fixed assets are accounted for at historical cost. Fixed assets are depreciated using the 'written-down value' method except leased assets which are depreciated using the 'straight line' method.

b) Depreciation is provided at the rates as per Schedule XIV to the Companies Act, 1956 on all assets.

c) Depreciation on additions is provided on a pro-rata basis for completed months. Additions to fixed assets after the 15th day of a month are not depreciated for that month.

4. Forex Transactions:

a) Monetary assets and liabilities are translated at closing exchange rates as notified by the Foreign Exchange Dealers' Association of India.

b) Unrealized gains/losses on outstanding forward contracts as at the end of the year is taken as current income/expenses in accordance with the RBI/FEDAI guidelines. Premium/discount on hedge swaps are recognized as interest income/expenses and is amortized over the period of the transactions. Contingent Liabilities at the balance sheet date on account of foreign exchange contracts are reported at contracted rates.

5. Staff Benefits:

a) Contributions to Gratuity/Provident/Pension funds for staff are being accounted on accrual basis.

b) Leave encashment liability is provided for as per the eligibility criteria of Bank's rules.

B. NOTES TO ACCOUNTS

1. Disclosure in terms of RBI circulars:

a) Capital adequacy ratio 11.06 % *(Previous year 13.48%)*.

b) Percentage of net non-performing assets to net advances is 2.88 % *(Previous year 1.14%)*.

c) "Provisions and contingencies" as charged to Profit & Loss account for the year is in respect of :

(i) income tax Rs. 300.00 million *(Previous year Rs. 203.00 million);*

(ii) interest tax Rs. 37.50 million *(Previous year Rs. 24.50 million);*

(iii) wealth tax Rs. 0.30 million *(Previous year Rs. 0.30 million);*

(iv) write-back of excess depreciation on investments Rs. 48.35 million *(Previous year depreciation on investments Rs. 138.04 million);*

(v) non-performing assets Rs. 322.00 million *(Previous year Rs.136.10 million)* and

(vi) others Rs. 0.95 million *(Previous year Rs. 0.50 million)*.

d) Bank has raised subordinated debt of Rs. 1,680.00 million during the year *(Previous year Rs. Nil)*.

e) Business ratios:

	For the year ended 31.03.99	*For the year ended 31.03.98*
(i) Capital Adequacy Ratio Tier I Capital	**7.32 %**	*13.38 %*
(ii) Capital Adequacy Ratio Tier II Capital	**3.74 %**	*0.10 %*
(iii) Interest income to working funds	**11.22 %**	*11.15 %*
(iv) Non-interest income to working funds	**1.84 %**	*3.65 %*
(v) Operating profit to working funds	**2.57 %**	*4.31 %*
(vi) Return on assets	**0.91 %**	*1.53 %*
(vii) Business (average deposits plus average advances) per employee (Rs. in million)	**51.39**	*42.02*
(viii) Profit per employee (Rs. in million)	**0.71**	*0.83*

The Reserve Bank of India has redefined components of the business ratios. Therefore, the comparative ratio for 1997-98 has been recomputed on the basis of redefined ratios.

f) Investments:

(Rs. in million)

	As on 31.03.99	*As on 31.03.98*
Gross value of Investments in India	**28,756.66**	*10,426.66*
Less:Depreciation held as on March 31	**144.39**	*192.74*
Net value of Investments in India	**28,612.27**	*10,233.92*

2. Pursuant to RBI directives dated March 30, 1999 the excess provision for depreciation in investments has been written back to the revenue account by credit to " Provisions and Contingencies ". The amount written back has been transferred, by appropriation, to the Investment Fluctuation Reserve [see note 1 (c) (iv) above].

3. Previous year's figures are regrouped and reclassified, where appropriate.

Signatures to Schedules 1 to 17

For and on behalf of the Board of Directors

LALITA D. GUPTE
Director

K. V. KAMATH
Director

G. VENKATAKRISHNAN
Chief Financial Officer

UDAY M. CHITALE
Director

B. V. BHARGAVA
Director

BHASHYAM SESHAN
Company Secretary

SOMESH R. SATHE
Director

H. N. SINOR
Managing Director & CEO

Mumbai, April 22, 1999

cash flow statement

ICICI Bank **for the year ended March 31, 1999**

(Rupees in million)

Cash flow from operating activities			
Net profit before taxes		**971.38**	*730.01*
Adjustments for:			
Depreciation on fixed assets		**175.28**	*144.72*
Lease equalization		**47.70**	*40.49*
Net depreciation on investments		**(48.35)**	*138.04*
Provision in respect of non-performing assets		**322.00**	*136.10*
Provision for contingencies		**0.95**	*0.50*
Loss on sale of fixed assets		**0.95**	*0.44*
		1,469.91	*1,190.30*
Adjustments for:			
(Increase)/Decrease in investments		**(18,330.00)**	*(6,018.46)*
(Increase)/Decrease in advances		**(10,089.03)**	*(3,477.86)*
Increase/(Decrease) in borrowings		**76.63**	*992.40*
Increase/(Decrease) in deposits		**34,439.20**	*12,814.23*
(Increase)/Decrease in other assets		**(991.14)**	*80.68*
Increase/(Decrease) in other liabilities and provisions		**408.17**	*334.45*
		5,513.83	*4,725.44*
Direct taxes paid		**(354.70)**	*(232.08)*
Net cash flow from operating activities	**(A)**	**6,629.04**	*5,683.66*

(Rupees in million)

Cash flow from investing activities			
Purchase of fixed assets		**(478.22)**	*(1,059.76)*
Proceeds from sale of fixed assets		**1.27**	*0.81*
Net cash used in investing activities	**(B)**	**(476.95)**	*(1,058.95)*
Cash flow from financing activities			
Proceeds from issue of share capital		**—**	*525.00*
Proceeds from issue of subordinated debt		**1,680.00**	*—*
Dividend paid		**(178.47)**	*(150.00)*
Net cash generated from financing activities	**(C)**	**1,501.53**	*375.00*
Net increase/(decrease) in cash and cash equivalents	**(A)+(B)+(C)**	**7,653.62**	*4,999.71*
Cash and cash equivalents as at 1st April		**8,728.87**	*3,729.16*
Cash and cash equivalents as at 31st March		**16,382.49**	*8,728.87*

For and on behalf of the Board of Directors

LALITA D. GUPTE
Director

K. V. KAMATH
Director

G. VENKATAKRISHNAN
Chief Financial Officer

UDAY M. CHITALE
Director

B. V. BHARGAVA
Director

Mumbai, April 22, 1999

BHASHYAM SESHAN
Company Secretary

SOMESH R. SATHE
Director

H. N. SINOR
Managing Director & CEO

Auditors' Certificate

We have verified the attached cash flow statement of ICICI BANKING CORPORATION LIMITED which has been compiled from and is based on the audited financial statements for the years ended March 31, 1999 and March 31, 1998. To the best of our knowledge and belief and according to the information and explanations given to us, it has been prepared pursuant to Clause 32 of the Listing Agreement with The Stock Exchange, Mumbai.

For S.B. BILLIMORIA & CO.
Chartered Accountants

Mumbai
April 22, 1999

SANJIV N. SHAH
Partner