

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓



TECHNOLOGY PROVIDES THE CUTTING EDGE...  
OUR PEOPLE DO THE REST.



**ICICI Banking  
Corporation Limited**

*Fourth Annual Report 1997-98*

Fourth Annual General Meeting  
at Mahatma Gandhi Nagargruh  
Opposite Pratap Talkies  
Near Jubilee Garden  
Mahatma Gandhi Road  
Baroda 390 001  
on Monday  
June 15, 1998  
at 3.00 p. m.

## Directors

Chairman	P. V. Maiya
	R. Rajamani
Nominee of ICICI	K. V. Kamath
	B. V. Bhargava
Nominee of ICICI	Lalita D. Gupte (Smt.)
	Satish C. Jha
	Uday M. Chitale
Executive Director	H. N. Sinor
	Somesh R. Sathe

## Executives

Executive Vice Presidents	A. G. Prabhu
	R. S. Raghavan
	P. H. Ravikumar
	M. N. Gopinath
	Suresh C. Nanda*
	Alladi Ashok

Senior Vice Presidents	E. S. Mohan
	A. V. A. Subramaniam
	G. Venkatakrishnan

Company Secretary	Bhashyam Seshan
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\* On deputation from ICICI

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## Auditors

Lodha & Company  
Chartered Accountants  
6, Karim Chambers  
40, Ambalal Doshi Marg  
Hamam Street  
Mumbai 400 023

## Registered Office

'Landmark'  
Race Course Circle  
Baroda 390 007

## Corporate Office

Zenith House  
Third Floor  
Keshavrao Khadye Marg  
Mahalakshmi  
Mumbai 400 034



# ICICI BANKING CORPORATION LIMITED

Registered Office : 'Landmark', Race Course Circle, Baroda 390 007.

## Notice to the Members

Notice is hereby given that the Fourth Annual General Meeting of the Members of the ICICI Banking Corporation Limited will be held at Mahatma Gandhi Nagargruh, Opposite Pratap Talkies, Near Jubilee Garden, Mahatma Gandhi Road, Baroda 390 001 on Monday, June 15, 1998 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, 1998 and the Balance Sheet as at March 31, 1998 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 B. V. Bhargava 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 224 - A and other applicable provisions, if any, of the Companies Act, 1956, M/s. S. B. Billimoria and Company, Chartered Accountants, be and are hereby, subject to approval by the Reserve Bank of India, 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 of the Company 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.

### SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

**THAT** Shri Uday Madhav Chitale, in respect of whom the Company has received Notices in writing from some of its Members proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- for each Notice, and who is eligible for appointment to the office of a Director, be and is hereby appointed a Director of the Company.

7. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

**THAT** Shri Somesh Ramachandra Sathe, in respect of whom the Company has received Notices in writing from some of its Members proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- for each Notice, and who is eligible for appointment to the office of a Director, be and is hereby appointed a Director of the Company.

8. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

**THAT** Shri Hoshang Noshirwan Sinor, in respect of whom the Company has received Notices in writing from some of its Members proposing him as a candidate for the office of a Director under the provisions of Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- for each Notice, and who is eligible for appointment to the office of a Director, be and is hereby appointed a Director of the Company.

9. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

**THAT** subject to the provisions of Sections 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Section 10-B of the Banking Regulation Act, 1949 and other applicable provisions, the Company hereby accords its approval to the appointment of Shri Hoshang Noshirwan Sinor as the Managing Director and Chief Executive Officer of the Company for a period of five years with effect from June 1, 1998, subject to the approval by the Reserve Bank of India.

**THAT** the management of the whole of the affairs of the Company be and is hereby entrusted to Shri H. N. Sinor who shall exercise powers subject to the superintendence, control and direction of the Board of Directors from time to time.





## ICICI BANKING CORPORATION LIMITED

**THAT** subject to the provisions of Sections 198, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Section 35-B of the Banking Regulation Act, 1949 and other applicable provisions, the remuneration and perquisites of Shri H. N. Sinor be fixed as follows :

## Salary :

In the range of Rs. 60,000/- to Rs. 1,20,000/- per month from June 1, 1998.

The Board or any Committee thereof be and is hereby authorised, in its absolute discretion and from time to time, to fix, within the range stated above, the salary payable to Shri H. N. Sinor.

## Perquisites :

Perquisites (evaluated as per Income-tax rules, where ever applicable, and at the actual cost to the Company in other cases) like the benefit of the Company's furnished accommodation, gas, electricity, water and furnishings, club fees, personal accident insurance, use of car and telephone at residence, medical and other reimbursements, leave, leave encashment, and leave-travel concession for self and family members, provident fund, superannuation fund and gratuity, in accordance with the scheme(s) and rule(s) applicable to the members of the staff or any modification(s) that may be made, in any schemes or rules, for the aforesaid benefits.

**THAT** if accommodation is not availed, House Rent Allowance of Rs. 15,000/- per month be paid to Shri H. N. Sinor.

## Bonus :

An amount equivalent to twelve months' salary and such further amount as may be determined by the Board or any Committee thereof based on achievement of such performance parameters as may be laid down by the Board or any Committee thereof from time to time.

**THAT** in the event of absence or inadequacy of net profit in any financial year, the remuneration payable to Shri H. N. Sinor, shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956, or any modifications thereof.

10. To consider and, if thought fit, to pass the following Resolution, with or without modifications, as an Ordinary Resolution :

**THAT** the consent of the Company under the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the borrowings by the Board of Directors of the Company from time to time, subject to any restriction imposed by the terms of the Agreements as may have been entered into or may be entered into from time to time for grant of any assistance to the Company, of all moneys deemed by them to be requisite or proper for the purpose of carrying of business of the Company, however, that the total amount of such borrowings outstanding at any time shall not exceed Rs. 3,000 crores (Rupees three thousand crores only) notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans, if any, obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

By Order of the Board of Directors

Bhashyam Seshan  
Company Secretary

April 22, 1998

## NOTES

- A. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Item Nos. 5 to 10 is set out on pages iii and iv.
- B. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIM/HERSELF. 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. 5 :

Although not strictly necessary, the Explanatory Statement is being given in respect of Item No. 5 of the Notice dated April 22, 1998 as the Resolution is proposed as a Special Resolution :

Section 224 - A 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 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 of an Auditor of the company shall be made by a Special Resolution. The Industrial Credit and Investment Corporation of India Limited (ICICI) 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 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 Meeting up to the conclusion of the next Annual General Meeting.

M/s. Lodha and Company, Chartered Accountants, who had been re-appointed by the Members at their Third Annual General Meeting as the Statutory Auditors of the Bank for the year 1997-98 would be retiring at the conclusion of the forthcoming Annual General Meeting. They have been associated as statutory auditors to the Bank for the previous four consecutive years. The normal term of appointment of auditors is for four years as per the current guidelines issued by the Reserve Bank of India. The Board had placed on record its deep sense of appreciation for the professional services rendered by M/s. Lodha and Company during their association with the Company as its auditors.

As required M/s. S. B. Billimoria and Company have forwarded a certificate to the Company stating that the 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 appointment of M/s. S. B. Billimoria and Company, Chartered Accountants, as the Statutory Auditors of the Company.

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

#### Item No. 6 :

Shri Uday M. Chitale who has been appointed as an Additional Director effective August 21, 1997 pursuant to the provisions of Section 260 of the Companies Act, 1956, read with Article 135 of the Articles of Association of the Company (the Articles), holds office only up to the date of the Fourth Annual General Meeting of the Company as provided under the said Article. In terms of Section 257 of the Companies Act, 1956 the Company has received Notices in writing along with a deposit of Rs. 500/- for each Notice from some of its Members signifying their intention to propose the candidature of Shri Uday M. Chitale for the office of a Director.

Shri Uday M. Chitale is a Chartered Accountant and a Senior Partner in M/s. M. P. Chitale and Company, Chartered Accountants.

The Directors recommend the appointment of Shri Uday M. Chitale as a Director, subject to retirement by rotation as provided under Articles 142 to 144 of the Articles.

Except for Shri Uday M. Chitale, no Director of the Company is in any way concerned or interested in the Resolution at Item No. 6 of the Notice.

#### Item No. 7 :

Shri Somesh R. Sathe who has been appointed as an Additional Director effective January 29, 1998 pursuant to the provisions of Section 260 of the Companies Act, 1956, read with Article 135 of the Articles of Association of the Company (the Articles), holds office only up to the date of the Fourth Annual General Meeting of the Company as provided under the said Article. In terms of Section 257 of the Companies Act, 1956 the Company has received Notices in writing along with a deposit of Rs. 500/- for each Notice from some of its Members signifying their intention to propose the candidature of Shri Somesh R. Sathe for the office of a Director.

Shri Somesh R. Sathe is the Managing Director of Arbes Tools Private Limited, a small-scale unit. He is also the Managing Director of Sukeshan Equipments Private Limited and ESSP Meditek Private Limited.

The Directors recommend the appointment of Shri Somesh R. Sathe as a Director, subject to retirement by rotation as provided under Articles 142 to 144 of the Articles.



## ICICI BANKING CORPORATION LIMITED

Except for Shri Somesh R. Sathe, no Director of the Company is in any way concerned or interested in the Resolution at Item No. 7 of the Notice.

**Item Nos. 8 and 9 :**

Shri H. N. Sinor who has been appointed as an Additional Director effective August 21, 1997 pursuant to the provisions of Section 260 of the Companies Act, 1956, read with Article 135 of the Articles of Association of the Company (the Articles), holds office only up to the date of the Fourth Annual General Meeting of the Company as provided under the said Article. In terms of Section 257 of the Companies Act, 1956 the Company has received Notices in writing along with a deposit of Rs. 500/- for each Notice from some of its Members signifying their intention to propose the candidature of Shri H. N. Sinor for the office of a Director.

Shri H. N. Sinor joined the services of the Company as the Executive Director on July 1, 1997. The approval by the Reserve Bank of India for the appointment of Shri H. N. Sinor as the Executive Director has been obtained.

Shri H. N. Sinor started his banking career in September 1965 at Central Bank of India. He was selected as a Probationary Officer of Union Bank of India in May 1969 and later held many important assignments at branches, zonal offices and Central Office of Union Bank of India. Shri H. N. Sinor became the Executive Director of Central Bank of India in December 1996. He has rich and varied experience in banking, finance and management.

The Board of Directors, at its meeting held on March 28, 1998, has elevated Shri H. N. Sinor as the Managing Director and Chief Executive Officer of the Company effective June 1, 1998 subject to the approval by the Reserve Bank of India and the Members. Approval of the Reserve Bank of India has been sought.

The Directors recommend the appointment of Shri H. N. Sinor as a Director and being designated as the Managing Director and Chief Executive Officer of the Company effective June 1, 1998 for a period of five years and for payment of remuneration and perquisites as detailed at Item Nos. 8 and 9 of the Notice. It may be mentioned that the proposed remuneration and perquisites payable to Shri H. N. Sinor is in conformity with Schedule XIII and other applicable provisions of the Companies Act, 1956.

Shri H. N. Sinor would be a non-rotational Director under Article 128 (a) of the Articles of Association of the Company.

Except Shri H. N. Sinor, no other Director of the Company is in any way concerned or interested in the Resolution at Item Nos. 8 and 9 of the Notice.

**Item No. 10 :**

The Members at their Statutory Meeting held on July 28, 1994 had approved for maximum borrowings by the Company up to an amount of Rs. 500 crores. The Members at their general meeting held on April 27, 1995 approved an increase to the maximum borrowings from Rs. 500 crores to Rs. 1,000 crores. The total volume of business of the Company, since the last approval, has grown many folds due to the larger branch net work developed by the Company. The projected asset size of the Company as at March 31, 1999 is estimated to be approximately Rs. 4,500 crores. In order to provide for this level of growth in the asset size and provide for larger number of branches, higher business volumes, increased foreign exchange business, etc., it is felt necessary to provide for enhanced maximum borrowing powers at Rs. 3,000 crores from the present ceiling of Rs. 1,000 crores.

In terms of Section 293 (1) (d) of the Companies Act, 1956, read with Articles 83 to 88 of the Articles of Association of the Company, borrowings by the Company (apart from temporary loans, if any, obtained from the Company's bankers and deposits accepted in the ordinary course of business) in excess of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, requires the approval of the Members.

The Directors recommend for approval of the maximum amount of borrowings up to Rs. 3,000 crores.

None of the Directors is in any way interested or concerned in the Resolution at Item No. 10 of the Notice.

**All documents/letters referred in the Notice and the Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 10:30 a. m. and 12:30 p. m. on all working days from the date hereof up to the date of the Meeting.**

By Order of the Board of Directors

Bhashyam Seshan  
Company Secretary

April 22, 1998





## Directors' Report

To the Members,

The Directors have pleasure in presenting the Fourth Annual Report, together with the audited Profit and Loss Account Statement for the financial year ended March 31, 1998, Balance Sheet and Cash Flow Statement as at March 31, 1998.

### FINANCIAL PERFORMANCE FOR THE YEAR UNDER REVIEW

#### RESULTS

- The salient features of the financial performance during the year ended March 31, 1998 are as per details contained in Table I.

**TABLE I**

(Rupees in crores)

Particulars	For the current year ended March 31, 1998		For the previous year ended March 31, 1997
	Actuals	Projected as per the Offer Document dated June 30, 1997	
Gross income (Interest income plus other income)	<b>344.75</b>	304.48	225.30
Profit before depreciation, taxes and provisions	<b>114.93</b>	110.03	75.96
Depreciation on fixed assets	<b>14.47</b>	15.05	8.24
Profit before provisions, contingencies and taxes	<b>100.46</b>	94.98	67.72
Provisions and contingencies	<b>50.24</b>	39.90	27.60
Profit after tax	<b>50.22</b>	55.08	40.12

- The year 1997-98 ended with an operating profit and net profit of Rs. 100.46 crores and Rs. 50.22 crores respectively as against Rs. 94.98 crores and Rs. 55.08 crores projected in the Public Offer Document. The net profit improved to Rs. 50.22 crores from Rs. 40.12 crores in the previous year, an increase by 25.17 per cent, after making an unanticipated provision of Rs. 12.13 crores towards depreciation in the value of securities held to meet the Statutory Liquidity Ratio requirements.

#### APPROPRIATIONS

- Appropriation from the profit after tax for the year and balance brought forward from the previous year has been effected as per details in Table II.

**TABLE II**

(Rupees in crores)

Particulars	For the current year ended March 31, 1998	For the previous year ended March 31, 1997
Transfer to		
◦ Statutory Reserve	<b>27.00</b>	25.50
◦ Revenue Reserve	<b>5.00</b>	—
Transfer towards		
◦ proposed dividend	<b>16.23</b>	15.00
◦ tax on dividend	<b>1.62</b>	—
Balance of profit carried forward	<b>0.39</b>	0.02



## ICICI BANKING CORPORATION LIMITED

5. The Directors recommend a dividend at the rate of Re. 1/- per share on 16,50,00,700 equity shares of Rs. 10/- each amounting to Rs. 16.23 crores. However, in respect of 1.5 crore equity shares allotted during the year, the dividend payable would be on *pro-rata* basis.

## OTHERS

6. Other financial highlights as at March 31, 1998 are as per Table III.

Table III

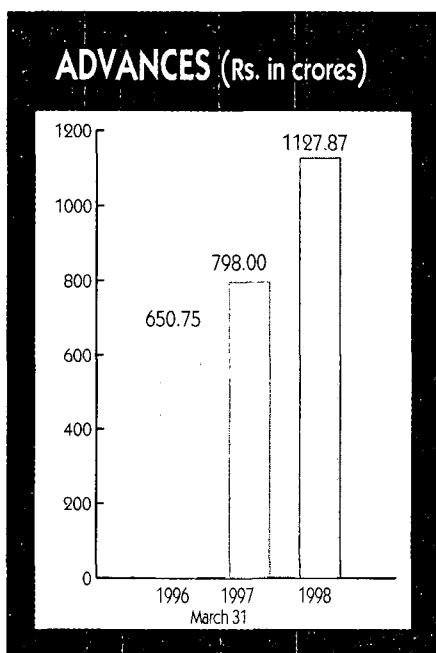
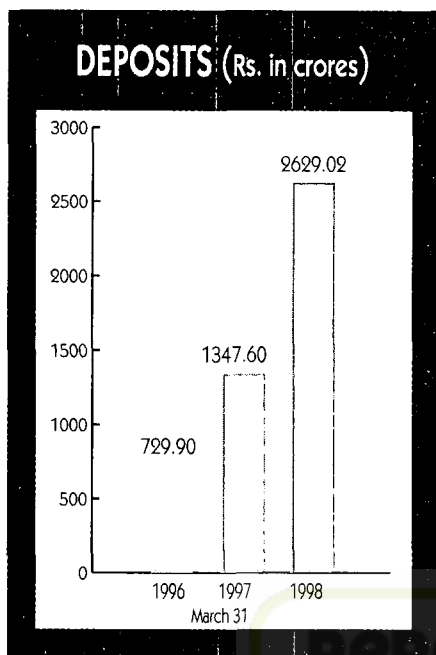
Items	As at March 31, 1998	As at March 31, 1997
Net worth (Rs. in crores)	<b>266.75</b>	181.88
Earnings per share (Rs.)	<b>3.04</b>	2.68
Book value per share (Rs.)	<b>16.17</b>	12.12
Capital Adequacy Ratio (per cent)	<b>13.48</b>	13.04
• Tier I	<b>(13.38)</b>	(12.71)
• Tier II	<b>(0.10)</b>	(0.33)
Return on <b>average</b> Net Worth (per cent)	<b>20.77</b>	23.65

## CAPITAL

7. The Bank raised additional capital in June 1997 by issue of 1.5 crore equity shares of the face value of Rs. 10/- per share at a premium of Rs. 25/- per share for a total consideration of Rs. 52.50 crores from The Industrial Credit and Investment Corporation of India Limited (ICICI), which raised the paid-up capital of the Bank from Rs. 150.0007 crores at the end of March 1997 to Rs. 165.0007 crores.

## PUBLIC OFFER OF EQUITY SHARES

8. In June 1997, the ICICI divested 0.75 per cent, out of its 100 per cent shareholding in the Bank, in favour of its employees and other employees in the group. A total of 1,664 employees subscribed to 12,44,700 equity shares. In September 1997, consequent upon the Offer for Sale of 25 per cent of its equity shareholdings in the Bank, the ICICI divested 4,12,50,200 equity shares to the general public. Both the offers, to the employees and the general public, were priced equally at Rs. 35 per share. The public offer was subscribed 6.82 times. The allocation and the despatch of refund orders and share certificates were completed within the stipulated period of 30 days. The public offer, coming as it did in a bearish equity market, set the trend for primary issues by other banks.
9. The shares were listed and made available for trading on the stock exchanges at Calcutta, Chennai, Mumbai, New Delhi, Vadodara (Regional stock exchange for the Bank) and the National Stock Exchange of India Limited (NSE) well within the stipulated period from the date of closure of the public offer. The shares are also available electronically - the dematerialised route through the National Securities Depository Limited. The shares are actively traded on all the above stock exchanges. As a result the Stock Exchange, Mumbai, shifted the Bank's shares to category A from category B1, effective January 23, 1998.







## FOURTH ANNUAL REPORT 1997-98

10. The daily average closing prices of the Bank's shares on the NSE till March 31, 1998, was Rs. 45.32. The market capitalisation of the equity shares of the Bank, based on the closing quotation of Rs. 45.15 per share on the NSE as at March 31, 1998, amounted to Rs. 744.98 crores. The shareholding pattern of the Bank's equity shares as at March 31, 1998 is given separately in the Annual Report.

## OPERATIONS

## RESOURCES

11. The Bank's deposits grew to Rs. 2,629.02 crores from Rs. 1,347.60 crores as at the end of previous year, registering a growth of 95.09 per cent. The demand deposits (savings plus current accounts) and term deposits constituted 17.76 per cent and 82.24 per cent respectively. During the year, the Bank had to frequently revise the interest rates on deposits for various maturities due to interest rate changes in the market. Since mid-January 1998, the short term rates up to maturity periods of 90 days had to be stepped up by 4 to 5 per cent on an average. These have since been pulled down substantially.

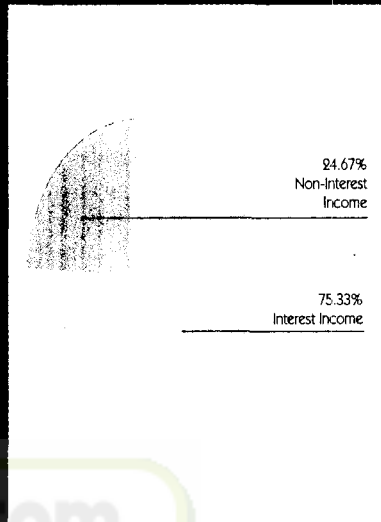
## CREDIT

12. The total outstanding approved fund and non-fund based limits increased to Rs. 1,620.42 crores and Rs. 1,395.05 crores respectively; in percentage terms the growth rates were 61.36 per cent and 13.55 per cent respectively.
13. The outstanding credit grew to Rs. 1,127.87 crores from Rs. 798.00 crores as at the end of previous year, representing a growth of 41.34 per cent. The year end credit-deposit ratio stood at 42.90 per cent in nominal terms, which is considered low but it needs to be adjusted by two factors : (a) the Bank invested Rs. 94.40 crores in credit-substitute instruments like preference shares, debentures, commercial papers, etc., of companies and (b) out of the total deposits of Rs. 2,629.02 crores as at March 31, 1998, the Bank deployed Rs. 502.42 crores in overseas market in swap operations. If (a) is included in credit growth and (b) is excluded from deposits, the revised credit-deposit ratio, in the background of these two special factors, works out to 57.48 per cent, which is considered satisfactory, vis-à-vis the banking industry's trend.
14. The Bank's advances to priority sector increased to Rs. 376.63 crores (inclusive of investments in eligible bonds) from Rs. 234.24 crores registering a growth of 60.79 per cent. Advances to this segment stood at 35.34 per cent against the stipulated target of 40 per cent of the Net Bank Credit (NBC). The Bank surpassed the sub-targets of finance to small scale, small business, housing and other priority sector activities. The shortfall in the achievement of overall target was due to difficulties in reaching the requisite level of financing agricultural segment. However, the assistance to agriculture stood at Rs. 50.08 crores compared to Rs. 25.16 crores at the end of the previous year – an increase by 99.05 per cent. The Bank's credit to export sector was Rs. 190.63 crores, which represented 16.90 per cent of NBC against the Reserve Bank of India's (RBI) stipulation of 12 per cent.

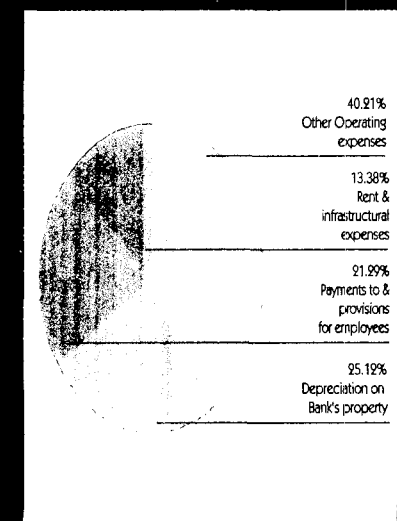
## LENDING RATES

15. Responding to easy liquidity conditions in the market till mid-January 1998 and sluggish credit growth, the Bank brought down twice its prime lending

## TOTAL INCOME 1997-98



## OPERATING EXPENSES 1997-98





## ICICI BANKING CORPORATION LIMITED

rate rather sharply during the year, the lowest being 13.5 per cent per annum. Even after mid-January 1998, when the RBI jacked up the Bank Rate by 2 per cent, besides taking other steps to tighten liquidity, the Bank limited the increase in its prime lending rate to just 2 per cent to take it to 15.5 per cent, while other private sector and foreign banks raised their prime lending rate to about 18 to 19 per cent. Despite higher cost on shorter term deposits, the Bank considered it strategically necessary to keep its prime lending rate competitive.

### TREASURY

#### RISK MANAGEMENT

16. The Bank has made a beginning during the year in adopting the 'Value at Risk' concept into management of risks in the treasury; this is expected to strengthen risk monitoring capabilities of the Bank.

#### CASH MANAGEMENT SERVICES

17. The year under review was the first full year of operations for the Cash Management Services (CMS) which caters to corporate and institutional clients. CMS has made commendable progress in the very first year of its operations and rapidly built up a wide corporate base, which is proving to be a good source of fee based income.

#### FOREIGN EXCHANGE OPERATIONS

18. Despite a pronounced slow down in the country's exports and imports, the Bank registered a significant increase both in merchant and proprietary foreign exchange volumes.
19. The year witnessed an all-round decline in the values of various currencies in the South-east Asian countries. Notwithstanding this development, the RBI liberalised greatly the criteria for investment by banks of their surplus funds in overseas markets. The Bank made full use of the opportunities thus available within the limits approved by the RBI.
20. During the year, the number of 'B' category branches authorised to handle full range of foreign exchange transactions of customers was increased from 17 to 20. The number of 'C' category branches, which handle limited foreign exchange business, rose from 5 to 13. To meet the growing requirements of customers, the number of foreign currencies in which positions are maintained rose from 11 to 12 and 'nostro' accounts maintained with overseas correspondent banks increased from 13 to 14.
21. As a part of our efforts to improve the functioning of the reporting system of foreign exchange receipts and payments, the Bank made a presentation to the Foreign Exchange Dealers' Association of India (FEDAI) and the RBI suggesting a simplified method for collection and reporting of periodical data which is now submitted by way of 'R' returns. The Bank has offered to the RBI to start the revised system to establish its efficacy. The proposals are under consideration at the RBI.
22. Under the auspices of the FEDAI, the Bank was privileged to conduct an orientation course in foreign exchange for staff of various banks in January 1998. This was the first time such a training course was organised by any of the new private sector banks in India.

#### DOMESTIC MONEY MARKET OPERATIONS

23. The successive lowering of the Cash Reserve Ratio (CRR), cut in the Bank Rate, increased inflow of foreign exchange, sluggish off-take of credit, etc., led to easy money market conditions and to the decline in interest rates to historically low levels till the middle of January 1998. In the context of healthy accretion of deposits and slow credit off-take, the Bank intensified its treasury operations which added significantly to both its interest and other incomes.
24. The stringent measures resorted to by the RBI of hiking the Bank Rate, CRR, etc., since the middle of January 1998 to stabilise the external value of the rupee, adversely affected the market resulting in the drying up of liquidity and a steep increase in various interest rates, with call money rates, on occasions, crossing 100 per cent. The erratic and upward swing in interest rates brought down the prices of securities. It may be stated that the new private sector banks are required to mark to market the entire portfolio of their investment in the Government of India securities