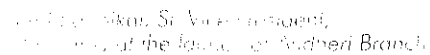
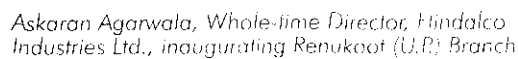
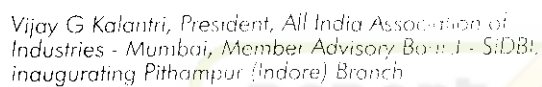


IDBI BANK LTD.

ANNUAL REPORT 1999-2000







BOARD OF DIRECTORS & OTHER INFORMATION

Board of Directors :

MR. VERMA M. S.

Chairman

MR. GUPTA G. P.

MR. NAGARAJAN T. M.

DR. SAILENDRA NARAIN

MR. BAJAJ S.

DR. PHATAK D. B.

MR. SHAH M. C.

DR. SHENOI P. V.

MR. MUKERJEE D. K.

Managing Director



Auditors :

M/S. SHARP AND TANNAN

*Chartered Accountants, Bank of Baroda Building,
Bombay Samachar Marg, Mumbai 400 001.*



Company Secretary :

RANGANATH ATHREYA

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Registered Office :

*Chaturvedi Mansion, 2nd Floor, 26/4, Old Palasia,
Agra-Mumbai Road,
Indore 452 001*

Corporate Office :

*Nariman Bhavan, 12th Floor,
V. K. Shah Marg, Nariman Point,
Mumbai 400 021.*



FIVE YEARS AND GROWING . . .

Audited Performance Highlights of the Bank for the last Five Years.

Rs. lakhs

| Particulars | March 31, 2000 | March 31, 1999 | March 31, 1998 | March 31, 1997 | March 31, 1996 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Income | 47,892.05 | 32389.37 | 16687.50 | 4992.86 | 1059.69 |
| Total Expense | 39,528.12 | 28514.55 | 13815.06 | 4129.20 | 966.95 |
| Profit before provisions & contingencies | 8,363.93 | 3,874.82 | 2872.46 | 863.66 | 92.74 |
| Net Profit after provisions | 6,098.65 | 3,076.31 | 2005.23 | 366.69 | 92.74 |
| Share Capital | 14,000.00 | 14,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| Reserves & Surplus | 11,956.49 | 7,722.64 | 2,467.23 | 462.00 | 95.31 |
| Deposits | 344,817.04 | 275,128.43 | 184,552.95 | 50,525.11 | 1231.27 |
| Advances | 160,070.77 | 107,443.78 | 84,305.41 | 49,542.41 | 5513.43 |
| Investments | 212,392.06 | 161,706.29 | 84,763.73 | 19,581.30 | 494.88 |
| Dividend | 12%* | 9% | - | - | - |
| EPS(Rs.) | 4.36 | 2.20 | 2.01 | 0.37 | 0.09 |
| Book Value(Rs.) | 18.54 | 15.52 | 12.47 | 10.41 | 10.09 |
| Capital Adequacy | 11.80 | 11.26 | 9.82 | 17.90 | - |
| Branches (Nos.) | 39 | 26 | 17 | 7 | 2 |
| Employees(Nos.) | 547 | 419 | 331 | 181 | 67 |

Proposed



NOTICE

Registered Office: Chaturvedi Mansion, 2nd floor, 26/4, Old Palasia, Agra-Bombay Road, Indore-452 001.

NOTICE TO THE SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING OF THE MEMBERS OF IDBI BANK LIMITED WILL BE HELD AT JAIL AUDITORIUM, 56/1 SOUTH TUKOGANJ, INDORE 452 001 ON MONDAY, 29TH MAY 2000 AT 4.00 P.M. TO TRANSACT THE FOLLOWING ITEMS OF BUSINESS:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

1. *To consider and adopt the Balance Sheet of the Company as at 31st March, 2000 and Profit & Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.*
2. *To declare dividend for the year ended 31st March, 2000.*
3. *To appoint a Director in place of Mr. M. C. Shah who retires by rotation and being eligible offers himself for re-appointment.*
4. *To appoint a Director in place of Dr. D. B. Phatak who retires by rotation and being eligible offers himself for re-appointment.*

ORDINARY BUSINESS

SPECIAL RESOLUTION

5. *To consider and if thought fit, to pass with or without modification the following resolution as a special resolution:*

"RESOLVED THAT M/s Sharp & Tannan, Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at such remuneration and out of pocket expenses as may be fixed by the Board of Directors of the Company in consultation with them."

SPECIAL BUSINESS

SPECIAL RESOLUTIONS

6. *To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:*

RESOLVED THAT pursuant to the enabling provisions of the Companies Act, 1956 as may be applicable and in accordance with the provisions of the Banking Regulation Act, 1949 and as per the approval given by the Board at its meeting held on 20th April 2000 and with reference to the approval given by the shareholders of the Bank at the Annual General Meeting held on 2nd July 1999, the terms of appointment of Shri M. S. Verma, Chairman be amended to the extent that the honorarium being paid to him be withdrawn with effect from 23rd March, 2000 and that all others conditions of his appointment shall remain unchanged.

7. *To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution:*

"RESOLVED THAT pursuant to section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and the Memorandum and Articles of Association of the Bank, the relevant laws and regulations prescribed by the Securities and Exchange Board of India (hereinafter referred to as "SEBI") as also other



NOTICE (Contd.)

authorities as applicable from time to time and subject to such consents, permissions and sanctions as may be required from appropriate authorities or bodies, the Board of Directors of the Bank (hereinafter referred to as "**the Board**") which term shall be deemed to include the Remuneration/Compensation Committee, for the time being authorized by the Board of Directors to exercise the powers conferred on the Board of Directors by this resolution and/or such other persons who may be authorized in this regard), be and is hereby authorized to issue, offer and allot equity stock options, convertible into Equity Shares of the aggregate nominal face value not exceeding Rs. 14,00,00,000 (Rupees Fourteen Crores Only) to the present and future employees and directors of the Bank under an employee stock option plan (hereinafter referred to as "**the plan**") on the terms and conditions as set out in the Explanatory Statement to this Item and on such other terms and conditions and in such tranches as may be decided by the Board in its absolute discretion.

RESOLVED FURTHER THAT without prejudice to the generality of the above, but subject to the terms, as approved by the members, the Board/Remuneration/Compensation Committee or such person who may be authorized in this regard by the Board/Remuneration/Compensation Committee, be and is hereby authorized to implement the plan (with or without modifications and variations) in one or more tranches in such manner as the Board/Remuneration/Compensation Committee or any other person authorized by the Board/Remuneration/Compensation Committee may determine.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board/Remuneration/Compensation Committee or any other person authorized in this regard by the Board/Remuneration/Compensation Committee be and is hereby authorized to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments, writings as it may in its/his absolute discretion deem necessary or desirable and pay fees and commission and incur expenses in relation thereto.

RESOLVED FURTHER THAT the Board/Remuneration/Compensation Committee or any other person authorized in this regard by the Board/Remuneration/Compensation Committee be and is hereby authorized to settle all questions, difficulties or doubts that may arise in relation to the implementation of the plan and to the shares (including to amend or modify any of the terms thereof) issued herein without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approvals thereto expressly by authority of this resolution.

RESOLVED FURTHER THAT the Equity Shares to be issued as stated aforesaid shall rank pari-passu with all existing Equity Shares of the Bank, except that the said Equity Shares shall qualify for dividend that may be declared for the financial year in which the allotment is made proportionately, for the period from which the allotment is made.

Mumbai, 20th April 2000

By Order of the Board
RANGANATH ATHREYA
 Company Secretary



NOTICE (Contd.)

- NOTES: 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
2. The relative explanatory statement as required under Section 173 of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Books of the Bank shall remain closed between 22nd May 2000 to 29th May 2000 (both days inclusive).
4. Dividend if declared will be paid to the members whose names appear in the Register of Members as on 29th May 2000. The dividend warrants will be posted on or after 30th May 2000.
5. Members are requested to promptly notify any change in their addresses to the Registrars M/s Karvy Consultants Limited, Karvy House, 46, Avenue 4, Street 1, Banjara Hills, Hyderabad 500 034.
6. All documents referred to in the Notice are open for inspection at the Registered Office of the Bank on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
7. Those Members attending the Annual General Meeting are requested to bring their Annual Reports as copies of the Annual Report will not be distributed at the venue.
8. Shareholders who are yet to encash their Dividend Warrants for the year 98-99 are requested to either submit the warrants for revalidation or to apply to the Registrars and obtain a duplicate warrant after completion of applicable formalities.
9. In compliance with the notification issued by the Department of Company Affairs, **no gifts will be distributed** to members at the AGM.



NOTICE (Contd.)

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3

Pursuant to the Governance Policy adopted by the Board, the particulars of attendance of Board Meetings held during the financial year 1999-2000 by Mr. M. C. Shah is given below :

Mr. M. C. Shah attended 3 out of 7 Board Meetings held during the year ended 31st March, 2000.

ITEM NO. 4

Pursuant to the Governance Policy adopted by the Board, the particulars of attendance of Board Meetings held during the financial year 1999-2000 by Dr. D. B. Phatak is given below :

Dr. D. B. Phatak attended 4 out of 7 Board Meetings held during the year ended 31st March, 2000.

ITEM NO. 5

M/s. Sharp and Tannan, Chartered Accountants, Mumbai, being eligible are proposed to be re-appointed as statutory auditors. The Bank has received approval from RBI for the re-appointment.

The Resolution though an ordinary item of business is being passed as a special resolution pursuant to Section 234A of the Companies Act, 1956 as IDBI which is a public financial institution as defined u/s 4A of the Companies Act, 1956 holds more than 25% of the paid-up share capital of the Bank.

ITEM NO. 6

In accordance with the provisions of the Banking Regulation Act, 1949 and as per the approval accorded by the Reserve Bank of India vide its letter no. 1042.68.106.001-99 dt. 3rd March 1999, Mr. M. S. Verma was appointed as Part Time Chairman of the Bank for a tenure of 3 years with effect from 12th March 1999. At the Annual General Meeting held on 2nd July 1999, the terms of appointment and the honorarium payable to Mr. M. S. Verma was approved by the Shareholders.

The Bank has received a letter from Mr. M. S. Verma vide letter dt. 18th March 2000 that he has been appointed as Chairman of Telecom Regulatory Authority of India to take effect from 23rd March 2000. Consequently he has requested that the Bank may cease paying him honorarium.

This letter was placed before the meeting of the Board of Directors of the Bank held on 20th April 2000 and at the request of Mr. M. S. Verma, it is proposed to withdraw payment of honorarium as also sitting fees for the meetings of the Board that may be attended by him.

Except for this change, all other terms and conditions of his appointment will continue as per the earlier approval accorded by the shareholders.

As the withdrawal of honorarium amounts to a change in remunerations, this resolution may also be considered as a notice under Section 302 of the Companies Act, 1956.

Except for Mr. M. S. Verma, no other Director is interested in this Resolution.

ITEM NO. 7

In order to reward and motivate employees as also to attract and retain the best talent, the Board of Directors at its meeting held on 20th April 2000 approved and proposed for the approval of the shareholders the issue of stock options as per which, employees who comply with certain eligibility criteria would be given options to subscribe to a specified number of Equity Shares of the Bank, offered to them at a price to be determined as mentioned hereinbelow. The employees can exercise the option after a stipulated time and after complying with the conditions subject to which the options are granted, by paying the appropriate consideration, consequent to which the shares would be allotted to them. The object of the employees stock option scheme (hereinafter referred to as "the Plan/ESOS") is to motivate the employees and thereby improve the profitability of the Bank. The following would inter-alia be the broad terms and conditions of the ESOS :

Total number of options/shares to be issued under the ESOS :

It is proposed to grant options for a total of one crore forty lakh Equity Shares of the face value of Rs. 10/- each.

Identification of Classes of employees entitled to participate in the ESOS :

The present as well as future employees in the cadre of officers to the Managing Director and non-executive directors of the Bank will be entitled to participate in the ESOS, subject to the applicable regulatory requirements and guidelines issued by the Securities and Exchange Board of India ("the SEBI").



NOTICE (Contd.)

Requirements of vesting and period of vesting :

In the event of the stock option being offered to employees, the employee should continue to remain in the employment of Bank from the date of granting till the date of vesting of the stock options (exception being made for retiring employees). As regards directors, they should continue to be directors of the Bank from the date of grant till the date of vesting of the stock options. Reappointment of directors upon retirement by rotation shall be deemed to be continuity in tenure for the above purposes.

The vesting period shall commence on the expiry of one year from the date of grant of the options to the employees/directors and could extend up to five years from the date of grant of the options. The share options could be granted in tranches and could vest in tranches. The number of stock options made available to a particular class/cadre of employees could vary at the discretion of the Remuneration/Compensation Committee.

Maximum Period within which the options shall be vested :

From the date of grant of the options, the options shall vest in the employees/directors within such period as may be prescribed by the Remuneration/Compensation Committee, which period shall as mentioned above, being not less than one year and not more than five years from the date of grant of the options.

Exercise Price/Pricing Formulae :

The Equity Shares would be issued to eligible employees and directors at a price being at an average of the 12 preceding month's hi-low price of the Equity Shares of the Bank quoted on the National Stock Exchange of India Ltd., Mumbai preceding the date of grant of the options.

Exercise Period and the process of exercise :

From the date of vesting of the options, the employees shall be entitled to exercise the options within such period as may be prescribed by the Remuneration/Compensation Committee, which period shall not exceed a period of five years from the date of the respective vesting of the options.

The options would be exercisable by the said employees by payment of the consideration amount in cash and submitting the requisite application form after which the shares would be allotted.

Appraisal Process for determining the eligibility of employees to the ESOS :

Before granting the options to the employees under the Plan, the Remuneration/Compensation Committee would inter-alia take into consideration the length of service, grade, performance, merit, future potential contribution and conduct of the employee and such other factors as may be deemed appropriate by it.

Maximum Number of Options to be issued per employee and in the aggregate :

The number of options that would be issued to an employee/director under the ESOS would be determined by the Remuneration/Compensation Committee. However, no single employee/director shall be granted options under the ESOS entitling such employee/director to equity shares in the Bank which would represent more than 10% of the total number of options granted under the Scheme i.e. not more than 14,00,000 Equity Shares of the Bank.

Disclosure and Accounting policies :

The Bank shall comply with the disclosure and accounting policies prescribed by the SEBI and any other appropriate authority.

The Board of Directors recommend the resolution for approval of the members.

Since the shares under the ESOS could be issued to the directors of the Bank, all the directors are concerned and interested in the said resolution at Item No. 8 of the Notice. The members' approval in accordance with this resolution is inter-alia also being sought for authorizing the Board of Directors and the Remuneration/Compensation Committee of Directors to do acts stated in the resolution hereinabove where they would be the beneficiaries.

Approval of the members is sought in terms of section 81(1-A) of the Companies Act, 1956 for the issue of Equity Shares of the Bank to the persons mentioned above under ESOS. The Board/Committee shall have the absolute authority to vary or modify the terms hereinabove in accordance with and subject to all applicable guidelines which may be stipulated by SEBI or otherwise.

Mumbai, 20th April 2000

By Order of the Board
RANGANATH ATHREYA
Company Secretary



DIRECTORS' REPORT

To the Members

Your Directors are pleased to present the 6th Annual Report of your Bank together with the audited Balance Sheet as on 31st March 2000 and relative Profit & Loss account.

OPERATING ENVIRONMENT

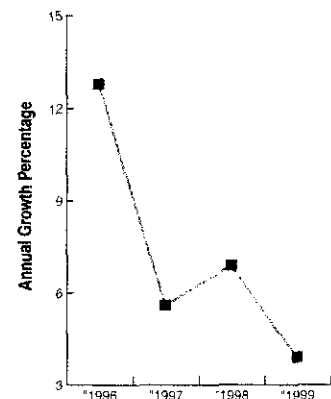
The year under review began as a challenging one. The index of overall industrial production showed an increase of only 3.9% in 98-99 compared with the growth of 6.9% during the preceding year. Total incremental flow of funds from scheduled commercial banks to the commercial sector was placed at Rs.54,304 crore during 98-99 compared to Rs.53,377 crore in the previous year. The macro economic outlook continued to be affected by the after effects of the East Asian crisis, economic sanctions and large scale suspension of multilateral lending.

The challenge before your Bank during the year under review was to perform in an environment where spreads were increasingly under pressure and avenues for qualitatively acceptable deployment of conventional credit were becoming scarce.

Your Bank realised that the formula for success in such an environment hinged upon carving out a niche for itself through strategy and effective use of technology aided by aggressive market and product initiatives aimed at gaining marketshare by offering value added services to the customer.

It was in effect a 'baptism of fire' for your Bank, emerging as it was out of its early stages of infancy. What is heartening to note is that your Bank has passed this 'litmus test' with flying colours.

Industrial Production Index

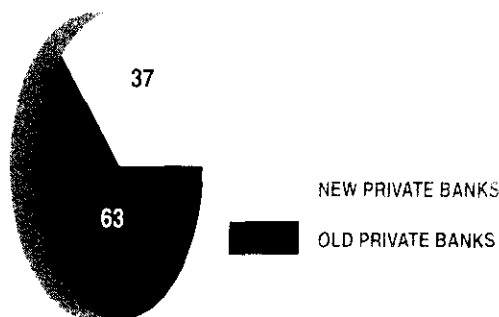


IMPACT OF NEW PRIVATE SECTOR BANKS.

New Private Sector Banks (NPSB's) have ushered in a quantum improvement in quality and value addition to customers in India. Your Bank is the youngest amongst New Private Sector Banks in India and has already earned a reputation for excellent service.

The NPSB sector has been instrumental in introducing innovative products through strategic use of technology and drastically reduced transaction time and costs for customers.

GROWING MARKET SHARE OF NEW PRIVATE BANKS



Armed with highly motivated individuals, a lean structure and a strategic market focus, NPSB's have already made deep inroads into the Banking market share in India. Within ten years, new private sector banks have grown rapidly to constitute 37.1% of the total assets of all private sector banks in India as at 31st March 1999.

A careful analysis reveals that the average operating profit ratio of NPSB's for the year 1998-99 stood at 1.78% compared to 1.37% for public sector Banks.

NPSB's are expected to make further inroads and gain marketshare due to the technology employed by them and the quality of customer service they have been able to maintain. They have gained the 'first mover advantage' in sectors such as E-Commerce.

The challenge for NPSB's will henceforth lie in controlling their cost of deposits. Nationalised Banks still have an edge over NPSB's in this area which is highlighted by the fact that while average spreads for NPSB's for the year 98-99 stood at 1.98%, for Nationalised Banks it stood at 2.38%.

THE STRATEGY

Realising the task before it, your Bank has identified the following as the focal areas of its attention (a) Reduction in cost of funds, (b) Increase in fee based income, (c) Introduction of innovative Corporate and Retail products, (d) Containment of operating expenses, (e) Selective Branch Expansion, (f) Aggressive Marketing (g) Discovering synergies through strategic tie-ups and (h) Improved human resource management.