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***idbi bank***

what can  do for you?

Board of Directors



Mr. M. S. Verma
Chairman



Mr. Gunit Chadha
Managing Director & CEO



Mr. P. P. Vora



Mr. T. M. Nagarajan



Mr. M. M. Chitale



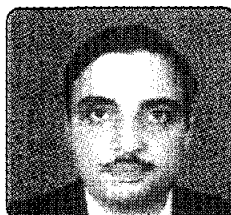
Mr. P. B. Nimbalkar



Mr. S. Bajaj



Mr. M. C. Shah



Dr. D. B. Phatak



Dr. P. V. Shenoi

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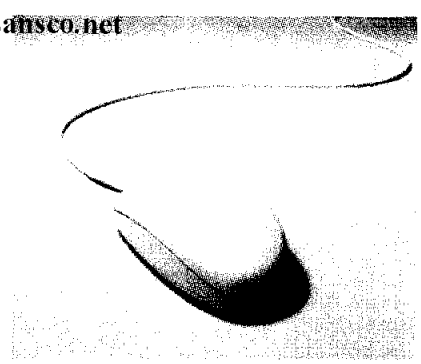
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Auditors : M/s. Arthur Andersen & Associates, Chartered Accountants, 19th Floor, Express Towers, Nariman Point, Mumbai – 400 021.

Company Secretary : Sanjeev Kapoor

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

Corporate Office : Trade View Bldg., Oasis Complex, Kamala City, P. B. Marg, Lower Parel (W), Mumbai 400 013.



Mission Statement



To become
a technology-led and service-driven company,
marketing financial services,
managed with integrity.

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Awards

FinanceAsia.com
The Definitive for Financial Services Industry

FEBRUARY 2002
Asia's leading finance journal Finance Asia rates idbi bank among the top ten companies for its commitment to excellent investor Relations practices.

Businessworld

APRIL 2001
Businessworld ranks idbi bank as India's FASTEST growing company.

FinanceAsia.com
The Definitive for Financial Services Industry

FEBRUARY 2002
Asia's leading finance journal Finance Asia rates idbi bank among the top ten companies for its commitment to excellent Corporate Governance.

BUSINESSWORLD
CORPORATE GOVERNANCE

JANUARY 2002
Business Standard bestowed the coveted Finance Professional of the Year Award on Gurni Chandra, MD & CEO, idbi bank.

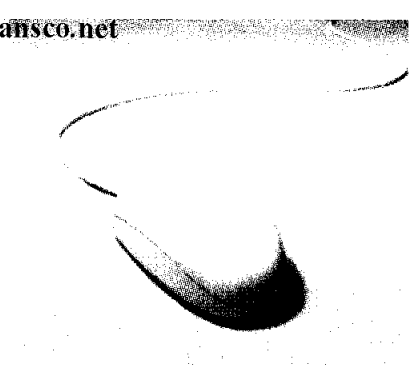
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FOUR AWARDS.
REASON ENOUGH TO BLOW
OUR TRUMPET

idbi bank *what can i do for you?*

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idbi bank



IDBI Bank – Poised for take-off

It has been a transformation story for IDBI Bank – from a 'marginal market player' to a pan India 'formidable competitive force'. The foundations of re-engineered Bank have been laid on a bed rock of quality people, technology revamp, operational scalability, product superiority, de-risking credit and creating a sales driven culture.

The results have been spectacular. Net Profits for the year grew by 170% compared to previous. The total Balance Sheet has grown by 34% and Total Deposits are higher by 48% compared to previous year.

Our geographical scale has expanded to give us edge in distribution. Our network is now spread across 55 cities, with 75 branches and 225 ATMs. The customer base has doubled to 540,000 in one year. With these milestones, the Bank has written a new chapter in the Retail Banking sector.

The Bank has created product differentiation by offering superior product features, which have helped it to emerge as a leading provider of high quality innovative products and services, some of them for the first time in the Indian market. The Bank continues to increase the usage of hi-tech non-branch channels like Mobile Banking, Phone Banking and Internet Banking.

The quality team at the Bank has been working quietly to create opportunities, which the world has noticed and recognized.

- In April 2001, Business World nominated IDBI Bank as The Fastest Growing Company in India.
- In February 2002, Business Standard voted Mr. Gunit Chadha, Managing Director & CEO, IDBI Bank, as The Finance Professional of the Year.
- In April 2002, Finance Asia voted the Bank the 7th best Company in terms of Companies Most Committed to Corporate Governance. They also recognized us as the 8th best Company on the count of Investor Relations.

For the year 2002-03, IDBI Bank intends to leverage its infrastructure to further generate superior shareholder returns on the principles of growth, quality and sustained profitability.

We have created and crossed milestones... The road ahead promises new challenges... The journey has just begun...

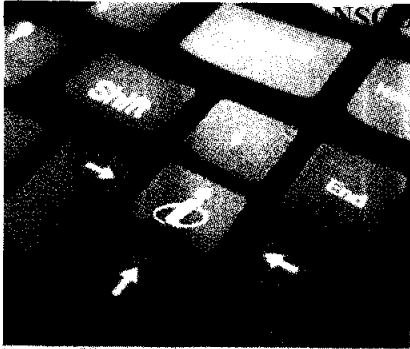
We'd take this opportunity to thank all our shareholders for investing their trust and faith in us.

M.S. Verma
Chairman

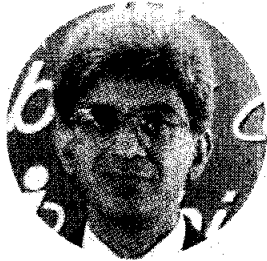


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what can i do for you?



The *i*team



Susheel Kak
Head - Corporate Banking



Pradeep Patil
Head - Audit



Ajay Bimbhet
Head - Retail



Vinit Kohli
Chief Financial Officer



Gunit Chadha
MD & CEO



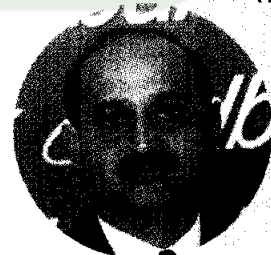
S. Kumar
Head - Operations



Pramod Vaidya
Head - Risk



Neeraj B Bhai
Chief Technology Officer



Ulhas Deshpande
Head - HRD



Janak Desai
Head - Treasury

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financial highlights

(Rs. in crores)

Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
Interest Income	149.25	295.01	423.78	532.46	509.31
Interest Expenses	104.60	230.90	332.61	430.86	365.72
Net Interest Income	44.65	64.11	91.17	101.60	143.59
FOREX Income	4.98	5.74	6.57	8.37	13.12
Money Market Trading Income	2.97	2.31	12.56	11.89	55.00
Fee, Commission and Other Income	9.68	20.83	36.01	49.31	54.42
Net Income	62.28	92.99	146.31	171.17	266.13
Operating Expenses	33.56	54.49	62.67	102.56	143.01
Operating Income	28.72	38.50	83.64	68.61	123.12
Loan Loss Provision	1.37	3.27	5.36	40.99	45.96
Depreciation on Investments	—	0.03	(0.03)	3.86	6.23
Other Provisions	0.11	—	—	0.10	0.03
Profit before Tax	27.24	35.20	78.31	23.66	70.91
Provision for Tax	7.19	4.44	17.32	4.30	18.49
Profit after Tax	20.05	30.76	60.99	19.36	52.42
Share Capital	100.00	140.00	140.00	140.00	140.00
Reserves & Surplus	24.67	77.22	119.56	128.12	160.89
Subordinated Debt	—	—	100.00	125.00	125.00
Deposits	1845.53	2751.28	3448.17	3526.19	3234.49
Advances	843.05	1074.44	1604.64	1732.64	3099.27
Total Assets	2201.53	3419.22	4516.08	4928.40	6841.14
Investments	847.64	1617.06	2123.92	2466.66	2417.81
EPS (Rs.)	2.01	2.20	4.36	1.38	3.74
Dividend	—	9%	12%	7%	10%
Book Value (Rs.)	12.47	15.52	18.54	19.15	21.49
Capital Adequacy:					
Total	9.82	11.26	11.80	11.72	9.59
Tier I	9.82	11.21	8.43	7.89	6.36
Branches	17	26	39	53	75
Employees	331	419	547	773	1208

Note : Figures of previous year 2000-2001 have been re-grouped wherever necessary.

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what can i do for you?

Directors' Report

To the Members,

Your Directors have pleasure in presenting to you the 8th Annual Report of your Bank together with the audited Balance Sheet, Profit and Loss account and the report on business and operations of your Bank for the year ended March 31, 2002. (FY02)

Financial Performance

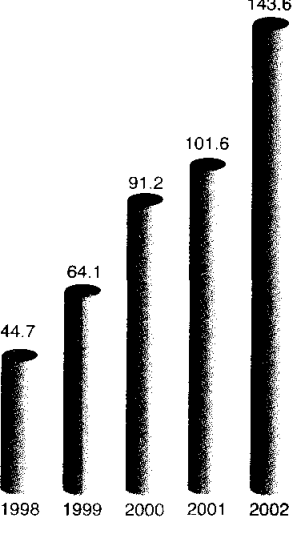
Rs. in crores

Particulars	For the year ended (March 31, 2001)	For the year ended (March 31, 2002)	% Change
Deposits	3526.19	5234.50	48%
Advances	1732.64	3099.27	78%
Net Income	171.17	266.13	55%
Total Operating Expenses	102.56	143.01	39%
Operating Income before provisions and tax	68.62	123.12	79%
Net Profit	19.36	52.42	170%
Appropriations:			
Transfer to Statutory Reserve	4.84	13.10	
Transfer to Capital Reserve	0.74	11.40	
Transfer to/(from) Investment Fluctuation Reserve	(0.03)	10.00	
Proposed Dividend	9.80	14.00	
Tax on Dividend	1.00	-	
Balance carried over to Balance Sheet	3.01	3.92	
Key Ratios			
Net Interest Margin	2.00%	2.50%	
Net NPA/Customer Assets	3.07%	1.56%	
Provision Cover	36.11%	62.51%	
Cost/Income Ratio	59.92%	53.74%	
Return on Equity	7.30%	18.40%	
Return on Assets	0.40%	0.92%	

Your Bank has shown a very impressive year on year improvement in financial performance for the year ended March 31, 2002. Your Bank has reported Net Profit after provisions and taxes, of Rs. 52.42 crores for the year, which is 170% higher than Rs.19.36 crores in the previous year. Net Interest Income at Rs. 143.60 crores is 41% higher than previous year, driven both by volume growth and improvement in Net Interest Margin, which increased appreciably from 200 basis points in FY01 to 250 basis points in FY02. Other Income, which constitutes foreign exchange earnings, fees and commission from non-fund based banking activities and money market income, increased sharply by 76% to Rs. 122.54 crores compared to Rs. 69.58 crores a year ago. Operating Income, before provisions and taxes, at Rs. 123.13 crores is up 79% from last year. Despite investing significant amounts on infrastructure built up, relentless measures to curtail revenue expenditure led to a reduction in Cost/Income Ratio to 54% from 59% during last year. Your Bank continues to provide aggressively against loan losses, as a result of which the Provision Cover against NPAs have gone up from 36% as on March 31, 2001 to 63% as on

(Rs. Crore)

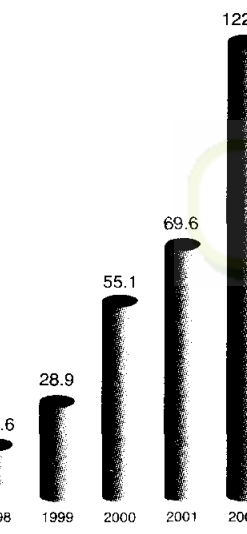
Better margins drive growth in NII



Net Interest Income

(Rs. Crore)

Diversified Income Streams



Other Income

Directors' Report (contd.)

March 31, 2002. Return on Equity moved up from 7.3% in FY01 to 18.4% in FY02, while Return on Assets improved significantly from 0.4% to 0.9% during the same period.

Your Bank has also shown healthy growth in its key Balance Sheet parameters for the year ended March 31, 2002. Total Balance Sheet grew by 34% to Rs.6,625 crores for the year. Customer Assets (advances and credit substitutes, etc.) at Rs.3,974 crores grew by 27% as against Rs.3,136 crores as on March 31, 2001. Total Deposits grew impressively to Rs.5,234 crores, up 48% compared to March 31, 2001. There has been a significant growth in more sustainable and relatively low cost Retail Deposits, which now form 45% of the Total Deposits, up from 34% at the end of previous year.

During FY02, your Bank has successfully built the performance pyramid on the principles of growth, quality and sustained profitability. The foundations of the re-engineered Bank have been laid on a bedrock of quality people, technology revamp, operational scalability, product superiority, de-risking credit and creating a sales driven culture. There has been a significant increase in multi-channel distribution capabilities with geographic reach and strong customer acquisition. Your Bank has made significant investments in building the necessary infrastructure and is poised to leverage it to further generate superior shareholder returns on the aforementioned principles of growth, quality and sustained profitability.

Dividend

Your Directors recommend a dividend of 10% for the year ended March 31, 2002 (previous year 7%). Dividend will be paid to those shareholders whose names appear on the Register of Members of the Bank as on July 29, 2002.

Capital Adequacy Ratio

The Capital Adequacy Ratio (CAR) of your Bank was 9.59 % as on March 31, 2002. There is an urgent need to enhance the Capital to fund your Bank's aggressive growth plans, which is being addressed with the promoters. Your approval will be sought in this regard in due course.

Equity Stock Options

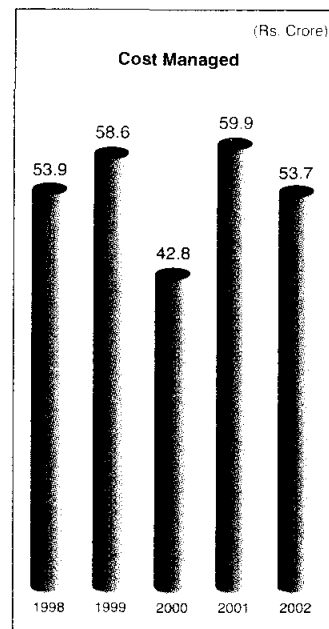
In furtherance of the ESOP scheme instituted by your Bank, the Remuneration Committee of the Board granted 32,03,750 Options in two Tranches on April 1, 2001 (26,74,250 Options, exercise price Rs. 24.77 per Option) and on October 1, 2001 (5,29,500 Options, exercise price Rs. 21.83 per Option) respectively. The Options will vest over three years from the grant date with an exercise period of 5 years after vesting. The vesting schedule is 40% on completion of one year, 30% at the end of two years and 30% at the end of three years. As approved by the Shareholders, the exercise price has been computed at a price which is an average of the 12 month's high-low price of the equity shares of the Bank quoted on the National Stock Exchange of India Ltd., preceding the date of grant of Options. During the year under review, 6,77,890 Options lapsed due to resignation of employees.

During the year, 7,75,000 Options were granted to the senior management team. The grant of Options during the year has again been broad based, covering 70% of the employees of your Bank.

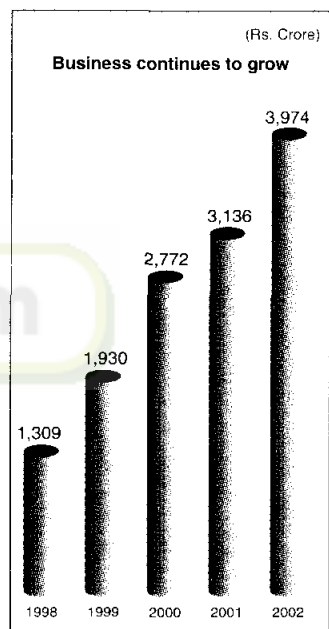
MANAGEMENT'S DISCUSSION AND ANALYSIS

Macroeconomic Overview and its impact on your Bank

The global economic environment during the last financial year was turbulent and challenging particularly after the September 11 events. The slow down in the world economy had an adverse impact on the Indian economy as well, with the estimates of rate of growth of GDP for FY02 being revised down to 5.4% from the earlier estimate of 6.5%. However, it still compares favourably with overall GDP growth of 4% during FY01, mainly due to buoyancy in agriculture and services sectors. The domestic inflationary situation was very favourable, with the Wholesale Price Index (WPI), on a point-to-point basis, declining from 4.9% in FY01 to 1.4% in FY02. Low inflation and slow down in economic activity prompted the Reserve Bank of India to support softer interest rates and easy monetary policy during the year. This led to sharp fall in yield of government



Cost Income Ratio %



Net Customer Assets

Directors' Report (contd.)

securities, though not so much on bank deposits and lending rates. The regime of soft interest rate is expected to continue during FY03 as well.

During FY02, the annual growth in money supply (M3) was in line with the estimates at 14%, though lower than 16.8% growth in the previous year, which was mainly on account of large India Millennium Deposits. For the same reason, the growth in aggregate deposits of scheduled commercial banks at 14.3% was lower than the 18.4% in the previous year. The slowdown in industrial activity impacted non-food credit off-take, which showed a growth of 12.8% compared to 14.9% in the previous year. Easy liquidity conditions compounded by slow credit growth, resulted in drop in quality corporate credit yields. To protect and in fact enhance the margins, your Bank has been focusing on low cost and retail deposits to reduce its average cost of deposits, which it has successfully brought down by 200 basis points during the year. Further, the thrust has been on cross selling more products and services to the customers which generate fee income, as well as on growing relatively high-yielding retail assets, which now form 10% of the total customer assets compared to 5% at the end of previous year.

Retail Banking

Your Bank, over the last one-year, has launched a series of retail initiatives that are aimed at providing superior service and products to the retail customer. Your Bank has set for itself a clear customer-focused agenda and has moved fast to launch techno savvy retail products, which are backed with the highest levels of service.

The ability to create product differentiation by offering superior product features has helped your Bank to create a special identity for itself and emerge as a leading provider of high quality innovative products and services. Some of the firsts by your Bank are as follows:

- First Bank to offer mobile banking irrespective of service provider.
- First Bank to offer both bank & demat account statements on email.
- First Bank to offer particulars of market value of holding in demat statements.
- First Bank to implement loans against NSCs to offer post office products thru branches and internet.
- First Bank to offer Instant Banking where the customer gets a 'welcome kit' which includes his cheque book, ATM card, access passwords to channels across the counter, instantly, when he opens an account. Your Bank is the only Bank in India that offers this unique service.

Your Bank has struck strategic alliances with a broad spectrum of players to provide various innovative services. Amongst our alliances are a tie-up with India Post to provide secured loans at the post office, various bill payment tie-ups with companies such as LIC, BSES & MTNL and payment servicing for online shopping sites like rediff & chalomumbai.

A high quality newsletter from the CEO's desk launched by your Bank, called the 'U&I', which facilitates a dialogue between the customer and the Bank has been very well received. It updates the customer on developments within the Bank, new products and promotions besides inviting direct feedback and suggestions from the customers to the CEO. The newsletter has an entire section dedicated to direct interaction with the customers – 'You said it, we did it' where customer suggestions are actioned and the results published. The U&I was recently launched in Hindi as well.

Your Bank believes that product superiority is just the first step on the road to success. Equally important, is ensuring convenient and efficient customer access. In your Bank's retail strategy, no efforts have been spared to provide customers with easy access through a multitude of channels, both physical and virtual. Your Bank during this year has been aggressively increasing its touch points in select geographies. It has grown from 53 branches and 77 ATMs across 39 cities in FY01 to 75 branches, 3 extension counters and 225 ATMs across 55 cities as on FY02.

Your Bank continues to increase the usage of hi-tech non-branch channels like Mobile Banking, Phone Banking and Internet Banking. Increasing usage of such secure, alternative channels

