



***THE VYSYA BANK LIMITED.***  
***Annual Report year ended***  
***1998-99***



## BOARD OF DIRECTORS

K. R. Ramamoorthy	Chairman & CEO
Srinivas Bommidala	
Tallam N. Umesh	
Dayanand Soma	
N. C. Sarabeswaran	
B. V. Nageswara Rao	
G. Mallikarjuna Rao	
M. K. Ramachandra	
H. N. Tarachandani	(RBI Nominee) (upto 31-07-99 & from 02-08-99)
Gajender Kumar	(Alternate Director to Sri. H. N. Tarachandani)
Nalin U. Rajguru	
Ramesh C. Vaish	
Bart Hellemans	
G. B. S. Raju	(Upto 17.08.99)
Kiran K. Grandhi	(From 18.08.99)
K. Balasubramanian	(From 18.08.99)

**Company Secretary**

M. V. S. Appa Rao

**Statutory Auditors**M/s. N. C. Rajagopal & Co.,  
Chartered Accountants, ChennaiM/s. I. S. Prasad & Setty Associates  
Chartered Accountants, Bangalore**Registered-cum-  
Corporate Office**No. 72, St. Mark's Road,  
Bangalore - 560 001

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## DIRECTORS' REPORT

### Dear Members,

Your Directors are pleased to present the Sixty-eighth Annual Report of the Bank, containing the audited Profit & Loss Account for the year ended March 31, 1999, the Balance Sheet and the Cash Flow Statement as at March 31, 1999.

### 1 OPERATIONS OF THE BANK

The total business, comprising Deposits and Advances went up to Rs.9293 crore from Rs.8320 crore in the previous year.

#### 1.1 RESOURCE MOBILIZATION

Deposits went up by Rs.762 crore to reach Rs.6510 crore as on 31st March 1999 as against Rs.5748 crore as on 31st March 1998. The average deposits of the Bank registered a growth of 19.29%. During the year, Bank continued its efforts to bring about significant shift in the deposit mix in favour of low cost deposits. Consequently, Savings Bank Deposits went up by 26%, to reach Rs.589 crore and Current Deposits went up by 30% to reach Rs.652 crore as on 31st March 1999. Cost of non-banking deposits recorded a fall of 40 basis points for the year 1998-99 from 10.78% to 10.38%.

The Bank launched Insurance linked "Premium Savings Bank Account" for individuals. In a short span of little over two months, the Bank could mobilize over 83,000 accounts with an outstanding balance of over Rs.44 crore. With its customer friendly features and value additions, the Bank is confident of its continued good performance in the market.

#### 1.2 CREDIT DEPLOYMENT

The net credit aggregated Rs.2782 crore as on 31st March 1999, recording a growth of 8.23% as against Rs.2571 crore as on 31st March 1998. Due to sluggish industrial growth, recessionary trends, etc., the Bank pursued cautious loan build up policy, besides restructuring the existing portfolio, based on risk perception, prudential exposure norms and

need to contain exposures to certain sectors. The new thrust area for Bank's credit expansion - Infrastructure Finance covering Power Projects, etc. continued to receive focus.

Advances to Priority Sectors stood at Rs.1178 crore constituting 42.36% against the stipulated target of 40% of net credit.

Export credit stood at Rs.505 crore, constituting 18.15% of the net credit, as against the requirement of 12% stipulated by Reserve Bank of India. Bank continued its position as an active player in the forex market with a turnover of Rs.54,403 crore. Forex operations recorded a net profit of Rs.26.68 crore, as against a profit of Rs.15.78 crore in the previous year, an increase of 69%.

Arising out of the need to augment the income of the Bank and to increase the Operating / Net Profit, the Bank has recently constituted Marketing Teams for tapping good credit proposals. Some Senior Executives are on the move for this purpose.

With a view to reducing the non-performing advances, the Bank had constituted Core Recovery Teams, headed by the Top Executives of the Bank to exclusively focus on recovery efforts, which has yielded positive results. Several compromise proposals are under implementation. With the continued focus on recovery of non-performing advances, provisioning requirements should come down significantly during the current year.

#### 1.3 TREASURY OPERATIONS

Investment portfolio consisting of SLR and non-SLR securities and corporate debts recorded a growth of 17.58% at Rs.2453 crore as on 31st March 1999 as against Rs.2086 crore in the previous year. It is gratifying that in the sluggish market and declining yields, the trading strategies adopted by the Treasury of the Bank resulted in a profit of Rs.17.77 crore on sale of investments. The average yield on the investment portfolio stood at 12.34%. The



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ratio of current / permanent in investment portfolio as at 31st March 1999 was 75 : 25. With a greater degree of integration between forex and domestic treasuries, the contribution from the integrated treasury would be quite significant, in the years ahead.

#### 1.4 FEE BASED INCOME

It is noteworthy that the Commission, Exchange and Fee income of the Bank has increased from Rs.47.89 crore for the year ended 31st March 1998 to Rs.54.03 crore for the year under review. This was rendered possible, on account of greater awareness in the Bank for generating fee based income and also due to introduction of Cash Management Services.

It could be observed from the foregoing that the over-all performance of the Bank in respect of deposits, advances, investments and in generation of fee based income and income from Treasury / Forex Operations, etc., has been significant.

#### 1.5 ASSET LIABILITY MANAGEMENT

Your Bank has constituted Asset Liability Management Committee (ALCO) of Executives as well as a Committee of Directors on ALM and is in the process of effective implementation of Asset Liability Management in the Bank, through which interest risk and liquidity risk are proposed to be managed effectively.

### 2 WORKING RESULTS

The total income of the Bank for the year aggregated Rs.837.10 crore as against Rs.783.79 crore for the previous year. While the operating profits amounted to Rs.61.88 crore, the net profit, after providing Rs.39.59 crore towards depreciation, provisions and contingencies and Rs.6.05 crore towards provision for wage revision, was Rs.30.54 crore. This year's net profit has to be also viewed against the back drop of softer interest rate regime with consequential pressures on net interest margin experienced by the banking industry.

The Bank has transferred a further sum of Rs.12 crore out of the net profit of the current

year being half-a-percent of the standard assets to the already existing Special Reserve of Rs.35 crore created in the previous year.

#### 2.1 DIVIDEND

The Board recommends declaration of dividend @ 35% (free of Tax in the hands of shareholders) for the year 1998-99 at the ensuing 68th Annual General Meeting as against 55% declared during the previous year 1997-98. The Reserve Bank of India has accorded its permission for declaring dividend at the rate of 35% for the year ended 31st March 1999.

### 3 CAPITAL ADEQUACY

The Capital Adequacy Ratio was 10.63% as against 8% required to be maintained as per Reserve Bank of India guidelines.

### 4 HUMAN RESOURCES DEVELOPMENT

Competence Building Training Programmes in the areas of Credit and Information Technology were organized for enrichment of Job Knowledge of the employees. Modular Training and Decentralized Training were imparted to employees at Regional level, suiting the individual needs.

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all Shareholders of the Bank excluding the aforesaid information. Such particulars can be obtained by any shareholder from Company Secretary, at the Registered-cum-Corporate Office of the Bank.

### 5 OTHER HIGHLIGHTS

During the year under review, the Bank, in view of growing competition, etc., has taken various steps for positioning the Bank to meet such challenges and a few such initiatives are stated below:

- \* The Bank offered Depository Services -



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"VYSDP" in Bangalore to the public for dematerialization of shares as Participant in NSDL. Within a short period "E-Locker Account" launched by "VYSDP" has enrolled a large number of members in Bangalore. The Bank is proposing to offer VYSDP services in Mumbai, Hyderabad and other centres through bank's branches to its ever growing clientele.

- \* Further, the Bank operationalized eight new Extension Counters and three new Branches from the premises of various Regional Stock Exchanges to facilitate undertaking clearing bank functions to the newly set up Inter-connected Stock Exchange of India which commenced live operations in February 1999. This should, when fully operational give further impetus for business growth.
- \* The Bank took further leap into technology advancement. The number of totally computerized branches / outlets increased to 64, partially computerized outlets to 170 and eight Computerized Service Branches..
- \* Bank's communication backbone consisting of DAMA VSATs in six metros, Dial Up telephone lines, INET connections, etc., enabled data transmission and e-mail communication from over 200 branches and offices to Corporate Office and vice versa.

### 6 STRATEGIC ALLIANCE

The shareholders at the Extra Ordinary General Meeting held on 25th July 1999 accorded their consent for issue of additional equity of the Bank to BBL or to any of its wholly owned subsidiaries including BBL Mauritius Holdings, Curepipe (Mauritius) on preferential basis up to 10.01% of the post issued capital of the Bank subject to approval from regulatory authorities. After this allotment, BBL's equity holdings would increase to 20% of the post issued Capital.

The preferential issue of shares to BBL will strengthen the strategic alliance and business synergy. Leveraging on the strategic equity tie-up with BBL, the Bank has signed an MOU with ING for distribution of Life Insurance products, as and when the insurance industry opens up in India. The Bank will be shortly signing an Agreement with ING Asset Management Company, for distribution of products of mutual

funds, which ING has recently launched in the Indian Market.

### 7 Y2K COMPLIANCE

The Bank has achieved Year 2000 compliance of its Hardware, Software and Operating Systems by 31st March 1999 as per the plans drawn by the Bank and all computer systems at its Branches / Offices are Year 2000 (Y2K) compliant. For addressing the Year 2000 issue, Bank has estimated the cost at Rs.4.14 crore. The Bank is having a detailed contingency plan duly approved by the Board of Directors which would enable the Bank to meet any eventuality arising out of failure of any Hardware, Software, etc., and also to take care of any unforeseen eventualities arising from Y2K phenomenon.

### 8 SUBSIDIARIES

The Vysya Bank Leasing Ltd., subsidiary of the Bank, has obtained the permission of Registrar of Companies, Karnataka, for extending the accounting period by six months. In view of this, the Bank proposes to enclose the accounts for the 18 months period ending September 1999 in the 69th Annual Report.

The audited accounts of the subsidiary viz., Vysya Bank Housing Finance Ltd., for the year 1998-99 along with the statement showing the extent of interest of holding company in the subsidiaries under the provisions of Section 212 of the Companies Act, 1956 are appended.

### 9 BOARD OF DIRECTORS

During the year 1998-99, Dr. Ramesh C. Vaish and Sri Nalin U. Rajguru, were appointed as Directors at the Board Meeting held on 16th September 1998. Dr. Ramesh C. Vaish and Sri Nalin U. Rajguru, will continue as Directors till the end of the ensuing Annual General Meeting. Sri T. B. Dhananjaya Rao, Director, expired on 1st October 1998 and the Board deeply condole the death of the Director who rendered valuable services to the Bank during his tenure. After completing the maximum permissible period of eight years as a Director of the Bank, Sri Yadalam A. Subramanyam, Director, relinquished his Directorship of the Bank on 12th March 1999. The Board of Directors acknowledges the valuable services rendered by Sri Yadalam A.

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Subramanyam, during his tenure as a member of the Board.

Sri G. Mallikarjuna Rao, Sri N.C. Sarabeswaran and Sri M.K.Ramachandra retire by rotation at the ensuing 68th Annual General Meeting and have expressed their willingness to be re-appointed as Directors.

**10 AUDITORS**

The present Joint Statutory Auditors, viz., M/s. N.C. Rajagopal & Co., Chartered Accountants, Chennai and M/s.I.S. Prasad & Setty Associates, Chartered Accountants, Bangalore, retire at the 68th Annual General Meeting. M/s.N.C. Rajagopal & Co., Chartered Accountants, have been associated with the Bank for the last four consecutive years, and hence as per the guidelines of Reserve Bank of India, they are not eligible for re-appointment for the year 1999-2000. The Board of Directors place on record their deep sense of appreciation for the professional services rendered by M/s.N.C. Rajagopal & Co., Chartered Accountants, Chennai.

M/s.I.S. Prasad & Setty Associates have been associated with the Bank for the last two years only. They, being eligible, offer themselves for re-appointment for the year 1999-2000.

Reserve Bank of India's approval for appointment of two joint Statutory Auditors out of the names recommended by the Board of Directors has been sought under the provisions of Section 30 (1-A) of the Banking Regulation Act, 1949.

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Shareholders are requested to appoint two Joint Statutory Auditors as may be approved by Reserve Bank of India in due course and authorize the Board of Directors to fix their remuneration.

**11 ACKNOWLEDGEMENTS**

The Board of Directors sincerely thank the Reserve Bank of India for their valuable advice, counsel and guidance from time to time.

The Board of Directors express their gratitude to Bank Brussels Lambert, BBL Mauritius Holdings, ING Group, Securities and Exchange Board of India, Stock Exchanges, Financial Institutions, Indian Banks' Association, Indian Institute of Bankers, Foreign Institutional Investors, National Securities Depository Ltd., Central Depository Services (India) Ltd., and Correspondent Banks, apart from various Governmental Agencies for their continued support.

The Board of Directors also convey their grateful acknowledgements to Auditors, Legal Advisors and Consultants for their valuable services to the Bank.

The Board of Directors also thank the Customers for their excellent support and patronage, Employees for their dedication and commitment and Shareholders for their support extended.

For and on behalf of the Board

Place : Bangalore  
Date : 30th July, 1999

**K. R. Ramamoorthy**  
Chairman





**The Vysya Bank Limited**

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## **OTHER INFORMATION**

*(Clause 32 (iii) of the Listing Agreement)*

The Bank's Shares are listed in the following five Stock Exchanges in India :

**Bangalore Stock Exchange Limited**

Stock Exchange Towers  
No.51, I Cross, J C Road  
BANGALORE - 560 027

**Madras Stock Exchange Limited**

Exchange Building  
Post Box No. 183  
Second Line Beach  
CHENNAI - 600 001

**The Stock Exchange, Mumbai**

Phiroze Jeejeebhoy Towers  
Dalal Street  
MUMBAI - 400 001

**National Stock Exchange of India Ltd**

Mahindra Towers  
Near Doordarshan TV Towers  
'A' wing, R B C Worli  
MUMBAI - 400 018

**Hyderabad Stock Exchange Limited**

Regd Office : 3-6-275  
Himayatnagar  
HYDERABAD - 500 029

Annual listing fees for the financial year 1999-2000 has been paid by the Bank to all the aforesaid five Stock Exchanges.

The Bank entered into an agreement with the National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for Dematerialising the shares of the Shareholders. (ISIN No. INE 166 A01011, IN 9166 A01027 and IN 9166A01019).

The Bank has appointed M/s Bigshare Services Pvt Limited, J/12, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai - 400 072. Ph No. 022-852 3541 & 8524914 Fax No. 022-852 5207 as Registrar and Share Transfer Agent for shares of Vysya Bank in Electronic mode.

The transfer of equity shares in physical mode is handled by in-house - Secetarial department of the Bank at its Corporate Office at Bangalore. Investors' Service Cell of Secretarial department can be contacted on phone numbers 080-2272021(Gen), 2229167 (D), Fax No. 2218039 and e-mail : secl@gnblr-vysyaho.globalnet.ems.vsnl.net.in for any investor related services by the shareholders.



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## AUDITORS' REPORT

**N.C.Rajagopal & Co.,**  
Chartered Accountants

**I.S. Prasad & Setty Associates,**  
Chartered Accountants

To  
The Shareholders  
The Vysya Bank Limited.

1. We have audited the attached Balance Sheet of The Vysya Bank Limited as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date in which are incorporated returns of 20 branches/offices audited by us and 370 branches/offices audited by the Branch Auditors.
2. The Balance Sheet and the Profit and Loss Account have been drawn up in Form "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949. The report on the account of the Branches audited by the Branch Auditors have been dealt with in preparing our report in the manner considered necessary by us.

We report that

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
  - b) The transactions of the Bank, which have come to our notice have been within the powers of the Bank.
  - c) In our opinion, proper Books of Accounts as required by law have been kept by the Bank, so far as appears from our examination of those Books and proper returns adequate for the purpose of Audit have been received from the Branches of the Bank.
  - d) In our opinion and to the best of our information and according to the explanations given to us and shown by the Books of the Bank and read together with the Notes and Accounting Policies thereon and subject to :
    - (i) NOTE NO.1 : Regarding Inter Branch/Inter Bank Reconciliation & Reconciliation / Balancing of Books at some Branches and the unascertained consequential effects thereof.
    - (ii) NOTE NO.3 : Regarding non-provision for additional contribution for Pension Fund the amount of which has not been ascertained.
- and
- ii) The Profit and Loss Account shows a true balance of Profit for the year ended on that date.

**For N. C. Rajagopal & Co.**  
Chartered Accountants

**For I. S. Prasad & Setty Associates**  
Chartered Accountants

**R. Vasudevan**  
Partner

**I. S. Prasad**  
Partner

Place : Bangalore  
Date : 25th June, 1999





## The Vysya Bank Limited

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**BALANCE SHEET AS AT 31ST MARCH, 1999**

(Rs. in Thousands)

	Schedule	As on 31.03.99	As on 31.03.98
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	17,18,66	16,07,53
Reserves and Surplus	2	420,59,58	468,92,85
Deposits	3	6510,40,11	5748,72,72
Borrowings	4	343,51,75	88,26,96
Other Liabilities and Provisions	5	307,40,28	289,95,95
<b>TOTAL</b>		<b>7599,10,38</b>	<b>6611,96,01</b>
<b>ASSETS</b>			
Cash and Balance with Reserve Bank of India	6	661,58,27	573,26,72
Balance with Banks & Money at call & short notice	7	1081,54,82	776,65,31
Investments	8	2453,04,76	2086,11,65
Advances	9	2782,11,85	2570,64,52
Fixed Assets	10	202,51,59	219,52,03
Other Assets	11	418,29,09	385,75,78
<b>TOTAL</b>		<b>7599,10,38</b>	<b>6611,96,01</b>
Contingent Liabilities	12	4976,55,88	3347,10,95
Bills for collection		847,77,78	994,18,07

**H. Anantha Krishna Rao**  
Chief Manager (Accounts)

**M. V. S. Appa Rao**  
Company Secretary

**G. P. Raja Gopal**  
Deputy General Manager

**A. Ramamohana Rao**  
Senior General Manager

**G. Laxminarayana**  
**Ch. Raja Rao**  
**C. B. R. Murthy**  
Executive Directors

**K. R. Ramamoorthy**  
Chairman

**Tallam N. Umesh**  
**Dayanand Soma**  
**N. C. Sarabeswaran**  
**B. V. Nageswara Rao**  
**M. K. Ramachandra**  
**H. N. Tarachandani**  
**Nalin U. Rajguru**  
**Dr. Ramesh C. Vaish**  
**Bart Hellemans**  
**G. B. S. Raju**  
Directors

**Vide our Report of even date attached**

**For N. C. Rajagopal & Co.,**  
Chartered Accountants

**R. Vasudevan**  
Partner

**For I. S. Prasad & Setty Associates**  
Chartered Accountants

**I. S. Prasad**  
Partner

Place : Bangalore  
Date : 25th June, 1999

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## — PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999 —

(Rs. in Thousands)

	Schedule	Year ended 31.03.99	Year ended 31.03.98
<b>I. INCOME</b>			
Interest earned	13	725,48,50	644,73,27
Other Income	14	111,61,48	139,06,02
<b>TOTAL</b>		<b>837,09,98</b>	<b>783,79,29</b>
<b>II. EXPENDITURE</b>			
Interest Expended	15	630,48,64	540,94,20
Operating Expenses	16	144,73,16	127,76,50
Provisions & Contingencies		31,34,62	39,57,01
<b>TOTAL</b>		<b>806,56,42</b>	<b>708,27,71</b>
<b>III. PROFIT</b>			
Profit for the year		30,53,56	75,51,58
Profit Brought Forward		7,24	3,75
Transfer from Contingency Reserve		75,20,00	74,20,87
		105,80,80	149,76,20
Less : Provision for Contingencies (Note No.4)		75,20,00	74,20,87
Profit available for appropriation		30,60,80	75,55,33
<b>IV. APPROPRIATIONS</b>			
Transfer to Statutory Reserve		7,63,50	18,88,00
Transfer to Capital Reserve		—	2,08,00
Transfer to Special Reserve		12,00,00	35,00,00
Transfer to Other Reserves		4,15,00	10,25,00
Proposed Dividend		6,08,37	8,42,81
(Subject to RBI Approval)			
Corporate Dividend Tax		66,07	84,28
Balance Carried to Balance Sheet		7,86	7,24
<b>TOTAL</b>		<b>30,60,80</b>	<b>75,55,33</b>
Principal Accounting Policies	17		
Notes on Accounts	18		

**H. Anantha Krishna Rao**  
Chief Manager (Accounts)

**K. R. Ramamoorthy**  
Chairman

**Vide our Report of even date  
attached**

**M. V. S. Appa Rao**  
Company Secretary

**Tallam N. Umesh**  
**Dayanand Soma**  
**N. C. Sarabeswaran**

**For N. C. Rajagopal & Co.,**  
Chartered Accountants

**G. P. Raja Gopal**  
Deputy General Manager

**B. V. Nageswara Rao**  
**M. K. Ramachandra**  
**H. N. Tarachandani**

**R. Vasudevan**  
Partner

**A. Ramamohana Rao**  
Senior General Manager

**Nalin U. Rajguru**  
**Dr. Ramesh C. Vaish**  
**Bart Hellemans**

**For I. S. Prasad & Setty Associates**  
Chartered Accountants

**G. Laxminarayana**  
**Ch. Raja Rao**  
**C. B. R. Murthy**  
Executive Directors

**G. B. S. Raju**  
Directors

**I. S. Prasad**  
Partner

Place : Bangalore  
Date : 25th June, 1999