



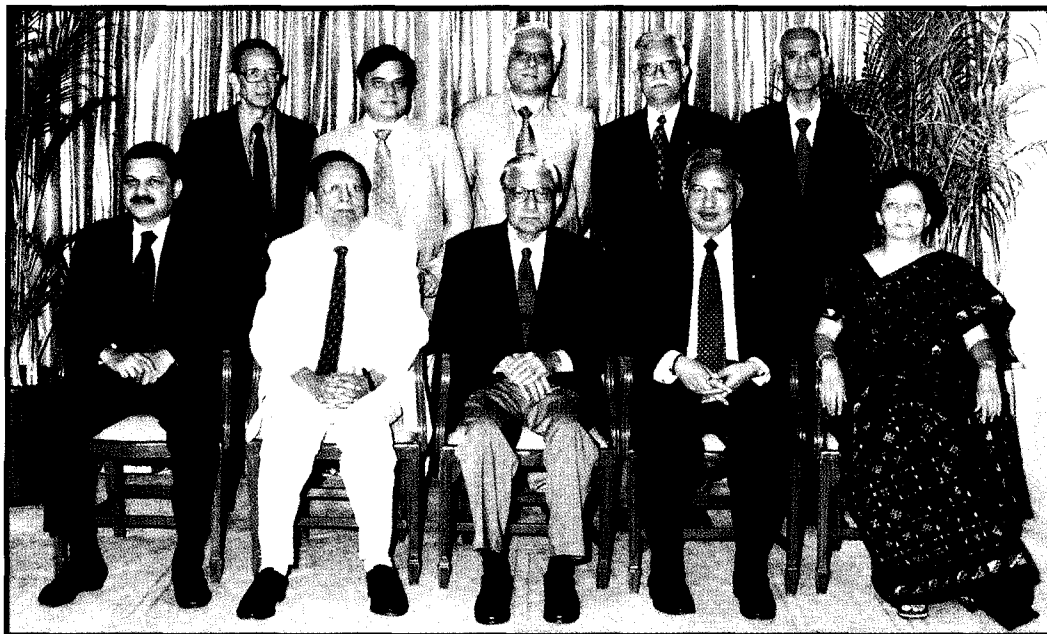
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IndusInd Bank 

ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS



Sitting (Left to Right) : Bhaskar Ghose (*Managing Director*), Lal Tolani, R. J. Shahaney (*Chairman*), Ram Buxani, Kanchan U. Chitale.
Standing (Left to Right) : O. P. Sodhani, Anil Harish, Vijay Vaid, R. Ramakrishnan, R. Sundararaman.

MANAGEMENT TEAM



First Row (left to right) : P. S. R. Andrew, Sr. Vice President (*Corporate Services and Inspection and Audit*); Varghese Thambi, Vice President (*Banking Operations & Control*); G. P. V. Rao, Sr. Vice President - Chief Information Officer; D. P. Vaidya, Asst. Vice President (*Legal*); C. V. Bijlani, Executive Vice President (*Credit*); Bhaskar Ghose, Managing Director; J. K. Basu, Executive Vice President (*Operations and Retail Banking*); Fali F. Forbes, Executive Vice President (*Human Resources*); S. V. Zaregaonkar, Executive Vice President - Chief Financial Officer; P. L. Gupta, Vice President (*Retail Banking*); Gopal Lohiya, Company Secretary.

Second Row (left to right) : S. N. Paul, Sr. Vice President; A. K. Trivedi, Vice President (*Global Banking*); J. Moses Harding, Executive Vice President (*Treasury and Global Banking*); A. K. Chatterjee, Vice President (*Planning and Budgeting*); K. G. Bhandari, Vice President (*Risk Management*); Sharukh Wadia, Sr. Vice President (*Treasury*); Chetan Shah, Sr. Vice President (*Equity Trading*); Yogesh Goyal, Vice President (*Asset Management*); N. S. Pai, Executive Vice President (*Institutional Marketing*); J. Mohan, Vice President (*Investment Banking*).

Board of Directors

| | |
|-----------------|--------------------------|
| R. J. Shahaney | <i>Chairman</i> |
| R. Ramakrishnan | <i>Director</i> |
| Vijay Vaid | <i>Director</i> |
| Anil Harish | <i>Director</i> |
| Ram Buxani | <i>Director</i> |
| Lal Tolani | <i>Director</i> |
| O.P. Sodhani | <i>Director</i> |
| R. Sundararaman | <i>Director</i> |
| Kanchan Chitale | <i>Director</i> |
| Bhaskar Ghose | <i>Managing Director</i> |

Secretary

| | |
|--------------|--------------------------|
| Gopal Lohiya | <i>Company Secretary</i> |
|--------------|--------------------------|

Auditors

M/s. Price Waterhouse & Co.
Chartered Accountants
A3/4, Gillander House, Netaji Subhas Road,
Kolkata - 700 001, India.

Solicitors

M/s. Crawford Bayley & Co.
Solicitors and Advocates
State Bank Building
NGN Vaidya Marg
Mumbai - 400 023, India

Registered Office

2401, General Thimmayya Road
Cantonment, Pune - 411 001, India

Corporate Office

IndusInd House
425, Dadasaheb Bhadkamkar Marg
(Lamington Road)
Mumbai - 400 004, India

Registrar & Share Transfer Agent

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai - 400 078, India

| | |
|--|-------|
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NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of IndusInd Bank Limited will be held at Hotel Taj Blue Diamond, 11, Koregaon Road, Pune 411 001, India, on Monday, September 29, 2003, at 2.30 p.m. to transact the following business:

Ordinary Business:

1. To consider and adopt the Profit and Loss Account for the year ended March 31, 2003 and the Balance Sheet as at March 31, 2003 together with the Reports of the Directors and Auditors thereon.
2. To declare Dividend for the year.
3. To appoint a Director in place of Mr. Vijay Vaid, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Harish, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. O. P. Sodhani, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint M/s. Price Waterhouse & Co., Chartered Accountants, the retiring auditors, as Statutory Auditors for the Bank to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, and to authorise the Board of Directors to fix the remuneration of the Statutory Auditors, and to appoint branch auditors in consultation with the Statutory Auditors and to fix their remuneration.

Special Business:

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. R. Sundararaman, who was appointed as an Additional Director pursuant to the applicable provisions of the Banking Regulation Act, 1949, and under Section 260 of the Companies Act, 1956, who holds such office until this Annual General Meeting, and in respect of whom the Bank has received a notice in writing as required under Section 257 of the Companies Act, 1956, from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Bank, liable to retire by rotation."
8. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:

"RESOLVED THAT Mrs. Kanchan U. Chitale, who was appointed as an Additional Director pursuant to the applicable provisions of the Banking Regulation Act, 1949, and under Section 260 of the Companies Act, 1956, who holds such office until this Annual General Meeting, and in respect of whom the Bank has received a notice in writing as required under Section 257 of the Companies Act, 1956, from a member proposing her candidature for the office of Director, be and is hereby appointed as a Director of the Bank, liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a special resolution:

"RESOLVED THAT the approval granted by the Board of Directors of the Bank to the voluntarily delisting of the Equity Shares of the Bank from Pune Stock Exchange Ltd. in accordance with the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 be and is hereby ratified.

FURTHER RESOLVED that the Board of Directors and/or any Committee thereof be and is hereby authorised to take all such necessary action in this connection in accordance with the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and other applicable statutory provisions, if any."

By Order of the Board

Gopal Lohiya
Company Secretary

Pune
July 29, 2003

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK. The proxy form should be lodged with the Bank at its Registered Office at least 48 hours before the time of the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.
3. All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Bank during office hours on all working days except public holidays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting (AGM).

4. The Register of Members and Share Transfer Books of the Bank will remain closed from Tuesday, September 16, 2003 to Tuesday, September 30, 2003 (both days inclusive) in terms of the provisions of Section 154 of the Companies Act, 1956.
5. Members/proxies should bring the attendance slip duly filled in for attending the AGM.
6. Members are requested to kindly bring their copies of the Annual Report to the AGM.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956:

Item No. 7

Mr. R. Sundararaman, retired as Deputy Managing Director and Group Executive of Associates and Subsidiaries of State Bank of India joined the Bank as Director on October 30, 2002. Mr. Sundararaman has 38 years of experience and thorough expertise in banking. He held several prestigious assignments in State Bank of India both in India and abroad.

Mr. R. Sundararaman was appointed as Additional Director of the Bank pursuant to applicable provisions of the Banking Regulation Act, 1949 and under section 260 of the Companies Act, 1956. Accordingly, he shall hold office upto the date of this Annual General Meeting of the Bank.

The Bank has received a notice in writing along with a deposit of Rs.500/-, pursuant to Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the appointment of Mr. R. Sundararaman as Director of the Bank. Mr. Sundararaman has filed with the Bank his consent to act as a Director of the Bank.

It will be advantageous for the Bank to avail of his experience and expertise in the field of banking. Accordingly, your Directors recommend the appointment of Mr. R. Sundararaman.

None of the Directors of the Bank, other than Mr. R. Sundararaman, are in any way concerned or interested in the passing of the Resolution.

Item No. 8

Mrs. Kanchan U. Chitale, a practicing chartered accountant for nearly 20 years, joined the Bank as Director on January 31, 2003. She is specialised in bank audits, Corporate Internal Audits, and Systems & Management Audits. Prior to entering into profession, she had a eight years stint with State Financial Corporation dealing with project finance and appraisals. During this period, she handled overseas project assignment.

Mrs. Kanchan U. Chitale was appointed as Additional Director of the Bank pursuant to applicable provisions of the Banking

Regulation Act, 1949 and under section 260 of the Companies Act, 1956. Accordingly, she shall hold office upto the date of this Annual General Meeting of the Bank.

The Bank has received a notice in writing along with a deposit of Rs.500/-, pursuant to Section 257 of the Companies Act, 1956, from a member signifying his intention to propose the appointment of Mrs. Kanchan U. Chitale as Director of the Bank. Mrs. Chitale has filed with the Bank her consent to act as a Director of the Bank.

It will be advantageous for the Bank to avail of her experience and expertise in the field of Accountancy and Auditing. Accordingly, your Directors recommend the appointment of Mrs. Kanchan U. Chitale.

None of the Directors of the Bank, other than Mrs. Kanchan U. Chitale, are in any way concerned or interested in the passing of the Resolution.

Item No. 9

The Bank's equity shares are currently listed at Pune Stock Exchange (PSE), The Stock Exchange, Mumbai (BSE), and National Stock Exchange of India (NSE). Trading in the Bank's equity shares occurs at BSE and NSE, which have nationwide trading terminals. There was not a single trade in the Bank's equity shares at PSE in the last two consecutive financial years, i.e., 2001-2002 and 2002-2003. Accordingly, it is proposed to get equity shares of the Bank voluntarily delisted from PSE to save needless listing fee expenses and compliances. Since the Bank's equity shares will continue to be listed on BSE and NSE, which have nationwide trading terminals, the trading facilities of the shareholders will not be affected in any way due to the said delisting.

In accordance with the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Board of Directors of the Bank has approved the voluntarily delisting of its equity shares from Pune Stock Exchange, and now recommends the ratification of this Special Resolution by the shareholders of the Bank.

None of the Directors are concerned or interested in this resolution in any manner.

By Order of the Board

Gopal Lohiya
Company Secretary

Pune
 July 29, 2003

**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/
RE-APPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING**
(In pursuance of clause 49 of the Listing Agreement)

| Name of Director | Mr. R. Sundararaman | Mrs. Kanchan Chitale | Mr. Vijay Vaid | Mr. Anil Harish | Mr. O. P. Sodhani |
|--|--|---|--|--|---|
| Qualifications | M. Com., CAIIB | B. COM., FCA | B. Com. | B.A., L.L.B., L.L.M. (USA) | M.A., (Economics), CAIIB |
| Expertise in specific functional areas | Retired as Dy. Managing Director from State Bank of India with experience in the field of banking. | Practicing Chartered Accountant and specialised in Finance, Accounts, and Audits. | Leading Industrialist with wide experience in medium and small-scale Industries. | Eminent lawyer with specialisation in broad spectrum of corporate laws, taxation, and property laws. | Retired as Executive Director from Reserve Bank of India with experience in the field on banking. |
| Date of Appointment | October 30, 2002 | January 31, 2003 | June 11, 1998 | July 22, 1998 | May 29, 2000 |
| List of Companies in which outside Directorship held as on July 29, 2003. | None | Harkan Management Consultancy Services Pvt. Ltd. | Vaid Elastomer Processors Ltd. Vaid Overseas Pvt. Ltd. | Valecha Engineering Ltd. Tolani Shipping Co. Ltd. Hinduja TMT Ltd. K. C. Maritime (India) Ltd. Advani Hotels & Resorts (India) Ltd. Hotel Leela Venture Ltd. Tower Insurance & Reinsurance Services (India) Ltd. Prebon Yamane India Ltd. Cinevista Communications Ltd. Mukta Arts Ltd. Unitech Ltd. Arabian Consultants Pvt. Ltd. Indeusia Inter-trade Pvt. Ltd. Oasis Construction (Overseas) Private Ltd. Sherbrook International Pvt. Ltd. Pune Software Park Pvt. Ltd. Quantum Advisors Pvt. Ltd. Helpyoumgo.com India Pvt. Ltd. Freight Connection India Pvt. Ltd. Ges India Pvt. Ltd. Orinoco Marine Consultancy India Pvt. Ltd. Eurasia Travel Services Pvt. Ltd. Paramount Shipping & Management P. Ltd. Bernhard Schulte Shipping (India) Pvt. Ltd. Eurasia Maritime Management (India) Pvt. Ltd. Reza Progetti India Pvt. Ltd. | BSL Ltd. Trans Corp International Ltd. |
| Chairman/Member of the Committees of the Boards of the other Companies on which he is a Director as on July 29, 2003 | None | None | None | Hotel Leelaventure Ltd. – Audit – Member Committee of Directors for issue of Shares – Member Shareholders/Investors' Grievances – Chairman Hinduja TMT Ltd. – Audit – Chairman Investors' Grievances – Chairman Mukta Arts Ltd. – Audit – Member Tolani Shipping Co. Ltd. – Audit – Member Unitech Ltd. – Audit – Member Shareholders' Grievances – Chairman | BSL Limited – Audit – Member Trans Corp. International Ltd. – Audit – Member |

DIRECTORS' REPORT

To all Members,

Your Directors are pleased to present the Ninth Annual Report with the Audited Balance Sheet and Accounts of the Bank for the financial year ended March 31, 2003.

Amalgamation of IndusInd Enterprises & Finance Limited (IEFL) with the Bank:

The High Court of Judicature at Bombay, vide its Order dated June 5, 2003, has sanctioned the Scheme of Amalgamation of IEFL, a Non-Banking Finance company and one of the co-promoters of the Bank, with IndusInd Bank Limited (the Scheme) with appointed date April 1, 2002. The Scheme became effective from July 11, 2003, when a certified true copy of the High Court Order was filed with the Registrar of Companies, Pune, Maharashtra. Pursuant to the amalgamation, the shareholders of the erstwhile IEFL will be given one fully paid-up equity share of the Bank for every one fully paid-up equity share of IEFL held by them on July 28, 2003. These shareholders are entitled for full dividend for the financial year ended March 31, 2003.

On implementation of the Scheme, IndusInd Information Technology Limited (IITL) became a subsidiary of the Bank. Steps are being initiated to dilute the Bank's equity holding in the said subsidiary from the existing 80% to 30% before October 31, 2003, in line with Reserve Bank of India's requirements. In compliance with Section 212 of the Companies Act, 1956 the audited statement of accounts along with the report of the Board of Directors and the Auditors' Report of IITL are annexed.

Financial Performance (post-merger):

| | (Rs. in Crores) | | (US\$ in Millions) | |
|---|--------------------|--------------------|--------------------|--------------------|
| | as on 31.3.2003 | as on 31.3.2002 | as on 31.3.2003 | as on 31.3.2002 |
| Deposits | 8597.87 | 8400.12 | 1810.84 | 1769.19 |
| Advances | 5347.85 | 5574.20 | 1126.34 | 1174.01 |
| Operating Profit (Before depreciation) | 349.55 | 273.16 | 73.63 | 57.53 |
| Net Profit | 90.17 | 50.75 | 18.99 | 10.69 |

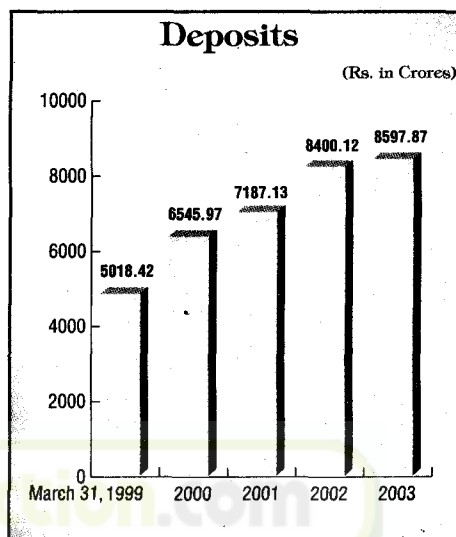
Your Directors recommend appropriation of profit as under:

| | (Rs. in Crores) | (US\$ in Millions) |
|---|--------------------|-----------------------|
| Operating Profit before Depreciation | 349.55 | 73.63 |
| Less: Depreciation on Fixed Assets | 25.25 | 5.32 |
| Less: Provisions & Contingencies | 234.13 | 49.32 |
| Net Profit | 90.17 | 18.99 |
| Add: Profit Brought Forward | 13.33 | 2.81 |
| Add: Profit on amalgamation | 1.04 | 0.22 |
| Add: Transfer from Contingency Reserve | 77.83 | 16.39 |
| Less: Provision for Contingency | 92.20 | 19.42 |
| AMOUNT AVAILABLE FOR APPROPRIATION | 90.17 | 18.99 |
| Transfer to Statutory Reserve | 22.54 | 4.75 |
| Transfer to Investment Fluctuation Reserve | 19.87 | 4.18 |
| Transfer to Capital Reserve | 7.58 | 1.60 |
| Proposed Dividend | 30.83 | 6.49 |
| Corporate Dividend Tax | 3.95 | 0.83 |
| Balance carried over to Balance Sheet | 5.40 | 1.14 |
| Total | 90.17 | 18.99 |

Conversion Rate : US\$1 = Indian Rs.47.48 (as on March 31, 2003)

Profit

For the financial year ended March 31, 2003, your Bank earned an operating profit of Rs.349.55 crores compared to Rs.273.16 crores in the previous year, recording a growth of 27.96%. After making necessary provisions, the net profit was also higher at Rs.90.17 crores compared to Rs.50.75 crores for the previous year, registering an increase of 77.67%.



Dividend

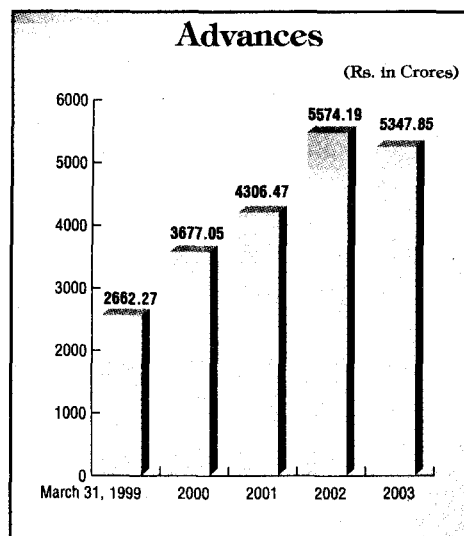
The Directors of your Bank recommend a dividend of 14% for the year ended March 31, 2003 (previous year 14%), subject to approval by the members.

Economic Scenario

Fiscal 2002-03 witnessed a GDP growth of about 4.5% as against 5.5% achieved in the previous year. This decline was, predominantly, a result of drought-like conditions and failed monsoons in many parts of the country, with the agriculture sector registered a decline of 3.10%. However, after a sluggish start, some other sectors of the economy showed recovery and growth. The year saw a new high for the country's foreign exchange reserves, which increased to US \$ 75.4 billion as on March 31, 2003 compared to US \$ 54.1 billion a year earlier.

The focus of the on-going reforms in the Banking sector was on soft interest rates, increased operational efficiency, strengthened regulatory mechanisms, and technological up-gradation. As a step towards a softer interest rate regime, Reserve Bank of India (RBI) in its Annual Policy Statement advised Banks to introduce a system of flexible interest rates for new deposits, announce a maximum spread over PLR for all advances other than consumer credit, and review the prevailing maximum spread over PLR with a view to reducing them wherever they were unreasonably high.

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The enactment of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 is an important development for the Indian Banking Sector, strengthening Banks' efforts in the recovery of Non-Performing Assets (NPAs).

Deposits

The total deposits of your Bank as on March 31, 2003 were Rs.8597.87 crores, 2.35% over the level of March 31, 2002. Because of the slower credit off-take during the major part of the year, the build-up of deposits was kept at a modest level.

Advances

The net advances of your Bank was Rs. 5347.85 crores as on March 31, 2003 compared to Rs.5574.20 crores as on March 31, 2002. Even this slightly lower level of advances resulted in a credit-deposit ratio of 62.19% for your Bank, which is considered adequate.

Capital Adequacy

The capital to risk-weighted assets ratio (CRAR) of your Bank as on March 31, 2003 was a comfortable 12.13%, well above the regulatory requirement of 9%. The Bank raised Rs.35.50 crores during the year through the issue of Tier II subordinate bonds for a tenure of 63 months. The Tier I component of the Bank's CRAR was 10.06% as on March 31, 2003 as compared to 10.45% as on March 31, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Banking

Asset quality continues to receive the greatest consideration in the Bank's various endeavours in Corporate Banking. It is maintained through a multi-pronged strategy of skilful selection of new customers through high standards of appraisal and the application of stringent credit-risk policies.

Your Bank continues to add well-performing public-sector corporations and blue-chip private-sector companies to its client portfolio. The Bank's branches have been categorised into "Corporate Business" and "Retail Business" branches for

focussed growth in both these important segments. The credit appraisal procedure is automated to minimize turn-around time so as to increase the efficiency of the credit delivery process.

Priority Sector Banking

Direct lending to the priority sector was Rs.982.43 crores (previous year Rs.695.78 crores) as on March 21, 2003 (the last reporting Friday of the year 2003). In addition, investments in priority-sector bonds amounted to Rs.533.52 crores (previous year Rs. 402.99 crores). The aggregate outstandings of Rs.1515.95 crores (previous year Rs.1098.77 crores) constituted 41.30% (previous year 27.68%) of Net Bank Credit as on March 21, 2003, as against the target of 40% stipulated by Reserve Bank of India.

Retail Banking

Built on a state-of-the-art technology platform, your Bank has had - since its inception - the capability of handling volumes related to retail business in an efficient and cost-effective manner. Emerging market trends and opportunities have enabled your Bank to leverage these strengths towards the development of a strong retail business portfolio.

Your Bank has set for itself a clear customer-focussed agenda and has moved to launch retail products with the powerful features of multi-city banking, mobile banking, Internet banking, doorstep banking and phone banking. These new products have augmented the Bank's existing suite of retail products and ensured that the Bank caters to a wider base of customers.

In respect of direct-banking channels, your Bank has taken several initiatives to amplify its retail thrust. The Bank now issues Debit Cards and acquires card-related transactions. In the last twelve months, your Bank's ATM network and card base have both doubled. The Bank's network of branches, extension counters and ATMs has been expanded judiciously to increase its reach across the country. The revamped Net banking product "Indusnet" includes a unique "Personal Banker" feature.

Your Bank's foray into the Retail Loans segment has met with good response. The Bank has launched several products aimed at a cross-section of customers. In the coming year, your Bank proposes to increase its suite of products and its endeavour is to continuously upgrade and improve its products.

Your Bank is in the process of launching value-added products and services specifically for the NRI segment and the High NetWorth customers segment. Your Bank has also started marketing Mutual Fund products, for which it has tied up with major Asset Management companies.

Supporting investment in new technology has kept pace with the Bank's retail thrust. The build-up of other infrastructure to assist in its retail initiatives has also been receiving the Bank's attention.

Investment Banking

The Capital Markets witnessed significant volatility during the year, arising from stock-specific movements.

In such a situation, your Bank has continued its cautious approach and kept its exposure to the capital markets under tight control. Capital Markets exposure was accordingly reduced from Rs.122.32 crores as on March 31, 2002 to Rs.111.87 crores as on March 31, 2003. Your Bank has

continued to function as clearing bankers to National Stock Exchange (NSE) and Bombay Stock Exchange (BSE), but stopped performing this role for Calcutta Stock Exchange (CSE). Reduced volumes, lower prices and shorter settlement periods have cumulatively resulted in lower depository income for the Bank.

The impact of a subdued stock market has also been felt on the Bank's deployment of credit under its Indus Demat Cash Scheme. Because retail investors have largely stayed away from the capital markets, there has been lower off-take under this scheme. Deployment under the scheme has fallen from Rs.6.34 crore as on March 31, 2002 to Rs.4.40 crore as on March 31, 2003. Your Bank has been selective in accepting shares as security, with the result that its advances portfolio under the scheme, though small, is of very good quality. With the economy showing signs of recovery, and activity on the stock markets re-gaining momentum, your Bank plans to again market loans under the scheme actively.

As a step towards providing higher levels of customer convenience, your Bank has started operations as a Depository Participant of the Central Depository Services Ltd. (CDSL). Besides, the Bank has updated its software and the connectivity infrastructure for improving client service. Your Bank is poised for growth in this sector, both organic and otherwise.

During 2002-03, in order to provide focussed services to the capital market segment, a branch at Fort, Mumbai was opened in February to reactivate merchant banking and advisory services. Your Bank is also concentrating on further developing its Debenture Trusteeship and Dividend Warrant businesses.

Treasury Operations

During the year, your Bank actively traded in the Government securities market, taking advantage of the volatile movements in interest rates. The year saw your Bank emerging as one of the foremost trading players in the market, recording a volume of Rs.1,16,090 crores (including Repo transactions) as against Rs.35,561 crores in the previous year. The Bank's Treasury registered a record trading profit of Rs.192.80 crores. This was due to its accurate prediction of interest rate movements and to controlled trading. The softening bias in interest rates enabled the Bank to capitalise on the fall in bond yields.

Your Bank has maintained its emphasis on providing Constituent SGL accounts and has added to its income by way of float funds and fees. This has been identified as an important line of activity and will be pursued during 2003-04 as well.

As a measure of risk management, the Bank's securities portfolio is marked to market on a daily basis. A new Treasury Solution System and additional tools for risk management to better help monitor risk are scheduled for acquisition in 2003-04.

Foreign Exchange Treasury

Your Bank remains a prime player in the foreign exchange markets and offers traditional as well as the latest derivative products to its clients to enable them hedge their exposure. Identifying the needs of its clients and helping them better understand foreign exchange markets through its advisory services continue to constitute an important objective for the Bank.

Recent months have seen the Indian Rupee strengthening

against the U.S. Dollar, led by exports growth and substantial inflow from Non-Resident Indians (NRIs) and foreign investors. With dollar interest rates falling sharply, the market has witnessed increased demand for dollar-denominated loans from corporates. By virtue of its significant foreign currency deposit-base, your Bank has largely been able to cater to the needs of its existing customers and also to increase its customer base by selectively offering foreign currency loans to prime corporates.

During the year, your Bank registered a Foreign Exchange turnover of Rs.57803 crores as against Rs.43108 crores during the previous year, recording a profit of Rs.14.15 crores as compared to Rs.13.66 crores in the previous year.

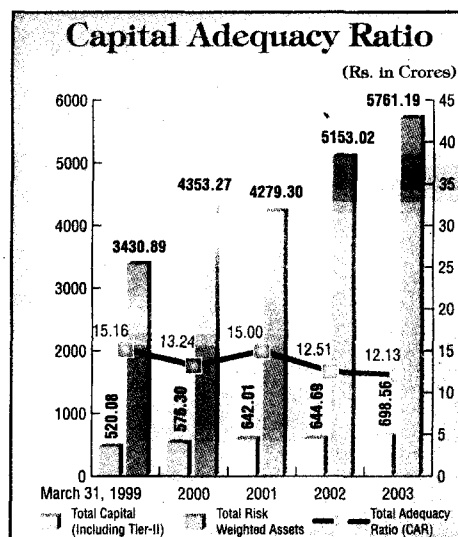
Global Banking

2002-03 was marked by a synchronised global economic slowdown, despite which your Bank has done well, with foreign exchange business continuing to contribute to the Bank's revenue. Your Bank enjoys correspondent banking relationships with 229 reputed banks all over the world, to facilitate international trade and the settlement of payments.

Your Bank is scheduled to establish Representative Offices in Dubai (UAE) and London (UK). These offices, besides servicing NRI clients and stakeholders, will act as focal points for widening the Bank's tie-up with local banks in the UK and the UAE.

Your Bank's branches handle foreign exchange transactions, independently and speedily, using SWIFT, HEXAGON and FASTFOREX. The Bank maintains its capability of applying overseas inward remittances within 24 hours of receipt in its 21 nostro accounts in eleven currencies and a multi-currency account. Your Bank services vostro accounts of five overseas banks, facilitating Indian Rupee transactions. The Bank plans to continue attracting Indian Rupee vostro accounts from banks with no presence in India.

Your Bank has entered into electronic money transfer arrangements with M/s. MoneyGram International Ltd., USA and M/s. Zoha Inc., USA, for attracting beneficiaries of small-value remittances from overseas.



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The existing arrangement with Gulf Express Exchange, Dubai (UAE), covering remittances to India from NRIs (Non-Resident Indians) and others settled in the UAE, has been working to the full satisfaction of its beneficiaries.

Exporters' meetings and seminars at various locations were conducted in close co-ordination with facilitators such as Reserve Bank of India, Export Credit Guarantee Corporation of India (ECGC), trade bodies and commodity boards. A workshop for understanding the implications of the Foreign Exchange Management Act, 1999 was organised by the Bank, with the active support of Reserve Bank of India.

Your Bank has entered into bullion trading activities at a number of locations in India, thereby enhancing the scope of its global banking business.

Your Bank has the capacity to provide advisory and financial services to Indian entities setting up joint ventures and wholly-owned subsidiaries abroad. The Bank will continue to broaden its range of global banking products and services in the years to come.

Institutional Marketing

The Corporate Deposits of the Bank as of March 31, 2003 grew by 19% over March 31, 2002. Your Bank initiated relationships with leading Corporates and Institutions across the country, and succeeded in establishing several new prime corporate deposit relationships.

Advertisement and Publicity

Your Bank made focussed attempts at increasing brand awareness and visibility in the market. A corporate press campaign was carried out in major national and vernacular dailies across the country, over a period of 45 days. The Bank sponsored lead-generating events at all major cities and towns, thus helping the growth of retail accounts. Your Bank also used FM Radio and other advertisement channels for image-building as well as product- information dissemination.

Asset Management

Non-performing accounts are closely monitored at the seniormost level of management. While the overall objective

is to constantly reduce Non-Performing Assets (NPAs), your Bank also aims at rehabilitating viable units and recovering written-off accounts through legal action. One-time settlement and compromise arrangements are concluded in deserving cases.

197 cases have been filed by the Bank so far in Debt Recovery Tribunals (DRTs), of which 56 have already been decreed in your Bank's favour. The Bank has issued notices to 75 defaulting borrowers under the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act 2002 and in 14 cases, mortgaged properties have been seized. 9 defaulters have approached the Bank for settlement or compromise. The Bank has also initiated 24 criminal complaints against defaulting borrowers and their Directors, where elements of fraud or misrepresentation were detected.

Several properties and assets of borrowers and their guarantors have been attached and put up for auction, including two hotels in Pune and residential houses of guarantors.

In respect of restructuring of debts where multiple lenders are involved, the Bank has joined the Corporate Debt Restructuring system (CDR system), an RBI initiative.

Cash recovery of Rs.42.76 crores (Rs.11.64 crores in the previous year) was made during 2002-03, which helped in the reduction of the Non Performing Assets (NPAs) level to 4.25% (from 6.59% in the previous year) of net advances. Sustained follow-up on various actions initiated by the Bank has prompted a large number of defaulters to seek compromise/settlement of their accounts. The incidence of incremental NPAs has declined sharply.

Inspection and Audit

The number, nature, and operational scope of business units have increased significantly. Hence, the need for appropriate measures to continuously monitor their levels of efficiency has also risen in tandem. In this context of rapid growth, it has been ensured that RBI-prescribed standards for the inspection and audit of branches at regular intervals are maintained.

The Bank constantly evaluates the adequacy of all internal controls and ensures adherence to operating guidelines, and to regulatory and legal requirements.

Emphasis is placed on speedy rectification of irregularities. Credit Audit, and the scrutiny of operations at branches on a daily basis, have helped identify deficiencies in loans as well as "housekeeping" matters, and has enabled the Bank to identify and implement suitable corrective measures

The Audit Committee of the Board reviews the effectiveness of controls as well as compliance with regulatory guidelines. The Bank's extensive internal controls, including restricted access to computer systems and strong audit trails, have helped to mitigate operational risks.

Your Bank is now fully geared for changing its concentration from the present transaction-oriented approach to the new risk-based focus, in line with the Basle Committee Recommendations, from the financial year 2003-2004.

