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PROSPECTUS
Dated February 24, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

THE SOUTH INDIAN BANK LIMITED

(A SCHEDULED COMMERCIAL BANK)

[Incorporated on January 25, 1929 under the Companies Act, 1913]

Registered Office, "SIB HOUSE", P.B.No.28, T.B. Road, Thrissur 680 001, Kerala. Tel: (0487) 2420020 Fax (0487) 2442021

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PUBLIC ISSUE OF 22,727,272 EQUITY SHARES OF RS.10 EACH FOR CASH AT A PRICE OF Rs.66 PER EQUITY SHARE AGGREGATING Rs.1,500 MILLION BY THE SOUTH INDIAN BANK LIMITED ("THE BANK" OR "ISSUER") (THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 18,181,818 EQUITY SHARES OF Rs. 10 EACH (THE "NET ISSUE") AGGREGATING Rs.1,200 MILLION AND A RESERVATION FOR ELIGIBLE EMPLOYEES AND SHARE HOLDERS OF UP TO 2,272,727 EQUITY SHARES EACH AT THE ISSUE PRICE AGGREGATING Rs. 150 MILLION EACH. THE ISSUE WOULD CONSTITUTE 32.2% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE BANK.

ISSUE PRICE: Rs. 66 PER EQUITY SHARE OF FACE VALUE Rs.10.

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/ Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited, The Bombay Stock Exchange Limited and The Cochin Stock Exchange Limited, by issuing a press release, and also by indicating the change on the web sites of the BRLMs, the Bank and at the terminals of the Syndicate.

The Issue is being made through a 100% Book Building Process wherein up to 50% of the Issue will be allocated to Qualified Institutional Buyers ("QIBs") on a proportionate basis. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds. Mutual Fund applicants shall also be eligible for proportionate allocation under the balance available for the QIBs. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Up to 2,272,727 Equity shares each shall be available for allocation on a proportionate basis to the eligible employees and share holders, subject to valid Bids being received at or above the issue Price and the maximum Bid in the Employee and Share Holders Reservation Portion is limited to 2,272,727 Equity Shares.

RISK IN RELATION TO THE ISSUE

We are listed on the National Stock Exchange of India Limited., the Bombay Stock Exchange Limited and the Cochin Stock Exchange Limited. The Issue Price (as determined by The South Indian Bank Limited in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. The market price of the existing Equity Shares of The South Indian Bank Limited could affect the price discovery through book building and vice versa. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing

GENERAL RISKS

Investments in Equity and Equity-related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this issue. For taking an investment decision, investors must rely on their own examination of the Bank and the issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page xi of this Prospectus

ISSUER'S ABSOLUTE RESPONSIBILITY

The Bank having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Bank and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the National Stock Exchange of India Limited., the Bombay Stock Exchange Limited and The Cochin Stock Exchange Limited., where the existing Equity Shares of the Bank are listed. We have received in-principle approvals from the National Stock Exchange of India Limited., the Bombay Stock Exchange Limited. and The Cochin Stock Exchange Limited., for the listing of the Equity Shares pursuant to letters dated January 9, 2006, January 6, 2006 and December 22, 2005 respectively. The Designated Stock Exchange is The Bombay Stock Exchange Limited., Mumbai

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
ICICI SECURITIES LIMITED ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India. Tel: + 91 22 2288 2460 Fax: + 91 22 2282 6580 E-mail: sib_fpo@isecltd.com Website: www.icicisecurities.com	**ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED** 801/802, Dalamal Towers, Nariman Point, Mumbai 400 021, India Tel: (91 22) 5638 1800 Fax: (91 22) 2284 6824 Email: sib_fpo@enam.com Website: www.enam.com	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai – 400 078. Tel: (91 22) 5555 5491-94 Fax: (91 22) 5555 5499 e-mail: siblfpo@intimespectrum.com Website: www.intimespectrum.com

BID / ISSUE PROGRAMME

BID/ISSUE OPENED ON : FEBRUARY 10, 2006	BID/ISSUE CLOSED ON : FEBRUARY 15, 2006

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DEFINITIONS AND ABBREVIATIONS

Term	Description
The "Bank" or "our Bank" or "The South Indian Bank Limited, or "we" or "our" or "us"	Unless the context otherwise requires, refers to The South Indian Bank Limited, having its Registered Office at Thrissur, Kerala, India.
Bank/Industry Related Terms	
Auditors	The statutory auditors of the Bank being, M/s. Varma & Varma, Chartered Accountants, Nettepadam Road, Kochi-682 016 appointed by the Bank on various dates.
Articles/Articles of Association	The Articles of Association of The South Indian Bank Limited
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time
Board of Directors/Board	The Board of Directors of our Bank or a Committee constituted thereof
Director(s)	Director (s) of The South Indian Bank Limited, unless otherwise specified
Head Office/ Registered Office	The Registered Office of the Bank being 'SIB House' P.B. No. 28, T.B. Road, Thrissur 680 001, Kerala, India.

Issue Related Terms

Allotment	Unless, the context otherwise requires, the issue of Equity Shares pursuant to this Issue
Banker to the Issue	The South Indian Bank Limited and ICICI Bank Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid Closing Date/Issue Closing Date	The date after which the Bank will not accept any Bids for the Issue, which shall be notified at least one day prior to the Bid Opening Date/ Issue Opening Date, in an English and Hindi national newspaper with wide circulation and a Malayalam newspaper with wide circulation
Bid Opening Date/Issue Opening Date	The date on which the Bank shall start accepting Bids for the Issue, which shall be the date notified in an English and Hindi national newspaper with wide circulation and a Malayalam newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Bank and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Prospectus and the Bid cum Application Form
Bidding Period/Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids

Term	Description
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being ICICI Securities Limited and Enam Financial Consultants Private Limited.
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs which will be notified in an English, Hindi, and a Malayalam newspaper with wide circulation. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with theROC, following which the Board shall allot Equity Shares to successful Bidders
Designated Stock Exchange	The Bombay Stock Exchange Limited
Draft Prospectus	The Draft Red Herring Prospectus filed with the SEBI on December 16, 2005, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Eligible Employee	Means a permanent employee or Director of the Bank, who is an Indian National based in India and is physically present in India on the date of submission of the Bid cum Application Form. In addition, such person should be an employee or Director during the period commencing from the date of filing of the Red Herring Prospectus with the ROC up to the Bid Closing Date/Issue Closing Date
Employee Reservation Portion	The portion of the Issue being a maximum of 2,272,727 Equity Shares available for allocation to Eligible Employees
Enam	Enam Financial Consultants Private Limited, a company incorporated under the Companies Act and having its registered office at 113, Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001, India with its corporate office at 801/802, Dalamal Towers, Nariman Point, Mumbai 400 021
Equity Shares	Equity shares of the Bank of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement entered into amongst the Bank, the Registrar, the Escrow Collection Bank, the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank	The South Indian Bank Limited and ICICI Bank Limited

Term	Description
FEMA	Foreign Exchange Management Act.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
FPO	Follow-on Public Offer
I – Sec	ICICI Securities Limited
IPO	Initial Public Offering
Issue	Public issue of 22,727,272 Equity Shares of Rs. 10 each for cash at a price of Rs. 66 per Equity Share aggregating Rs. 1,500 million by the Bank comprising a Net Issue to the Public of 18,181,818 Equity Shares of Rs. 10 each aggregating Rs. 1,200 million and a reservation for Eligible Employees of up to 2,272,727 Equity Shares of Rs. 10 each and for Shareholders of up to 2,272,727 Equity Shares of Rs.10 each aggregating Rs. 150 million each at the Issue Price pursuant to the Red Herring Prospectus and the Prospectus
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Bank in consultation with the BRLMs, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount
Net Issue/Net Issue to the Public	The Issue less the allocation to the Eligible Employees and Eligible Shareholders.
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-
Non-Institutional Portion	The portion of the Net Issue to the Public and being a minimum of 18,181,818 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidder(s)
Pay-in Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the date specified in the CAN
Price Band	The price band with a minimum price (Floor Price) of Rs. 60 and the maximum price (Cap Price) of Rs. 66, which shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date, in an English, Hindi and a Malayalam newspaper with wide circulation, and including any revisions thereof
Pricing Date	The date on which the Bank in consultation with the BRLMs finalizes the Issue Price
Prospectus	The Prospectus, filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information

Term	Description
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, 1956 and FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million (subject to applicable law), pension funds with a minimum corpus of Rs.250 million and multilateral and bilateral development financial institutions
QIB Portion	The portion of the Net Issue to the Public up to 9,090,909 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs
QIB Margin Amount	An amount representing 10% of the Bid Amount submitted by a QIB in its Bid
Registrar/Registrar to the Issue	Registrar to the Issue, in this case being, Intime Spectrum Registry Limited.
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue
Retail Portion	The portion of the Net Issue to the Public and being a minimum of 6,363,636 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the ROC at least three days before the Bid Opening Date and will become a Prospectus after filing with the ROC after pricing and allocation
SARFAESI or Securitisation Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
Shareholder Reservation Portion	The portion of the Issue Being a maximum of 2,272,727 Equity Shares available for allocation to Shareholders
Stock Exchanges	BSE, NSE and CSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Bank and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	ICICI Brokerage Services Limited & Enam Securities Pvt. Ltd.
UIN	Unique Identification Number
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the members of the Syndicate and the Bank entered into on or after the Pricing Date.

Technical And Industry Terms

Term	Description
ALCO	Asset Liability Committee
ALM	Asset Liability Management
ATMs	Automated Teller Machines
CAIIB	Certified Associate of Indian Institute of Bankers
CAR	Capital Adequacy Ratio
CBS	Centralised/Core Banking Solutions
CDMAOSC	Committee to Decide and Monitor Augmentation of Share Capital
CDR	Corporate Debt Restructuring
CP	Commercial Paper
CRAR	Capital to Risk-weighted Assets Ratio
CRR	Cash Reserve Ratio
ECS	Electronic Clearing Services
EFT	Electronic Funds Transfer
FCNR Account	Foreign Currency Non-Resident Account
FCNR(B)	Foreign Currency Non-Resident (Banks)
Finacle	Core Banking Solution of Infosys Technologies Limited.
HR	Human Resources
IBA	Indian Banks Association
IT	Information Technology
JPC	Joint Parliamentary Committee
KYC Norms	Know Your Customer norms as stipulated by the Reserve Bank of India
LAF	Liquidity Adjustment Facility
LC	Letter of Credit
LFAR	Long Form Audit Report
LIBOR	London Inter Bank Offered Rate
NPA	Non Performing Asset
NRNR	Non Resident Non Repatriable
OTS	One Time Settlement
p.a.	Per annum
PIN	Personal Identification Number
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
Sibertech	Computerisation Project of the Bank
SGL	Subsidiary General Ledger
SLBC	State Level Bankers' Committee

Term	Description
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprises
Spread	Spread represents the result of dividing net interest income by monthly average working funds (which are total assets)
SSI	Small Scale Industries
Tier II Bonds	Unsecured subordinated bonds issued by South Indian Bank for Tier II capital adequacy purposes
Tier I capital	The core capital of a Bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by Equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk-weighted assets), hybrid debt capital instruments (which combine certain features of both Equity and debt securities) and subordinated debt (excluding such debt with initial maturity of less than 5 years or remaining maturity of less than one year).

Conventional/General Terms

AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BOI	Bank of India
Br.	Branch
BSE/ Bombay Stock Exchange	Bombay Stock Exchange Limited
CAGR	Compound Annual Growth Rate
CARE	Credit Analysis and Research Limited
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
CSE	Cochin Stock Exchange Limited
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
DSD	Daily Savings Deposit
DRT	Debt Recovery Tribunals
ECGC	Export Credit Guarantee Corporation of India Limited

Term	Description
EPS	Earnings Per Share
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/fiscal year/FY/fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FITCH	Fitch Rating India Private. Limited
GIR Number	General Index Registry Number
Government/GoI	The Government of India
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally accepted accounting principles in India
IRMD	Integrated Risk Management Department
KND	Kalpaka Nidhi Deposit
MF/MFs	Mutual Funds
MoF	Ministry of Finance, Government of India
NABARD	National Bank for Agricultural and Rural Development
NAV	Net Asset Value
NBFC	Non-Banking Finance Company
Non Resident	Non-Resident is a Person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRE Account	Non Resident (External) Account
NRI/Non-Resident Indian	Non-Resident Indian, is a Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE/ National Stock Exchange	National Stock Exchange of India Limited
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not permitted to invest in this Issue

Term	Description
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
RBI	The Reserve Bank of India
Reserve Bank of India Act/RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
ROC	The Registrar of Companies, Kerala at Ernakulam located at Company Law Bhavan, BMC P O, Thrikkakara, Kochi – 682 021
SBI	State Bank of India
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended on November 11, 2005, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
TDS	Tax Deducted at Source
TOD	Temporary Over Draft
VRS	Voluntary Retirement Scheme

CERTAIN CONVENTIONS; USE OF MARKET DATA

The financial data in this Red Herring Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Prospectus. We currently do not have any subsidiaries, hence there are no consolidated financial statements. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from RBI publications and other industry sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Prospectus is reliable, it has not been independently verified.

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", ""objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries;
- Changes in Indian or international interest rates and their impact on our financial results;
- Performance of the agricultural, retail and industrial sectors in India;
- Changes in the value of the Rupee and other currencies;
- Changes in laws and regulations that apply to banks in India, including laws that impact our ability to enforce our collateral;
- The occurrence of natural disasters or calamities affecting the areas in which we have operations or outstanding credit;
- Changes in political conditions in India; and
- Changes in the foreign exchange control regulations in India;
- Potential mergers, acquisitions or restructuring;
- Rate of growth of our deposits, advances and investments;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives.

For further discussion of factors that could cause our actual results to differ, see the section titled "Risk Factors" beginning on page i of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Bank, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Bank and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges in respect of the Equity Shares allotted in this Issue.

RISK FACTORS

An investment in the Equity Shares involves a degree of risk. You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our Bank, you should read this section in conjunction with the sections entitled "Business" beginning on page 44 of this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 129 of this Prospectus as well as the other financial and statistical information contained in this Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

All of the financial data presented in this section are based on our Bank's standalone restated financial statements included in this Prospectus or on the data reported to RBI on the dates indicated unless otherwise noted.

Internal Risk Factors and Risks Relating to our Business

1) ***There are certain criminal proceedings against the Bank***

These proceedings are ending at different stages of adjudication:

a. Mr. Gangadharan has filed a criminal complaint No. 42/2004 before the Judicial Magistrate of Mahe against the Manager of the Bank, Mahe branch alleging commission of offences under Section 406, 409 and 420 of Indian Penal Code, 1860. The Court of the Judicial Magistrate has framed charges against the branch Manager and trial of the case has commenced. Subsequently, the Bank filed Cr. P No. 22310/05 before the High Court of Madras for grant of stay on further proceedings in the criminal complaint. Both matters are pending before the respective authorities.

b. Smt. Kasturi Sen Gupta has filed a criminal complaint No. 170 before Police department on June 20, 2001 against her husband Mr. Parthasarathi Sen Gupta and officials of Kolkata Ballygunge branch of the bank for offences under section 406, 419, 467, 471 IPC. It is alleged that complainant's husband in connivance with the branch officials has encashed a cheque dated November 9, 2000 in her SB account. Investigating officer has orally informed the bank that the records are forwarded to Central Forensic Laboratory for the comparison of signature.

c. Enforcement officer, Enforcement Directorate, Mumbai has filed a criminal case No. 1096/S/02 before the Court of Chief Metropolitan Magistrate, Esplanade, Mumbai against Mumbai Nariman Point branch for the alleged violation of provisions of Foreign Exchange Regulation Act (FERA) and Exchange Control Manual instructions. The said matter is connected with the adjudication proceeding detailed at page 147 of this Prospectus.

In the event that an unfavourable order(s) is/are passed, the same may have an affect on our operations and continuation of our Directors on the Board of Directors. Details of the litigations pending against and/ or filed by the Directors of the Bank are as provided under "Outstanding Litigation and Material Developments" on page 147 of this Prospectus.

2) ***Our results of operations depend to a great extent on our net interest income, and volatility in interest rates and other market conditions could adversely impact our business and financial results.***

In the first six months of fiscal 2006, net interest income represented 39.75% of our interest income and 36.76% of our total income. Volatility and changes in market interest rates could disproportionately affect the interest we earn on our assets as compared to the interest we pay on our liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in net interest income. Accordingly, volatility in interest rates could adversely affect our business and financial performance. An increase in interest rates also may adversely affect the rate of growth of important sectors of the Indian economy such as the corporate, retail and agricultural sectors, which may adversely impact our business.

Interest rates are sensitive to many factors beyond our control, including RBI's monetary policy, de-regulation of the financial sector in India, domestic and international economic and political conditions and other factors. On April 29, 2005, the reverse repo rate (which is the overnight rate at which commercial banks place funds with RBI) was raised from 4.75% to 5.00% and on October 26, 2005 it was again raised by another 25 basis points to 5.25%.

Under the regulations of RBI, we are required to maintain a minimum specified percentage, currently 25.0% (Statutory

Liquidity Ratio), of our net demand and time liabilities in government or other approved securities. As of September 30, 2005, 27.67% of our net demand and time liabilities and 90.86% of our total investments were in these securities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if increase was sudden or sharp, we could be adversely affected by the decline in the market value of our government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the Available for Sale and Held for Trading categories. As on September 30, 2005, we have 76.30% of our gross domestic investments in "Held to Maturity" category and 23.70% in the "Available for Sale" category.

3) ***We have a high concentration of loans to certain customers and sectors and impairment of a substantial portion of these loans could adversely affect the overall quality of our loan portfolio, our business and the price of our shares***

Our loan portfolio and non-performing asset portfolio have a high concentration in certain customers and sectors. As on September 30, 2005, our exposure to our largest borrower accounted for approximately 14.32% of our total capital funds (comprising Tier-1 and Tier-2 capital). The exposure to the largest borrower group at September 30, 2005 accounted for approximately 13.09% of our total capital funds. At that date, the five largest industry sectors (excluding retail) in our loan portfolio were Cotton Textiles, Chemicals, Food processing, Other Textiles and construction and constituted 14.32% our total advances. In the past, certain of these borrowers and sectors have been adversely affected by economic conditions in varying degrees. Credit losses due to financial difficulties of these borrowers and sectors in the future could adversely affect our business, our financial performance, our shareholders' equity and the price of our Equity Shares.

4) ***If we are not able to control the level of non-performing assets in our portfolio, our business may be adversely affected.***

As on September 30, 2005 our net non-performing assets were Rs. 1,758.7 million, representing 3.09% of our net credit, compared to Rs. 2,042.2 million representing 3.81% of our net credit at year-end fiscal 2005. Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of non-performing assets on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of the Reserve Bank of India, we are required to extend 40.0% of our residual net bank credit to certain eligible sectors, which are categorized as "priority sectors". See "Business – Asset Composition and Classification – Directed Lending" on page 51 of this Prospectus. We may experience an increase in non-performing assets in our directed lending portfolio, particularly loans to the agriculture sector and small-scale industries, where economic difficulties are likely to affect our borrowers more severely. Although we believe that our total provisions will be adequate to cover all known losses in our asset portfolio, we cannot assure you that there will be no deterioration in the provisioning coverage as a percentage of gross non-performing assets or otherwise or that the percentage of non-performing assets that we will be able to recover will be similar to our past experience of recoveries. As on September 30, 2005, we also had investments of Rs. 87.1 million in security receipts arising out of the sale of non-performing assets by us to Asset Reconstruction Company (India) Limited. See "Business – Asset Composition and Classification" on page 54 of this Prospectus. There can be no assurance that Asset Reconstruction Company (India) Limited will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments. If we are not able to control or reduce the level of non-performing assets, the overall quality of our loan portfolio may deteriorate and our business, our future financial performance, our shareholders' funds and the price of our Equity Shares may be adversely affected.

5) ***The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of collateral security exposing us to a potential loss.***

A substantial portion of our loans to corporate and retail customers are secured by collateral. We may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, defects in the perfection of collateral, fraudulent actions by borrowers and other factors. There can be no assurance that any further legislation in this area will have a favourable impact on our efforts to resolve non-performing assets. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

6) ***Our funding is primarily through short-term and medium-term deposits, and if depositors do not roll over deposited funds on maturity or if we are unable to continue to increase our deposits, our business could be adversely affected.***

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of deposits. As of September 30, 2005, 87.9 % of our funding consisted of deposits of which 27.1% consisted of current deposits and savings deposits. As of September 30, 2005, 64.0 % of our total funds comprised of term deposits. A portion of our assets have long-term maturities, creating a possibility for funding mismatches. In our experience, a substantial portion of our customer deposits have been rolled over on maturity and have been, over time, a stable source of funding. However, in the event that a substantial number of our depositors do not roll over deposits on maturity, our liquidity position and business could be adversely affected. If we are unable to maintain or increase our base of low-cost deposits, our overall cost of funds could increase, which could have an adverse effect on our business and our ability to grow.

7) ***We could be subject to volatility in income from our treasury operations that could adversely impact our financial results***

Our treasury operations contributed 54.24% and 35.60%, of our total income in fiscal 2004 and fiscal 2005, respectively, and 37.62% and 23.55% of our total income in the six months ended September 30, 2004 and six months ended September 30, 2005, respectively. Our treasury operations are vulnerable to changes in interest rates, exchange rates, Equity prices and other factors. In particular, if interest rates rise, the valuation of our portfolio may be impaired. Any decrease in our income from our treasury operations could adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

8) ***Delay in the rollout of our core banking solutions and implementing our technology enabled business transformation project could affect our ability to expand our products and services across our branch networks.***

We are in the process of implementing our Core Banking Solution ("CBS") and have already succeeded in bringing a substantial number of our branches under the CBS system. This technology initiative will allow us to increase interconnectivity among our branches and to provide many of the products and services we have introduced. In the event of any delay in the roll-out of the CBS across our entire branch network, it may be difficult for us to expand our products and services.

9) ***Significant security breaches in our computer systems and network infrastructure and fraud could adversely impact our business***

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. These concerns will intensify with our increased use of technology and Internet-based resources. To address these issues and to minimize the risk of security breaches we employ security systems, including firewalls and intrusion detection systems, conduct periodic penetration testing for identification and assessment of potential vulnerabilities and, use encryption technology for transmitting and storing critical data such as passwords. However, these systems may not guarantee prevention of frauds, break-ins, damage and failure. A significant failure in security measures could have an adverse effect on our business.

10) ***System weaknesses and failures and calamities could adversely impact our business***

Our principal delivery channels include our branches and ATMs. For branches not networked under core banking solution, we have implemented local off-site storage of back-up media. We have established a comprehensive disaster recovery site in Bangalore as part of our technology enabled business. Any failure in our systems, particularly those utilized for our retail products and services and transaction banking, or the occurrence of calamities such as earthquakes, tsunamis and cyclones that affect areas in which we have a significant presence, could affect our operations and the quality of our customer service.

11) ***There has been a shortfall in performance vis-a-vis promise in our last public issue***

Whilst our business has proceeded along the lines as disclosed in the offer document of the public issue in October, 1998 and funds raised thereto have been used towards the objects of the issue (as disclosed in the offer document of the said public issue), certain promises that were made in the said offer document were not able to be met due to certain reasons. Please find below the comparison of the projected profitability for the fiscal 2000 as per the offer document of the initial public offer in October 1998 and the actuals for the same period.

(Rs. in million)

	Fiscal 1999		
	Projected	**Actuals**	**Shortfall**
Income			
Interest earned	4,437.8	3,998.9	438.9
Other Income	406.4	369.0	37.4
Total Income	4,844.2	4,367.9	476.3
Expenses			
Interest Expended	3,536.2	3,117.8	418.4
Operating Expenses	807.0	898.3	(91.3)
Provisions and Contingencies	227.9	291.0	(63.1)
Total Expenses	4,571.1	4,307.1	264.0
Net Profit	273.1	60.8	212.3

12) ***Transactions undertaken by our Directors in the equity shares of the Bank in the last six months***

One of our Directors has transacted undertaken the following transactions in the equity shares of the Bank over the last six months sice the date of filing of this Prospectus with the ROC.

Date of Transaction	**Transferee**	**Shares**	**Price**	**Mode**
October 24, 2005	Dr. V.A Joseph	2,000	Market Purchase	Electronic

For further information, please refer to "Capital Structure" – Notes to Capital Structure on page 18 of this Prospectus.

13) ***There are certain qualifications in the restated financials of the Auditor's Report for which no adjustment could be carried out.***

In terms of the auditor's report of the restated financial statements, there are certain qualifications for which no adjustments could be carried out. The same are set out as Annexure VII to the Auditor's Report on page 132 of this Prospectus.

14) ***In terms of the Auditors' Report on the restated financial statements there have been significant changes to the accounting policies during the period from April 1, 2000 to September 30, 2005, the effect of which has not been adjusted in the restated statements, the details of which are given below.***

a. During the five consecutive financial years ended 31st March, 2005 and the period ended 30th September 2005 various guidelines were issued by the Reserve Bank of India on Income Recognition, Asset Classification, Provisioning in respect of Standard Assets, Non-Performing Assets, Other Assets, Classification of Investments, Valuation thereof, Depreciation on Investments / Fixed / Leased Assets and amortisation of Voluntary Retirement Scheme Expenditure. Necessary changes in the Accounting Policies have been made in the relevant years, to be in conformity with the RBI guidelines.

b. The liability of leave encashment to employees was accounted for on 'pay-as-you-go' basis. During the year 2002-03, the said liability for the period upto March 31, 2002 determined at Rs. 155.5 million on actuarial valuation had been charged to Revenue Reserves as per the Guidelines of RBI. The incremental liability for the years ended March 31, 2004, March 31, 2005 and for the period ended September 30, 2005 amounting to Rs.34.2 million, Rs.37.6 million and Rs. 45.8 million respectively have been charged to revenue.

No adjustments for the above has been made in the restated financial statements for the years 2000-01 and 2001-02 since the same has not been quantified.

c. Legal expenses on suit filed accounts were accounted as recoverable in the Balance Sheet till 31.03.2003. During the year ended March 31, 2004 the Bank changed this policy and the said expense was debited and the recoveries were credited to Profit & Loss account. Consequent to this change, the profit for the years ended March 31, 2004 and 2005 and for the period ended September 30, 2005 were lower by 18.0 million, Rs. 11.6 million and Rs. 4.6 million respectively.

No adjustment for the above has been made in the restated financial statements for the years 2000-01, 2001-02 and 2002-03 since the amounts relating to the respective years could not be ascertained.

d. Pending finalization of the memorandum of understanding with the workmen union and with the officers' association on wage revision, based on the estimate of the management of such liability, a provision of Rs. 180 million was made in the accounts for the financial year ended March 31, 2005.Consequent to national industry level wage settlement, arrears of salary was paid during the period ended September30, 2005 and Rs. 60.5 million has been debited to the Profit and Loss Account for the half year ended September30, 2005.

No adjustment for the above has been made in the restated financial statements for the years 2000-01, 2001-02, 2002-03 and 2003-04 since the amounts relating to the respective years could not be ascertained

15) Our business had a negative cash flow in the financial years 2002-03 and 2004-05

Our business had a negative cash flow in the financial years 2002-03 and 2004-05. For further details, please refer to page 116 in the section "Financial Statement"- Statement of Cash Flows.

16) Our contingent liabilities could affect our financial condition

As of September 30, 2005, we had contingent liabilities not provided for amounting to Rs. 10,719.9 million. Contingent liabilities arising out of the ordinary course of business include liability on account of outstanding forward exchange contracts of Rs. 6,354.8 million, guarantees given on behalf of customers of Rs. 1,796.9 million and acceptances, endorsements and other obligations of Rs. 2,388.3 million. In addition, we have contingent liabilities on account of claims against us not acknowledged as debts of Rs. 165.4 million and un-expired capital commitments of Rs. 14.5 million. If these contingent liabilities materialize, fully or partly, our financial condition and results of operations could be affected.

17) A significant reduction in the Bank's credit rating could adversely affect its business, financial condition and results of operations

FITCH (a rating Agency) has rated SIB Bonds 2003 and 2005 issued by the Bank in the form of subordinated debt instruments as "A+(ind)". CARE (a rating Agency) also has rated SIB Bonds 2005 as "CARE A". A downgrade in the Bank's credit rating may adversely affect it's ability to obtain funds and may increase financing costs by increasing the interest rates of it's outstanding debt or the interest rates at which the Bank is able to refinance existing debt or incur new debt, which may adversely affect the Bank's business, financial condition and results of operations.

18) In order to sustain our growth, we will need to maintain a minimum capital adequacy ratio. There is no assurance that we will be able to access the capital markets when necessary to do so

RBI requires a minimum capital adequacy ratio of 9.0% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our capital adequacy ratio was 10.28% on September 30, 2005. The implementation of the Basel II capital adequacy standards could result in a decline in our capital adequacy ratio. Our ability to support and grow our business could be limited by a declining capital adequacy ratio.

19) We are required to maintain cash reserve and statutory liquidity ratios and increases in these requirements could adversely affect our business

As a result of the statutory reserve requirements imposed by RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under RBI regulations, we are subject to a cash reserve ratio requirement under which we are currently required to keep 5.00% of our net demand and time liabilities in a current account with RBI. RBI may increase the cash reserve ratio requirement as a monetary policy measure. We do not earn interest on 3.00% of the 5.00% cash reserves maintained with RBI. On the remaining cash reserves held with RBI, we earn interest at rates (currently at 3.5% per annum) that are less than those for our retail and corporate loan portfolio. In addition, under RBI regulations, our liabilities are subject to a statutory liquidity ratio requirement, according to which 25.00% of our net demand and time liabilities need to be invested in GoI securities and other approved securities. Increases in cash reserve ratio and statutory liquidity ratio requirements could adversely affect our business and financial performance.

20) We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our

cost of funds.

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth will be dependent upon economic conditions, as well as upon our determination to securitise, sell, purchase or syndicate particular loans or loan portfolios. Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. See also "– Further deterioration of our non-performing asset portfolio and an inability to improve our provisioning coverage as a percentage of gross non-performing assets, could adversely affect the price of our Equity Shares" on page xii of this Prospectus. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also "–Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares" on page xxi of this Prospectus. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction in our ratings may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and adversely impact our operating results and financial condition. For more information relating to our ratings, see "Business – Risk Management– Liquidity Risk" on page 46 of this Prospectus.

21) We may undertake mergers or acquisitions which may pose management and integration challenges

We may make acquisitions and investments to expand our customer base, acquire new service or product offerings or enhance our technical capabilities. Our future acquisitions or investments may not necessarily contribute to our profitability and may, in some cases, require us to assume operational and financial problems of the acquired entity, including high levels of NPAs. We also could experience difficulty in combining operations and cultures and may not realise the anticipated synergies or efficiencies from such transactions.

22) We are involved in a number of legal proceedings that, if determined against us, could have a material adverse impact on us

The Bank is party to various legal proceedings including writ petition proceedings, suits, consumer matters, labour related proceeding, employee claims, taxation disputes etc. There are 3 criminal cases against us. The amount of damages cannot be accurately estimated. There are 15 civil cases filed against us for disputes in which the amount claimed is approximately Rs. 5.8 million or more. These civil cases, are in relation to interest imposed, negligence, recovery of money, guarantees, letters of credit, etc. There are 24 cases filed against us relating to consumer disputes in relation to, inter alia, issuing money against forged cheques, alleged wrongful refusal to sanction certain facilities, and refusal to release fixed deposit receipts/title deeds pledged as security. The total amount claimed against us in these cases is approximately Rs. 9.7 million. There are 24 suits/writ petitions/ consumer petitions filed by employees/ex-employees pending against us.. There is 1 adjudication proceeding pending before the Enforcement Directorate, Ministry of Finance wherein the amount in dispute is approximately USD 83,483,858/-. There are 3 matters pending against us before the Banking Ombudsman aggregating to approximately Rs 0.19 million. Apart from the abovementioned cases, there are 31 other cases filed against the Bank pertaining to stay against revenue recovery proceedings initiated by the Bank. There are 492 cases filed by us before the Debt Recovery Tribunals all over India for disputes in which the amount in dispute for recovery is Rs. 4,311 million. Apart from the cases filed against us before the Debt Recovery Tribunals, we have filed 3,117 cases for recovery of loan dues pending at various stages and the aggregate of the dues are approximately Rs. 2,836 million. We have also filed eviction cases under the Kerala Lease and Rent Control Act for seeking eviction of tenants occupying the Bank's own premises. The particulars of the important matters are detailed herein below:

1. The Special Director, Directorate of Enforcement, Ministry of Finance has issued show cause notices to 33 banks including the South Indian Bank 9 bearing reference No. SCN No: T- 4/01-B/SDE/ALN/2 (SCN-1) dated January 4, 2002 and Corrigendum/ Addendum dated February 13, 2002). The notice inter-alia alleges that the Bank has not exercised due care while handling import documents .The Directorate of Enforcement has further alleged that the Bank has failed to follow procedures as laid down in the Exchange Control Manual of RBI and thereby abetted

the illegal transfer of USD 83,483,857.62/-. Pursuant to the said notice, the Bank has requested for a personal hearing in the matter. Accordingly, Adjudication Proceedings bearing File No. T- 4/01-B/SDE/02/CN/7943 under section 51 of the Foreign Exchange Regulation Act, 1973 have been initiated. The Bank has submitted its representation dated November 5, 2004 before Special Director, Directorate of Enforcement, Ministry of Finance denying the allegations and has sought that the show cause notice be quashed and that the Bank be discharged in the adjudication proceedings. The matter is pending adjudication.

In the event that an unfavourable order(s) is/ are passed, the same may have an adverse effect on our operations and continuation of our Directors on the Board of Directors. The other litigations pending against and/ or filed by the Bank are as provided under "Outstanding Litigation and Material Developments" on page 156 of this Prospectus.

23) *There are certain legal proceedings against the Bank's Directors*

The proceedings are pending at different levels of adjudication.

(i) A civil suit was filed before the Principal Munsiff Court, Thrissur by Mr. C.V. Rajasekharan against the Bank, the Chairman of the Bank, Mr. Mohan Alapatt and 5 others. The Plaintiff was an employee of the Bank and is also a shareholder. The Plaintiff has filed the said suit against the appointment of Mr. Mohan Alapatt as director of the Bank. The Principal Munsiff Court, Thrissur in its order dated May 31, 2001 decreed the suit in favour of the Plaintiff declaring that Mr. Mohan Alapatt has no right to continue as a director of the Bank beyond the date of the next AGM. The said order of the Principal Munsiff Court, Thrissur was upheld by the Addl. District Judge in appeal preferred by the Bank and Mr. Alapatt. The Bank and Mr. Alapatt have now preferred a Regular Second Appeal before the Hon'ble High Court of Kerala seeking that the orders of the lower courts be set aside. The matter is pending adjudication before the High Court of Kerala at Ernakulam. Mr. Alapatt continues to hold the post of director since his appointment on April 22, 1999. He has been reappointed to the Board of Directors at the AGMs dated July 16, 2001 and September 10, 2004.

(ii) Mr. G.A Shenai, a Director of SIB has a criminal case against him in his capacity as a former Managing Director of Canbank Investment Management Services Limited ("CIMSL"), which is a wholly owned subsidiary of Canara Bank. The case was filed against the then five trustees of Canbank Mutual fund, Executive Director and Managing Director of CIMSL alleging commission of offences under Section 420 and 120(B) of the Indian Penal Code, 1860.

In the event that an unfavourable order(s) is/are passed, the same may have an affect on our operations and continuation of our Directors on the Board of Directors. Details of the litigations pending against and/ or filed by the Directors of the Bank are as provided under "Outstanding Litigation and Material Developments" on page 156 of this Prospectus.

24) *We are involved in a number of income tax and interest tax cases, which if determined against us could have a material impact on us*

There were 9 disputes relating to income tax and interest tax assessments in which the aggregate amount (excluding interest thereon) claimed against us was approximately Rs. 548.6 million as of September 30, 2005. In cases where the Bank has filed an appeal, the Bank has paid the entire amount claimed by the Income Tax Department under protest. We will have to provide for the liability if orders are passed against us in the said cases. For details please refer to the section titled "Outstanding Litigation and Material Developments - Tax Cases" on page 156 of this Prospectus.

25) *Your holdings may be diluted by additional issuances of Equity and any dilution may adversely affect the market price of our Equity Shares*

We may be required to finance our growth through additional Equity offerings. Any future issuance of our Equity Shares could dilute the holdings of investors in our Bank and could adversely affect the market price of our Equity Shares.

26) *You will be subject to market risks until the Equity Shares are credited to your Demat Account*

You can start trading the Equity Shares allotted to you only after they have been credited to your demat account. Since our Equity Shares are currently traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are credited to your demat account. Under the current regulations, we are required to credit your demat account within 15 days of the Bid/Issue Closing Date, failing which we are required to pay interest at 15% per annum for any delay beyond this period. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, in a timely manner. This risk factor is for the information of investors and it does not in any way dilute the right of investors and our obligations.

27) There are certain irregularities in title in relation to some of our leased immovable properties

Some of the immovable properties where our branches, offices and residences are located which are either owned by us and in our possession or leased/licensed by us have one or more of the following irregularities in title, including:

1. We do not possess the title deeds to such properties;
2. The conveyance deeds for transfer of property have not been executed and/or adequately stamped under the relevant laws;
3. The agreements to sell or conveyance deeds have not been registered in the land records maintained by the concerned Sub Registrar; or
4. Lease deeds have not been executed or have expired and have not been renewed.

28) Risk related to non-registration of our trademark

We do not have any trademark for our name 'The South Indian Bank' along with the logo that appears on the cover page of this Prospectus and the tag line 'A Bank for all Seasons' (stylised) associated with the Bank. We may not be able to prohibit persons from using the said trademark to their advantage and any unfavourable use of such trademark may adversely affect our goodwill and business.

29) A major part of our branch network is concentrated in southern India.

More than 350 out of 432 branches are located in Southern India. Any disruption, disturbance or breakdown in the economy of these areas could adversely affect the result of our business and operations.

30) We may face labour disruptions that would interfere with our operations.

We are exposed to the risk of strikes and other industrial actions. As of September 30, 2005, we employed approximately 3,927 employees of which, the unionised labour are members of South Indian Bank Officer's Association, South Indian Bank Employees Association and South Indian Bank Employee's Congress. We believe our relationship with our employees is generally good. Nevertheless, in the last 24 months as part of the national strike by employees of all banking institutions in India, there have been 4 strikes. The strikes were to demand revision in wages, allowance, overtime payments and changes in working conditions. While our relations have been good with the employees, we cannot guarantee that our other employees will not undertake or participate in strikes, work stoppage or other industrial action in the future. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on our business, financial condition or results of operation. See "Business" on page 46 of this Prospectus.

31) Our single largest shareholder, ICICI Bank Limited, shall have to divest their stake to the extent of at least 5.73% of our share capital.

In terms of circular dated July 6, 2004 bearing reference No. DBOD BP.BC.N0.3/21.01.002/2004-05 the Reserve Bank of India has directed all banks whose investment in other banks exceed the limits of 5% of the investee bank's equity capital to apply to the Reserve Bank along with a definite roadmap for reduction of the exposure to 5%. ICICI Bank presently holds 10.73% of our Bank's equity capital. In terms of the said circular ICICI Bank will have to reduce their stake which may affect our share price.

32) RBI may/ may not grant us the exemption sought by us in respect of reduction of our shareholding in Bharat Overseas Bank Limited in terms of the RBI circular dated July 6, 2004.

The Reserve Bank of India has by its circular dated July 6, 2004 bearing reference No. DBOD. BP.BC.N0.3/21.01.002/2004-05 directed all banks whose investment in other banks exceed the limits of 5% of the investee bank's equity capital to apply to the Reserve Bank within 45 days from date of issue of letter along with a definite roadmap for reduction of the exposure to 5%. We presently hold 10 % of the equity capital of Bharat Overseas Bank Limited. We have, by our letter dated August 20, 2004 informed the RBI of our shareholding in Bharat Overseas Bank Limited and have sought the permission to retain the said shareholding as a strategic investment and to exempt us from the 5% norm. We have not received any response to the said letter. It is pertinent to note that all the other shareholders of Bharat Overseas Bank Limited, being 6 banking institutions, hold in excess of 8%. The said shareholder banks have also sought a similar exemption from the RBI. In the event that the RBI declines to grant us an exemption, we may be required to reduce our shareholding in Bharat Overseas Bank Limited as directed by the RBI.

External Risk Factors

1) The Indian and global banking industry is very competitive and the ability of banks to grow depends on their

ability to compete effectively

We compete with public and private sector Indian commercial banks as well as foreign commercial banks. Many of our competitors are large institutions, which may have much larger customer and deposit bases, larger branch networks and more capital than we do. Some of the banks with which we compete may be more flexible and better positioned to take advantage of market opportunities than us. In particular, new generation banks may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation.

Both the Indian and global financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government has also recently announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India and invest up to 74% in Indian private sector banks, which is likely to further increase competition in the Indian banking industry. RBI has introduced a two phase road map for allowing ownership of private banks in India by foreign banks. In the first phase up to March 2009, foreign banks are permitted to convert existing branches into wholly owned subsidiaries or acquire shares in select Indian private sector banks that are identified by RBI for restructuring up to the limit of 74%. In the second phase from April 2009, subject to guidelines that will be issued by RBI, foreign banks will be permitted to undertake merger and acquisition transactions with private sector banks within an overall investment limit of 74%, thus enabling consolidations between foreign banks and private sector banks. Therefore, we may face more competition from larger banks as a result of any such consolidation.

The Government is also actively encouraging banks and other financial institutions to significantly increase their lending to the agriculture sector, which will make this segment more competitive

These competitive pressures affect the Indian and international banking industry as a whole, including our Bank, and our future success will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

2) Regulatory changes or enforcement initiatives in India or any of the jurisdictions in which we operate may adversely affect our business and the price of our Equity Shares

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or our business in general. Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. In its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the risk weight for the computation of capital adequacy from 50% to 75% in the case of housing loans and from 100% to 125% in the case of consumer credit (including personal loans and credit cards) as a temporary counter-cyclical measure. In July 2005, the Reserve Bank of India increased the risk weight for capital market exposure and exposure to commercial real estate from 100% to 125%. Any change in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in non-performing assets in the directed lending portfolio. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact our business, our future financial performance and our stockholders' Equity, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind, or increase our litigation risk and have an adverse effect on the price of our Equity Shares.

There are a number of restrictions under the Banking Regulation Act, which impede our operating flexibility and affect or restrict investors' rights. These include the following:

- Section 12(2) of the Banking Regulation Act, states that "no person holding shares in a banking company shall exercise voting rights on poll in excess of 10.0% of the total voting rights of all the shareholders of the banking company".
- Section 15(1) of the Banking Regulation Act, states that "no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off".
- Section 17(1) of the Banking Regulation Act requires every banking company to create a Reserve Fund and to

transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20% of such profit before paying any dividend.

- Section 19 of the Banking Regulation Act restricts the opening of subsidiaries by banks, which may prevent us from exploiting emerging business opportunities. Similarly, section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- We are required to obtain approval of the Reserve Bank of India for the appointment and remuneration of our Chairman and other whole time directors. The RBI has powers to remove managerial and other persons from office, and to appoint additional directors. We are also required to obtain approval of the RBI for the creation of floating charges for our borrowings, thereby hampering leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

A compromise or arrangement between us and our creditors or any class of them or between us and our shareholders or any class of them or any modification in such arrangement or compromise will not be sanctioned by any High Court unless such compromise or arrangement or modification, as the case may be, is certified by the RBI in writing as not being incapable of being implemented and as not being detrimental to the interests of our depositors. Our amalgamation with any other banking company will require the sanction of the RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding- up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, the RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the Government of India has powers to acquire the undertakings of banking companies in certain cases.

We are required to prepare our balance sheet and profit and loss account in the forms set out in the Third Schedule to the Banking Regulation Act or as near thereto and subject to and in accordance with the other provisions of the Banking Regulation Act read with the Companies Act, 1956. Subject to and on account of laws governing banking companies, the financial disclosures in the draft offer document may not be available to the investors on a continuous basis after listing.

3) ***A slowdown in economic growth in India could cause our business to suffer***

Any slowdown in the Indian economy or volatility of global commodity prices, in particular, oil and steel prices, could adversely affect our borrowers and contractual counter parties. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact our business, including our ability to grow our asset portfolio, the quality of our assets, our financial performance, our shareholders' funds, our ability to implement our strategy and the price of our Equity Shares.

4) ***A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business***

India imports approximately 70.0% of its requirements of crude oil, which constituted approximately 27.9% of total imports in fiscal 2005. The sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the Reserve Bank of India. Over the last year, there has been a sharp increase in global crude oil prices which has been due to both increased demand and pressure on production and refinery capacity. The full burden of the oil price increase has not yet been passed to Indian consumers and has been largely absorbed by the Government and Government-owned oil marketing companies. Sustained high levels, further increases or volatility of oil prices and the pass-through of recent increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit. This could adversely affect our business including our ability to grow, the quality of our assets, our financial performance, our shareholders' funds, our ability to implement our strategy and the price of our Equity Shares.

5) ***A significant change in the Indian Government's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares***

The Indian Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our future financial performance, our shareholders' funds and the price of our Equity Shares.

6) ***If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our Equity Shares could be adversely affected***

India has from time to time experienced social and civil unrest and hostilities both internally and with neighbouring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country. These hostilities and tensions could lead to political or economic instability in India and adversely affect our business, our future financial performance and the price of our Equity Shares.

7) ***Trade deficits could adversely affect our business and the price of our Equity Shares***

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, our financial performance, our shareholders' funds and the price of our Equity Shares could be adversely affected.

8) ***Natural calamities could adversely affect the Indian economy, our business and the price of our Equity Shares***

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscal 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in the economy during fiscal 2003, the agricultural sector recorded a negative growth of 7.0%. Also, the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agriculture sector from 9.1% in fiscal 2004 to 1.1% in fiscal 2005. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy, our business and the price of our Equity Shares.

9) ***Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares***

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. See also "The Indian Banking Sector" on page 32 of this Prospectus. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

10) ***A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy which could adversely impact us***

A decline in India's foreign exchange reserves could affect the liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

11) ***Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

Notes to Risk Factors:

- RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. The reports of RBI are strictly confidential. RBI does not permit disclosure of its inspection report.
- Public issue of 22,727,272 Equity Shares of Rs. 10 each for cash at a price of Rs. 66 per Equity Share aggregating

Rs. 1,500 million by the Bank comprising a Net Issue to the Public of 18,181,818 Equity Shares of Rs. 10 each aggregating Rs. 1,200 million and a reservation for Eligible Employees of up to 2,272,727 Equity Shares of Rs. 10 each and for Shareholders of up to 2,272,727 Equity Shares of Rs.10 each aggregating Rs. 150 million each at the Issue Price pursuant to the Red Herring Prospectus and the Prospectus.

- Net worth of our Bank as of September 30, 2005 was Rs. 4,506.9 million.
- The book value per Equity Share as of September 30, 2005, was Rs. 77.27 per Equity Share (on a standalone basis).
- Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 24 of this Prospectus, before making an investment.
- Investors should note that in case of over-subscription in the Issue, allotment would be made on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders, Eligible Employees, Existing Shareholders and Non–Institutional Bidders. Please refer to the section titled "Terms of the Issue" on page 184 of this Prospectus.
- All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
- None of our Directors, except Mr. Davy K. Manavalan, are interested in any advances/facilities that have been provided by us. For details of the same, please refer to the section titled "Our Management–Interests of Directors" on page 100 of this Prospectus.

SUMMARY

Business overview

We are one of the leading scheduled commercial banks in India having our Head Office at 'SIB House' P.B. No. 28, T.B. Road, Thrissur, Kerala with a strong focus on technology and service culture. We have a pan India presence with 432 branches as on September 30, 2005, spreading across 17 states and 2 union territories. We have strong presence in Southern India.

We made a net profit of Rs. 139.4 million as on September 30, 2005. We had assets of Rs. 9,2321.7 million and net worth of Rs. 4,506.9 million during the same period. Our deposits and net advances recorded a Compound Annual Growth rate of (CAGR) of 13.12% and 20.44% respectively, during the period from March 31, 2001 to September 30, 2005.

The Bank was incorporated on January 25, 1929 in Thrissur, Kerala, to provide for the people a safe, efficient and service oriented repository of savings of the community on one hand and to reduce the dependence of the business community on moneylenders by providing need based credit at reasonable rate of interest. We became a scheduled bank in 1946. We have been in the forefront of upgrading the technology by introducing core-banking solution. We have implemented "Sibertech", which runs on Finacle platform provided by Infosys Technologies Limited. All the branches in the major cities are covered under this project and as on date 87% of the total business is networked under the core banking solution.

We deliver our products and services through a variety of channels ranging from our extensive branch network, extension counters, ATM centres, Internet banking and Mobile banking. As on September 30, 2005, we have 432 branches of which 92 are in rural, 195 in semi-urban, 81 in urban, and 64 in metropolitan centres. Out of 432 branches, 276 branches are networked. As of September 30 2005, we had 3,927 total employees.

We provide a range of retail banking and commercial banking products that we offer to our customers. Our retail-banking portfolio includes housing loans, gold loans, auto loans, educational loans, and other personal loans. We offer deposit services like savings, demand and time deposit to our customers. We have technological products like Global Debit card, Credit card, anywhere banking facility, mobile banking and internet banking to serve our customers. We have arrangements to distribute third party products such as life and non life insurance products.

We also offer various commercial banking products to our commercial and corporate customers like term loans, short term loans, cash credit, working capital finance, export credit, bill discounting, letters of credit and guarantees.

In addition, we have specialized products to satisfy the needs of the agricultural sector like SIB Planters choice, which offers loan to agriculturists to purchase land and SIB Agriflex offering loan for land development.

We provide depository services and are depository participant for CDSL. As on September 30, 2005 we have over 2,734 active depository accounts spread over 46 centres across India.

Business strategy

We are committed to become a technology driven, customer oriented bank where passion for excellence is a way of life, innovation is a tradition, commitment to values unshaken and customer loyalty is abiding. We intend to become the preferred among the banks in India, with core competence in fostering relationship banking, garnering core deposit with accent on cost, creating and high yielding quality assets through focused marketing, qualitative appraisal and effective monitoring. We are dedicated to provide quality service to our customers and maintain high standards in corporate responsibility.

Increase our presence in retail banking:

We offer value added products like ATM/global debits cards, internet banking, anywhere banking and mobile banking to improve the customer satisfaction levels and attract new customers thereby increasing our presence in the high yielding retail sector. We intend to further enhance our retail deposit position by extensive marketing of our products and leveraging our strong branch network in potential centres.

Cost of funds:

We are focusing our attention to reduce the average cost of deposits by increasing the overall low cost deposits. As on September 30,2005 our low cost deposit constituted 27.13% of the total deposit. The interest free demand deposit constituted 6.05%, while Savings deposit constituted 21.08%. We give maximum importance to this area and we believe that we can retain and enlarge our low cost deposits to further reduce the cost of deposit.

Fee based revenue

We intend to increase our fee-based income by expanding the third party product offerings by leveraging our arrangements with United India Insurance Company Limited for non life insurance, ICICI Prudential Life Insurance Company Limited for life insurance and Prudential ICICI Asset Management Company Limited for mutual funds.

Technological improvements and core banking solution

We are among the first Kerala based banks to develop an in-house, fully integrated branch automation software in addition to the in house partial automation solution operational since 1992. We have introduced a core banking facility FINACLE provided by Infosys Technologies Limited in 2001 and are providing hi-tech, value added products like Global ATM/Debit card, internet banking, mobile banking to our customers. We deliver our products through our extensive branch network, ATMs, Mobile banking and Internet banking and anywhere banking thereby allowing the customer freedom to operate the account any time and from anywhere.

As on September 30, 2005, 276 of our branches and 21 Extension Counters are online networked under CBS and this covers over 87% of our total business. Our strategy is to bring more branches under the core banking platform and offer value added products to our customers.

THE ISSUE

Issue	Rs. 1,500.0 million
Of which[1] Reservation for Eligible Employees	Rs. 150.0 million
Reservation for Existing Retail Shareholders	Rs. 150.0 million
Net Issue to the Public	Rs. 1,200.0 million
Of which[2]	
Qualified Institutional Buyers Portion	Up to Rs. 600.0 million
Non-Institutional Portion	At least Rs. 180.0 million
Retail Portion	At least Rs. 420.0 million
Equity Shares Outstanding prior to the issue	47,677,920 shares of Rs. 10 each
Equity Shares Outstanding after the Issue	70,405,192 Equity Shares
Objects of the Issue	The objects of the Issue are to augment our capital base to meet the capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy, compliance with regulatory requirements and for other general corporate purposes including meeting the expenses of the Issue.

(1) Undersubscription, if any, in the Reservation for Eligible Employees and Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.

(2) Undersubscription, if any, in any of the remaining categories, would be allowed to be met with spill over from any of the categories, at our discretion, in consultation with the BRLMs.

SELECTED FINANCIAL DATA

Operating result data

The operating result data for fiscal 2001, 2002, 2003, 2004, 2005 and for the six-month period ended September 30, 2005, are set forth in the following table.

(Rs. in million)

For the Year/half year ended	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
INCOME						
Interest Earned	5,430.0	6,165.8	6,564.5	6,808.2	7,090.0	3,650.0
Interest/ Discount on Advances/ Bills	3,032.5	3,599.1	3,725.3	3,580.7	4,375.6	2,549.8
Income on Investments	2,202.6	2,370.4	2,626.8	3,097.2	2,576.2	952.8
Interest on Balances with RBI and other Inter-Bank Funds	194.9	196.3	212.4	130.3	138.2	147.4
Other Income	699.4	1,374.3	1,812.8	2,346.1	1,023.8	296.7
Commission, Exchange & Brokerage	238.1	235.2	192.3	201.7	214.5	104.8
Profit on Sale of Investments (Net)	252.7	864.6	1,326.1	1,873.1	370.8	67.7
Profit / (Loss) on Revaluation of Investments – Net	(25.9)	(11.1)	(11.1)	(5.3)	(57.8)	(90.9)
Profit / (Loss) on Sale of Land, Buildings & Other Assets (Net)	0.5	0.5	0.0	(0.7)	1.3	2.9
Profit on Exchange Transactions (Net)	81.8	104.6	96.2	93.2	107.4	48.2
Miscellaneous Income	152.2	180.5	209.3	184.1	387.6	164.0
Total Income	**6,129.4**	**7,540.1**	**8,377.3**	**9,154.3**	**8,113.8**	**3,946.7**
EXPENDITURE						
Interest Expended	3,909.4	4,601.9	4,794.2	4,800.5	4,520.7	2,199.3
Interest on Deposits	3,695.4	4,492.0	4,685.8	4,654.8	4,361.6	2,123.6
Income on balances with RBI / Inter-bank borrowings	58.7	26.0	3.0	3.3	7.9	0.3
Others	155.3	83.9	105.4	142.4	151.2	75.4
Operating Expenses	1,150.3	1,209.1	1,418.4	1,934.0	1,870.8	1,166.0
Total Expenditure	5,059.7	5,811.0	6,212.6	6,734.5	6,391.5	3,365.3
Gross Profit Before Provision for Tax & Extraordinary Items	1,069.7	1,729.1	2,164.7	2,419.8	1,722.3	581.4
Provisions & Contingencies	402.2	596.5	970.9	1,100.1	1,583.9	440.9
Profit before tax	667.5	1,132.6	1,193.8	1,319.7	138.4	140.5
Tax	252.5	510.3	470.5	476.4	51.4	1.1
Net Profit For The Year	415.0	622.3	723.3	843.3	87.0	139.4
Add: Adjustments	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax	1.8	0.0	0.0	0.0	0.0	0.0
Contribution to pension fund	22.8	22.8	22.8	22.8	68.4	0.0
Adjusted Net Profit	439.6	645.1	746.1	866.1	155.4	139.4

For the notes on accounts and detailed discussion please refer restated audited statements and Management Discussion and Analysis under section – FINANCIAL INFORMATION

Balance sheet data

(Rs. in million)

As at	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
ASSETS						
Cash in Hand & Balance with RBI	2,949.5	3,006.6	3,963.7	4,046.1	4,331.6	4,896.7
Cash in Hand	450.1	538.0	593.0	729.9	5,98.7	686.5
Balance with RBI	2,499.4	2,468.6	3,370.7	3,316.2	3,732.9	4,210.2
Balance with Banks	2,817.5	6,195.6	3,837.3	4,014.5	2,680.5	2,324.0
Balances with Bank in India	1,105.1	4,610.9	2,743.5	3,593.6	2,036.5	2,197.0
Balances with Bank outside India	1,712.4	1,584.7	1,093.8	420.9	644.0	127.0
Investments in India	19,983.1	21,805.8	29,993.2	39,620.9	31,334.3	25,010.1
Investments outside India	-	-	-	-	-	-
Total Investments	19,983.1	21,805.8	29,993.2	39,620.9	31,334.3	25,010.1
Advances in India	24,683.6	32,310.5	36,129.4	41,968.2	53,652.6	57,005.2
Advances outside India	-	-	-	-	-	-
Total Advances	24,683.6	32,310.5	36,129.4	41,968.2	53,652.6	57,005.2
Fixed Assets * *	183.1	271.7	375.7	493.5	571.4	628.7
Other Assets *	1,396.6	1,787.6	1,818.8	2,232.4	2,000.0	2,457.0
TOTAL (A)	**52,013.4**	**65,377.8**	**76,118.1**	**92,375.6**	**94,570.4**	**92,321.7**
B. LIABILITIES						
Demand Deposits:						
From Banks	145.8	199.1	511.1	26.9	22.0	12.4
From Others	2,120.4	2,713.6	2,769.0	3,949.4	4,765.1	4,909.0
Savings Deposits	7,184.1	8,313.4	9,883.6	13,385.6	16,263.0	17,139.6
Term Deposits:						
From Banks	1,226.4	2,924.9	3,729.1	5,131.5	5,492.0	147.1
From Others	36,008.8	45,046.0	51,719.9	60,306.9	58,381.0	59,091.9
Total Deposits (1+2+3)	46,685.5	59,197.0	68,612.7	82,800.3	84,923.1	81,300.0
Borrowings:						
In India	567.4	190.6	809.8	40.1	9.7	291.2
Outside India	73.9	423.0	139.1	754.4	27.6	337.8
Total Borrowings	641.3	613.6	948.9	794.5	37.3	629.0
Other Liabilities & Provisions:						
Other Liabilities & Provisions	2,174.9	2,310.6	2,559.5	3,505.9	3,702.9	3,902.1
Subordinate Debts	611.9	796.9	1,046.9	1,559.3	1,559.3	2,003.3
Sub-total	2,786.8	3,107.5	3,606.4	5,065.2	5,262.2	5,905.4
TOTAL (B)	**50,113.6**	**62,918.1**	**73,168.0**	**88,660.0**	**90,222.6**	**87,834.4**
C. NET ASSETS (C = A–B)	1,899.8	2,459.7	2,950.1	3,715.6	4,347.8	4,487.3

As at	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
Represented by:						
D. Share Capital	356.7	357.4	357.7	357.8	476.8	476.8
Reserve & Surplus						
Statutory Reserve	433.1	589.1	769.9	980.9	1,002.7	1,002.7
Capital Reserve **	1.9	11.2	11.4	11.7	77.0	77.0
Investment Fluctuation Reserve	36.6	218.1	320.6	820.6	820.6	820.6
Share Premium	646.2	647.8	648.3	648.6	1,006.2	1,006.2
Revenue and other reserves	389.3	588.7	770.7	804.6	804.6	804.8
Balance of Profit and Loss Account	36.0	47.4	71.5	91.3	159.9	299.3
TOTAL (E)	**1,543.1**	**2,102.3**	**2,592.4**	**3,357.8**	**3,871.0**	**4,010.6**
F. TOTAL (D+E)	**1,899.8**	**2,459.7**	**2,950.1**	**3,715.6**	**4,347.8**	**4,487.4**
G. Contingent Liabilities						
Claims against the Bank not acknowledged as debts	1.0	1.0	0.8	0.3	22.3	18.9
Disputed Income Tax demand under appeal / references etc	259.3	147.8	171.4	156.0	164.5	146.5
Liability on account of outstanding forward exchange contracts	1,403.7	2,222.6	3,888.4	4,567.1	5,554.6	6,354.8
Guarantees given on behalf of constituents in India	1,034.0	1,572.2	1,377.4	1,499.3	1,735.1	1,796.9
Acceptances, endorsements and other obligations	1,578.7	1,913.8	1,612.5	1,785.9	2,483.4	2,388.3
Other items for which the Bank is contingently liable	3.9	4.4	6.2	10.5	12.5	14.5
Total (G)	**4,280.6**	**5,861.8**	**7,056.7**	**8,019.1**	**9,972.4**	**10,719.9**
BILLS FOR COLLECTION	1,218.8	1,101.6	948.3	1,237.5	1,110.7	1,330.8
** Excluding Revaluation Reserve	176.8	172.4	168.5	164.8	204.6	202.4

* Includes unamortised VRS Expenditure Rs.51.6 million, Rs.38.7 million, Rs. 25.9 million and Rs.19.5 million on March 31, 2003, March 31, 2004 , March 31, 2005& for the half year ended September 30, 2005 respectively.

For the notes on accounts and detailed discussion please refer restated audited statements and Management Discussion and Analysis under section – FINANCIAL INFORMATION.

SELECTED STATISTICAL DATA

Average Balance Sheet Data

For fiscal 2002, 2003, 2004 and 2005, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For the six-month period ended September 30, 2004 and September 30, 2005, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year and June and September of that six-month period. The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, along with the related interest income and interest expense. The average balances of assets include non-performing assets and are net of loan/ investment loss provisions.

	Year ended March 31,											
		2002			**2003**			**2004**			**2005**	
	Average balance	**Interest income/ expense**	**Average yield/ cost**	**Average balance**	**Interest income/ expense**	**Average yield/ cost**	**Average balance**	**Interest income/ expense**	**Average yield/ cost**	**Average balance**	**Interest income/ expense**	**Average yield/ cost**
Assets												
Advances	28179.5	3599.1	12.77%	32538.9	3725.3	11.45%	36588.7	3580.7	9.79%	47120.1	4375.6	9.29%
Investments	21214.3	2370.4	11.17%	25537.9	2626.8	10.29%	34802.5	3097.2	8.90%	31592.8	2576.2	8.15%
Others	4526.3	196.3	4.34%	6398.9	212.4	3.32%	4494.6	130.3	2.90%	6030.9	138.2	2.29%
Total Interest Earning Assets	**53920.1**	**6165.8**	**11.44%**	**64475.7**	**6564.5**	**10.18%**	**75885.8**	**6808.2**	**8.97%**	**84743.8**	**7090.0**	**8.37%**
Fixed Assets	378.6			482.9			578.3			716.6		
Other assets	3217.3			3620.5			3662.5			3794.4		
Total Assets	**57516.0**			**68579.1**			**80126.6**			**89254.8**		
Liabilities												
Deposit	52335.2	4492.0	8.58%	61958.5	4685.8	7.56%	72552.9	4654.8	6.42%	79627.8	4361.6	5.48%
Demand deposits	2441.7	-	0.00%	2752.4	-	0.00%	3618.6	-	0.00%	4268.9	-	0.00%
Saving deposits	7555.6	155.6	2.06%	8971.5	184.8	2.06%	11276.5	259.4	2.30%	14567.3	329.2	2.26%
Term deposits	42337.9	4336.4	10.24%	50234.6	4501.0	8.96%	57657.8	4395.4	7.62%	60791.6	4032.4	6.63%
Borrowings *	680.1	109.9	16.16%	859.6	108.4	12.61%	1368.5	145.7	10.65%	1571.6	159.1	10.12%
Total interest bearing liabilities	**53015.3**	**4601.9**	**8.68%**	**62818.1**	**4794.2**	**7.63%**	**73921.4**	**4800.5**	**6.49%**	**81199.4**	**4520.7**	**5.57%**
Capital &Reserve	2467.3			3044.3			3606.7			4195.8		
Other liabilities	2033.4			2716.7			2598.5			3859.6		
Total Liabilities	57516.0			68579.1			80126.6			89254.8		
Net interest income		1563.9			1770.3			2007.7			2569.3	

* including Tier II Bonds

	Six-month period ended September 30,					
	2004			2005		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
Assets						
Advances	44,939.7	2,073.9	9.23%	54,392.9	2,549.8	9.38%
Investments	32,706.9	1,438.6	8.80%	25,304.2	952.8	7.53%
Others	3,878.5	67.4	3.48%	6,871.5	147.4	4.29%
Total Interest Earning Assets	**81,525.1**	**3,579.9**	**8.78%**	**86,568.6**	**3,650.0**	**8.43%**
Fixed Assets	698.1			789.8		
Other assets	4,024.3			5,099.4		
Total Assets	86,247.5			92,457.8		
Liabilities						
Deposit	77,189.1	2,272.7	5.89%	82,063.1	2,123.6	5.18%
Demand deposits	4,211.1	-	0.00%	4,758.7	-	-
Saving deposits	14,218.9	169.2	2.38%	16,733.7	219.2	2.62%
Term deposits	58,759.1	2,103.5	7.16%	60,570.7	1,904.4	6.29%
Borrowings *	1,572.8	76.1	9.68%	1,717.5	75.7	8.82%
Total inerest bearing liabilities	**78,761.9**	**2,348.8**	**5.96%**	**83,780.6**	**2,199.3**	**5.25%**
Capital &Reserve	3,975.6			4,616.0		
Other liabilities	3,510.0			4,061.2		
Total Liabilities	86,247.5			92,457.8		
Net interest income		1,231.1			1,450.7	

* including Tier II Bonds

Analysis of changes in interest income and interest expense volume and rate analysis

The following table sets forth, for the period indicated, the allocation of the changes in our interest income and interest expense between average volume and changes in average rates. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For purposes of this table changes which are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 2003 vs. Fiscal 2002			Fiscal 2004 vs. Fiscal 2003			Fiscal 2005 vs. Fiscal 2004		
	Interest income/ expense	Change due to change in average volume	Change due to change in average rate	Interest income/ expense	Change due to change in average volume	Change due to change in average rate	Interest income/ expense	Change due to change in average volume	Change due to change in average rate
Interest income									
Advances	126.2	556.8	(430.6)	(144.6)	463.7	(608.3)	794.9	1030.6	(235.7)
Investments	256.4	483.1	(226.7)	470.4	952.9	(482.5)	(521.0)	(285.6)	(235.4)
Others	16.1	81.2	(65.1)	(82.1)	(63.2)	(18.9)	7.9	44.5	(36.6)
Total Inerest Earning Assets	**398.7**	**1207.0**	**(808.3)**	**243.7**	**1161.7**	**(918.0)**	**281.8**	**794.7**	**(512.9)**
Interest expense									
Demand deposits	-	-	-	-	-	-	-	-	-
Saving deposits	29.2	29.2	0.0	74.6	47.5	27.1	69.8	75.7	(5.9)
Term deposits	164.6	808.8	(644.2)	(105.6)	665.1	(770.7)	(363.0)	238.9	(601.9)
Borrowings	(1.5)	29.0	(30.5)	37.3	64.2	(26.9)	13.4	21.6	(8.2)
Total interest bearing liabilities	**192.3**	**850.9**	**(658.6)**	**6.3**	**847.4**	**(841.1)**	**(279.8)**	**472.6**	**(752.4)**
Net interest income	**206.4**			**237.4**			**561.6**		

	First Six months of Fiscal 2006 vs. First Six months of Fiscal 2005		
Interest income	**Interest income/ expense**	**Change due to change in average volume**	**Change due to change in average rate**
Interest income			
Advances	475.9	436.3	39.6
Investments	(485.8)	(325.6)	(160.2)
Others	80.0	52.0	28.0
Total Interest Earning Assets	**70.1**	**221.5**	**(151.4)**
Interest expense			
Demand deposits	-	-	-
Saving deposits	50.0	29.9	20.1
Term deposits	(199.1)	64.9	(264.0)
Borrowings	(0.4)	7.0	(7.4)
Total interest bearing liabilities	**(149.5)**	**149.7**	**(299.2)**
Net interest income	**219.6**		

Yields, Spreads and Margins

The following table set forth, for the periods indicated, Yields, Spreads and Net interest Margins on the interest-earning assets.

	Year Ended March 31				Six-month period ended September 30,	
	2002	2003	2004	2005	2004	2005
Average interest earning assets	53,920.1	64,475.7	75,885.8	84,743.8	81,525.1	86,568.6
Average interest bearing liabilities	53,015.3	62,818.1	73,921.4	81,199.4	78,761.9	83,780.6
Average total assets	57,516.0	68,579.1	80,126.6	89,254.8	86,247.5	92,457.8
Average interest-earning assets as a percentage of average of average total assets(%)	93.75%	94.02%	94.71%	94.95%	94.52%	93.63%
Average interest-bearing liabilities as a percentage of average total assets(%)	92.17%	91.60%	92.26%	90.97%	91.32%	90.61%
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	101.71%	102.64%	102.66%	104.37%	103.51%	103.33%
Yield(1)(%)	11.44%	10.18%	8.97%	8.37%	8.78%	8.43%
Cost of funds[1](%)	8.68%	7.63%	6.49%	5.57%	5.96%	5.25%
Spread[1][2](%)	2.75%	2.55%	2.48%	2.80%	2.82%	3.18%
Net interest margin[1][3](%)	2.90%	2.75%	2.65%	3.03%	3.02%	3.35%

(1) Yield, cost of funds, spread and net interest margin are annualised for the six-month periods ended September 30, 2004 and 2005.

(2) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(3) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

	Year Ended March 31				Six-month period ended September 30,
	2002	2003	2004	2005	2005
Return on average equity	29.60%	27.3%	25.6%	3.8%	11.6%
Return on average assets	1.12%	1.09%	1.08%	0.17%	0.32%
Cost to average assets	0.21%	0.21%	0.24%	0.21%	0.27%
Tier I capital adequacy ratio	7.87%	7.28%	5.80%	5.68%	5.49%
Tier II capital adequacy ratio	3.33%	3.47%	5.52%	4.21%	4.79%
Total capital adequacy ratio	11.20%	10.75%	11.32%	9.89%	10.28%
Net NPA ratio	6.89%	5.98%	4.55%	3.81%	3.09%
Average networth to total average assets	3.79%	3.93%	4.21%	4.55%	2.79%
Book value per share (Rs.)	65.22	73.37	86.17	75.70	77.27

(1) Annualised for the six-month period ended September 30, 2005.

(2) Return on average equity is the ratio of the net profit after tax to the average net worth (average of current year end and previous year end for year ended March 31 and average of September 30, 2005 and previous year end March 31, 2005 for six months ended September 30, 2005).

(3) Return on average assets is the ratio of the net profit after tax to the average assets.

(4) Cost to average assets is the ratio of the operating expenses, to the average assets.

(5) Capital adequacy ratio is based on the published audited finacials and not based on the restated financial statements.

(6) Net non-performing assets ratio is the ratio of net non-performing assets to the net customer assets.

(7) Book value per share is calculated by dividing the sum of equity share capital and reserves by the total number of shares outstanding at the end of the year/period.

GENERAL INFORMATION

Registered Office of our Bank
SIB HOUSE, Mission Quarters
T.B.Road, Thrissur 680 001
Kerala, India
Tel: (91 487) 2420020
Fax: (91 487) 2442021

Board of Directors

Our Board comprises:

1.	Dr. V. A. Joseph	-	Chairman and Chief Executive Officer
2.	Mr. Mohan Alapatt	-	Non-Executive Independent Director
3.	Mr. G. A. Shenai	-	Non-Executive Independent Director
4.	Dr. John Joseph	-	Non-Executive Independent Director
5.	Mr. John P Chakola	-	Non-Executive Independent Director
6.	Mr. A. S. Narayanamoorthy	-	Non-Executive Independent Director
7.	Mr. Davy K. Manavalan	-	Non-Executive Independent Director
8.	Dr. C. J. Jose	-	Non-Executive Independent Director
9.	Mr. Jose Alapatt	-	Non-Executive Independent Director

For further details please refer to the section titled “Our Management” on page 100 of this Prospectus.

Company Secretary and Compliance Officer

Mr. A. S. Narayanan
Company Secretary
The South Indian Bank Limited, Secretarial Department
S I B House, Mission Quarters, T B Road
Thrissur 680 001, Kerala, India
Tel: (91 487) 2429333
Fax: (91 487) 2424760
Email: trc_sibshare@sancharnet.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

Legal Advisors to the Issue

ALMT Legal
Advocates & Solicitors
#2, Lavelle Road
Bangalore 560 001.
Tel: +91 80 5112 2568
Fax: +91 80 5112 2569
E-mail: bangalore@almtlegal.com

Book Running Lead Managers

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg
Church Gate, Mumbai 400 020
Tel: (91 22) 2288 2460
Fax: (91 22) 22845572
Contact Person: Ratnadeep Acharyya
Email: sib_fpo@isecltd.com
Website: www.icicisecurities.com

Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point, Mumbai 400 021, India
Tel: (91 22) 5638 1800
Fax: (91 22) 2284 6824
Contact Person: Lakha Nair
Email: sib_fpo@enam.com
Website: www.enam.com

Syndicate Members

ICICI Brokerage Services Limited
II Floor ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai – 400 020
Tel: 91 22 2288 2460
Fax: 91 22 2282 6455
Contact Person: Anil Mokashi

Enam Securities Private Limited
Khatau Building, 44B, Bank Street
Off Shahid Bhagat Singh Road
Fort, Mumbai 400 001
Tel: 91 22 2267 7901
Fax: 91 22 2266 5613
Contact Person: M. Natarajan

Registrar to the Issue

INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West)
Mumbai – 400 078
Tel. No.: (91 22) 5555 5491-94
Fax. No.: (91 22) 5555 5499
Email: siblfpo@intimespectrum.com
Contact Person: Vishwas Attavar
Website: www.intimespectrum.com

Registrar and Transfer Agent to the Bank

Karvy Computershare Pvt. Ltd.
"Karvy House", 46, Avenue 4,
Street No. 1 Banjara Hills,
Hyderabad – 500 034
Tel: 91 40 23312454, 23320251, 23320751
Fax: 91 40 23374714

Auditors

M/s. Varma & Varma
Chartered Accountants
Nettepadam Road, Ernakulam
Kochi 682 016, Kerala, India
Tel: (91 484) 23377066
Fax: (91 484) 2376046
Email: vandv@asianetonline.net

Banker to the Issue and Escrow Collection Bank

The South Indian Bank Limited
P.B. 1602, EMCA House, Ground Floor
289 S.B. Singh Road, Fort
Mumbai 400 021

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITY

The responsibilities and co-ordination for various activities in this Issue to be carried out by the BRLM is as under:

Inter-se Allocation of Responsibilities

Activities	Responsibility	Coordination
Capital structuring with the relative components and formalities such as the type of instruments etc.	I-SEC and Enam	I-SEC
Due diligence of the Company's operations/ management/ business plans/ legal matters etc.	I-SEC and Enam	I-SEC
Drafting and design of the Prospectus and of the statutory advertisement including the memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with the stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of the Prospectus and the RoC filing, co-ordination with stock exchanges for book building software, bidding terminals and stock trading		
Drafting and approval of all publicity material other than statutory advertisements as mentioned in (2) above including corporate advertisements, brochures etc.	Enam and I-SEC	Enam
Appointment of intermediaries i.e. 1. Syndicate Members 2. Registrar to the Issue 3. Printers 4. Advertising agency and 5. Bankers to the Issue	I-SEC and Enam	I-SEC
Institutional marketing of the Issue, which will cover *inter alia*, finalizing the list and division of investors for one to one meetings, preparation of investor presentation and finalizing road show schedules and investor meeting schedules.	Enam and I-SEC	Enam
Non Institutional and retail marketing of the Issue, which will include, *inter alia*: 1. Formulating marketing strategies, preparation of publicity budget; 2. Finalizing media and public relations strategy; 3. Finalizing centers for holding conferences for brokers; 4. Finalizing collection centers; 5. Follow-up on distribution of publicity and Issue materials, including form, prospectus and deciding on the quantum of the Issue material; 6. Finalizing collection orders.	I-SEC and Enam	I-SEC
Managing the book and finalization of pricing in consultation with the Company.	Enam and I-SEC	Enam
The post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, coordination of Non Institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc.	Enam and I-SEC	Enam
The post Issue activities will involve essential follow up steps, including finalization of trading and dealing instruments and dispatch of certificates and demat delivery of Equity Shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the banks handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the Company.		

Credit Rating

As the Issue is of Equity shares, credit rating is not required.

Trustees

As the Issue is of Equity shares, the appointment of Trustees is not required.

Book Building Process

Book building refers to the process of collection of Bids, on the basis of the Prospectus within the Price Band. The Issue price is fixed after the Bid Closing Date/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Bank;
- Book Running Lead Managers;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
- Escrow Collection Bank; and
- Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to QIBs. Further, not less than 15% of the Net Issue shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details see the section titled "Terms of the Issue" on page 184 of this Prospectus.

The process of book building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for illustrative purposes and is not specific to the Issue).

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 Equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding

- Check eligibility for bidding, see the section titled "Issue Procedure - Who Can Bid?" on page 189 of this Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the ROC, our Bank will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name of Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
ICICI Securities Limted	11,363,536	750
Enam Financial Consultants Private Limited	7,575,758	500
ICICI Brokerage Services Limited	100	-
Enam Securities Private Limited	3,787,878	250

The above-mentioned amount is indicative underwriting and this would be finalised after pricing and actual allocation. The above Underwriting Agreement is dated February 21, 2006. In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with one or more of the Stock Exchanges.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter, in addition to their obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIB Bidders is on a proportionate basis as per the terms of this Prospectus and may not be proportionate in any way and the patterns of allocation to the QIB Bidders could be different for the various Underwriters.

CAPITAL STRUCTURE

(Rs. in million)

As of December 14, 2005		Aggregate Value at nominal value	Aggregate Value at Issue Price
A) AUTHORISED			
1,25,000,000	Equity Shares of Rs. 10 each	1,250	
B) ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL			
47,677,920	Equity Shares of Rs. 10 each	476.8	
C) PRESENT ISSUE IN TERMS OF THIS PROSPECTUS			
22,727,272	Equity Shares of Rs. 10 each fully paid up*		
	Out of which	227.2	1,500
(i) 2,272,727	Equity Shares reserved for Employee Reservation Portion	22.7	150
(ii) 2,272,727	Equity Shares reserved for Shareholder Reservation Portion	22.7	150
(iii)	Net Issue to the Public – 18,181,818 Equity Shares	181.8	1,200
D) EQUITY CAPITAL AFTER THE ISSUE			
70,405,192	Equity Shares of Rs. 10 each fully paid up	704.0	
E) SHARE PREMIUM ACCOUNT			
Before the Issue			1,006.2
After the Issue			2,279.0

* The shareholders of the Bank authorized issue of further shares of upto Rs.600 million in nominal value i.e. Rs 60 million shares of Rs.10/- each, by adopting a special resolution at its meeting held on September 23, 2005, subject to the relevant regulatory approvals. Our Board of Directors constituted a Board Committee to Decide and Monitor Augmentation of Share Capital (CDMAOSC) to take a decision on issue of further shares and the Committee at its meeting held on October 13, 2005 resolved to issue further shares by way of a public issue through the Book Building route, upto a maximum issue size of Rs.1,500 million (Rupees one thousand five hundred million only). For further details, see sections titled "Other Regulatory and Statutory Disclosures - Authority for the Issue" on page 171 of the Prospectus and "Licenses and Approvals" beginning on page 169 of the Prospectus.

Notes to Capital Structure

1. Share Capital History of the Bank:

Equity Shares (As on)	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment	Reasons for allotment	Cumulative paid-up capital (Rs.)	Share Premium
January 25, 1929	42	2,500	2,500	Cash	Subscription to Memorandum of Association Incorporation	1,05,000	
April 1, 1994	10,500,000	10	10	Cash	Rights Issue	10,50,00,000	
March 4, 1995	286,000	10	10+50	Cash	Private Placement	10,78,60,000	14,300,000
March 18, 1995	574,000	10	10+50	Cash	Private Placement	11,36,00,000	28,700,000
March 22, 1995	1,420,000	10	10+50	Cash	Private Placement	12,78,00,000	71,000,000
March 23, 1995	1,4,20,000	10	10+50	Cash	Private Placement	14,20,00,000	71,000,000
February 23, 1998	4,274,460	10	10+20	Cash	Rights Issue	18,47,44,600	85,489,200
March 30, 1998	1,318,400	10	10+20	Cash	Rights Issue	19,79,28,600	26,368,000
October 28, 1998	16,007,600	10	10+22	Cash	Public Issue	35,80,04,600	3,52,167,200
March 31, 2004	42,020	10			(-)Forfeiture**	35,75,84,400	
October 12, 2004	11,919,480	10	10+30	Cash	Rights Issue	47,67,79,200	357,584,400

* Allotment of the under subscribed portion of the rights issue.

** Forfeiture of partly paid shares pursuant to the Board Resolutions adopted on 26-11-2003, 16-12-2003 and 06-01-2004 respectively.

Changes in the Authorised Share Capital of the Bank:

As on incorporation	Rs. 1.25 million
As on March 31, 1990	Rs. 25 million
As on March 31, 1991	Rs. 100 million
As on March 31, 1993	Rs. 500 million
As on March 31,1999	Rs. 1000 million
As on Date of Filing	Rs. 1250 million

2. Promoters' Contributions and Lock-In

There are no identifiable promoters for the Bank, hence the details regarding the shareholding of the promoters and the details of the transactions by them in our securities are not applicable.

3. Equity Shares held by top 10 shareholders

Our top 10 shareholders and the Equity Shares held by them as on the date of filing the Prospectus with the ROC are as follows:

Sr. No.	Name of Shareholder-	Number of Shares Held	% Share holding
1.	ICICI Bank Limited	4,722,786	9.91
2.	The Federal Bank Limited	1,404,702	2.95
3.	The India Fund Inc.	1,263,240	2.65
4.	India Capital Fund Limited	687,000	1.44
5.	Citigroup Global Markets Mauritius Private Limited	575,500	1.21
6.	Chirag Parikh	567,598	1.19
7.	India Institutional Fund Limited	563,000	1.18
8.	Janam Securities Private Limited	525,541	1.10
9.	Reliance Capital Trustee Co. Ltd.		
	A/c Reliance Banking Fund	501,000	1.05
10.	Jasvant A. Parikh	436,171	0.91

Our top 10 shareholders and the Equity Shares held by them 10 days prior to the date of filing the Prospectus with the ROCare as follows:

Sr. No.	Name of Shareholder	Number of Shares Held	% Share holding
1.	ICICI Bank Limited	4,722,786	9.91
2.	The Federal Bank Limited	1,392,248	2.92
3.	India Capital Fund Limited	687,000	1.44
4.	Citigroup Global Markets Mauritius Private Limited	575,500	1.21
5.	Chirag Parikh	567,598	1.19
6.	India Institutional Fund Limited	563,000	1.18
7.	Jasvant A. Parikh	539,287	1.13
8.	Janam Securities Private Limited	525,541	1.10
9.	Reliance Capital Trustee Co. Ltd.		
	A/c Reliance Banking Fund	501,000	1.05
10.	Oriental Insurance Company Limited	333,333	0.70

Our Top 10 shareholders and the Equity Shares held by them two years prior to the date of filing the Prospectus with ROCare as follows:

Sr. No.	Name of Shareholder	Number of Shares Held	% Share holding
1.	ICICI Bank Limited	4,023,350	11.24%
2.	Goldman Sachs Investments (Mauritius)	1,042,637	2.91%
3.	Uno Metals Limited	800,000	2.23%
4.	N.G. Industries Limited	605,000	1.69%
5.	Reliance Capital Trustee Co. Ltd. A/c. Reliance Banking	359,800	1.01%
6.	Uno Metals Limited	358,000	1.00%
7.	Unit Trust of India A/c Vecaus I	286,000	0.80%
8.	City Union Bank Limited	277,400	0.77%
9.	IFCI Limited	188,161	0.53%
10.	Life Insurance Corporation of India	184,900	0.52%

4. Outstanding warrants, options or rights

As of the date of the Prospectus there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.

5. Share holding pattern as of January 6, 2006

The table below presents our share holding pattern before the proposed Issue and as adjusted for the Issue

Shareholder Category	Equity Shares owned prior to the issue		Equity Shares owned post issue	
	Number	%	Number	%
Promoters#	0.00	0.00	0.00	0.00
Sub Total (A)	0.00	0.00	0.00	0.00
Non-promoter holding (institutional investors)				
Mutual Funds & UTI	5,01,000	1.05	[●]	[●]
Banks, Financial Institutions, Insurance Companies (Central State Govt. Institutions/ Non Government Institutions)	6,707,082	14.07	[●]	[●]
Foreign Institutional Investors	1,995,500	4.18	[●]	[●]
Sub Total (B)	9,203,582	19.30	[●]	[●]
Others				
Private Corporate Bodies	5,162,352	10.83	[●]	[●]
Indian Public	30,350,384	63.65	[●]	[●]
NRIs/OCBs/Foreign nationals	2,710,759	5.69	[●]	[●]
Clearing Members	237,743	0.50	[●]	[●]
Trusts	13,100	0.03		
Sub Total C	38,474,338	80.70	[●]	[●]
Total pre-issue share capital (D = A + B + C)	47,677,920	100.00	[●]	[●]
Public Issue (E)	[●]	[●]	22,727,272	100
Total post-issue capital (F=D+E)	[●]	[●]	[●]	[●]

\# There are no identifiable promoters for the Bank.

6. Buyback And/Or Standby Arrangements

None of our Directors, nor the BRLMs, have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

7. None of the Directors have, either directly or indirectly, undertaken transactions in the shares of the bank in the last six months preceding the date on which the Prospectus was filed with the ROCexcept the transactions stated below:

Date of Transaction	Transferee	Shares	Price	Mode
October 24, 2005	Dr. V.A Joseph	2,000	Market Purchase	Electronic

8. The Bank has not raised any bridge loan against the proceeds of this Issue. For details on use of proceeds, see the section titled "Objects of the Issue" on page 23 of this Prospectus.

9. A total of up to 10% of the Issue size aggregating Rs. 150 million, i.e., up to 2,272,727 Equity Shares, has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees of the Bank would be eligible to apply in this Issue under the Employee Reservation Portion. Eligible Employees may bid in the Net Issue to the Public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Employee Reservation Portion would first be allowed to be met with spill over from the retail portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs in the manner detailed in the section titled 'Issue procedure' on page 189 of this Prospectus.

10. A total of up to 10% of the Issue size aggregating Rs. 150 million, i.e., up to 2,272,727 Equity Shares, has been reserved for allocation to the Eligible shareholders on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in the shareholder Reservation Portion being Rs. 100,000. Only existing retail shareholders as on January 20, 2006 would be eligible to apply in this Issue under reservation for existing retail shareholders. Existing retail shareholder may bid in the net issue to the public portion as well and such bids shall not be treated as multiple bids. Any under subscription in the reservation for existing retail shareholders would first be allowed to be met with spill over from the retail portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs in the manner detailed in the section titled "Issue Procedure" on page 189 of this Prospectus.

11. An investor in the Net Issue to the Public cannot make a Bid for more than the number of Equity Shares offered in the Net Issue. This is further subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Prospectus with the SEBI until the Equity shares offered hereby have been listed.

13. The Bank does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may undertake an issue of shares or securities linked to Equity shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Bank.

14. There will be only one denomination of the Equity Shares of the Bank unless otherwise permitted by law and the Bank shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

15. The Bank has not issued any Equity Shares out of revaluation reserves or any Equity Shares for consideration other than cash, within a period of two years preceding the date of this Prospectus.

16. We have 93,675 members as on February 17, 2006.

OBJECTS OF THE ISSUE

We are a banking company regulated by the RBI. The RBI guidelines require us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier-1 capital. See "Regulations and Policies – Reserve Bank of India Regulations – Capital Adequacy Requirements" on page 73 of this Prospectus. Our total capital adequacy ratio was 10.28% at September 30, 2005 including Tier-1 capital adequacy ratio of 5.49% and Tier-2 capital of 4.79% of risk-weighted assets and off-balance sheet items. Additional capital is required for future asset growth and compliance with regulatory requirements.

RBI has adopted a phased approach to the implementation of the Basel II norms. New capital norms for market risk will be implemented over two years from the year ended March 31, 2005 and norms for credit risk and operational risk are proposed to be implemented with effect from the year ended March 31, 2007. In order to maintain consistency and harmony with international standards, banks have been advised to adopt the Standardised Approach for credit risk and the Basic Indicator Approach for operational risk with effect from March 31, 2007. The requirements for Tier I capital and total capital adequacy ratios are expected to increase with the proposed implementation of the Basel II standards.

The objects of the Issue are to augment our capital base to meet the future capital requirements arising out of the implementation of the Basel II standards and the growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and for other general corporate purposes including meeting the expenses of the Issue.

As we are engaged in the business of banking, we are seeking to strengthen our capital base to support the future growth in our assets and comply with the capital adequacy requirements applicable to us. Other general corporate purposes would include development of infrastructure to support our business growth and service our customers.

Requirement and Sources of Funds

Requirement of Funds	**(in Rs. million)**
Augment our capital base to meet our future capital adequacy requirements arising out of growth in our businesses and for other general corporate purposes	1,430.0
Estimated Issue expenses	70.0
Total	**1,500.0**

Sources of Funds	**(in Rs. million)**
Proceeds of the Issue	1,500.0
Total	**1,500.0**

The main objects clause and the objects incidental or ancillary to the main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

Augment our capital base to meet our future capital adequacy requirements arising out of growth in our businesses and for other general corporate purposes.

We are engaged in the business of banking and other financial services businesses. We are seeking to strengthen our capital base to support the future growth in our assets and comply with capital adequacy requirements applicable to us. Other general corporate purposes would include development of channel infrastructure to support our business growth and service our customers.

Estimated Issue Expenses

Activity	**(in Rs. million)**
Estimated lead management, underwriting and selling commission	30.0
Estimated other expenses (including advertising, registrar's fee, legal fee, printing and stationery and listing fee)	40.0
Total	**70.0**

BASIS FOR ISSUE PRICE

Qualitative Factors

1. Established in 1929, we are one of the old generation private sector banks in India having its head-quarters at Thrissur, Kerala.
2. We have a branch network of 432 branches and 57 extension counters in India spanning across 17 States and 2 Union Territories as on September, 30, 2005, with our customers having access to over 20,000 ATMs in India, including 137 of our own, and over 820,000 ATMs across the globe.
3. Our advances have grown by a CAGR of 20.44% from March 31, 2001 to September 30, 2005.
4. Our deposits have grown by a CAGR of 13.12% from March 31, 2001 to September 30, 2005.
5. Our ratio of net NPAs to net advances declined to 3.09% as on September 30, 2005 from 4.55% as on March 31, 2004.
6. The Bank is professionally managed with an uninterrupted track record of profitability.
7. As on September 30, 2005, 276 of our branches and 21 Extension Counters are on-line which covers 87% of our total business.

Quantitative Factors

Information presented in this section is derived from our audited restated financial statements prepared in accordance with Indian GAAP.

1. Weighted average earnings per share (EPS)*

Year	**EPS (Rs.)**	**Weight**
Year ended March 31, 2003	20.87	1
Year ended March 31, 2004	24.21	2
Year ended March 31, 2005	3.76	3
Half year ended September 30, 2005 (Annualised)	5.84	4
Weighted Average	**10.39**	

Source: Restated audited financial results of the Bank

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 66
   a. Based on six months period ended September 30, 2005 EPS (Annualised) is Rs. 5.84.
   b. Industry P/E (1)
      i) Highest 9.1
      ii) Lowest 4.6
      iii) Average (composite) 7.05

   (1) Source: "Capital Market" dated Dec. 5-18, 2005, for the Category titled 'Banking – Private Sector'.

3. Average Return on Net worth (RoNW)

Year	RoNW (%.)	Weight
Year ended March 31, 2003	28.40	1
Year ended March 31, 2004	28.11	2
Year ended March 31, 2005	4.31	3
Half year ended September 30, 2005 (Annualised)	7.56	4
Weighted Average	**12.78**	

Source: Restated audited financial results of the Bank

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS

The minimum return on increased net worth required to maintain pre-Issue EPS is 14.11%

5. Net Asset Value per Equity Share at September 30, 2005 is Rs. 77.27 and at March 31, 2005 is Rs. 75.70.

NAV as at March 31, 2005 is Rs. 75.70

NAV per Equity Share after the Issue is Rs. 73.63

Issue Price per Equity Share: Rs. 66

Source: Restated audited financial results of the Bank

6. Comparison of Accounting Ratios

Particulars	EPS	BV	RoNW	PE
Federal Bank	22.1	110.3	20.0%	7.8
Karnataka Bank	13.3	80.6	16.5%	7.8
Karur Vysya Bank	64.4	422.7	15.2%	8.1
Bank of Rajasthan	0.5	30.6	1.6%	-
Centurion Bank	0.3	4.2	7.1%	-
City Union Bank	20.7	100.3	20.6%	4.6
South Indian Bank	5.84*	77.27	7.56%*	9.1
Peer Group Simple Average				**7.05**

* Annualized

Our EPS, BV and RoNW numbers have been taken from our restated accounts for the half year ended on September 30,2005. Source for other information is "Capital Market" dated Dec. 5-18, 2005.

The Lead Managers believe that the Issue Price of Rs. 66 is justified in view of the above qualitative and quantitative parameters. The face value of Equity Shares is Rs. 10 per Equity Share and the Issue Price of Rs. 66 per Equity Share is 6.6 times the face value.

STATEMENT OF TAX BENEFITS

Statement of Possible Tax Benefits Available to the Bank and its Shareholders

As requested by you, we enclose the Annexure which states the possible tax benefits available to The South Indian Bank Limited (the "Bank") and its shareholders under the current tax laws presently in force in India. The taxation benefits will depend upon the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

The benefits discussed in the Annexure are not exhaustive and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether the Bank or its shareholders will continue to obtain these benefits in future; or the conditions prescribed for availing the benefits have been/would be met with. The contents of this annexure are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

Our opinion as above is based on the understanding of the law and applicable regulations prevailing as of the date of this opinion. Any change or amendment in the law would necessitate a review of our comments and opinions contained therein. Unless specifically requested, we have no responsibility to carry out any review of our comments for changes in law occurring after the date of this opinion.

For Varma & Varma
Chartered Accountants

Place: Kochi
Date: December 13, 2005

STATEMENT OF TAX BENEFITS

A. INCOME-TAX

I. To the Bank

1. In accordance with and subject to the provisions of Section 10(23G) of the Income Tax Act, 1961 (hereinafter referred to as the 'IT Act'), the taxable income of the bank would not include dividend (other than dividends exempt under Section 10(34) of the IT Act), interest or long-term capital gains (other than gains exempt under section 10 (38) of the IT Act) from investment made by way of shares or long-term finance in specified enterprises wholly engaged in the business of:

   (i) (a) developing, (b) maintaining and operating or (c) developing, maintaining and operating approved infrastructure facility; or

   (ii) developing or building approved housing projects: or

   (iii) developing or building approved hotel or hospital projects

   However, such income would be considered in computing book profits under Section 115JB of the IT Act.

2. The taxable income of the Bank would not include dividend income in accordance with and subject to the provisions of Section 10(34) read with Section 115-O of the IT Act.

3. Under Section 36(1)(vii) of the IT Act, any bad debts or part thereof written off as irrecoverable, would be allowed as a deduction from the total income of the bank in accordance with and subject to the provisions contained therein.

4. Under Section 36(1)(viia) of the IT Act, and subject to the conditions specified therein, deduction in respect of any provision for bad and doubtful debts made by the bank is allowed upto 7.5% of the total income (computed before making any deduction under this Section and Chapter VIA) and 10% of the aggregate average advances made by the rural branches.

   As per the third proviso of Section 36(1)(viia) and subject to the conditions specified therein, the Bank shall at its option be allowed further deduction in excess of the specified limits, for an amount not exceeding the income derived from redemption of securities in accordance with the scheme framed by the Central Government.

5. Under Section 43D of the IT Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to the Profit and Loss Account of the Bank, whichever is earlier.

6. Under the provisions of the section 10(38) of the IT Act, long-term capital gains arising from a sale, on a recognized stock exchange, of equity shares or units of equity oriented fund, which is chargeable to securities transaction tax ('STT') is exempt from tax. Under section 111A of the IT Act, short-term capital gains on such sales is chargeable to tax at the rate of 10 percent (plus applicable surcharge and education cess). No deduction would be allowed for STT paid in computing the capital gains. Further, sale of units of equity oriented fund to the Mutual fund is also subject to STT and consequently eligible to the benefit of the provisions contained in section 10(38) and section 111A of the IT Act.

   Capital gains would be treated as long term capital gains where the equity shares/units are held for a period of more than 12 months prior to the date of transfer of the shares; the gains would be short-term capital gains where the equity shares/units are held for a period of 12 months or less.

   If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits, rebate can be claimed from the income tax payable by the Bank in accordance with provisions of Section 88E of the IT Act towards such securities transaction tax.

7. The benefit of exemption from tax under Section 10(38) of the IT Act on long-term capital gains, or, concessional rate of tax under Section 111A of the IT Act on short-term capital gains will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the IT Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits which would be restricted to 10% (plus applicable surcharge and education cess) of long term capital gains without indexation benefits in accordance with and subject to the provision of Section 48 of the IT Act. Under Section 48 of the IT Act, the long-term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

8. As per Section 54EC and Section 54ED of the IT Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the Bank has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC of the IT Act or in acquiring shares of a public company offered for subscription by way of a public issue for the purposes of Section 54ED of the IT Act. If only a portion of capital gains is so invested, then the exemption is available proportionately.

   The amount so exempted will be chargeable to tax under the head 'Capital Gains' if the new asset is transferred or converted (other wise than by way of transfer) into money within three years from the date of its acquisition.

9. As per the provisions of Section 80LA of the IT Act where the gross total income of the Bank, in any previous year, includes specified income from an offshore banking unit (OBU) in a special economic zone with an undertaking located in a special economic zone or any other undertaking which develops, or develops and operates, or operates and maintains a special economic zone, shall, subject to the fulfillment of the conditions specified in Section 80LA of the IT Act, be entitled to 100% deduction of such income for three consecutive assessment years, beginning with the assessment year relevant to the previous year in which the RBI's permission to open the offshore unit shall have been obtained, and after those three years, 50% deduction of such income for the next two consecutive assessment years. The SEZ Act, 2005 have extended the benefit of Section 80LA of the IT Act to all income of OBU, by way of deduction of the income @ 100% for a period of 5 consecutive years beginning with the year in which permission under Banking Regulation Act, 1949 is obtained and 50% deduction for a period of 5 consecutive years thereafter in accordance with and subject to the conditions prescribed therein. The above provisions of SEZ Act, 2005 are yet to come into force from a date to be notified.

II. To Resident Shareholders

1. Dividend income of shareholders is exempt from income tax under Section 10(34) read with Section 115-O of the IT Act.

2. As per Section 54EC and Section 54ED of the IT Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the shareholder has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC or in acquiring shares of a public company offered for subscription by way of a public issue for the purposes of Section 54ED of the IT Act. If only a portion of capital gains is so invested, then the exemption is available proportionately.

3. As per the provisions of Section 54F of the IT Act, subject to the conditions specified therein, long-term capital gains arising to an individual or a Hindu undivided family on transfer of long-term capital asset shall be exempt from tax, provided that the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer, or in the construction of a residential house within a period of three years after the date of transfer of the long-term capital asset. If only a portion of the net consideration is so invested, then the exemption is available proportionately.

4. Long-term capital gains would accrue to resident shareholders where the Equity Shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the IT Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

   (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

   (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.

5. Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under Section 10(38) of the IT Act whereas short-term capital gains is subject to tax under Section 111A of the IT Act at the rate of 10% (plus applicable surcharge and education cess)

   If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the IT Act towards such securities transaction tax.

6. The benefit of exemption from tax under Section 10(38) of the IT Act on long-term capital gains, or, concessional rate of tax under Section 111A of the IT Act on short-term capital gains will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the IT Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the IT Act. Under Section 48 of the IT Act, the long-term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition / improvement.

III. To non-resident shareholders including NRIs, OCBs and FIIs

2. Dividend income of shareholders is exempt from income tax under Section 10(34) of the IT Act read with Section 115-O of the IT Act.

3. As per Section 54EC and Section 54ED of the IT Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the shareholder has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC or in acquiring shares of a public company offered for subscription by way of a public issue for the purposes of Section 54ED of the IT Act. If only a portion of capital gains is so invested, then the exemption is available proportionately.

4. As per the provisions of Section 54F of the IT Act, subject to the conditions specified therein, long-term capital gains arising to an individual or a Hindu undivided family on transfer of long-term capital asset shall be exempt from tax, provided that the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer, or in the construction of a residential house within a period of three years after the date of transfer of the long-term capital asset. If only a portion of the net consideration is so invested, then the exemption is available proportionately.

5. Long-term capital gains would accrue to non-resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the IT Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

(i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares

As per the provisions of the first proviso to Section 48 of the IT Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency as was initially utilised in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such case.

Further, the aforesaid manner of computation of capital gains shall be applicable in respect of every reinvestment thereafter in and sale of, shares in, or debentures of an Indian company.

6. Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under Section 10(38) of the IT Act whereas short-term capital gains is subject to tax under Section 111A of the IT Act at the rate of 10% (plus applicable surcharge and education cess).

If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits, liable to tax at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the IT Act towards such securities transaction tax.

7. The benefit of exemption from tax under Section 10(38) of the IT Act on long-term capital gains, or, concessional rate of tax under Section 111A of the IT Act on short-term capital gains will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the IT Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 10% (plus applicable surcharge and education cess).

8. Capital gains arising to Non Resident Indians (NRIs) on sale of shares on which securities transaction tax is not paid, is governed by Chapter XII-A of the IT Act, subject to fulfilling the conditions stipulated therein.

(i) In accordance with and subject to the provisions of Section 115E of the IT Act, long-term capital gains arising on transfer of specified capital assets acquired out of convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge and education cess). Cost indexation benefits will not be available in such case.

(ii) In accordance with and subject to the provisions of Section 115F of the IT Act, long-term capital gains arising on sale of shares acquired by a NRI shareholder out of convertible foreign exchange shall be exempt from income tax entirely / proportionately, if the entire/part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10(4B) or specified assets as defined in Section 115C(f) of the IT Act, within six months from the date of transferring the shares. The amount so exempted will be chargeable to tax under the head 'Capital Gains' if these new assets are transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition in accordance with the provisions of Section 115F(2) of the IT Act.

(iii) As per Section 115G of the IT Act, a NRI would not be required to file a return of income under Section 139(1) of the IT Act, where the total income consists only of investment income and/or long-term capital gains and tax deductible at source has been deducted from such income.

(iv) As per the provision of Section 115I of IT Act, a NRI may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the provisions of the IT Act.

9. Capital gains arising to FIIs on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the IT Act. As per Section 115AD of the IT Act, long-term capital gains arising on transfer of shares purchased by FIIs, are taxable at the rate of 10% (plus applicable surcharge and education cess). Short-term capital gains are however, taxable at the rate of 30% (plus applicable surcharge and education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the IT Act as stated above will not apply.

10. In accordance with and subject to the provisions of Section 196D(2) of the IT Act, no deduction of tax at source will be made in respect of capital gains arising from the transfer of the equity shares referred to in Section 115AD from sale proceeds payable to FIIs.

11. In the case of all non-resident shareholders, the above tax rates are subject to the benefits, if any, available under the double taxation avoidance agreements signed by India with the country of which the non-resident shareholder may be a tax resident.

IV. To Mutual Funds

As per the provisions of Section 10(23D) of the IT Act, tax exemption is available on income of a mutual fund registered under the Securities and Exchange Board of India Act, 1992 and Regulations made thereunder, or, mutual funds set up by the public sector banks or public financial institutions / authorised by the RBI and subject to the conditions as the Central Government may specify by notification in the Official Gazette.

B. WEALTH TAX

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957, accordingly, shares purchased in the Issue are not liable to Wealth-tax in the hands of the shareholders.

C. GIFT TAX

The Gift-tax Act, 1958, ceased to apply to gifts made on or after October 1, 1998. Gifts of shares purchased in the Issue would therefore, be exempt from gift-tax.

INDIAN BANKING SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the GoI and its various ministries and RBI, and has not been prepared or independently verified by us or any of our advisors. Wherever we have relied on figures published by RBI, unless stated otherwise, we have relied on RBI Annual Report, 2004-2005, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as of March 2005, RBI's Annual Policy Statements for 2004-2005 and 2005-2006 and the Mid-Term Review of the RBI's Annual Policy Statement for 2005-06.

History

The evolution of the modern commercial banking industry in India can be traced to 1786 with the establishment of the Bank of Bengal in Calcutta. Three presidency banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in banking, resulting in the establishment of joint stock banks. In 1921, the three presidency banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial bank, a bankers' bank and a banker to the Government. The establishment of RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank of India. In order to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state sponsored bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate banks. Accordingly, the State Bank of India ("SBI") was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate banks as its subsidiaries. In 1969, 14 private banks were nationalised followed by six private banks in 1980. Since 1991, many financial reforms have been introduced substantially transforming the banking industry in India.

Overview

Today, RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- public sector banks;
- private sector banks;
- regional rural banks
- foreign banks;
- cooperative banks;
- long-term lending institutions;
- non-bank finance companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

Until the early 1990s, the Indian financial system was strictly controlled. Interest rates were administered, formal and informal parameters governed asset allocation, and strict controls limited entry into and expansion within the financial sector. The Government of India's economic reform program, which began in 1991, encompassed the financial sector. The first phase of the reform process began with the implementation of the recommendations of the Committee on the Financial System, the Narasimham Committee I. The second phase of the reform process began in 1999.

The discussion below presents an overview of the role and activities of RBI and of each of the major participants in the Indian financial system, with a focus on the commercial banks. This is followed by a brief summary of the banking reform process along with the recommendations of various committees that have played a key role in the reform process. A brief discussion on the impact of the liberalization process on commercial banks and financial sector is then presented. Also, reforms in the non-banking financial sector are briefly reviewed.

Reserve Bank of India

RBI is the central banking and monetary authority in India. RBI manages the country's money supply and foreign exchange and also serves as a bank for the GoI and for the country's commercial banks. In addition to these traditional central banking roles, RBI undertakes certain developmental and promotional activities.

RBI issues guidelines, notifications and circulars on various areas, including exposure standards, income recognition, asset classification, provisioning for non-performing assets, investment valuation and capital adequacy standards for commercial banks, long-term lending institutions and non-banking finance companies. RBI requires these institutions to furnish information relating to their businesses to RBI on a regular basis.

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. At the end of March 2005 there were 284 scheduled commercial banks and four non-scheduled commercial banks in the country, with a network of 68,116 branches. Scheduled commercial banks are banks that are listed in the second schedule to the RBI Act, and may further be classified as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with nearly 69.49% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category of banks in the Indian banking system. There are 28 public sector banks in India. They include the SBI and its associate banks and 19 nationalised banks. Nationalised banks are governed by the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980. The banks nationalised under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970 and 1980 are referred to as 'corresponding new banks'. At the end of March 2005, public sector banks had 47,320 branches and accounted for 74% of the aggregate deposits and 70.47% of the outstanding gross bank credit of the scheduled commercial banks.

Regional Rural Banks

Regional rural banks were established from 1976 to 1987 jointly by the Central Government, State Governments and sponsoring public sector commercial banks with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. There were 196 regional rural banks at the end of March 2005 with 14,433 branches, accounting for 3.50% of aggregate deposits and 2.81% of gross bank credit outstanding of scheduled commercial banks.

Private Sector Banks

After bank nationalisation was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the new private sector banks.

At year-end fiscal 2005, private sector banks accounted for approximately 18.1% of aggregate deposits and 20.0% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,143 branches accounted for 9.0% of the total branch network of scheduled commercial banks in the country.

Foreign Banks

At the end of March 2005, there were 31 foreign banks with 220 branches operating in India, accounting for 4.40% of aggregate deposits and 6.60% of outstanding gross bank credit of scheduled commercial banks. The Government of India permits foreign banks to operate through (i) branches; (ii) a wholly owned subsidiary; or (iii) a subsidiary with aggregate foreign investment of up to 74% in a private bank. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a significant part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. The GoI in 2003 announced that wholly-owned subsidiaries of foreign banks would be permitted to incorporate wholly-owned subsidiaries in India. Subsidiaries of foreign banks will have to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. In March 2004, the Ministry of Commerce and Industry, GoI announced that the foreign direct investment limit in private sector banks has been raised to 74% from the existing 49% under the automatic route including investment by FIIs. The announcement also stated that the aggregate of foreign investment in a private bank from all sources would be allowed up to a maximum of 74% of the paid up capital of the bank.

Co-operative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of the liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures to address the issues, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. RBI is currently responsible for the supervision and regulation of urban co-operative societies, the National Bank for Agriculture and Rural Development, state co-operative banks and district central co-operative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 (which came into effect as of September 24, 2004), specifies that all co-operative banks are under the supervision and regulation of RBI.

Term Lending Institutions

Term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include Industrial Development Bank of India (converted into a banking company with effect from October 2004), IFCI Limited, Infrastructure Development Finance Company Limited and Industrial Investment Bank of India.

The term lending institutions were expected to play a critical role in industrial growth in India and, accordingly, had access to concessional government funding. However, in recent years, the operating environment of the term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:

- Fee-based activities like investment banking and advisory services; and
- Short-term lending activity including corporate loans and working capital loans.

Pursuant to the recommendations of the Committee on Banking Sector Reforms (Narasimham Committee II), S.H. Khan Working Group, a working group created in 1999 to harmonise the role and operations of term lending institutions and banks, RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks in India. In April 2001, RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a term lending institution into a universal bank.

Industrial Development Bank of India was converted into a banking company with the name of Industrial Development Bank of India Limited within the meaning of the Banking Regulation Act and the Companies Act with effect from October 1, 2004. It is currently able to carry on banking operations in addition to the business being transacted by it as a term lending institution.

Non-Banking Finance Companies

There were 13,187 non-banking finance companies in India as of March 31, 2005, mostly in the private sector. All non-banking finance companies are required to register with RBI. The non-banking finance companies, on the basis of their principal activities are broadly classified into four categories namely Equipment Leasing (EL), Hire Purchase (HP), Loan Companies and Investment Companies. The Reserve Bank has put in place a set of directions to regulate the activities of NBFCs under its jurisdiction. The directions are aimed at controlling the deposit acceptance activity of NBFCs. The NBFCs which accept public deposits are subject to strict supervision and capital adequacy requirements of RBI. Out of the NBFCs registered with RBI as of March 2005, 474 NBFCs accept Public Deposits.

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies and are regulated by National Housing Bank (NHB). As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of their business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two Government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for refinancing and securitisation of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

Other Financial Institutions

Specialized Financial Institutions

In addition to the long-term lending institutions, there are various specialized financial institutions that cater to the specific needs of different sectors. They include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Risk Capital and Technology Finance Corporation Limited, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited and the Infrastructure Development Finance Corporation Limited.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Insurance Companies

Currently, there are 29 insurance companies in India, of which 14 are life insurance companies, 14 are general insurance companies and one is a re-insurance company. Of the 14 life insurance companies, 13 are in the private sector and one is in the public sector. Among the general insurance companies, eight are in the private sector and six are in the public sector including Export Credit Guarantee Corporation of India Limited and Agriculture Insurance Company of India Limited. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company Limited and our general insurance joint venture, ICICI Lombard General Insurance Company Limited, are both major players in their respective segments. During fiscal 2005, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 181.0 billion and Rs. 253.4 billion respectively.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. This Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance or Rs. 2.0 billion to carry on exclusively the business of reinsurance.

In its monetary and credit policy for fiscal 2001, the Reserve Bank of India issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of impaired loans and the performance of their existing subsidiary companies.

The promoters of insurance companies have to divest in a phased manner their shareholding in excess of 26.0% (or such other percentage as may be prescribed), after a period of 10 years from the date of commencement of business or within such period as may be prescribed by the government. The government, while presenting its budget for fiscal 2005, proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this requires an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not yet been implemented.

Mutual Funds

At the end of September 2005, there were 29 mutual funds in India with total assets under management of Rs. 2,016.7 billion. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. At the end of September 2005 there were 23 private sector mutual funds with a 79.2% market share in terms of total assets under management. Prudential ICICI Asset Management Company had a market share of about 11% in assets under management of the mutual fund industry at September 30, 2005.

In 2001, Unit Trust of India, with a high level of investment in equity securities, started to face difficulties in meeting redemption and assured return obligations due to a significant decline in the market value of its securities portfolio. In response, the Government of India implemented a package of reform measures for Unit Trust of India, including guaranteeing redemption and assured return obligations to the unit holders, subject to restrictions on the maximum permissible redemption amount. As part of the reforms, Unit Trust of India was divided into two mutual funds structured in accordance with the regulations of the Securities and Exchange Board of India, one comprising assured return schemes and the other comprising net asset value based schemes.

Liberalisation and the Reform Process

Impact of Liberalisation on the Banking Sector

Until 1991, the financial sector in India was heavily controlled, and commercial banks and term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Term lending institutions were focused on the achievement of the Indian government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. These lending institutions provided access to long-term funds at subsidised rates through loans and equity from the Government of India and from funds guaranteed by the Government of India originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and businesses.

However, since 1991, there have been comprehensive changes in the Indian financial system. Various financial sector reforms, implemented since 1991, have transformed the operating environment of the banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market, and entry of new private sector banks, along with the broadening of term lending institutions' product portfolios, have progressively intensified the competition among banks and term lending institutions. RBI has permitted the transformation of term lending institutions into banks subject to compliance with the applicable law.

Banking Sector Reforms

In the wake of the last decade of financial reforms, the banking industry in India has undergone a significant transformation, which has covered almost all important facets of the industry.

Most large banks in India were nationalised by 1980 and thereafter were subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, the regulations also channelled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low-interest-bearing government securities or statutory liquidity ratio bonds to fulfil statutory liquidity requirements. As a result, bank profitability was low, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

The Committee on the Financial System (Narasimham Committee I) was set up in August 1991 to recommend measures for reforming the financial sector. Many of the recommendations made by the committee, which addressed organisational issues, accounting practices and operating procedures, were implemented by the Government of India. The major recommendations that were implemented included the following:

- With fiscal stabilisation and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio, or the proportion of a bank's net demand and time liabilities that were required to be invested in government securities, was reduced from 38.5%, in the pre-reform period, to 25.0% in October 1997. This meant that the significance of the statutory liquidity ratio shifted from being a major instrument for financing the public sector in the pre-reform era to becoming a prudential requirement;
- Similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with RBI, was reduced from 15.0%, in the pre-reform period, to 5.0% currently;
- Special tribunals were created to resolve bad debt problems;
- Most of the restrictions on interest rates for deposits were removed and commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and
- Substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. The stronger public sector banks were given permission to issue equity to increase capital.

Committee on Banking Sector Reform (Narasimham Committee II)

The second Committee on Banking Sector Reform (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of capital adequacy requirements, asset classification and provisioning, risk management and merger policies. RBI accepted and began implementing many of these recommendations in October 1998.

The successes of the reforms were aided to a large extent by the relative macroeconomic stability during the period. Another distinguishing feature of the reforms was the successful sequencing and gradual introduction of the reforms.

Banks have implemented new prudential accounting norms for the classification of assets, income recognition and loan loss provisioning. Following the Bank for International Settlements (BIS) guidelines, capital adequacy norms have also been prescribed. To meet additional capital requirements, public sector banks have been allowed to access the market for funds. Interest rates have been deregulated, while the rigour of directed lending has been progressively reduced.

Recent Structural Reforms

Proposed Amendments to the Banking Regulation Act

Legislation seeking to amend the Banking Regulation Act has been introduced in the Indian Parliament. As presently drafted, the main amendments propose to:

- permit banking companies to issue preference shares that will not carry any voting rights;
- make prior approval of the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving the Reserve Bank of India discretion to reduce the statutory liquidity ratio to less than 25.0%; and
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose off the assets. This Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions including ourselves, has received registration from the Reserve Bank of India and commenced operation in August 2003.

Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment by Foreign Institutional Investors registered with the Securities and Exchange Board of India is permitted in security receipts issued by asset reconstruction companies, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government of India issued an ordinance amending the Securitisation Act. The Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the Securitisation Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over).

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the Government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimise the losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

Pension Reforms

Currently, there are three categories of pension schemes in India: pension schemes for government employees, pension schemes for employees in the organised sector and voluntary pension schemes. In case of pension schemes for government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory programme for employees of certain establishments. It is a contributory programme that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the government (the Public Provident Fund, to which contribution may be made up to a maximum of Rs. 70,000) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme.

In 1998, the government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the government announced that a high level committee would be formulated to design a contribution-based pension scheme for new government recruits. The government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the government announced that it would be mandatory for its new employees (excluding defence personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the government announced that the new pension scheme would be applicable to all new recruits to Indian Government service (excluding defence personnel) from January 1, 2004. Further, on December 30, 2004, the government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Union Budget for fiscal 2006 has recognised the opportunities for foreign direct investment in the pension sector and it has also announced that the government would issue guidelines for such investment.

Annual Policy Statement

RBI has renamed its credit policy as the "Annual Policy" statement since it is more aimed at structural adjustments rather than controlling the credit flow in the economy. As per the Annual Policy statement for the year 2005-06, the rate of CRR of scheduled commercial banks has been kept at 5.00% of net demand and time liabilities as on the last Friday of the second preceding fortnight.

As part of its effort to continue bank reform, RBI has announced a series of measures in its monetary and credit policy statements aimed at deregulating and strengthening the financial system.

In the Annual Policy for the year 2005-06, RBI has stated that the overall stance of monetary policy for the year 2005-06 shall be as follows:

- Provision of appropriate liquidity to meet credit growth and support investment and export demand in the economy while placing equal emphasis on price stability;
- Consistent with the above, to pursue an interest rate environment that is conductive to macroeconomic and price stability, and maintaining the momentum of growth; and
- To consider measures in a calibrated manner, in response to evolving circumstances with a view to stabilising inflationary expectations.

In the Annual Policy for fiscal 2006, RBI introduced the following measures, among others:

- Liquidity adjustment facility ("LAF") scheme: The international usage of "repo" and "reverse repo" terms was adopted from October 29, 2004. The LAF scheme has been operating with overnight fixed rate repo and reverse repo with effect from November 1, 2004.
- There is no change in the bank rate, which remains at 6.00%.
- The fixed reverse repo rate under the LAF scheme was increased effective from April 29, 2005 from 4.75% to 5.00%. The fixed repo rate under LAF remained unchanged at 6.00%.
- The CRR level has been kept unchanged at 5.00%.
- Ensuring stability in short-term interest rates, minimising default risk and achieving a balanced development of various segments of the money market.
- RBI will not be participating in the primary issuance of Government securities with effect from April 1, 2006. Further sale of government securities allotted in primary issues with and between CSGL account holders (which is the demat form of holding Government securities) shall also take place on the same day.

- RBI shall issue guidelines on merger and amalgamation between private sector banks and with NBFCs. The guidelines would cover process of merger proposal, determination of swap ratios, disclosures, norms for buying/selling of shares by promoters before and during the process of merger and the Board's involvement in the merger process. The principles underlying these guidelines would also be applicable as appropriate to public sector banks, subject to relevant legislation.
- To raise the ceiling of overseas investment by Indian entities in overseas joint ventures and/or wholly owned subsidiaries from 100% to 200% of their net worth under the automatic route.
- To set up an independent Banking Codes and Standards Board of India on the model of the mechanism in the UK in order to ensure that comprehensive code of conduct for fair treatment of customers are evolved and adhered to.
- Structural and developmental measures for deepening and widening the government securities market.
- Measures for simplifying the systems and procedures for offering better customer service and to continue with the liberalisation process for improvement of the foreign exchange market.

Mid-Term Review of Annual Policy Statement

The Mid-Term Review of the Annual Policy Statement of RBI for the Year 2005-06, which was released in late October 2005, included the following revisions:

Monetary Measures

- Bank rate kept unchanged at 6.0%.
- Reverse repo rate increased by 25 basis points to 5.25%, effective October 26, 2005. The spread between reverse repo rate and the repo rate under LAF was maintained at 100 basis points.
- The cash reserve ratio was kept unchanged at 5.0%.

Interest Rate Policy

- Indian Banks' Association is being asked to review the benchmark prime lending rate system and issue transparent guidelines for appropriate pricing of credit.

Financial Markets

- RBI constituted a new department called the Financial Markets Department in July 2005 with a view to moving towards functional separation between debt management and monetary operations.
- RBI proposes the introduction of intra-day short selling in government securities proposed.
- NDS-OM module to be extended to all insurance entities that are mandated to invest in government securities.
- A screen-based negotiated quote-driven system for call/notice and term money markets and an electronic trading platform for market repo operations in government securities are being developed by the Clearing Corporation of India Ltd.

External Commercial Borrowings (ECBs)

- Special purpose vehicles, or any other entity notified by the RBI, which are set up to finance infrastructure companies/ projects would be treated as financial institutions and ECBs raised by such entities would be considered under the approval route.
- Banks are to be allowed to issue guarantees or standby letters of credit in respect of ECBs raised by textile companies for the modernisation or expansion of textile units.

Credit Delivery Mechanisms

- Banks have been advised (a) to fix their own targets for financing the SME sector so as to reflect higher disbursement required by RBI, (b) formulate liberal and comprehensive policies for extending loans to the SME sector and (c) rationalise the cost of loans to the SME sector with cost linked to credit ratings.
- A debt restructuring mechanism for units in the SME sector, in line with the corporate debt restructuring (CDR) mechanism prevailing in the banking sector has been formulated by the RBI.
- The Micro Finance Development Fund set up in the NABARD has been re-designated as the Microfinance Development and Equity Fund (MFDEF) and its funding increased from Rs. 1,000 million to Rs. 2,000 million. The modalities in regard to the functioning of the MFDEF are being considered.
- An internal working group proposed to examine and revise guidelines concerning relief measures to be provided in areas affected by natural calamities.

Financial Inclusion

- Measures have been proposed in respect of credit delivery mechanisms to (a) ensure financial inclusion of all segments of the population, in both rural and urban areas, (b) instate a comprehensive framework to revive the co-operative credit system, revitalise the regional rural banks (RRBs) and focus commercial banking towards the credit-disadvantaged sectors.
- With a view to achieving greater financial inclusion all banks have been requested to make available a basic banking 'no frills' account either with nil or very low minimum balances as well as charges that would make such accounts accessible to vast sections of population. All banks are urged to give wide publicity to the fact such a 'no-frills' account is available, so as to promote greater financial inclusion.

Prudential Measures

- A bank's aggregate capital market exposure has been restricted to 40% of the net worth of the bank on a stand alone and consolidated basis; consolidated direct capital market exposure has been modified to 20% of the bank's consolidated net worth. Individual banks that have sound internal controls and robust risk management systems can approach the Reserve Bank to apply for higher limits.
- The general provisioning requirement for 'standard advances' has been increased from the present level of 0.25% to 0.40%. Direct advances to agricultural and SME sectors are exempted from the additional provisioning requirement.
- A supervisory review process to be initiated with select banks having significant exposure to some sectors, namely, real estate, highly leveraged NBFCs, venture capital funds and capital markets, in order to ensure that effective risk management systems and sound internal controls are in place.
- A general permission has been granted to banks to issue debit cards in tie-up with non-bank entities.

Institutional Developments

- The details of the scheme regarding implementation of the provisions of the Right to Information Act, 2005 have been placed on the Reserve Bank's website.
- The RBI has recently updated its nominal effective exchange rates (NEER) and real effective exchange rates (REER) indices. The RBI anticipates that the new 6-currency indices and the revised 36-country indices of NEER and REER will be published in the Reserve Bank of India Bulletin of December 2005.
- Currency chest facility and licence to conduct foreign exchange business (authorised person licence) to scheduled UCBs registered under the Multi-State Co-operative Societies Act and under the State Acts where the State Governments concerned have assured regulatory coordination by entering into MoU with the Reserve Bank.

- Acquirer UCB to be permitted to amortise the losses taken over from the acquired UCB over a period of not more than five years, including the year of merger.

The RBI anticipates that:

- By the end of March 2006, 15,000 branches will be covered by RTGS connectivity, and the number of monthly transactions of the system is expected to expand from 100,000 to 200,000 transactions.
- The National Electronic Funds Transfer (NEFT) system will be implemented in phases for all networked branches of banks all over the country.
- The pilot project for Cheque Truncation Systems will be implemented in New Delhi by the end of March 2006.
- The national settlement system to enable banks to manage liquidity in an efficient and cost effective manner will be introduced in four metropolitan centres by the end of December 2005.
- A new company to handle retail payment systems, to be owned and operated by banks, will be established under Section 25 of Companies Act and will begin operation from April 1, 2006.

Reforms of the Non-Banking Finance Companies

The standards relating to income recognition, provisioning and capital adequacy were prescribed for non-banking finance companies in June 1994. The registered non-banking finance companies were required to achieve a minimum capital adequacy of 6.0% by year-end fiscal 1995 and 8.0% by year-end fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, RBI announced in July 1996 certain liberalization measures under which the non-banking finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-banking finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-banking finance companies has been revised uniformly upwards and since April 1999, 15.0% of public deposits must be maintained. Efforts have also been made to integrate non-banking finance companies into the mainstream financial sector.

New Initiatives in the Banking Sector

Risk Management and Basel II

With gradual deregulation, banks are now exposed to different types of risks. In view of the dynamic nature of the financial market, banks face various market risks like interest rate risk, liquidity risk, and exchange risk. In respect of lending, they face credit risk which includes default risk and portfolio risk. Banks also face risks like operational risk.

In preparation for the adoption of the Basel II accord, banks have already been required by RBI to take active measures in terms of risk management systems, evaluate capital charges including for operational risk and bring about more transparency in financial reporting as part of market discipline. RBI has also moved towards adoption of Risk Based Supervision (RBS) of banks under which the risk profile of the banks will decide their supervisory cycles - a bank with higher risk rating will undergo more frequent supervisory reviews than those with lower risk rating. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II accord. Implementation of market risk systems will be completed within two years from the year ended March 31, 2005 and the credit risk and operational risk systems with effect from 31 March 2007.

RTGS Implementation in India

With the commencement of operations of the Real Time Gross Settlement ("RTGS") system from March 26, 2004, India crossed a major milestone in the development of systemically important payment systems and complied with the core principles framed by the Bank for International Settlements. As of March 31, 2005, there are 95 direct participants in the RTGS system. The salient features of the RTGS are as follows:

- Payments are settled transaction by transaction for high value and retail payments;
- Settlement of funds is final and irrevocable;
- Settlement is done on a real time basis and the funds settled can be further used immediately;
- It is a fully secure system which uses digital signatures and public key Infrastructure based inscription for safe and secure message transmission;
- There is a provision for intra-day collaterised liquidity support for member banks to smoothen the temporary mismatch of fund flows; and
- RTGS provides for transfer of funds relating to inter bank settlements as also for customer related fund transfers.

More than 75% of the value of inter bank transfers, which was earlier being settled through the deferred net settlement systems ("DNSS") based inter-bank clearing, is now being settled under RTGS.

Exchange Controls

Restrictions on Conversion of Rupees

There are restrictions on the conversion of Rupees into foreign currencies. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60.0% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40.0% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain specified priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations in payment restrictions in case of a number of transactions. Since August 1994, the Government of India has substantially complied with its obligations owed to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument in managing the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment.

In December 1999, the Indian parliament passed the Foreign Exchange Management Act, 1999, which became effective on June 1, 2000, replacing the earlier Foreign Exchange Regulation Act, 1973. This legislation indicated a major shift in the policy of the Government with regard to foreign exchange management in India. While the Foreign Exchange Regulation Act, 1973 was aimed at the conservation of foreign exchange and its utilization for the economic development of the country, the objective of the Foreign Exchange Management Act, 1999 was to facilitate external trade and promote the orderly development and maintenance of the foreign exchange market in India.

The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of RBI. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, RBI continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). RBI has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. RBI has also permitted authorized dealers to freely allow remittances by individuals up to US$ 25,000 per calendar year for any permissible current or capital account transactions or a combination of both.

Technology

Technology is emerging as a key-driver of business in the banking and financial services industry. Banks are developing alternative channels of delivery like ATMs, telebanking, remote access and Internet banking etc. Indian banks have been making significant investments in technology. Besides computerization of front-office operations, the banks have moved towards back-office centralization. Banks are also implementing "Core Banking" or "Centralised Banking", which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. RBI Annual Report for the fiscal 2005 states that the use of ATMs has been growing rapidly and this has helped in optimising the investments made by banks in infrastructure. Banks have joined together in small clusters to share their ATM networks during the year. There are five such ATM network clusters functioning in India.

The payment and settlement system is also being modernised. RBI is actively pursuing the objective of establishing a Real Time Gross Settlement (RTGS) system, on par with other developed economies.

Corporate Governance

Adoption of good corporate governance practices has been getting the attention of banks as well as the regulators and owners in India. Banks in India now invariably have an Audit Committee of the Board of directors which is entrusted with the task of overseeing the organisation, operationalisation and quality control of the internal audit function, reviewing financial accounts and follow-up with the statutory and external auditors of the bank as well as examinations by regulators. Disclosure levels in bank balance sheets have been enhanced, while measures have also been initiated to strengthen corporate governance in banks.

BUSINESS

Business overview

We are one of the leading scheduled commercial banks in India having our Head Office at Thrissur, Kerala with a strong focus on technology and service culture. We have a Pan India presence with 432 branches as on September 30, 2005, spreading across 17 states and 2 Union territories. We have strong presence in Southern India.

We made a net profit of Rs. 139.4 million for the half year ended September 30, 2005. We had assets of Rs. 92,321.7 million and net worth of Rs. 4,506.9 million during the same period. Our deposits and net advances recorded a Compound Annual Growth rate of (CAGR) of 13.12 % and 20.44% respectively, during the period from March 31, 2001 to September 30, 2005.

The Bank was incorporated on January 25, 1929 in Thrissur, Kerala, to provide for the people a safe, efficient and service oriented repository of savings of the community on one hand and to reduce the dependence of the business community on moneylenders by providing need based credit at reasonable rate of interest. We became a scheduled bank in 1946. We have has been in the forefront of upgrading the technology by introducing core banking solution. We have implemented, Sibertech, which runs on Finacle platform provided by Infosys Technologies Limited. All the branches in the major cities are covered under this project and as on date 87% of the total business is networked under core banking solution.

We deliver our products and services through a variety of channels ranging from our extensive branch network, extension counters, ATM centres, Internet banking and Mobile banking. As on September 30, 2005, we have 432 branches of which 92 are in rural, 195 in semi-urban, 81 in urban, and 64 in metropolitan centres. Out of 432 branches, 276 branches are networked. As of September 30 2005, we had 3,927 employees.

We provide a range of retail banking and commercial banking products that we offer to our customers. Our retail-banking portfolio includes housing loans, gold loans, auto loans, educational loans, and other personal loans. We offer deposit services like savings, demand and time deposit to our customers. We have technological products like Global Debit card, Credit card, anywhere banking facility, mobile banking and internet banking to serve our customers. We have arrangements to distribute third party products such as life and non life insurance products.

We also offer various commercial banking products to our commercial and corporate customers like term loans, short term loans, cash credit, working capital finance, export credit, bill discounting, letters of credit and guarantees.

In addition, we have specialized products to satisfy the needs of the agricultural sector like SIB Planters choice, which offers loan to agriculturists to purchase land and SIB Agriflex offering loan for land development.

We provide depository services and are depository participant for CDSL. As on September 30, 2005 we have over 2,734 active depository accounts spread over 46 centres across India.

The following table gives the region-wise break up of domestic deposits, gross advances and branch network as of March 31, 2004, March 31, 2005 and September 30, 2005.

	Geographical distribution	As on March 31, 2004			As on March 31, 2005			As on March 31, 2004	
	No. of Branches	Deposits (Rs. in million)	Advances (Rs. in million)	No. of Branches	Deposits (Rs. in million)	Advances (Rs. in million)	No. of Branches	Deposits (Rs. in million)	Advances (in million)
Northern	16	5,008.2	1,257.8	25	5,078.3	1,661.6	27	5,202.2	2,106.0
Eastern	5	2,333.0	1,001.3	5	1,798.5	1,154.7	5	1,386.8	1,031.5
Western	21	9,495.5	7,350.1	21	8,892.7	6,508.5	22	5,983.5	7,826.3
Southern	368	65,963.6	33,634.7	379	69,153.6	45,849.3	378	68,727.4	47,935.3
Total	**410**	**82,800.3**	**43,243.9**	**430**	**84,923.1**	**55,174.1**	**432**	**81,299.9**	**58,899.1**

Business strategy

We are committed to become a technology driven, customer oriented bank where passion for excellence is a way of life, innovation is a tradition, commitment to values unshaken and customer loyalty is abiding. We intend to be among the preferred banks in India, with core competence in fostering relationship banking, garnering core deposit with accent on cost, creating high yielding quality assets through focused marketing, qualitative appraisal and effective monitoring. We are dedicated to provide quality service to our customers and maintain high standards in corporate responsibility.

Increase our presence in retail banking:

We offer value added products like ATM/global debits cards, internet banking, anywhere banking and mobile banking to improve the customer satisfaction levels and attract new customers thereby increasing our presence in the high yielding retail sector. We intend to further enhance our retail deposit position by extensive marketing of our products and leveraging our strong branch network in potential centres.

Cost of funds:

We are focusing our attention to reduce the average cost of deposits by increasing the overall low cost deposits. As on September 30,2005 our low cost deposit constituted 27.13% of the total deposit. The interest free demand deposit constituted 6.05%, while Savings deposit constituted 21.08%. We give maximum importance to this area and we believe that we can retain and enlarge our low cost deposits to further reduce the cost of deposit.

Fee based revenue

We intend to increase our fee-based income by expanding the third party product offerings by leveraging our arrangements with United India Insurance Company Limited for non life insurance, ICICI Prudential Life Insurance Company Limited for life insurance and Prudential ICICI Asset Management Company Limited for mutual funds.

Technological improvements and core banking solution

We are among the first Kerala based banks to develop an in-house, fully integrated branch automation software in addition to the in house partial automation solution operational since 1992. We have introduced a core banking facility FINACLE provided by Infosys Technologies Limited in 2001 and are providing hi-tech, value added products like Global ATM/Debit card, internet banking, mobile banking to our customers. We deliver our products through our extensive branch network, ATMs, Mobile banking and Internet banking and anywhere banking thereby allowing the customer freedom to operate the account any time and from anywhere.

As on September 30, 2005, 276 of our branches and 21 Extension Counters are online networked under CBS and this covers over 87% of our total business. Our strategy is to bring more branches under the core banking platform and offer value added products to our customers.

Overview of our Lending Operations

We offer a variety of products and services to corporate and commercial customers, as well as retail and agricultural customers. The following table presents our sector-wise outstanding domestic loans and proportion of these loans to our outstanding domestic loans as of dates indicated:

(Rupees in million, except percentages)

Sector	As on					
	31st March, 2004		31st March, 2005		30th September, 2005	
	Loans	% of total	Loans	% of total	Loans	% of total
Corporate and Commercial	22,095.16	51.09	28,680.31	51.98	28,939.93	49.13
Of which						
Small Scale Industries (SSIs)	3,974.48	9.19	5,419.35	9.82	6,505.69	11.05
Housing & Retail	18,305.75	42.33	22,121.22	40.09	22,981.77	39.02
Agriculture	2,843.04	6.58	4,372.57	7.93	6,977.37	11.85
Total outstanding domestic loans	43,243.85	100.00	55,174.10	100.00	58,899.07	100.00

Social lending and concern for the under privileged has remained a core theme of our operations. As of September 30, 2005, 9.45% of our total advances accounted for 0.3 million borrowers with credit limits less than Rs. 25,000.

Products and Services for Corporate Customers

General

We provide commercial banking products and services to corporate and commercial customers including mid-sized and small business and government entities. Our loan products include term loans for acquisition, construction or improvement of assets as well as short-term loans, cash credit, export and other working capital financing and bill discounting.

Corporate and Commercial Sector Lending Activities

Term Loans

Our term loans consist primarily of financing for acquisition, construction or improvement of assets, including project finance. Although most of our loans are denominated in Indian Rupees, we also provide foreign currency loans that amounted to 7.66% of our loan portfolio as on September 30, 2005. These loans are generally secured by tangible assets, movable and immovable property the real and personal property financed as well as by other assets of the borrower. Repayment is typically in instalments over the life of the loan, with or without holiday for repayment. We also provide short-term loans with a maturity of three to 12 months for temporary cash flow needs and other purposes which are repayable with a bullet payment on maturity. These can be denominated in Rupees or other currencies and issued at fixed or floating rates. These loans are generally provided to high rated corporate customers.

Cash Credit and Other Working Capital Facilities

Cash Credit facilities are the most common form of working capital financing in our country. We offer revolving credit facilities secured by the working capital assets, such as, inventory and receivables. We may take additional security in the form of lien on fixed assets including mortgage of immovable property, pledges of marketable securities and personal guarantees. Facilities are typically provided for one year period and bear interest, usually at floating rates with monthly rests. We also provide overdrafts, working capital demand loans, working capital term loans and short-term loan facilities to our corporate and commercial borrowers.

Bill Discounting

Our bill discounting services involve the financing of short-term trade receivables by the issuance of negotiable instruments by the borrowers. We discount these instruments and in certain cases, repayment of the bill is assured by way of a commitment (in the form of a letter of credit) by another bank.

Export Credits

The Reserve Bank of India requires banks to make loans to exporters at pre-determined rates of interest. We provide in Rupees as well as foreign currencies for both pre-shipment and post-shipment requirements of exporters. The RBI provides export credit refinancing for an eligible portion of total outstanding export finance at the bank rate prevailing from time to time. We also earn fees and commissions from other fee-based products and services that we offer to our exporter customers.

Letters of Credit

We provide letter of credit facilities for fees based on the term of the facility and the amount drawn down. The facilities are typically, partially or fully secured by assets including cash deposits, documents of credit, stocks and receivables. These facilities are generally given for 12 month periods, often as part of a package of working capital financing products or term loans.

Guarantees

We issue guarantees on behalf of our customers to guarantee their payment and performance obligations. These are generally secured by account indemnities, a counter guarantee or a fixed or floating charge on the assets of the borrower, including cash deposits.

Small Scale Industries

We provide financing to "small scale industries" (SSIs). SSIs are defined as manufacturing, processing and servicing businesses with up to Rs.50 million invested in plant and machinery for certain industries such as hosiery, hand tools, drugs and pharmaceuticals and stationery items, and up to Rs.10 million invested in plant and machinery for other SSIs. SSI is considered as a priority sector for directed lending purposes. See the section titled " Business – Directed Lending" below. As of September 30, 2005, SSI loans constituted 11.05% of our total outstanding domestic loans. As of September 30, 2005, we had an outstanding loan portfolio of Rs.6,505.69 million in this segment compared to Rs. 5,419.35 million as on March 31, 2005.

Our products for SSI sector are intended to facilitate the establishment, expansion and modernization of business, including acquiring fixed assets, plant and machinery and meeting working capital needs. We provide flexible security requirements to make credit more accessible to SSI borrowers.

Products and Services for Retail Customers

We provide a full range of financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education, advance for hospitalisation, over draft against pledge of gold ornament, Mercantile credit for small and medium traders and other personal loans and deposit services such as demand, savings and fixed deposits for our customers. In addition we distribute products such as credit cards and global debit cards. We also provide mobile banking and internet banking services. We also distribute third party products such as life and non-life insurance policies.

Retail Lending Activities:

Our total outstanding retail loans and advances were Rs. 22,981.77 million as on September 30, 2005, constituting 39.02 % of our total outstanding gross domestic advances.

The following is a description of our principal retail loan products

Housing Finance (SIB – Home Loan)

Our housing finance business involves giving long-term loans to individuals to finance the purchase, construction, repair and renovation of a house. We offer flexible repayment options with a maximum repayment period of 20 years. The rates of interest on housing loans depends on the repayment period and interest option (fixed or floating) exercised by the borrower.

Mortgage finance (SIB Mortgage Loan)

We offer mortgage loans to customers that can be used for personal or for business needs against security of immovable property. These loans are extended for maturities up to 5 years and are given for amounts up to a maximum of Rs. 2 million.

Trade finance (SIB – Mercantile Credit)

Through this special trade finance scheme, we provide finance to individuals and small businesses in the form of revolving working capital facilities. These facilities are primarily secured by merchandise or receivables or both with a minimum margin of 25% for merchandise and 40% for receivables. These are also generally collateralised by charge over immovable assets. We offer a maximum cash credit of Rs.5 million under this scheme, with the facility being renewed every year.

Vehicle Finance (SIB- Mobi Loan)

We provide loans to purchase of new and used automobiles, including two wheelers, both for personal and commercial purposes. Automobile loans are secured by a charge over the vehicle purchased and also by a personal guarantee of a party other than the borrower. These loans are extended for a period upto five years.

Personal Loans (SIB – Personal Loan)

We provide personal loans for various purposes up to a maximum of Rs. 0.15 million. These loans are generally made for a period upto 5 years and are secured by personal guarantee of a party other than the borrower. Generally an undertaking for remitting the loan instalments is obtained from the employers.

Consumer Loans (SIB- Consumer Delight)

We provide loans for purchase of consumer durables upto a maximum of Rs.0.20 million. These loans are typically made for a period up to 48 months and are secured by a charge over the assets created and by the personal guarantee of two persons other than the borrower.

Education Loans (SIB- Vitjan Pradhan Scheme)

We provide loans for higher education to meritorious students which are repayable within 60 months after 1 year from the qualifying exam or 6 months of getting employment whichever is earlier. For loans upto Rs.0.025 million we require security by way of LIC policy equal to the loan amount and for loans exceeding Rs.0.025 million we require collateral security equal to the loan amount also.

Loans against Rent Receivables (SIB – Rental Scheme)

We provide loans upto a maximum amount equal to the total future monthly rentals receivable by a customer for next seven years if fully covered by collateral or amount equal to the discounted net present value of future rent receivables for next seven years without collateral. We require the borrower and tenant to execute a tripartite agreement with the Bank to remit all the future rentals till the liquidation of the loan directly to the loan account, which should be within seven years.

Loans for GOI/PSU Employees

We provide loans to permanent employees of GOI/State Government PSUs, Blue Chip companies and reputed institutions etc. up to a maximum of Rs. 0.15 million .

Loan for multiple purpose (SIB – Flexi Loan Scheme)

We have devised this scheme to cater to the needs of customers who are income tax payees with Permanent Account Number (PAN). Purpose of the loan is not limited by the bank. However, purpose should not be for hoarding, speculation or activity restricted by GOI or state governments or local bodies. The purpose of loan should be made by simple declaration to be obtained from the borrower. Loans upto an amount of Rs. 2.5 million are extended under this scheme. We require collateral security at least double the loan amount and the loan is repayable in 84 months. This facility may also be availed as a working capital limit for one year which is renewable. We also have a similar loan product styled NRI Flexi Loan Scheme to accommodate NRI clients.

Loan for subscription to share issues (SIB – Fortune)

This is a product to subscribe IPO / public issue of a company. This scheme does not cover advance against shares acquired from the secondary market. This is extended to individuals with sufficient income to repay the loan. Maximum loan amount is Rs.0.5 million repayable in 60 months.

Loans to Nurses

We provide loans to nurses who have passed General / BSc.(Nursing) from, a recognised College, to take up employment abroad. The maximum loan amount is Rs.0.2 million repayable in 24 months.

Loans to employed women (SIB - Sthree Sakthi)

We provide loans to employed women & and housewives whose husbands are employed, agriculturists, professionals or businessmen. Professionals and businessmen should be income tax payees who are filing IT returns and agriculturists should have annual income from landed / agricultural properties, at least equal to the loan amount. The maximum amount of loan is Rs.0.1 million repayable in 60 equal monthly instalments.

Loans for purchase of computer (SIBER LOAN)

We provide loans for purchase of computer and peripherals upto a maximum of Rs.50,000/-. The computer and accessories will be taken as primary security and the loan should be guaranteed by an independent guarantor. The loan is repayable in 60 equal monthly instalments.

Loans for treatment of physical disorders (SIB Lifeline)

This is a loan product to finances expenses relating to treatment requiring medical intervention except for bad prognostic disorders (treatment for hopeless cases). The maximum loan amount is Rs.0.3 million if treated in India and Rs.1 million if treated abroad. The maximum repayment period is 84 months.

Loans to meet expenses of auspicious events (SIB – Utsav)

We provide loans for celebrating auspicious events such as birth days, marriage functions etc. upto a maximum amount of Rs. 0.375 millions, repayable in 84 equal monthly instalments.

Gold Loans

We extend gold loans for personal and agricultural purposes. We extend overdrafts upto a maximum of Rs.10.0 million under our SIB- Gold Power Scheme against the pledge of 22 ct. gold ornaments.

Loans for purchase / development of plantation (SIB – Planter's Choice)

We provide loans to customers,

a) for purchase of vacant agricultural land and its development as plantation

b) for purchase of existing plantation which has not started yielding

c) for purchase of neglected plantations.

For (a) above we provide financial assistance up to a maximum of 75% of purchase value/sales consideration whichever is lower and 75% of its developmental expenses as per the unit Cost of NABARD. For (b) above, the maximum finance is 60% of purchase value plus 75% of developmental expenses for the remaining period as per unit cost of NABARD and for (c) above, 60% of the purchase value plus 75% of the expenses for development of the estate as per estimate.

The loan is repayable within the economic life of the crop, subject to maximum of 15 years.

Loans for agricultural and allied activities (SIB- Agriflex)

We provide loans upto Rs.2.50 million under this scheme based on the unit cost of NABARD for any agricultural and allied activities. The loan is repayable in instalments according to the crop season with a maximum repayment period of 7 years.

Other Retail Products and Services

Credit Card:

'SIB – Cancard Visa' is a co-branded credit card issued by our Bank in collaboration with Canara Bank. This card is accepted in over 70,000 Merchant Establishments in India. The cardholder can withdraw cash upto Rs. 25,000/- per month from any of the 10,000 branches of Cancard Visa issuing banks and upto Rs.5,000/- per month from any of the ATMs of Canara Bank in India. The cardholder is eligible for free personal insurance of Rs.0.2 million for accidental death of self and Rs.0.1 million for death of spouse.

Debit Card:

'SIB – Card' is a global ATM-cum-Debit Card issued by our Bank, with the support of Mastercard International and Institute for Development and Research in Banking Technology. It is a multipurpose on-line card that can be used not just at Point of Sale to settle your bill payments, but at ATMs too. With SIB Card one can make on-line bill payment upto Rs.0.1 million through more than 60,000 Point of Sale terminals in India and over 7,000,000 merchant establishments worldwide exhibiting 'MAESTRO' logo. It can also be used for withdrawing cash in local currency upto Rs.20,000/- per day in more than 20,000 on-line ATMs in India exhibiting 'INFINET' or 'CIRRUS' logo and over 820,000 ATMs worldwide exhibiting 'CIRRUS' logo, at a nominal cost, in addition to the free usage at 139 ATMs of our Bank.

SIB – Cash Passport

It is a cash card that is pre-loaded with funds before you go travelling, introduced by our Bank in association with Interpayment Service Ltd. (a subsidiary of Travelex Global and Financial Services, U.K., formerly The Thomas Cook Group of England). It can be loaded with upto USD 10,000 and can be used to withdraw cash from any 850,000 Visa ATM machines in over 140 countries, in the local currency.

SIB –Collect

It is a centralized cheque collection and dispatch system. It helps to improve efficiency in cheque collection system. SIB – Collect is set up in 5 centres in India namely, Bangalore, Chennai, Mumbai, Ernakulam and Thrissur.

SIB – Premium

It is an anywhere banking product introduced by us for valuable current deposit and overdraft account holders. SIB – Premium holders can enjoy the facilities like free fund transfer within the net work. Customers can deposit their cheques for collection at any of the networked branches across India. Cash withdrawal and remittance are also permitted through other centres. Cheques can be issued to third parties payable at par at selected branches.

SIB – Privilege

It is an anywhere banking product for valuable Savings Bank account holders. In addition to the various facilities offered in 'SIB – Premium', a 'Privilege – Card' is issued to the account holder, which is a Global ATM-cum-Debit card with a photograph. A privilege card is linked to any three account of the customer with free fund transfer facility between these accounts through ATM. A privilege card holder can withdraw cash upto Rs.25,000/- from any of our networked branches across the country.

General

Our agricultural operations are spread across India with over 87.64% of our branches being located primarily in the rural and semi-urban area of Kerala, Tamil Nadu, Pondicherry, Karnataka & and Andhra Pradesh. These states in the aggregate accounted for 96.37% of our total agricultural loans as on the September 30, 2005. As on the March 31, 2004, March 31, 2005 and September 30, 2005 agricultural loans constituted 7.88%, 8.66%, and 12.84% respectively of our net bank credit.

The agriculture sector is also advantageous in terms of risk and credit management, with a comparatively high number of smaller loans. Our risk is spread over 265,988 agricultural accounts. Our average return on agricultural credit is more than 9% as on September 30, 2005. Our agricultural credit growth rate was 53.80% during the fiscal 2004-05 and 59.57% during the 1st half of 2005-06. Our gross non-performing agricultural loan assets constituted 2.12% of gross agricultural credit as on September 30, 2005, compared with 3.23% as on March 31, 2005. We have entered into memorandum of understanding with a leading tractor manufacturing company for providing finance to the end customers of the said tractor company.

Agricultural Lending

We meet agricultural investment needs through our agri-financial schemes for crop production, land development, minor irrigation, allied activities, plantation, animal husbandry, hi-tech agriculture, watershed development and horticulture. We offer direct finance to farmers for production and investment, as well as, indirect finance for infrastructure development and credit to suppliers of input.

The following table illustrates the value and share of our agricultural loan products as on the dates indicated classified by type:

(Rs. in million, except percentages)

Particulars	As on								
	31st March, 2004			31st March, 2005			30th September, 2005		
	Number of Accounts	Amount outstanding	% of total outstanding agricultural loans	Number of Accounts	Amount outstanding	% of total outstanding agricultural loans	Number of Accounts	Amount outstanding	% of total outstanding agricultural loans
Direct Financing	124,564	2,785	97.96	214,140	4,315	98.67	265,765	6,930	99.33
Production Financing	117,457	2,185	76.86	207,043	3,694	84.47	257,544	6,238	89.41
-Investment Financing	859	111	3.90	1,290	234	5.35	1,782	365	5.23
-Allied activities	6,248	489	17.20	5,807	387	8.85	6,439	327	4.69
Indirect Financing	279	58	2.04	228	58	1.33	223	47	0.67
Total Agriculture Portfolio	**124,843**	**2,843**	**100.00**	**214,368**	**4,373**	**100.00**	**265,988**	**6,977**	**100.00**

SIB Kissan Credit Card

We provide loan to farmers under an agriculture credit scheme offering loans for consumption purposes to farmers and artisans. The SIB Kissan Credit Card is designed to meet the expenditure connected with the cultivation of various crops, maintenance of small dairy / poultry units, non-farm activity and consumption. As on September 30, 2005, we have issued over 3,442 Kissan Credit Cards.

Allied activities

We provide financing for allied activities such as dairy, poultry and fishery facilities.

Indirect Financing

We provide indirect financing for infrastructure development and provide credit to dealers or distributors of inputs such as pesticides, seeds and fertilizers. These loans are generally secured by the assets financed, mortgages of real property or personal guarantees.

Community Support

As a part of our commitment to the agricultural sector, we provide a variety of programs to offer support and assistance to rural communities.

Through our village adoption program we have adopted two of the economically backward villages in Kerala, wherein we provide entire finance for the people of the village directly and through NGOs and as a social obligation take up non-banking activities also, such as providing drinking water facility, arranging for adult education etc. We are in the pursuit of more such villages all over the country for adoption.

Continuing our commitment to promote the use of non-conventional energy, we also provide finance for solar water heating systems and solar home lighting systems across the country.

Directed lending

RBI guidelines require banks to lend at least 40% of their net bank credit to certain specified sectors called priority sectors. Priority sectors include the agricultural sector, SSIs, food and agri-based industries (with investment in plant and machinery upto Rs. 50 million), small business, self-employed and professional individuals, housing finance upto certain limits and other sectors. Out of the 40%, banks are required to lend a minimum of 18% of their net bank credit to the agricultural sector.

We are required to comply with the priority sector lending requirements on the last reporting Friday of each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with Government Sponsored development banks such as the National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI). The deposits have a maturity of up to seven years but are relatively low yielding.

The following table sets forth, for the dates indicated, our 10 largest single exposures (in descending order) as determined by the RBI guidelines, which includes funded exposure, non-funded exposure along with adjustments if any, whichever is higher.

(Rs. in million, except percentages)

Category	31-March-2005				30-September-2005			
	Exposure	% of total outstanding exposure as on 31.03.05	% of Capital Fund of Rs. 47401.04	Asset Class	Exposure	% of total outstanding exposure as on 30.09.05	% of Capital Fund	Asset Class
Petroleum	-	-	-	-	752.67	1.28	14.32	Standard
Hous.Finance (i)	773.61	1.40	16.32	Standard	724.17	1.23	13.77	Standard
Hous.Finance (ii)	675.00	1.22	14.24	Standard	675.00	1.15	12.84	Standard
Infrastructure	511.01	0.93	10.78	Standard	523.71	0.89	9.96	Standard
Public Utilities	502.29	0.90	10.60	Standard	502.29	0.85	9.55	Standard
Finance	-	-	-	-	501.68	0.85	9.54	Standard
Electricity	500.00	0.91	10.55	Standard	500.00	0.85	9.51	Standard
Finance 8	500.00	0.91	10.55	Standard	500.00	0.85	9.51	Standard
Edl.Institution	422.70	0.77	9.92	Standard	469.86	0.80	8.94	Standard
Electricity	452.82	0.82	9.55	Standard	453.01	0.77	8.62	Standard
Total	**4,337.43**				**5,602.39**			

The following table sets forth, for the dates indicated, our 10 largest group exposures (in descending order) as determined by the RBI guidelines, which includes funded exposure, non-funded exposure along with adjustments if any, whichever is higher.

(Rs. in million, except percentages)

Category	31-March-2005				30-September-2005			
	Exposure	% of total outstanding exposure as on 31.03.05	% of Capital Fund	Asset Class	Exposure	% of total outstanding exposure as on 30.09.05	% of Capital Fund	Asset Class
Group 1	640.89	1.16	13.52	Standard	688.09	1.17	13.09	Standard
Group 2	387.40	0.70	8.17	Standard	397.06	0.67	7.55	Standard
Group 3	292.01	0.53	6.16	Standard	388.08	0.66	7.38	Standard
Group 4	335.64	0.61	7.08	Standard	336.45	0.57	6.40	Standard
Group 5	341.17	0.62	7.20	Standard	335.62	0.57	6.38	Standard
Group 6	212.41	0.38	4.48	Standard	302.81	0.51	5.76	Standard
Group 7	250.44	0.45	5.28	Standard	265.28	0.45	5.05	Standard
Group 8	273.59	0.50	5.77	Standard	236.81	0.40	4.50	Standard
Group 9	325.18	0.59	6.86	Standard	229.15	0.39	4.36	Standard
Group 10	209.68	0.38	4.42	Standard	220.70	0.37	4.20	Standard
Total	**3.268.41**				**3.400.05**			

Category	31-March-2005				30-September-2005			
	Exposure	% of total outstanding exposure as on 31.03.05	% of Capital Fund	Asset Class	Exposure	% of total outstanding exposure as on 30.09.05	% of Capital Fund	Asset Class
Group 1	640.89	1.16	13.52	Standard	688.09	1.17	13.09	Standard
Group 2	387.40	0.70	8.17	Standard	397.06	0.67	7.55	Standard
Group 3	292.01	0.53	6.16	Standard	388.08	0.66	7.38	Standard
Group 4	335.64	0.61	7.08	Standard	336.45	0.57	6.40	Standard
Group 5	341.17	0.62	7.20	Standard	335.62	0.57	6.38	Standard
Group 6	212.41	0.38	4.48	Standard	302.81	0.51	5.76	Standard
Group 7	250.44	0.45	5.28	Standard	265.28	0.45	5.05	Standard
Group 8	273.59	0.50	5.77	Standard	236.81	0.40	4.50	Standard
Group 9	325.18	0.59	6.86	Standard	229.15	0.39	4.36	Standard
Group 10	209.68	0.38	4.42	Standard	220.70	0.37	4.20	Standard
Total	**3,268.41**				**3,400.05**			

In terms of our lending policy different exposure norms are fixed for different industries. Our maximum credit exposure to a particular industry is limited to maximum 10% of our total credit like Power, Iron & Steel etc.

The following table sets forth, for the periods indicated, our ten largest industry exposures

(Rs. in million, except percentages)

	As on								
	March 31, 2004			March 31, 2005			September 30, 2005		
Industry	**Rank**	**Exposure**	**% of Exposure**	**Rank**	**Exposure**	**% of Exposure**	**Rank**	**Exposure**	**% of Exposure**
Cotton Textiles	1	1,530.85	3.54	1	2,729.22	4.95	1	2,218.98	3.77
Chemicals, Dyes, Paints,etc.	2	1,431.51	3.31	2	1,518.21	2.75	2	1,724.46	2.93
Food Processing	4	1,015.62	2.35	3	1,495.93	2.71	3	1,634.50	2.77
Other Textiles	3	1,263.22	2.92	4	1,078.15	1.95	4	1,599.82	2.72
Construction	7	724.15	1.67	7	1,001.12	1.81	5	1,252.91	2.13
Electricity	8	693.53	1.60	5	1,061.46	1.92	6	1,137.99	1.93
Infrastructure	5	872.64	2.02	8	954.84	1.73	7	1,089.87	1.85
Other Metals & Metal Products	10	534.74	1.24	9	905.47	1.64	8	985.98	1.67
Iron & Steel	6	745.41	1.72	10	824.70	1.49	9	945.59	1.60
Gems & Jewellery	12	479.77	1.11	6	1,053.22	1.91	10	923.81	1.57
TOTAL		**9,291.44**	**21.48**		**12,622.32**	**22.86**		**13,513.91**	**22.94**

Non-Performing Assets

As of September 30, 2005, our gross non-performing assets as a percentage of gross advances were 6.35% and our net non-performing assets as a percentage of net advances were 3.09%. We define net NPAs as gross NPAs less our loan loss provision, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims received and held and any partial payments received and held. We have made such provisions for 53.00% of our gross non-performing loans. As of September 30, 2005, 36.12% of our gross NPAs were from priority sector advances.

The following table set forth, as of the dates indicated, information about our non-performing loan portfolio:

Particulars	**31st March, 2004**			**31st March, 2005**			**30th September, 2004**		
	Amount	**NPAs**	**NPA as % of Adv.**	**Amount**	**NPAs**	**NPA as % of Adv.**	**Amount**	**NPAs**	**NPA as % of Adv.**
Total Gross Advances	43243.80	3282.50	7.59	55174.20	3661.30	6.63	58899.10	3742.00	6.35
Provisions as Prescribed by RBI	888.70	888.70		1521.50	1521.50		1893.90	1893.90	
Additional Provisions made by the Bank									
Float Provision	386.90	386.90		0.00	0.00		0.00	0.00	
DICGC ECGC Claim Received [(1)]	103.60	103.60		97.60	97.60		89.50	89.50	
Net Advance	41864.60	1903.30	4.55	53555.10	2042.20	3.81	56915.70	1758.60	3.09
Derecognised Interest and suspended Interest		2109.90			1945.20			1970.00	

Classification of Assets

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines, term loans are regarded as non-performing if any amount of interest or principal remains overdue for more than 90 days; overdrafts and cash credits are regardedas non-performing if the account balance remains out of order for a period of 90 days; and bills are regarded as non-performing if the account remains overdue for more than 90 days. Prior to fiscal 2004, these assets were deemed non-performing if the irregularity continued for 180 days. Prior periods have not been restated to reflect this.

In respect of agricultural loans, the loan is classified as non-performing if any installment of principal or interest thereon remains overdue for two crop seasons for short duration crops or one crop season for long duration crops. Crops with a crop season longer than one year are long duration crops, and other crops are treated as short duration crops.

Our assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower
Sub-standard assets	Assets that are non-performing for a period not exceeding 12 months (or 18 months for fiscal 2004 and prior periods).
Doubtful assets	Assets that are non-performing for more than 12 months (or 18 months for fiscal 2004 and prior periods).
Loss assets	Assets (i) with identified losses or (ii) that are considered uncollectible.

The following table provides a break down of our gross advances as of the dates indicated:

(Rs. in Million)

Particulars	2002		2003		2004		2005		Sept. 30, 2005	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Standard assets	22,808.9	89.88	29,773.50	89.92	39,961.35	92.41	51,513.46	93.37	55,157.07	93.65
Non-performing assets	2,567.10	10.12	3,359.40	10.08	3,282.50	7.59	3,660.64	6.63	3,742.00	6.35
Sub-standard	780.00	3.07	1,251.30	3.75	950.60	2.20	584.14	1.06	758.20	1.29
Doubtful assets	1,626.30	6.41	1,679.90	5.04	2,047.17	4.73	2,621.59	4.75	2,422.75	4.11
Loss assets	160.80	0.63	428.20	1.28	284.73	0.66	454.91	0.82	561.05	0.95
Total	**25,376.00**	**100**	**33,332.90**	**100**	**43,243.85**	**100**	**55,174.10**	**100**	**58,899.07**	**100.00**

Restructured Assets

The RBI has separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling the principal or interest payments, but must be separately disclosed as a restructured asset. The amount of sacrifice if any, in the element of interest, measured in present value terms, is either written off or provided for to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. Sub-standard assets which have been restructured, whether in respect of principal or interest payments, are eligible to be upgraded to the “standard assets” category only after a specified period, which is one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

In order to create an institutional mechanism for the restructuring of corporate debt, the RBI has also created a corporate debt restructuring (CDR) system in 2003. The objective of this framework is to provide a more timely and transparent mechanism for the restructuring of corporate debts of viable entities facing financial difficulties. This system has led to the approval of restructuring programs for a large number of companies, which has resulted in an increase in the level of restructured assets in the Indian financial system, including an increase in our restructured assets.

Following table presents our assets restructured during the periods indicated:

(Rs. in million)

	Fiscal		
	2003-04	**2004-05**	**2005-06 (1st half)**
CDR restructured assets			
Standard assets	774.97	462.67	249.90
Sub-standard assets	0.00	0.00	0.00
Doubtful assets	0.00	0.00	0.00
Loss assets	0.00	0.00	0.00
Total CDR restructured assets	**774.97**	**462.67**	**249.90**
Other restructured assets			
Standard assets	1,295.10	345.31	91.48
Sub-standard assets	0.00	14.45	14.04
Doubtful assets	0.00	0.00	0.00
Loss assets	0.00	0.00	0.00
Total restructured assets	**2,070.07**	**822.43**	**355.42**

Provisioning and Write-offs

Our policies on provisioning and write-offs of non-performing assets are consistent with those prescribed by the RBI guidelines. The following is a summary of our provisioning policies:

Standard assets	A general provision of 0.25%.
Sub-standard assets	A general provision of 10% and, from the second quarter of fiscal 2005, an additional provision of 10% for advances which were unsecured when made
Doubtful assets	We provide for 100% of the unsecured portion of the doubtful assets which are not covered by the realizable value of the security. We provide for secured advances (or the secured portion of partly secured advances) based on the period for which the asset remains doubtful, as follows: 1. Up to one year: 20% provision 2. One to three years: 30% provision 3. More than three years: 50% provision The value assigned to the collateral securing a loan is that reflected on the borrower's books or that is determined by third party appraisers to be realizable, whichever is lower. Beginning on March 31, 2005, a 100% provision against secured exposure is required for assets categorized as doubtful assets for over three years from April 1, 2004. For assets categorized as doubtful assets for over three years as of March 31, 2004, the provision for secured exposure is tobe raised to 60% by March 31, 2005, 75% by March 31, 2006 and 100% by March 31, 2007.

Loss assets	The entire asset is provided for
Restructured Assets	Reductions in the rate of interest, measure in present value terms, is provided for to the extent of the reduction. For the purposes of future interest due as per the original loan agreement in respect of an account, this amount should be discounted to present value at a rate appropriate to the risk category of the borrower and compared to the present value of the amounts expected to be received under the restructuring package discounted on the same basis.

The policy regarding asset classification mentioned above is also applicable to restructured assets.

These provisions account for a coverage ratio for gross NPAs of 53.00% as of September 30, 2005 and 44.22% as of March 31, 2005. The coverage ratio is calculated using our total provisions, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims received and held as coverage. The table below shows the changes in our provisions over the past three fiscal years.

(Rs. in Million)

Particulars	**31.03.2004**	**31.03.2005**	**30.09.2005**
(i) Opening balance	1,173.00	1,275.60	1,521.50
(ii) Add : Provisions made during the year	1,107.30	370.00	444.80
(iii) Less : Write off, write back of excess provisions during the year	1,004.70	124.10	72.40
(iv) Closing balance	1,275.60	1,521.50	1,893.90

Once loan accounts are identified as non-performing, interest and other fees charged in the account, if uncollected, are suspended. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative provision and interest suspended in our financial statements.

Details of our loans/ advances written off

(Rs. in millions)

	FY 2003-04	**FY2004-05**	**Half year ended September 30, 2005**
	978.8	113.9	72.43

In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated first toward principal and thereafter against interest.

Sector-wise Analysis of Gross Non-Performing Assets

The following table sets forth, as of the dates indicated, the classification of our gross non-performing assets into priority and other sectors.

(Rs. in million, except percentages)

Particulars	March 31, 2004			March 31, 2005			Sept. 30, 2005		
	Gross Advance	NPAs	% of NPAs	Gross Advance	NPAs	% of NPAs	Gross Advance	NPAs	% of NPAs
Agriculture	2,843.04	236.02	8.30	4,372.57	141.27	3.23	6,977.37	148.03	2.12
SSI	3,974.48	1,265.81	31.85	5,419.35	673.99	12.44	6,505.69	557.54	8.57
Other Priority Sector	8,991.71	621.02	6.91	7,312.81	534.54	7.31	4,434.54	646.19	14.57
Total Priority Sector	15,809.23	2,122.85	13.43	17,104.73	1,349.80	7.89	17,917.60	1,351.76	7.54
Total Non-priority Sector	27,434.62	1,159.65	4.23	33,779.37	2,310.84	6.84	40,981.47	2,390.25	5.83
Total Gross Advance	43,243.85	3,282.50	7.59	55,174.10	3,660.64	6.63	58,899.07	3,742.00	6.35

The following table sets forth, as of the dates indicated, the classification of our gross non-performing assets by industry sector.

(Rs. in million, except percentages)

Industry	March 31, 2004			March 31, 2005			Sept. 30, 2005		
	NPAs	% NPA to Advances	Provi-sion	NPAs	% NPA to Advances	Provi-sion	NPAs	% NPA to Advances	Provi-sion
Coal & Mining	2.88	14.43	0.69	4.36	20.68	0.98	3.53	12.35	0.82
Iron & Steel	45.87	6.15	6.33	43.04	5.22	17.95	114.34	12.09	36.84
Other Metals & Metal products	185.16	34.63	34.47	310.49	34.29	128.27	275.56	27.95	160.79
All Engineering	94.27	17.87	43.41	99.50	34.42	38.64	99.76	31.60	39.04
Textile	242.77	8.66	46.27	385.41	10.11	101.89	350.86	9.18	204.81
Sugar, Tea, Food processing & Veg. Oil	177.49	11.21	29.51	158.38	7.10	59.91	148.83	6.34	69.85
Tobacco & Tobacco products	0.80	10.13	0.21	0.54	7.06	0.18	0.54	10.12	0.19
Paper & Paper products	168.41	67.90	40.99	115.21	41.39	103.90	114.15	38.43	105.65
Rubber & Leather	23.27	16.65	5.48	19.24	3.29	8.09	31.81	3.76	9.85
Chemical, Dyes, Paints, Drugs, Pharmaceuticals, Fertilizers & Petrochemicals	73.15	5.11	15.64	157.72	10.39	31.82	159.92	9.27	44.79
Cement	1.98	0.48	0.59	1.61	0.35	0.72	1.61	0.59	0.63
Construction	136.85	18.90	20.14	113.37	11.32	71.99	139.40	11.13	75.60
Automobiles (including trucks)	60.98	25.82	9.42	213.70	78.28	29.93	216.91	90.41	30.28
Gems & Jewellery	156.23	32.56	42.54	130.10	12.35	75.63	124.54	13.48	82.97
Computer Software	12.31	17.25	4.83	2.35	2.96	2.35	30.21	36.14	9.15
Other Industries	180.66	8.42	37.84	126.76	5.12	69.67	95.34	3.21	79.58

The following table sets forth our 10 largest gross non-performing assets as of September 30, 2005. Together, these borrowers constitute 22.70% of our gross NPAs as of September 30, 2005.

(Rs. in million)

Sl. No.	Name of Industry of Borrower	Gross NPA	Dereco-gnised Income	Provision	DICGC/ ECGC	Net NPA	Security
1	Automobiles	134.00	24.90	13.40	0.00	120.60	230.80
2	Other Textiles	105.00	29.30	105.00	0.00	0.00	0.00
3	Other Metals & Metal Products	98.80	26.10	72.40	0.00	26.40	32.90
4	Pharmaceuticals	97.50	34.00	29.50	0.00	68.00	85.00
5	Automobiles	80.00	16.20	16.00	0.00	64.00	81.00
6	Construction	77.20	20.80	58.60	0.00	18.60	23.30
7	Paper & Paper Products	68.90	200.30	68.90	0.00	0.00	0.00
8	Printing & Publishing	63.60	70.00	63.60	0.00	0.00	54.70
9	Other metals & metal products	62.80	0.00	35.60	0.00	27.20	38.90
10	Iron & Steel	61.70	1.50	6.20	0.00	55.50	78.40

Interest on NPA

Interest on NPA is the interest due on non-performing loans that has not been recognized in our books of accounts. The following table sets forth, for the periods indicated the cumulative amount of interest in suspense on existing non-performing loans.

	As on				
	31-3-02	**31-3-03**	**31-3-04**	**31-3-05**	**30-9-05**
Interest on NPA	1,476.70	1,756.00	2,109.90	1,945.20	1,970.00

Deposits

Our deposit products are broadly classified into demand deposits, savings deposits and time (or term) deposits as follows:

1. Demand deposits, which are non-interest bearing;
2. Savings deposits, which are deposits that accrue interest at a fixed rate set by the RBI (which is currently 3.5%) and upon which cheques can be drawn; and
3. Term deposits (which have interest rates determined by banks) including:
   Recurring deposits, which are periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate.

Demand deposits can be withdrawn on demand during banking hours. Current accounts, matured term deposits, etc., are categorized as demand deposits.

Savings deposits accrue interest at a fixed rate set by RBI, which is currently 3.5% and a prescribed minimum balance is required to be maintained in these accounts to enable continued servicing.

Time deposits, also known as term deposits, allow depositors to opt for payment of interest at maturity or at periodical intervals. We determine interest rates payable on term deposits.

The following table sets forth the balances outstanding by type of deposit, as of the dates indicated:

(Rs. in million)

Particulars	As on							
	March 31, 2003		March 31, 2004		March 31, 2005		September 30, 2005	
	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total	Balance Outstanding	% of total
Demand deposits	3,280.2	4.78	3,976.3	4.80	4,787.1	5.64	4,921.6	6.06
From Banks	511.2	0.74	26.9	0.03	22.0	0.03	12.4	0.02
From Others	2,769.0	4.04	3,949.4	4.77	4,765.1	5.61	4,909.2	6.04
Savings deposits	9,883.5	14.40	13,385.5	16.17	16,263.0	19.15	17,139.4	21.08
Term deposits	55,449.0	80.82	65,438.5	79.03	63,873.0	75.21	59,239.0	72.86
From Banks	3,729.1	5.44	5,131.6	6.20	5,492.0	6.47	147.1	0.18
From Others	51,719.9	75.38	60,306.9	72.83	58,381.0	68.74	59,091.9	72.68
Total deposits	**68,612.7**	**100.00**	**82,800.3**	**100.00**	**84,923.1**	**100.00**	**81,300.0**	**100.00**

Maturity pattern of assets and Liabilities as on 31/3/2003

(Rs. in Millions)

	Deposits	Loans & Advances	Foreign Currency Assets	Liabilities	Investments	Borrowings
1 to 14 days	3,685.3	8,606.3	281.3	197.2	5,772.6	939.0
15 days to 28 days	1,964.2	1,038.7	473.6	225.2	6.6	-
29 days to3 months	6,584.4	3,575.8	695.8	207.5	119.9	2.40
3 months to 6 months	6,312.8	5,053.4	3,125.7	419.1	65.4	0.8
6 months to 1 year	7,832.6	6,759.5	-	874.2	424.7	1.3
1 year to 3 years	34,817.8	3,245.8	-	2,653.2	1,991.1	3.4
3 years to 5 years	4,917.4	2,953.6	-	-	2,144.7	1.5
Over 5 years	2,498.2	4,896.3	-	-	19,468.2	0.4
Total	**68,612.7**	**36,129.4**	**4,576.4**	**4,576.4**	**29,993.2**	**948.8**

Maturity Pattern of Assets and Liabilities as on March 31, 2004

(Rs. in Millions)

	Deposits	Loans & Advances	Foreign Currency Assets	Liabilities	Investments	Borrowings
1 to 14 days	5,652.1	7,757.0	5,020.3	4,770.7	2,786.3	783.5
15 days to 28 days	2,468.7	1,185.3	1,741.9	2,092.4	150.9	0.1
29 days to3 months	9,781.9	4,877.6	832.4	779.8	56.8	0.7
3 months to 6 months	7,627.2	3,175.5	563.3	515.0	696.7	0.5
6 months to 1 year	11,934.8	8,940.9	19.3	19.3	196.1	1.1
1 year to 3 years	37,807.4	6,274.3	-	-	2,098.3	4.3
3 years to 5 years	4,768.5	3,074.4	-	-	4,550.2	3.3
Over 5 years	2,759.7	6,683.2	-	-	29,085.5	0.9
Total	**82,800.3**	**41,968.2**	**8,177.2**	**8177.2**	**39,620.8**	**794.4**

Maturity Pattern of Assets and Liabilities as on March 31, 2005

(Rs. in Millions)

	Deposits	Loans & Advances	Foreign Currency Assets	Liabilities	Investments	Borrowings
1 to 14 days	5,875.8	5,866.9	1,302.5	838.9	4,887.8	28.0
15 days to 28 days	2,289.7	1,629.4	174.9	-	-	-
29 days to3 months	12,303.9	4,721.2	2,537.3	2,287.7	1,001.6	0.6
3 months to 6 months	7,070.8	6,039.7	2,099.8	1,268.6	183.3	0.6
6 months to1 year	10,271.5	10,515.8	2,568.7	218.7	173.9	1.2
1 year to 3 years	41,392.0	7,476.3	405.9	4,475.2	1,919.9	4.2
3 years to 5 years	2,814.9	6,303.5	-	-	1,117.4	2.3
Over 5 years	2,904.5	11,099.8	-	-	22,050.4	0.3
Total	**84,923.1**	**53,652.6**	**9,089.1**	**9,089.1**	**31,334.3**	**37.2**

We take corporate deposits from large public sector corporations, government organizations, other banks and private sector companies. We take Rupee or foreign currency denominated deposits and offer fixed interest rates.

Delivery Channels

We have 432 branches, including satellite branches, covering 17 states and 2 union territories with 59 Extension Counters as of September 30, 2005. We also have 19 specialized branches of which 13 are NRI branches. We are the first private sector bank in Kerala to open a currency chest on behalf of the RBI in 1992. We also have the distinction of being the first private sector bank to open an Industrial Finance Branch and the first private sector bank in Kerala to open an overseas branch to cater exclusively to export and import business.

Of the total 432 branches 92 are Rural, 195 Semi urban, 81 Urban and 64 Metropolitan branches. We have ambitious plans to further increase our branch network and bring more branches under the core-banking umbrella. As of September 30, 2005, 378 branches are in southern region, 23 in western, 6 in eastern and 25 in northern region. We have launched our centralized and comprehensive banking solution, “Sibertech” in 2001, with a view to provide online banking facility to our customers and as of September, 2005, 276 of our branches are networked.

Global ATM cum Debit card

Our global ATM card is a PIN based product which can be used in more than 20,000 online ATMs exhibiting INFINET or CIRRUS logo and over 820,000 ATMs worldwide. This can be used to make online bill payments through more than 60,000 point of sales terminals in India and over 7,000,000 merchant establishments world wide. We have 139 ATM centres as on September 30, 2005 and have issued 198,622 cards.

Internet Banking

Sibernet, our Internet banking facility, lets the customer conduct banking operations from the comfort of home, office or a cyber café at any time, any day and from anywhere in the world. This facility is powered by the latest technologies to ensure maximum safety and ease. Sibernet services are offered to both retail and corporate customers. Our Internet banking customer base stood at 7,803 as on September 30, 2005

Mobile Banking

SIB Mobile banking Service (SMS) based on Short Messaging Service Technology, offers the convenience of receiving information about accounts with SIB in the form of text messages on the mobile phone screen. The services are available in two ways viz. Pull Requests and Push Requests. The Mobile banking customer base as on September 30,2005 was 8,137.

Depository Service

We are also offering depository services to our customers and have 2,734 active depository accounts as on September 30,2005.

Treasury and International Operations

Treasury

Under RBI's statutory liquidity ratio ("SLR") requirement, we are required to maintain an amount equal to at least 25.0% of our net demand and time liabilities in approved securities, such as Government of India securities, state government securities and other approved securities. As of September 30, 2005, 27.67 % of our net demand and time liabilities consisted of Government and other approved securities. Under RBI's cash reserve ratio requirements, we are required to maintain a minimum of 5% of our net demand and time liabilities in a current account with RBI. As of September 30, 2005, 5% of our net demand and time liabilities were maintained in current account with RBI. RBI pays no interest on these cash reserves up to 3.0% of the net demand and time liabilities and pays interest at 3.5% per annum on the remaining eligible balance. For further discussion of these regulatory requirements, see the section titled ""Regulations and Policies – Legal Reserve Requirements" on page 73 of this Prospectus.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity while complying with the cash reserve and statutory liquidity ratios. We maintain the statutory liquidity ratio through a portfolio of Government of India securities that we actively manage to optimise the yield and benefit from price movements. Our treasury also assists the investment management committee in making informed decisions regarding investments in SLR or non-SLR securities. Our Board of Directors approves our investment and asset liability management policies.

The following table sets forth, as of the dates indicated, the allocation of our Investment Portfolio

(Rs. in millions)

Securities	31-03-2002		31-03-2003		31-03-2004		31-03-2005		30-9-05	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
SLR										
Govt. Securities	18,655.2	85.55	26,141.7	87.16	35,799.5	90.36	28,786.4	91.87	22,213.3	88.82
Approved securities	803.1	3.68	709.4	2.37	555.4	1.40	510.2	1.63	510.1	2.04
Subsidiaries & Joint Ventures										
Sub. Total	**19,458.3**	**89.23**	**26,851.1**	**89.53**	**36,354.9**	**91.76**	**29,296.6**	**93.50**	**22,723.4**	**90.86**
Non SLR										
Recap Bonds										
Bonds & Debentures	2,156.8	9.89	2,395.2	7.98	2,005.9	5.06	1,323.3	4.22	1,258.2	5.03
Shares	116.3	0.54	131.5	0.44	96.1	0.24	73.9	0.24	136.6	0.55
Commercial paper, Mutual funds & Others	74.4	0.34	615.4	2.05	1164	2.94	640.6	2.04	891.9	3.56
Sub Total	**2,347.5**	**10.77**	**3,142.1**	**10.47**	**3266**	**8.24**	**2,037.8**	**6.50**	**2,286.7**	**9.14**
Total (Domestic)	21,805.8	100	29,993.2	100	39,620.9	100	31,334.4	100	25,010.1	100
Outside India										
Total	**21,805.8**	**100**	**29,993.2**	**100**	**39,620.9**	**100**	**31,334.4**		**25,010.1**	**100**

INTERNATIONAL BANKING

During the year ended March 31, 2005, the bank's total forex business crossed Rs. 235,480 million. The merchant turnover rose to Rs. 44,570 million recording a growth of Rs. 8980 million, inspite of tough market conditions. Forex business, both trading and merchant, improved considerably during the last financial year and exchange profit also increased from Rs. 93.2 million to Rs. 107.4 million as on March 31, 2005. As on December 16, 2005 our Bank did not have any branches outside India.

The Bank has draft drawing arrangements with 19 major Exchange Houses and 4 banks for facilitating the transfer of funds for the NRIs. Bank has started SIB EXPRESS facility with 5 exchange houses to have quick credit to customer accounts. Further it has started the TT remittance facility from Saudi Arabia through Al Rajhi Banking & Investment Corporation. In addition to this the Bank is having Nostro accounts in all major currencies with International banks enabling quick remittance. The Bank has also become a member of the Society for Worldwide International Financial Telecommunication network (SWIFT). With the introduction of the Swift facility, the bank's international communication facilities have improved substantially. It is one of the first banks in India using the new version of the IP based SWIFT network. FOREX Central Office, Ernakulam and 12 key forex branches are connected to the Swift network. We have introduced more convenient SIB Cash Passport towards travel purpose instead of using traveller's cheque. This novel scheme has been widely accepted by the customers.

Risk Management

The main risks faced by the bank are credit risk, market risk and operational risk.

The Bank recognises the importance of risk management to the growth and stability of the institution and has put in place a sound edifice for successful risk management. The overall risk management architecture comprise of policies, procedures organisational structures and control systems for identifying, measuring monitoring and control of various risks. The Bank constantly strives to enhance the risk management capabilities in keeping with the emerging regulatory guidelines and the broad risk management principles. The Bank on a quarterly basis reviews the risk management system and the progress made in implementing the RBI guidelines on risk management.

The overall responsibility for the management of the risks faced by the bank vests with the Board of Directors. As is the international practice, we have adopted a committee approach to risk management. A Risk Management Committee of the Board (RMCB) and a Risk Management Committee of Executives (RMCE) are in place to oversee the overall risks faced by the Bank. The Bank has also formed an Asset Liability Management Committee (ALCO) and a Credit Policy Committee to address market and credit risks respectively.

The Bank has established an independent and integrated structure for risk management styled Integrated Risk Management Department (IRMD) and is headed by a Deputy General Manager who reports directly to the Chairman in respect of these functions.

Credit Risk

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter party or the failure on its part to meet its obligations in accordance with the agreed terms. Credit Policy Committee addresses the credit risks faced by the bank.

Credit Risk Policy

The Credit Risk Management Policy of the Bank addresses the credit risks in lending. Credit risk related to trading and settlement is addressed through the Investment Policy and Forex Policy. The Credit Risk Management Policy of the Bank deals in detail on Credit Risk Rating, Portfolio Management, Loan Review mechanism and Country risk management.

Credit Risk Rating.

Of the strategic measures employed in managing credit risk, credit risk rating occupies a position of prominence, as it involves the rating of borrowers from a risk perspective for the purpose of pricing and supervision.

We have developed our own credit risk rating frameworks. The credit rating framework incorporates inter alia financial analysis and sensitivity, industrial and management risks, unhedged market risks assumed by counterparties etc. Separate frameworks for manufacturing companies, trading concerns, NBFCs, and Housing Finance companies have been formed.

Credit rating system is presently applicable in case of borrowers enjoying aggregate credit limits (fund based including term loans and non fund based) of Rs. 5 million and above. IRMD is independently confirming all credit rating of accounts of Rs. 20 million and above.

The present rating frameworks have six grading levels viz. AAA, AA, A, B, C, D of which the top three are lendable grades.

In order to manage credit risk in the Investment portfolio, entry-level rating standards, industry limits have been stipulated in respect of investment in Non-SLR investments. Investments in bonds and debentures shall be only in issues with AAA and AA rating

Set forth below is the internal rating wise distribution of fund-based standard exposures:

(Rs in million)

Credit risk Category	Exposure as on March 31 2005	September 30, 2005
AAA	8,017.8	8,458.7
AA	5,709.9	5,026.2
A	2,853.9	3,249.1
B	636.0	743.0
C	599.9	589.5
D	2,100.8	2,095.2
Unrated	31,732.5	38,842.1
Total	**51,650.8**	**59,003.8**

As per RBI guidelines, banks are required to move over to a scientific system of pricing credit, which will be based in part on the expected probability of default. The probability of default can be derived only from the past behaviour of the loan portfolio. As a prelude to putting in place a system of tracking rating migration, studies have been done showing the rating wise distribution of borrowers in various industries.

Prudential Ceilings and Exposure norms

Under RBI guidelines the banks' exposure to individual borrowers must not exceed 15% of capital funds. Exposure to individual borrowers may exceed the exposure norm of 15% of capital funds by an additional 5% (i.e. upto 20%) provided the additional exposure is on account of infrastructure lending. Under the RBI guidelines exposure to a group of companies under the same management control must not exceed 40% of capital funds unless the exposure is in respect of an infrastructure project in which case the ceiling is 50%.

As per the loan policy of the bank no segment excluding food credit will exceed 10% of the gross credit as of the previous financial year. The maximum exposure to the following industries / sectors are restricted as follows:

Industry	Exposure as a % of gross credit of previous year
Cotton textiles (including man made fibres)	10 %
Rubber dealers	5 %
NBFCs	5 %
Real estate	3 %
Capital markets	1 %

Bank has also "substantial exposure ceilings" in place as follows:

a) Aggregate advances above Rs 100 million up to and including Rs 250 million (excl. food credit) not to exceed 25% of the total advances as at the end of the previous financial year.

b) Aggregate advances above Rs 250 million up to and including Rs 500 million (excl. food credit) not to exceed 25% of the total advances as at the end of the previous financial year.

c) Aggregate advances above Rs 500 million (excl. food credit) not to exceed 15% of the total advances as at the end of the previous financial year.

Further, minimum standards on critical parameters including rating are stipulated for sanction of credit proposals.

Credit Approval Authority

The credit risk policy sets forth the credit sanctioning powers delegated to each level of authority in the bank. The delegation of credit sanctioning powers to functionaries at all levels is structured based on the credit risk rating of the borrower.

Loan Recovery Policy.

We have a comprehensive recovery policy, which covers restructuring / reschedulement of loans, settlement policy, corporate debt restructuring mechanism, seizure and disposal of assets and filing of suits and enforcement of decrees.

Market Risk

Market risk refers to the potential losses arising from volatility in interest rates, foreign exchange rates, Equity prices and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments, including securities, foreign exchange contracts Equity and derivative instruments as well as from balance sheet or structural positions.

Markets risk management aspects are largely articulated in the Asset Liability Management Policy and the Investment Policy of the Bank. These policies comprise of procedures, prudential risk limits, review mechanisms, monitoring and reporting systems. These policies are revised periodically in tune with changes in financial and economic conditions.

The ALCO is vested with the responsibility of managing market risk. The ALCO is also responsible for strategic management of interest rate and liquidity risks.

Asset Liability Management.

We generally fund our core customer assets, consisting mainly of loans and advances with its core deposits consisting primarily of deposits. We have an asset liability management system which ensures that the assets liabilities are managed in order to enhance profitability and at the same time protecting the bank from any adverse financial consequences arising from liquidity and interest rate risk.

At the organizational level the Integrated Risk Management Department (IRMD) is entrusted with the task of tracking market risks i.e. liquidity risks, interest rate risks etc. on an ongoing basis.

ALM data is presently collected from all networked branches in a consolidated manner and from non-networked branches through manual statements, which are then aggregated.

Liquidity Risk

Liquidity risk arises in three different ways: funding risk, which is the need to replace cash outflows due to unanticipated withdrawals or the non-renewal of deposits; time risk, which is the need to compensate for non-receipt of expected inflows of funds (i.e., performing assets turning into NPAs); and call risk, which is the risk of crystallization of contingent liabilities and the inability to undertake business opportunities when desirable. The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalize on opportunities for business expansion. This includes the ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

The ALCO is responsible for ensuring that the bank has adequate liquidity, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment rate risk in case of a maturity gap, and monitoring local markets for the adequacy of funding liquidity.

We maintain a substantial portfolio of liquid high-quality Indian government securities. While generally this market provides an adequate amount of liquidity, the interest rates at which funds are available can sometimes be volatile.

We prepare regular maturity gap analysis to review the liquidity position and submit a monthly analysis to RBI. The RBI guidelines stipulate a limit on the negative mismatch during 1-14 day and 15-28 day periods, which should not exceed 20% of the outflow in the respective periods. Bank has also fixed limits on Volatile deposits, which are defined as all institutional deposits above Rs 10 million.

Details of Asset – Liability Mismatch over the last three financial years.

(Rs. in million)

March 2003	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
A. TOTAL OUTFLOWS	4070.51	219.88	1162.50	2152.40	2187.14	16062.18	3444.57	44525.24	73824.40
B. TOTAL INFLOWS	17479.57	1308.53	3963.01	7968.55	11271.99	2208.58	3639.40	28096.91	75936.53
C. MISMATCH (B-A)	13409.06	1088.65	2800.51	5816.15	9084.85	-13853.60	194.83	-16428.32	2112.13
D. CUMULATIVE MISMATCH	13409.06	14497.71	17298.22	23114.37	32199.23	18345.62	18540.45	2112.13	2112.13
E. C as % to A	329.42	495.12	240.90	270.22	415.38	-86.25	5.66	-36.90	2.86

March 2004	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
A. TOTAL OUTFLOWS	4699.90	1817.07	5214.69	1741.73	2214.02	19149.96	4272.35	45388.04	84497.76
B. TOTAL INFLOWS	15692.35	2782.93	5361.47	2305.91	3005.75	26064.93	6775.31	28393.62	90382.28
C. MISMATCH (B-A)	10992.45	965.86	146.79	564.18	791.73	6914.98	2502.96	-16994.42	5884.52
D. CUMULATIVE MISMATCH	10992.45	11958.31	12105.10	12669.28	13461.00	20375.98	22878.94	5884.52	5884.52
E. C as % to A	233.89	53.15	2.81	32.39	35.76	36.11	58.59	-37.44	6.96

March 2005	1 to 14 days	15 to 28 days	29 days and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
A. TOTAL OUTFLOWS	3655.89	336.18	6641.42	1228.71	1402.39	21695.17	3896.29	51178.11	90034.15
B. TOTAL INFLOWS	13396.88	2099.97	6613.53	2,645.76	3422.78	28568.32	5158.16	30437.46	92342.86
C. MISMATCH (B-A)	9740.99	1763.79	-27.89	1417.05	2020.39	6873.16	1261.87	-20740.65	2308.71
D. CUMULATIVE MISMATCH	9740.99	11504.78	11476.90	12893.95	14914.34	21787.49	23049.36	2308.71	2308.71
E. C as % to A	266.45	524.66	-0.42	115.33	144.07	31.68	32.39	-40.53	2.56

We have a well-documented contingency plan in place that -addresses the liquidity risk arising due to a sudden liquidity crisis.

Interest rate risk

Interest rate risk is the risk arising from price fluctuations due to market factors, such as changes in interest rates, exchange rates and the price of securities. The Bank considers interest rate risk to be potentially the most significant and for this purpose and the bank has set limits on the maximum modified duration of the central government securities portfolio. The interest rate risk under investments is measured and monitored using duration and Value At Risk (VaR). We have also cut loss and take profit limits.

Foreign Exchange Risk

The foreign exchange risks (spot and forward) are assessed on daily basis by computing Value at risk and managed by Aggregate Gap Limit, fixing and monitoring limits for individual currencies as well as for aggregate currencies.

The Bank has set various prudential limits to manage the forex risk, including daylight limits, overnight open position limits, aggregate gap limits and value at risk limits. The Bank also has cut-loss limits in place for each deal, each dealer per day and all dealers per day.

Operational Risk

In its day-to-day operations, the bank is exposed to various types of operational risks. These risks may arise from a variety of factors like unauthorized transactions/decisions, improper documentation, non-adherence of operational and information security procedures, failure of computer system, software or equipment, perpetration of frauds, execution errors etc. The overall risk management policy adopted by the bank deals with operational risk management aspects.

Operational Controls

Detailed guidelines/procedures for processing various day-to-day banking transactions are already in place including operation of the application software.

RBI guidelines on KYC Norms require the customer to complete the account opening/relationship form, which contains details of terms and conditions for providing various banking services. Banks are required to obtain photographs of customers. Cash transactions of over Rs. 1.0 million are subjected to special scrutiny to comply with KYC Norms (to avoid money laundering). The Bank has necessary systems and procedures in place to ensure compliance with all regulatory requirements.

The Bank has Guidelines detailing the necessary procedures for the processing of various banking transactions and the operation of the application software are in place.

The treasury back office undertakes the settlement of funds and securities. In order to minimize operational risk, back office adopts specific procedures like deal confirmations with counterparties, verifying the authenticity of counterparty checks and securities, ensuring receipt of contract notes from brokers, monitoring the receipt of interest and principal amounts on due dates, ensuring the transfer of title in the case of purchases of securities, reconciling actual security holdings with the holdings pursuant to the records and reporting any irregularity or shortcoming.

Dealing room functions are also subject to concurrent audit.

Computerisation, Information Technology and System Controls

The Bank has implemented a host of IT initiatives to effectively compete in the banking and financial services marketplace. Using a combination of “Finacle” core banking software from Infosys Technologies Limited and other appropriate software applications, the Bank has connected 276 branches and 137 ATMs to the centralised data centre. It has also introduced RTGS operations, Internet banking, Mobile banking, tie–ups with Master Card, National Financial Switch, etc. Presently, more than 87% of the total business is covered by core banking. It is proposed to network the rest of the branches as early as possible.

Since our operations are automated to a large extent, we have given high importance to computer security and have a comprehensive information technology security policy. Most of our information technology assets, including critical servers, are hosted in a centralized data centre that is subject to appropriate physical and logical access controls. The data is also stored in a remote backup facility and we have a detailed disaster recovery plan and a well knit back up policy approved by the Board of Directors. As part of business continuity planning, we have established a Disaster Recovery Site at Bangalore and critical data is updated continuously from our Data Centre at Ernakulam, to the site. A regular system of computer/information systems audit, covering a wide spectrum of operational areas is undertaken periodically.

Internal Inspections and Audits

During the half year ended September 30, 2005, regular inspections were conducted at 237 branches in accordance with our Inspection Policy. At present, we have five 'AA(excellent)' rated branches, seventy five 'A(outstanding)' rated branches, three hundred and nineteen 'B(good)' branches and Twenty three 'C(average)' rated branches. There is no 'D(less than average)' rated branches. Concurrent audit is undertaken at 87 branches covering 51.59% of deposits and 65.44% of advances as of March 31, 2005, against the RBI stipulation of 50% of deposits and 50% of advances. The Concurrent Audit is being done through experienced Chartered Accountants / firms.

Our Foreign Exchange Division and Treasury operations are subject to monthly concurrent audit. Further Audit of our 'B' category branches and inspection of the Inward Drawing Arrangements with Exchange Houses are being done by Internal Auditors.

Risk-based Supervision

General Manager (Administration) is designated to direct and monitor progress in implementing the specific steps for implementing Risk Based Supervision.

Risk based internal audit

As per Risk Based Internal Audit (RBIA) Policy Plan approved for the year 2005-06, Risk Based Internal Audit is taken up at branches with total business of above Rs.1,000 million (other than NRI branches) and specialised branches. Till September 30, 2005, Risk Based Internal Audit has been done at 8 branches.

Risk-based internal audits are done in addition to our Internal Inspections and Concurrent audits.

Our Risk-based Internal Audit report sets out deficiencies identified through audit procedure under six risk assessment areas: credit, operational, external compliance, business strategy, general branch management and technology risk management.

Vigilance

Vigilance and watchfulness being an important aspect of management function, as a part of improving vigilance administration, minimizing the possibilities of occurrence of fraud and encouraging a culture of honesty, our vigilance activities are focused on reviewing and strengthening existing systems and procedures.

Preventive vigilance exercise is carried out by vigilance personnel to pinpoint fraud prone areas. . Surprise inspections of cash / stock are carried out at random at various branches.

To create awareness among the employees, preventive vigilance sessions are held in all training programs as a part of regular curriculum. Investigations and disciplinary proceedings are conducted and concluded as per the laid down norms.

Security

We have an established security mechanism within the bank. Security management forms a part of our operational risk management. We have installed latest security device to prevent loss of the bank's assets including personal, property, treasury and confidential information.

Legal Risk

We carry risk due to the uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral. Changes in law and regulation could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimize legal risk by using stringent legal documentation, employing procedures to help ensure that transactions are properly authorised and consulting internal and external legal advisors.

Basel II Requirements

RBI is adopting the requirements of Basel II, the international capital adequacy framework for banks. We are in the process of moving towards meeting these guidelines. These requirements will affect our management of all three principal categories of risk. In particular, Basel II will introduce minimum capital requirements for market risk and operational risk in addition to the previous requirement of minimum capital only for credit risk. Although we are on schedule to meet the requirements to be implemented, the adoption of these new rules is still an evolving process.

Measures have been initiated for switching over to the standardised approach for credit risk and basic indicator approach for operational risk with effect from March 31, 2007. Steps such as revision of the credit rating framework are being carried out to prepare the bank for moving over to the Basel II regime.

Competition

We face competition in all our business areas. Our primary competitors are other large public sector banks, existing and new private sector banks and foreign banks.

Commercial Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. In commercial banking, the large public sector banks have traditionally been the market leaders, with the focus of foreign banks being multinational companies and Indian corporations with cross-border financing requirements including trade, transactional and foreign exchange services. In contrast, large public sector banks have established extensive branch networks and large local currency funding capabilities.

Retail Banking

In retail banking, our principal competitors are the large public sector banks, as well as existing and new private sector banks and foreign banks who offer retail loan products. Although foreign banks have a small market penetration, they have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans and credit cards. Private sector and foreign banks compete through a wider product range offering and greater technological sophistication.

In particular, we face significant competition primarily from private sector banks and to a lesser degree from foreign sector banks, in the housing, auto and personal loan segments.

Agriculture and Priority Segments

In the agriculture and priority segments, our principal competitors are the large public sector banks and RRBs. This is due to the extensive physical presence of public sector banks and RRBs throughout India via their large branch networks and the focus on agriculture and priority sectors that has traditionally existed among public sector banks.

Employees

Following is a table of our total number of employees as on the dates indicated below:

	Staff position			
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**September 30, 2005**
Officers	1,278	1,418	1,585	1,641
Other Employees	2,590	2,421	2,311	2,286
Total	**3,868**	**3,839**	**3,896**	**3,927**

We had introduced a Voluntary Retirement Schemes in fiscal 2002 to reduce the workforce and Staff Welfare Schemes in 2004 and 2005 with an objective to offer employment to the children of aged employees in lieu of their retirement. This has helped to make the organization 'right sized' and helped to improve the overall productivity and working efficiency of staff members.

We do not have a stock option scheme for our employees. The salary and benefits payable to our employees are in terms of the industry level bipartite settlements between the workmen union or officers association and the Indian Banks' Association, which is the representative body of banks. Bonus is being paid to employees as per the Payment of Bonus Act. Other employees, who do not come under the purview of the Bonus Actare paid purely on a discretionary basis, ex-gratia, the quantum of which is determined based on the performance of the bank during the year. We have instituted various schemes both monetary and non-monetary for rewarding and also motivating our top performing employees. Our promotion policy has been fine tuned to accelerate the career progression of outstanding performers through merit channels for both officers and employees.

Our performance appraisal system has been totally revamped giving more stress for analyzing the qualitative aspects of Business and Managerial dimensions of our employees. We have a full-fledged training college at Thrissur for imparting training to our staff, giving emphasis to need based programmes in general banking, Credit Management, Foreign Exchange and Information Technology for which we have a perspective plan and budget. Apart from this we also depute our staff members to other Staff Training Colleges, including the BTC Mumbai, NIBM Pune, and SIBSTC Bangalore. We have imparted training to 900 of our employees during the last financial year, at a cost of Rs. 1.46 million.

Properties

Our Head Office is located at Mission Quarters, Thrissur and the building is constructed on the land owned by us. We have 11 regional offices of which Kottayam RO (1ST Floor, Regency Square, Kottayam), Thrissur South RO (SIB Building, 2nd Floor, Round South Thrissur), Thrissur North RO (Platinum Jubilee Building, Ayyanthole, Thrissur) and Mumbai RO (266, Linking Road, Gupta Mansion, 2nd Floor, Bandra West, Mumbai) are located in our own premises. The IT Division at Kochi and the staff training college at Thrissur are also functioning in premises owned by the bank. Out of 432 Branches 419 are in leased premises as of September 30, 2005. We have 23 residential flats in Chennai, 38 flats in Mumbai, 12 flats in Bangalore, two flats at New Delhi and one residential flat each in Panaji Goa and Pune. We also have one plot for construction at Janakpuri, New Delhi and 3 vacant sites at different locations.

REGULATIONS AND POLICIES

The main legislation governing commercial banks in India is the Banking Regulation Act, 1949. Other important laws include the Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1938 and the Banker's Books Evidence Act, 1891. Additionally, the RBI, from time to time, issues guidelines that we are required to follow.

RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a licence from RBI to carry on banking business in India. Before granting the licence, RBI must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; (iv) that the public interest will be served if such licence is granted to the bank; and (v) that having regard to the banking facilities available in the proposed principal area of operations of the company, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the licence would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth. RBI can cancel the licence if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

We, being licensed as a banking company, are regulated and supervised by RBI. RBI requires us to furnish statements, information and certain details relating to our business. It has issued guidelines for commercial banks on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of RBI. The appointment of the auditors of banks is subject to the approval of RBI. RBI can direct a special audit in the interest of the depositors or in the public interest.

Guidelines on Ownership and Governance in Private Banks

Under new RBI guidelines, as of February 28, 2005, RBI has prescribed the policy framework for the ownership and governance of private sector banks. The objective of the guidelines is to have a comprehensive framework of policy in a transparent manner relating to ownership and governance in the Indian private sector banks. The underlying thread of the guidelines is to ensure that t-he ultimate ownership and control of banks is well diversified, banks are owned and managed by "fit and proper" persons/ entities (as laid down in the RBI guidelines dated February 3, 2004 and the RBI circular June 25, 2004) who are well capitalised and that the processes are transparent and fair. The guidelines propose that the capital requirement of existing private sector banks should be on par with the entry capital requirement for new private sector banks prescribed in RBI guidelines of January 3, 2001, which is initially Rs. 2,000 million, with a commitment to increase to Rs.3,000 million within three years, and that further, all private sector banks which have been in existence before these capital requirements were prescribed with net worth below this level will be required to submit a time bound programme for capital augmentation to RBI for approval. An investment by any category of investors of greater than 5% in a private sector bank must meet the "fit and proper" criteria prescribed by RBI. The guidelines propose that no single entity or group of related entities should have shareholding or control, direct or indirect, in excess of 10% of paid up capital of a private sector bank. Any bank or a foreign bank with a presence in India will not be allowed to hold shares of above 5% of the paid up capital of the investee private sector bank. RBI has further provided that any existing shareholding of any individual entity/group of related entities in excess of 10% be reduced to 10% in a phased manner. Further, any bank having a shareholding in excess of 5% in any other bank in India is required to indicate a timetable in which such shareholding would be reduced to the permissible level of 5%.

The new RBI guidelines also provide that the second phase of banking reforms shall commence in April 2009 after a review is undertaken to examine the extent of foreign investment in banks. During the second phase, foreign banks may be permitted, subject to regulatory approvals and other prescribed conditions, to enter into merger and acquisition transactions with any private sector bank in India. Such investment by foreign banks shall be subject to the overall investment limit of 74 percent.

Further the aforesaid circular states that all foreign investment in private banks from all sources, in terms of the press note of March 5, 2004 issued by the Government, cannot exceed 74% and at all times at least 26% of the paid up capital of a private sector bank will have to be held by resident Indians.

Regulations relating to the opening of branches

Banks are required to obtain licences from RBI to open new branches. Permission is granted based on factors such as the financial condition and history of the company, its management, adequacy of capital structure and earning prospects and the public interest. RBI may cancel the licence for violations of the conditions under which it was granted. It is left to the judgement of the individual banks to assess the needs for opening additional branches.

Capital Adequacy Requirements

We are subject to the prudential norms on capital adequacy requirements mandated by the RBI, which is based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998 ("Basel I"). With a view to adopting the Basel Committee framework which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires banks to maintain unimpaired minimum capital funds equivalent to the prescribed Capital to Risk-weighted Assets Ratio (CRAR) of 9 percent on the aggregate of the risk weighted assets and other exposures on an ongoing basis.

RBI has also issued draft guidelines in February 2005 on the 'Implementation of the New Capital Adequacy Framework' to enable banks to meet the requirements prescribed by the Basel Committee on Banking Supervision on June 26, 2004 in relation to International Convergence of Capital Measurement and Capital Standards ("Basel II"), the international capital adequacy framework for banks. These draft guidelines which are proposed to be effective from April 1, 2006, prescribe a 75% risk weight for retail credit exposures meeting certain qualifying criteria, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on, inter alia, a factor of the number of the previous three years for which gross income is positive, and 15% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income), if the bank is using the Basic Indicator Approach. (The New Capital Adequacy Framework outlines three methods for calculating operational risk capital charges in a continuum of increasing sophistication and risk sensitivity: (i) the Basic Indicator Approach; (ii) the Standardised Approach; and (iii) Advanced Measurement Approaches (AMA). Banks are bound to implement at least the Basic Indicator Approach, but are encouraged to move along the spectrum as they develop more sophisticated operational risk measurement systems and practices).

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, i.e., the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserve representing surplus arising out of sale proceeds of assets as reduced by Equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period. A bank's deferred tax asset is to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital takes on characteristics similar to equity and undisclosed reserves, and comprises of the undisclosed reserves and irredeemable cumulative perpetual fully paid-up preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), investment fluctuation reserve, hybrid debt capital instruments (which combine certain features of both Equity and debt securities) and subordinated debt (excluding such debt with initial maturity of less than 5 years or remaining maturity of less than one year). Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. Tier II capital cannot exceed Tier I capital.

With a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, RBI has advised banks to build up an investment fluctuation reserve ("**IFR**") of a minimum of 5.0% of the bank's investments in Held for Trading ("**HFT**") and Available for Sale ("**AFS**") categories within a period of five years from fiscal year ending March 31, 2002. The IFR has to be computed with respect to investments in held for trading and available for sale categories. The IFR is included in Tier II capital. Though investment fluctuation reserve is also considered general provision for Tier II but the same is not be subjected to the ceiling of 1.25% of risk weighted assets. However, the RBI on October 10, 2005, with a view to encourage banks for early compliance with the guidelines for maintenance of capital charge for market risks, has decided that banks that have maintained capital of at least 9 per cent of the risk weighted assets for both credit risk and market risks for both HFT (open gold position limit, open foreign exchange position limit, trading positions in derivatives and derivatives entered into for hedging trading book exposures by March 31, 2005) and AFS category as on March 31, 2006, would be permitted to treat the entire balance in the IFR as Tier I capital, subject to certain qualifications.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Guarantees and letters of credit are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange and gold open position limits carry a 100.0% risk weight. A risk weight of 2.5% to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100.0% risk weight for all state government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy ratio.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9.0%. Also, as per RBI guidelines, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk weighted asset ratio must also be maintained at 9.0%.

Asset Classification and Provisioning

In April 1992, RBI issued prudential norms on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, applicable from the financial year 1992-93, which are revised from time to time.

As per these guidelines as last revised and consolidated by the RBI on July 1, 2005, the basis of treating various credit facilities as non-performing are set forth below.

Non-Performing Assets

An advance is a non-performing asset ("**NPA**") where:

- interest and/or instalment of principal remained overdue for a period of more than 90 days in respect of a term loan;
- the account remained "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit (If the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power or there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, then such accounts are treated as "out of order".);
- the bill remained overdue for a period of more than 90 days in case of bills purchased and discounted;
- if the interest and/or principal remained overdue for two harvest seasons but for a period not exceeding two half-years in the case of an advance granted for agricultural purposes. With effect from September 30, 2004, a loan granted for short duration crops will be treated as a non performing asset, if the instalment of principal or interest thereon remains overdue for two crop seasons. With effect from September 30, 2004, a loan granted for long duration crops will be treated as a non performing asset, if the instalment of principal or interest thereon remains overdue for one crop season. (Crops with crop season longer than one year are long duration crops and crops which are not long duration crops are treated as short duration crops); or
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognised and further interest is not recognised or credited to the income account unless collected. Banks may classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Asset Classification

Non-performing assets are classified as described below:

- Sub-Standard Assets - With effect from 31 March 2005, a sub-standard asset would be one, which has remained a non-performing asset for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.
- Doubtful Assets - With effect from March 31, 2005, an asset will be classified as doubtful if it remains in the sub-standard category for 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.
- Loss Assets - Assets on which losses have been identified by the bank or by internal or external auditors or by RBI inspection but the amount has not been written off fully. In other words, such an asset is considered not recoverable and of little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing. RBI has separate guidelines for restructured assets under the corporate debt restructuring mechanism and under other mechanisms. A fully secured standard asset can be restructured by reschedulement of principal repayments and/or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets, and to doubtful assets, in the case of restructuring of assets under the corporate debt restructuring mechanism. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal instalment instalment or interest amount, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. The amount of provision made earlier, net of the amount provided for the sacrifice in the interest amount in present value terms as aforesaid, could also be reversed after the one-year period.

Provisioning and Write-offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- Standard Assets - General Provisioning requirement for 'standard advances' increased from the present level of 0.25% of the funded outstanding on a portfolio basis to 0.40% of the funded outstanding on a portfolio basis with the exemption of Bank's direct advance to agriculture and small and medium enterprises. Banks must continue to make provision at 0.25 per cent for direct advances to agricultural and SME sectors in the standard category.
- Sub-Standard Assets- A provision at a uniform rate of 10.0% on total funded outstanding, and for doubtful accounts at rates ranging from 20% to 100% per cent, taking into account the period for which the account has remained non-performing and the realisable value of security charged to the bank should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.

- Doubtful Assets - A 100.0% provision/write-off of the unsecured portion of advances which are not covered by the realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0% to 100.0% provision is required to be made against the secured asset as follows:

Period for which the advance has remained in 'doubtful' category	Provision requirement
Up to one year	20 per cent
One to three years	30 per cent
More than three years	
(i) outstanding stock of NPAs as on March 31, 2004	60 per cent with effect from March 31, 2005 75 per cent with effect from March 31, 2006 100 per cent with effect from March31, 2007
(ii) advances classified as 'doubtful more than three years' on or after April 1, 2004	100 percent with effect from March 31, 2005

* Loss Assets. The entire asset is required to be written off or completely provided for.

While the provisions indicated above are mandatory, banks are encouraged to make higher provisions over and above the mandatory level.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. RBI issues directions covering the loan activities of banks. Some of the major guidelines of RBI which are now in effect are as follows:

- RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- Banks are free to determine their own lending rates but each bank must declare its benchmark prime lending rate ("**BPLR**") as approved by its board of directors. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans up to Rs. 200,000. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than personal loans) must not exceed the BPLR. Banks are also given freedom to lend at a rate below the BPLR in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by RBI. RBI has recently directed banks to introduce benchmark prime lending rates based on various parameters including cost of funds, operating expenses, capital charge and profit margin, and discontinue the system of tenor-linked prime lending rates.
- Pursuant to the provisions of the Banking Regulation Act, banks are not permitted to make loans to their directors and to companies with common directors. The above restrictions do not apply to loans to a director who immediately prior to becoming a director was an employee of the bank, that could have been made to him in his capacity as an employee of the bank and are on the same terms and conditions as would have been applicable to him as an employee of the bank.

Legislation introduced in the Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. See also the section titled "The Indian Banking Sector-Recent Structural Reforms-Proposed Amendments to the Banking Regulation Act" on page 32 of this Prospectus.

There are guidelines on loans against Equity shares in respect of amount, margin requirement and purpose.

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset/non performing investment in the books of the banks. A bank may sell a standard asset only if the asset is under a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing asset in the books of other banks/FIs, and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that the sale is conducted in a prudent manner in accordance with a policy approved by the Board, and that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold subsequent to the sale of the asset. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future, however, no credit for the expected profit may be taken by banks/ FIs until the profit materializes on actual sale. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in the case of consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Any loss on sale must be charged to the profit and loss account, but any gains must be used for meetings losses on sale of other financial assets. For computing capital adequacy, the applicable risk weight (which is the sum of risk weight for credit risk at 100% and risk weight for market risk at 2.5 %) is applied to instruments received by the banks or financial institutions as consideration for sale of financial assets to asset reconstruction companies.

Directed Lending

Priority Sector Lending

RBI requires commercial banks to lend a certain percentage of their net bank credit to the priority sectors, broadly consisting of agriculture, small-scale industry (including setting up of industrial estates), small businesses (Original cost of equipment used for business not to exceed Rs 2.0 million), housing finance [both direct and indirect – loans upto Rs.1.5 million, Loans upto Rs 0.1 million and Rs.0.2 million for repairing of houses in rural/ semi-urban and urban areas respectively], small road and water transport operators (owning upto 10 vehicles), Retail trade (advances to private retail traders upto Rs.1 million), Professional and self-employed persons (borrowing limit not exceeding Rs.1.0 millionof which not more than Rs.0.2 million for working capital), in the case of qualified medical practitioners setting up practice in rural areas, the limits are Rs 1.5 million and Rs 0.3 million respectively and purchase of one motor vehicle within these limits can be included under priority sector), State sponsored organisations for Scheduled Castes/Scheduled Tribes, Education (educational loans granted to individuals by banks), Consumption loans (under the consumption credit scheme for weaker sections), Micro-credit provided by banks either directly or through any intermediary; self help groups(SHGs) / Non Governmental Organisations (NGOs) for onlending to SHGs, software industry (having credit limit not exceeding Rs 10 million from the banking system), food and agro-processing sector having investment in plant and machinery up to Rs 50 million and venture capital (venture capital funds/ companies registered with SEBI).

Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. These levels could be achieved either (i) by way of direct lending to borrowers; (ii) indirectly by way of subscribing to or investing in sector specific deposits or bonds with government sponsored developmental banks like the State Financial Corporations /State Industrial Development Corporations, Rural Electrification Corporation, The National Small Industries Corporation Limited, National Housing Bank, Housing & Urban Development Corporation, National Bank for Agriculture and the Rural Development and Small Industries Development Bank of India or (iii) in the event of shortfall despite (i) & (ii) above, the balance amount to be allocated and to be invested into the Rural Infrastructure Development Fund in accordance with the policy and levels to be announced by the Government of India from year to year.

Export Credit

RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's outstanding net bank credit is required to be in the form of export credit.

Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

The limits set by RBI are as follows:

- Exposure ceiling for a single borrower is 15.0% of capital funds effective March 31, 2002. Group exposure limit is 40.0% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0% (i.e., up to 50.0 of capital funds). In May 2004, RBI permitted banks to increase exposure to a borrower by a further 5.0% of capital funds (i.e., 20.0% for single borrowers and 45.0% for group borrowers) and by a further 10.0% for financing infrastructure projects, with the specific approval of the board of directors. Capital funds is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).
- Non-fund based exposures are calculated at 100.0% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective from April 1, 2003.

Credit exposure is the aggregate of:

- all types of funded and non-funded credit limits;
- facilities extended by way of equipment leasing, hire purchase finance and factoring services;
- advances against shares, debentures, bonds and units of mutual funds to stock brokers and market makers;
- bank loan for financing promoters' contributions;
- bridge loans against Equity flows/issues; and
- financing of initial public offerings/ Employee Stock Options(ESOPs)

Regulations relating to Investments and Capital Market Exposure Limits

There are no limits on the amount of investments by banks in non-convertible debt instruments. However, credit exposure limits specified by RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments.

Pursuant to RBI guidelines, the total exposure of banks, both fund based and non-fund based, to capital markets by way of investments in shares, convertible debentures, units of Equity-oriented mutual funds, advances against shares to individuals for investment in equity shares (including IPOs/ESOPs), bonds and debentures, units of equity-oriented mutual funds etc, and loans and guarantees issued on behalf of stockbrokers and market makers, should not exceed 5.0% of total outstanding advances (excluding inter-bank lending and advances outside India and including commercial paper) at March 31 of the previous fiscal year and within this overall ceiling, investments in shares, convertible debentures and units of Equity-oriented mutual funds should not exceed 20.0% of the bank's net worth.

In April 1999, RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier II capital and free reserves. However, such investment is to be taken into consideration for the purpose of arriving at the prudential norm of credit exposure for single borrower (at 15%) and group of borrowers (at 40%).

In July 2004, the Reserve Bank of India imposed a ceiling of 10.0% of capital funds (Tier 1 plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier 1 capital of the investing bank or financial institution, are subject to a 100.0% risk weight for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets has been increased to 125.0% from 100.0% in July 2005. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the Reserve Bank of India with a roadmap for reduction of the exposure.

In December 2003, RBI issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10.0% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. These guidelines will not apply to investments in security receipts issued by securitisation or reconstruction companies registered with RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines have been effective from April 1, 2004, with provision for compliance in a phased manner by January 1, 2005.

Consolidated Supervision Guidelines

In fiscal 2003, RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are:

- Banks are required to prepare consolidated financial statements intended for public disclosure.
- Banks are required to submit to RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:
- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- Consolidated capital market exposure limit of 2.0% of total on-balance sheet assets (excluding intangible assets and accumulated assets). Within the total limit, investment in shares, convertible bonds and debentures and units of Equity-oriented mutual funds should not exceed 10.0% of the bank's consolidated net worth.

Banks' Investment Classification and Valuation Norms

The salient features of RBI's guidelines on investment classification and valuation are given below:

- The entire investment portfolio is required to be classified under three categories: (a) "held to maturity", (b) "held for trading" and (c) "available for sale". Banks should decide the category of investment at the time of acquisition.
- "Held to maturity" investments compulsorily include (a) recapitalisation bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. "Held to maturity" investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalisation bonds and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognised in the profit and loss account.
- Investments under the "held for trading" category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities.
- Profit or loss on the sale of investments in both "held for trading" and "available for sale" categories is taken in the profit and loss account.
- Shifting of investments from or to "held to maturity" may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from "available for sale" to "held for trading" may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from held for trading to available for sale is generally not permitted.

In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 25.0% of their demand and time liabilities. In the meanwhile, the Reserve Bank of India has permitted banks to exceed the limit of 25.0% of investments for the held to maturity category provided the excess comprises only statutory liquidity ratio investments and the aggregate of such investments in the held to maturity category do not exceed 25.0% of the demand and time liabilities. The Reserve Bank of India has permitted banks to transfer additional securities to the held to maturity category as a one time measure during fiscal 2005, in addition to the transfer permitted under the earlier guidelines. The transfer would be done at the lower of acquisition cost, book value or market value on the date of transfer.

"Held to maturity" securities are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Securities classified as "available for sale" or "held for trading" are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the "available for sale" and "held for trading" categories is aggregated. Net appreciation in each basket, if any, that is not realised is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts / pass-through certificates, and the net book value of the financial asset.

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledge or mortgagee, exceeding the lower of 30.0% of the paid up share capital of that company and 30.0% of its own paid up share capital and reserves, except as statutorily provided.

Limit on Transactions through Individual Brokers

Guidelines issued by RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers, and banks have been directed to fix aggregate contract limits for each of the approved brokers. RBI specifies that not more than 5.0% of the total transactions in securities (both purchase and sales) through empanelled brokers can be transacted through one broker. However, the norm of 5% would not be applicable to banks' dealings through Primary Dealers. If for any reason this limit is breached, RBI has stipulated that the board of directors of the bank concerned should be informed post-facto of such occurrences.

Prohibition on Short-Selling

RBI does not permit short selling of securities by banks; however, as per the mid-term Review of Annual Policy Statement for the year 2005- 06 announced on October 25, 2005, RBI introduced intra-day short selling in government securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

Regulations Relating to Deposits

RBI has permitted banks to independently determine rates of interest offered on term deposits. Primary (urban) co-operative banks are permitted to pay interest on current account deposits at rates not exceeding 0.5% per annum. Further, banks may only pay interest of 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, we are permitted by RBI to pay an additional interest of 1.0% over the interest payable on deposits from the public.

Domestic time deposits have a minimum maturity of 15 days (seven days in respect of deposits over Rs. 1.5 million) and a maximum maturity of 10 years. Time deposits from NRIs denominated in foreign currency have a minimum maturity of one year and a maximum maturity of five years.

RBI has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

- Time deposits are of Rs. 1.5 million and above; and
- Interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

The maturity period of fresh NRE deposits will normally be one year to three years. In case a particular bank from its Asset liability Management point of view wishes to accept deposits with maturity of more than three years it may do so provided the interest rate on such long-term deposits is not higher than that applicable to 3 year NRE deposits.

RBI stipulated that the interest rate on NRE deposits for one to three years accepted on or after July 17, 2003 should not exceed 250 basis points above USD LIBOR / swap rates of corresponding maturity. This was revised on several occasions as follows:

With effect from	NRE Interest Rates
September 15, 2003	USD LIBOR/Swap rates plus 100 bps
Close of business October 18, 2003	USD LIBOR/Swap rates plus 25 bps
Close of business April 17, 2004	USD LIBOR /Swap rates
November 1, 2004	USD LIBOR/Swap rates plus 50 bps
Close of business November 17, 2005	USD LIBOR/ Swap rates plus 75 bps

The LIBOR/ Swap rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective from the following month

RBI stipulated that the interest rates on NRE savings bank should not exceed the LIBOR/ SWAP rates for six months maturity of US dollar deposits. However with effect from the close of business on November 17, 2005 RBI has stipulated that the interest rate on NRE Savings Bank account shall be at the rate applicable to domestic savings deposits.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 accepted by Indian banks have to be compulsorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Regulations relating to Knowing the Customer and Anti-Money Laundering

RBI has issued several guidelines relating to identification of depositors and has advised banks to put in place systems and procedures to control financial frauds, identify money laundering and suspicious activities, and monitor high value cash transactions. RBI has recently issued guidelines advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds. It requires that proper policy framework on 'know your customer' and anti-money laundering measures is formulated and that banks are fully compliant with such guidelines before December 31, 2005.

Banks have been required to formulate appropriate customer acceptance policies, customer identification procedures; process for monitoring of transactions; and risk management strategy in this regard.

It has been provided that the customer acceptance policy should be such that there is no account opened in anonymous or fictitious/benami name(s), parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 and guidelines issued by RBI from time to time. Banks have been directed not to open an account or close an existing account where the bank is unable to apply appropriate customer due diligence measures. Further, circumstances in which a customer is permitted to act on behalf of another person/entity should be clearly spelt out in conformity with the established law and practice of banking. Further it has also been mandated that necessary checks should be carried out before opening a new account so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc.

The policy approved by the Board of banks should clearly spell out the customer identification procedure to be carried out at different stages, i.e., while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. Banks need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship.

As far as ongoing monitoring is concerned, banks are required to put into place the means of identifying transactions that fall outside the regular pattern of activity. Banks have been required to pay special attention to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The Bank may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions, which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the bank. Banks have asked to ensure that a record of transactions in the accounts is preserved and maintained as required in terms of the Prevention of Money Laundering Act, 2002. It may also be ensured that transactions of suspicious nature and/or any other type of transaction notified under Section 12 of Prevention of Money Laundering Act, 2002, is reported to the appropriate law enforcement authority.

The risk management guidelines stipulate that the board of directors of the bank should ensure that an effective "Know Your Customer" (KYC) programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the bank for ensuring that the bank's policies and procedures are implemented effectively. Banks may, in consultation with their boards, devise procedures for creating risk profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or banking/business relationship.

Implementation of KYC procedures requires banks to demand certain information from customers which may be of personal nature or which has hitherto never been called for, and banks have been directed to prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme. Banks have also been directed to ensure that appropriate KYC procedures are duly applied before issuing electronic cards such as credit cards, debit cards, smart cards and gift cards to customers. Banks have been directed to also apply KYC procedures to existing customers on the basis of materiality and risk, and where the bank is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the bank may consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision.

In August 2005, the Reserve Bank of India has simplified the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 in a year in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to Section 42 of the RBI Act. On September 18, 2004, the cash reserve ratio was changed to 4.75%. From October 2, 2004, it increased to 5.0% of the Net Demand and Time Liabilities.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from RBI, and apex financial institutions such as like Exim Bank, NABARD, NHB and SIDBI, provision for income tax in excess of the actual estimated liabilities, amount received from DICGC towards claims and held by banks pending adjustments thereof, amount received from ECGC by invoking the guarantee, amount received from insurance company on ad-hoc settlement of claims pending Judgment of the Court., amount received from the Court Receiver, the liabilities arising on account of utilization of limits under Banker's Acceptance Facility (BAF) and inter-bank term deposits/term borrowing liabilities of original maturity of 15 days and above and upto one year with effect from fortnight beginning August 11, 2001 are excluded from the calculation of the cash reserve ratio.

Scheduled Commercial Banks are exempted from maintaining average CRR on liabilities to the banking system in India as computed under Clause (d) of the Explanation to Section 42(1) of the RBI Act, 1934, credit balances in ACU (US$) Accounts, transactions in Collateralized Borrowing and Lending Obligation (CBLO) with Clearing Corporation of India Limited (CCIL), and Demand and Time Liabilities in respect of their Offshore Banking Units (OBU's). Although banks are exempted from maintaining average CRR on the above liabilities, they are required to maintain 3 per cent statutory reserve thereon. Banks are not required to include inter-bank term deposits / term borrowing liabilities of original maturities of 15 days and above and upto one year in 'Liabilities to the Banking System'. Similarly banks should exclude their inter-bank assets of term deposits and term lending of original maturity of 15 days and above and up to one year in 'Assets with the Banking System' for the purpose of maintenance of CRR. This concession is not available for maintenance of SLR.

RBI pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and pays interest on the eligible cash balances, currently at the rate of 3.5%. Prior to this, interest was paid by RBI at the bank rate. The cash reserve ratio must be maintained on an average basis for a fortnightly period and should not fall below 70.0% of the required cash reserve ratio on any day of the fortnight. If any bank fails to observe the minimum level of CRR on any day/s during the relevant fortnight, the bank will not be paid interest to the extent of one fourteenth of the eligible amount of interest, even if there is no shortfall in the CRR on average basis.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain in India a specified minimum percentage of its net demand and time liabilities by way of liquid assets like cash, gold or unencumbered approved securities. The percentage of this liquidity ratio is fixed by RBI from time to time, with a minimum of 25.0% and a maximum of 40.0% pursuant to Section 24 of the Banking Regulation Act. At present, RBI requires banking companies to maintain a liquidity ratio of 25.0% of the total of their demand and time liabilities in India as on the last Friday of the second preceding fortnight.

Regulations on Asset Liability Management

At present, RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for Rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behaviour studies that may be conducted by banks. These statements have to be submitted to RBI on a quarterly basis. RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. It is not mandatory for banks to lay down internal norms in respect of negative liquidity gaps for time periods greater than one year.

Foreign Currency Dealership

RBI has granted us a full-fledged authorised dealers' to deal in foreign exchange. Under this, we have been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and Rupee denominated deposits from NRIs;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits; .
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to our normal functions authorised under our organizational documents.

Our foreign exchange operations are subject to the guidelines specified by RBI under FEMA. As an authorised dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. Authorised dealers are required to determine their limits on open positions and maturity gaps in accordance with RBI's guidelines and these limits are approved by RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Ownership Restrictions

The Government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like us, cannot exceed 74.0% of the paid-up capital and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital. The Reserve Bank of India's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to equivalent of 5.0% or more of its total paid up capital. The Reserve Bank of India, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, Reserve Bank of India may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more and up to 30.0% of a private sector bank's paid-up capital, The Reserve Bank of India may consider additional factors, including but not limited to:

- the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank,
- the business record and experience of the applicant including any experience of acquisition of companies,
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community.

While granting acknowledgment for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of the bank's operations.

In February 2005, the Reserve Bank of India issued guidelines on ownership and governance in private sector banks. The key provisions of the guidelines on ownership are:

- No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10.0% of the paid, up equity capital of a private sector bank and any higher level of acquisition would require the Reserve Bank of India's prior approval;
- In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10.0% in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated;
- The Reserve Bank of India may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;
- Banks would be responsible for compliance of the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance.

The Reserve Bank of India has recently announced guidelines stating that these regulations would also apply in the event an existing shareholder's shareholding exceed the specified limit as a result of a rights issue of shares where other shareholders do not subscribe to the issue. Legislation introduced in the Parliament to amend the Banking Regulation Act provides that prior approval of the RBI shall be mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act, 1999. All branches should monitor all non-resident accounts to prevent money laundering.

The Reserve Bank of India issued guidelines on External Commercial Borrowings vide its Master Circular in July 2004, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favour of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 the Reserve Bank of India has announced that external commercial borrowing proceeds can be utilized for overseas direct investment in joint ventures/wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures/ wholly owned subsidiaries abroad. Further utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investment.

Guidelines for Mergers/ Amalgamations of Private Sector Banks

In the Guidelines for mergers/ amalgamations of private sector banks announced on May 11, 2005, RBI announced the following key measures:

- These guidelines cover an amalgamation of two banking companies and an amalgamation of a non-banking finance company with a banking company;
- The decision of merger should be approved by a two-third majority of the total board members of each of the banking companies and not those present alone;
- The draft scheme of amalgamation should be approved by the shareholders of both banks with a two thirds majority
- Directors who participate in such meetings should be signatories to the Deeds of Covenants as recommended by Ganguly Working Group on Corporate Governance;
- These guidelines specify the factors that the board of directors of the respective banking companies is required to consider before approving the merger. These factors include the values at which the assets, liabilities and the reserves of the amalgamated company are proposed to be incorporated into the books of the amalgamating banking company, whether due diligence exercise has been undertaken, the nature of the consideration being paid to the shareholders, whether the swap ratio has been determined by independent valuers, etc.;
- Specified information and documents should be submitted by the amalgamating banking company to RBI along with the application for the sanction of the scheme as approved by the shareholders of the banks;
- Specified information should be provided to RBI when it is required to determine the value of the shares of the banking company on the application of a dissenting shareholder;
- When a NBFC is proposed to be amalgamated into a banking company, the banking company is required to obtain the approval of RBI after the scheme of amalgamation is approved by its board of directors but before it is submitted to the High Court for approval ; and
- SEBI regulations on Prohibition of Insider Trading are required to be strictly complied with even by unlisted banks/ companies in spirit and to the extent applicable.

Requirements of the Banking Regulation Act

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to RBI within 21 days, explaining the circumstances leading to such appropriation. The government of India may, on the recommendation of RBI, exempt a bank from requirements relating to its reserve fund.

Restrictions on Payment of Dividends

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalised expenses (including preliminary expenses, organization expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The Government of India may exempt banks from this provision by issuing a notification on the recommendation of RBI.

Further, as per the May 2005 RBI guidelines on payment of dividend, only those banks which comply with the following minimum prudential requirements are eligible to declare dividend without the prior approval of RBI:

- Capital to risk asset ratio of at least 9.0% for the preceding two completed years and for the accounting year for which it proposes to declare dividend;
- Net non-performing assets of less than 7.0%;
- The bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc.
- The Reserve Bank of India has not placed any explicit restrictions on the bank for declaration of dividends.
- In case any bank does not meet the above capital to risk asset ratio norm, but is having a capital to risk asset ratio of 9% for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend provided its net NPA ratio is less than 5%;
- Banks that are eligible to declare dividends under the above rules can do so subject to the following:
- The dividend pay out ratio does not exceed 40%; The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net nonperforming asset ratio.
- The proposed dividend is payable out of the current year's profit;
- In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio.

In case we fulfil the conditions stated above, we can declare dividends without the consent of RBI, but if we do not comply with the conditions stated above but wish to declare dividend or a higher rate of dividend, we would require prior permission from RBI.

RBI has also notified that banks may also declare and pay interim dividends out of the relevant account period's profit without the prior approval of RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (40%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of RBI.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. Only banks incorporated before January 15, 1937 can issue preference shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company. Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares.

Regulatory Reporting and Examination Procedures

RBI is empowered under the Banking Regulation Act to inspect a bank. RBI monitors prudential parameters at quarterly intervals. With this in view and to enable off-site monitoring and surveillance by RBI, banks are required to report to RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

RBI also conducts periodical on-site inspections on matters relating to a banks portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. We are subject to the on-site inspection by RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before the Board of Directors. On approval by the Board of Directors, we are required to submit the report on actions taken by us to RBI. RBI also discusses the report with the management team including the Chairman and Chief Executive Officer.

RBI also conducts on-site supervision with respect to the general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

We are required to obtain prior approval of RBI before we appoint our chairman and managing director and any other wholetime directors and fix their remuneration. RBI is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure our proper management. Further, RBI may order meetings of our Board of Directors to discuss any matter in relation to us, appoint observers to such meetings and in general, may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of our shareholders to elect new directors. Additionally, we may not appoint persons as directors who are already directors on the board of another banking company.

Penalties

RBI may impose penalties on banks and their employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment.

Restriction on Transfer of Shares

RBI's acknowledgement is required for the acquisition or transfer of our shares by or to an individual or a group which acquires 5.0% or more of our total paid up capital. RBI, while granting acknowledgement, may require such acknowledgement to be obtained for subsequent acquisition at any higher threshold as may be specified. In determining whether the acquirer or transferee is fit and proper to be a shareholder, RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more of our paid-up capital, RBI may consider additional factors, including but not limited to the ability to access financial markets as a source of continuing financial support for us and the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of our operations. While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of our paid-up capital, RBI may consider additional factors, including but not limited to whether or not the acquisition is in the public interest and shareholder agreements and their impact on the control and management of our operations.

Assets to be maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and RBI approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

Secrecy Obligations

Our obligations relating to maintaining secrecy arise out of common law principles governing our relationship with our customers. We cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where we need to disclose information in our interest; and
- where disclosure is made with the express or implied consent of the customer.

We are required to comply with the above in furnishing any information to any parties. We are also required to disclose information if ordered to do so by a court. RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, 1891, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations and Guidelines of the SEBI

The SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our capital issuances, as well as our underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for our registration with the SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

Subsidiaries

A bank requires the prior permission of RBI to incorporate a subsidiary. A bank is required to maintain an "arms' length" relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we ourselves are not able or are not permitted to do so.

Restriction on Creation of Floating Charge

Prior approval of RBI is required for creating floating charge on our undertaking or our property. Currently, all our borrowings, including bonds, are unsecured.

Maintenance of Records

We are required to maintain books, records and registers. The Banking Companies (Period of Preservation of Records) Rules, 1985 require a bank to retain records of books, accounts and other documents relating to stock and share register for a period of three years.

Issue of Bonus Shares

We would have to obtain the prior permission of RBI to issue bonus shares as prescribed under the Banking Regulation Act, 1949.

Regulations governing Offshore Banking Units

The Government and RBI have permitted banks to set up offshore banking units in Special Economic Zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The key regulations applicable to offshore banking units include, but are not limited to, the following:

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$1.0 million to its offshore banking unit;
- offshore banking units are exempt from cash reserve ratio requirements;
- RBI may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank;
- An offshore banking unit may not enter any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999;
- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking Units;
- offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals;
- Offshore Banking Units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies;
- Offshore Banking Units may operate and maintain balance sheets only in foreign currency;
- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations; and
- Offshore Banking Units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

Regulations governing International Businesses

International business operations of a bank would be governed by regulations in the countries in which it has a presence.

HISTORY AND CERTAIN CORPORATE MATTERS

Our History

The Bank was incorporated on January 25, 1929, under the Companies Act 1913 by a group of prominent enterprising citizens of Thrissur Town in Kerala, and became a scheduled bank in 1946.

Over the years, SIB has steadily grown and now has a network of 432 branches, including 5 satellite branches, 59 Extension Counters spanning 17 states and 2 Union Territories. SIB currently has 137 ATMs with a card base of 198,622. All these ATMs both on-site and off-site, connected to the centralised Date Centre, provide 24 hours on-line facility to customers.

SIB has been following a policy of upgrading technologies, expanding and modernizing its network of branches to meet the growing demands of customer service and reach. SIB has implemented the "Finacle", a centralised Core Banking Solution (CBS) of Infosys Technologies Limited in 276 branches and 21 Extension counters, spread all over the country. All the major centres in India have already been covered under this project. SIB has already made available Internet Banking Facility to its valued customers. It has a network of 13 NRI branches to cater to the needs of Non-resident Indians.

The Foreign Exchange Department and two specialised overseas branches of SIB have ventured successfully in financing of imports, exports and also providing foreign currency loans.

SIB is the first amongst all the private sector banks in Kerala to open a Currency Chest on behalf of Reserve Bank of India. We now have 3 currency chests at Coimbatore, Kozhikode and Thrissur.

A team of dedicated and qualified staff is managing the day-to-day affairs of SIB. In order to keep its employees abreast of the changes in banking and trade scenario, SIB regularly conducts staff Training programmes through its own staff training college. In addition SIB deputes its officers for training at Banker's Training College, Mumbai, National Institute of Bank Management, Pune etc.

SIB successfully completed its initial public issue in October 1998, which led to increase in paid up capital to Rs. 350 million and in October 2004, a rights issue of shares was completed to augment its paid up capital to Rs. 476.8 million.

Main Objects

The main objects of our Bank are as under:

(a) to establish and carry on the business of banking at the registered office of the Company and at such branches, agencies or offices in Cochin, Travancore and other Indian States and in any other part of India or elsewhere as may from time to time be determined upon by the Directors of the Company;

(b) carrying on the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft, or order and to carry on the business of banking in all its branches and departments;

(c) the borrowing raising or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters or credit, travellers' cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others; the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposits or for safe custody or otherwise; the collecting and transmitting of money and securities;

(d) acting as agents for Governments or Local Authorities or for any other person or persons; the carrying on of agency business of any description other than the business of a managing agent (of a Company not being a Banking Company) including the power to act as attorneys and to give discharges and receipts;

(e) contracting for public and private loans and negotiating and issuing the same;

(f) The promoting, effecting, insuring, guaranteeing, underwriting, participating, in managing and carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock, debentures or debenture stock of any Company, Corporation or Association and the lending of money for the purpose of any such issue;

(g) carrying on and transacting every kind of guarantee and indemnity business;

(h) promoting or financing or assisting in promoting or financing any business undertaking or industry, either existing or new, and developing or forming the same either through the instrumentality of syndicates or otherwise;

(i) acquisition by purchase, lease, exchange, hire, or otherwise of any property immovable or movable and any rights or privileges, which the Company may think necessary or convenient to acquire or the acquisition of which in the opinion of the Company is likely to facilitate the realisation of any securities held by the Company or to prevent or diminish any apprehended loss or liability;

(j) managing, selling and realising all property movable and immovable which may come into the possession of the Company in satisfaction or part satisfaction of any of its claims;

(k) acquiring and holding and generally dealing with any property and any right, title or interest in any property movable or immovable which may form part of the security for any loans or advance or which may be connected with any such security;

(l) undertaking and executing trusts;

(m) undertaking the administration of estates as executor, trustee or otherwise;

(n) taking or otherwise acquiring and holding shares in any other Company having objects similar to those of the Company;

(o) establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Company or the dependants or connections of such persons; granting pensions and allowances and-making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object; .

(p) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the Company;

(q) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Company;

(r) acquiring and undertaking the whole or any part of the business of any person or Company when such business is of a nature enumerated or described in these clauses;

(s) the starting and conducting of Kuries or Chit Funds in accordance with the provisions of the Cochin Kuries Act or in accordance with any Act in Travancore or elsewhere regulating Kuries or Chit Funds;

(t) to open establish maintain and operate currency chests and small coin depots on such terms and conditions as may be required by the Reserve Bank of India Act, 1934 and enter into all administrative or other arrangements for undertaking such functions with the Reserve Bank of India;

(u) to establish and administer mutual funds either alone or in association with other banks or financial institutions and / or to set up, establish, incorporate, register or otherwise bring into existence wholly-owned or partly-owned subsidiary companies, firms or trusts for carrying on mutual fund business of all nature as may be allowed by the Reserve Bank of India;

(v) to engage in and carry on any activity of Merchant Banking as may be permissible including inter alia, the business of issue management by making arrangements regarding selling, buying or subscribing to securities and / or acting as advisor, consultant, manager, underwriter and bankers to the issue and portfolio manager and also to engage in venture capital business, acquisitions, mergers and amalgamations and also select merchant banking activities including loan syndication and rendering of advisory services relating to any of these activities;

(w) to establish, incorporate, register or otherwise bring into existence subsidiary or associate companies, firms or trusts for the purpose of undertaking merchant banking business, and / or factoring, leasing, housing, hire purchasing and forfaiting services as may be permitted by the Reserve Bank of India;

(x) to undertake credit card business and business of similar or identical nature either alone or in association with other banks or business organisations specialising in business of this kind;

(y) to carry on insurance and reinsurance business of all kinds including but not limited to life, marine, fire, motor accidents, sickness, fidelity, burglary, earthquake, flood, whether alone or jointly with other persons, bodies, corporate or firms, whether domestic or international;

(z) to carry on the business of surveyors, actuaries, brokers, agents and distributors for all insurance products;

(aa) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company;

(ab) to undertake and carry on all other forms of business as may be permissible for a banking Company to undertake or carry on by any law in force for the time being and in particular such other form of business which the Government of Cochin may by notification in the Cochin Government Gazette under the Indian Companies Act, 1913 as made applicable to the Cochin State specify to be lawful for a banking Company to engage in;

(ac) to create, issue and allot debt instruments / sub-ordinate debt instruments or hybrid debt capital instruments of long term maturity whether unsecured or secured by all or some of the assets and properties of the Company and to provide for their cancellation, liquidation, substitution or redemption by appropriations from profits, transfer from reserves and / or out of the proceeds of a fresh issue of securities or instruments.

Key Amendments To the Memorandum Of Association of the Bank

The key amendments to the Memorandum of Association of the Bank since the last 10 years are as under:

Date	Amendment
August 17, 1998	The authorised capital of the Bank be increased from Rs. 500 million to Rs. 1,000 million
October 5, 2001	The following clauses be inserted in the Memorandum of Association of the Bank as sub clauses (y) and (z) of Clause 3 : (y) To carry on insurance and reinsurance business of all kinds including but not limited to life, marine, fire, motor accidents, sickness, fidelity, burglary, earthquake, flood, whether alone or jointly with other persons, bodies corporate or firms whether domestic or international, (z) To carry on the business of surveyors, actuaries, brokers, agents and distributors for all insurance products. The existing sub-clauses (y), (z) and (za) of Clause 3 of the Memorandum of Association of the Company be and are hereby renumbered as sub-clauses (aa), (ab) and (ac) of Clause 3
September 23, 2005	The authorised capital of the Bank be increased from Rs. 1,000 million to Rs. 1,250 million.

Key Milestones

Year	Milestone
1929	South Indian Bank was established at Thrissur Kerala
1941	First branch outside Kerala (Coimbatore) was opened.
1946	First Private sector bank in Kerala to become scheduled bank
1963	Take over of assets and liabilities of Kshemavilasam Banking Co. Limited and The Ambat Bank Pvt. Limited, Chittur, Kerala.
1964	The following banks were taken over:- ■ Public Bank Limited, Pudukad ■ Suburban Bank (P) Limited, Thrissur ■ Vijayalakshmi Bank (P) Limited, North Parur ■ Chalakudy Bank Limited, Chalakudy, ■ Mukkattukara Catholic Bank Limited, Mukkattukara ■ Assyrian Charities Banking Co. Limited, Thrissur ■ The Catholic Syrian Christian Bank Limited, Kanjani ■ Malabar Bank Limited, Thrissur ■ Bharata Union Bank Limited, Thrissur ■ Kozhuvanal Bank Limited, Kozhuvanal Business of the Bank crosses Rs.100 million.
1970	The business of the Bank crosses Rs. 250 million
1977	The business of the bank crosses Rs.1,000 million mark
1986	Total business crosses Rs. 5,000 million.
1990	The Bank made an entry into merchant banking activities by supporting/underwriting 99 new issues.
1992	The Bank was selected by RBI to open and operate a currency chest on its behalf, the first private sector bank in Kerala. The first private sector bank to open NRI branch. The first among the Kerala based banks to offer credit card to customers. Total business crosses Rs.10,000 million mark
1993	The first Bank in the private sector to start an Industrial Finance Branch.
1998	Bank went public with an IPO.
2000	The business of the Bank crosses Rs. 50,000 million.
2001	The Bank launched its comprehensive and centralized banking solution, Sibertech, which will run on Finacle platform, provided by Infosys Technologies, Bangalore. The Bank entered into alliances with three exchange houses in the Gulf.
2002	Ties up with Insurance player for the distribution of the products of the insurance company. Sets up an ATM in Kovai, which is the first online ATM outside Kerala.
2003	Launches Internet Bank Facility, Sibernet. Enters into an agreement with Master Card International to launch Maestro, the Global ATM/ Debit card. Total business crosses Rs.100,000 million mark.
2004	Celebrated 75 years of existence

RECENT DEVELOPMENTS

On January 18, 2006, we published our unaudited financial results for the quarter and nine months ended December 31, 2005. These results, together with the results for the quarter and nine months ended December 31, 2004, have been reproduced in this section. Unlike the financial information discussed in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations", the data for the quarters and nine months ended December 31, 2004 and 2005 has not been restated and therefore is not directly comparable to that information. The following is a summary discussion of our financial results for the quarter ended December 31, 2005:

- Total income decreased by 6.58% from Rs. 2221.1 million in the quarter ended December 31, 2004 to Rs. 2074.9 million in the quarter ended December 31, 2005. However total income decreased by only 1.01% from Rs. 6082.9 million for the nine months ended December 31, 2004 to Rs. 6021.7 million for the nine months ended December 31, 2005.
- Interest income increased by 6.59% from Rs. 1820.3 million in the quarter ended December 31, 2004 to Rs. 1940.3 million in the quarter ended December 31, 2005. This increase consisted of an increase of 20.76% in interest on advances and a decrease of 24.44% in interest on investments. These increases/decreases were due to a 18.93% increase in the average volume of advances from Rs. 51754.9 million to Rs. 61549.6 million and a 16.47% decrease in the average volume of investments from Rs. 29444.7 million to Rs. 24594.6 million, and also due to decline in interest rates. However the interest income increased by 4.09% from Rs. 5370.5 million for the nine months ended December 31, 2004 to Rs. 5590.4 million for the nine months ended December 31, 2005.
- Other income decreased by 66.42% from Rs. 400.8 million in the quarter ended December 31, 2004 to Rs. 134.6 million in the quarter ended December 31, 2005, primarily because of lower treasury profits. However other income decreased by only 39.46% from Rs. 712.4 million for the nine months ended December 31, 2004 to Rs. 431.3 million for the nine months ended December 31, 2005.
- Interest expense increased by 1.59% from 1070.4 million in the quarter ended December 31, 2004 to Rs. 1087.4 million in the quarter ended December 31, 2005, reflecting primarily an increase of 8.68% in the average volume of our deposits from Rs. 74583.7 million to Rs. 81054.5 million, offset partly by a decline in interest rates. However interest expense decreased by 3.98% from Rs. 3422.8 million for the nine months ended December 31, 2004 to Rs. 3286.7 million for the nine months ended December 31, 2005.
- Operating expenses increased by 13.02% from Rs. 466.3 million in the quarter ended December 31, 2004 to Rs. 527.0 million in the quarter ended December 31, 2005, mainly due to increase in deposit insurance premium and overall increase in overheads. Operating expenses increased by 21.46% from Rs. 1394.0 million for the nine months ended December 31, 2004 to Rs. 1693.1 million for the nine months ended December 31, 2005, mainly due to increase in deposit insurance premium, additional expenses for retirement benefits and salary revision and overall increase in overheads.
- Total expenses increased by 5.06% from Rs. 1536.7 million in the quarter ended December 31, 2004 to Rs. 1614.4 million in the quarter ended December 31, 2005, mainly due to increase in deposit insurance premium and overall increase in overheads. Total expenses increased by 3.38% from Rs. 4816.8 million for the nine months ended December 31, 2004 to Rs. 4979.8 million for the nine months ended December 31, 2005, mainly due to increase in deposit insurance premium, additional expenses for retirement benefits and salary revision and overall increase in overheads, offset partly by decrease in interest expenses.
- Net interest income increased by 13.74% from Rs. 749.9 million in the quarter ended December 31, 2004 to Rs. 852.9 million in the quarter ended December 31, 2005, mainly due to increase in average volume of advances and recovery of non-performing advances. Net interest income increased by 18.28% from Rs. 1947.7 million for the nine months ended December 31, 2004 to Rs. 2303.7 million for the nine months ended December 31, 2005, due to the above reasons.

- Gross profit before provisions and contingencies decreased by 32.71% from Rs. 684.4 million in the quarter ended December 31, 2004 to Rs. 460.50 million in the quarter ended December 31, 2005, primarily because of lower treasury profits. Gross profit before provisions and contingencies decreased by 17.71% from Rs. 1266.1 million for the nine months ended December 31, 2004 to Rs. 1041.9 million for the nine months ended December 31, 2005, due to decline in treasury profit.
- In view of the above reasons Net profit decreased by 10.95% from Rs. 231.9 million in the quarter ended December 31, 2004 to Rs. 206.5 million in the quarter ended December 31, 2005. However Net Profits has increased by 243.50% from Rs. 100.7 million for the nine months ended December 31, 2004 to Rs. 345.9 million for the nine months ended December 31, 2005.
- Provisions and contingencies decreased by 56.76% from Rs. 321.7 million in the quarter ended December 31, 2004 to Rs. 139.10 million in the quarter ended December 31, 2005, due to lower provisioning requirements for depreciation on investment in current quarter. Provisions and contingencies have decreased by 47.62% from Rs. 1107.2 million for the nine months ended December 31, 2004 to Rs. 580.0 million for the nine months ended December 31, 2005, due to the above reasons.
- Our capital adequacy ratio as of December 31, 2005 was 9.98% as against 10.48% as of December 2004, due to the increased risk weighted assets.

The following is a reproduction of the financial results that were taken on record by our Board of Directors on January 18,2006 and filed with the Stock Exchanges. One crore represents ten million.

One Crore represents Ten Million

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER/NINE MONTHS ENDED 31ST DECEMBER 2005

(Rs. in Crores)

Particulars	Quarter ended		Nine months ended		Year ended
	31.12.2005 Unaudited	31.12.2004 Unaudited	31.12.2005 Unaudited	31.12.2004 Unaudited	31.03.2005 Audited
1. Interest earned (a) + (b) +(c) +(d)	194.03	182.03	559.04	537.05	709.00
(a) Interest/discount on advances/bills	145.77	120.71	400.75	328.10	437.56
(b) Income on investments	44.84	59.34	140.12	199.87	257.62
(c) Interest on balances with Reserve Bank of India and other inter-bank funds	3.42	1.98	18.17	9.08	13.82
(d) Others	Nil	Nil	Nil	Nil	Nil
2. Other Income	13.46	40.08	43.13	71.24	102.38
A. TOTAL INCOME (1+2)	207.49	222.11	602.17	608.29	811.38
3. Interest expended	108.74	107.04	328.67	342.28	452.07
4. Operating Expenses (e) + (f)	52.70	46.63	169.31	139.40	187.08
(e) Payment to and provisions for employees	31.10	28.89	109.06	88.61	118.52
(f) Other operating expenses	21.60	17.74	60.25	50.79	68.56
B. TOTAL EXPENDITURE (3)+ (4) (excluding provisions and contingencies)	161.44	153.67	497.98	481.68	639.15
C. OPERATING PROFIT (A) - (B) (Profit before provisions and contingencies)	46.05	68.44	104.19	126.61	172.23

Particulars	Quarter ended		Nine months ended		Year ended
	31.12.2005 Unaudited	**31.12.2004 Unaudited**	**31.12.2005 Unaudited**	**31.12.2004 Unaudited**	**31.03.2005 Audited**
D. Other Provisions and contingencies	13.91	32.17	58.00	110.72	158.39
E. Provision for Taxes	11.49	13.08	11.60	5.82	5.14
F. Net Profit (C-D-E)	20.65	23.19	34.59	10.07	8.70
1. Interest earned (a) + (b) +(c) +(d)	194.03	182.03	559.04	537.05	709.00
5. Paid up equity share capital	47.68	47.70	47.68	47.70	47.68
6. Reserves excluding revaluation reserves (as per balance sheet of previous accounting year)	387.12	342.63	387.12	342.63	387.12
7. Analytical Ratios					
i) Percentage of shares held by Govt. of India	Nil	Nil	Nil	Nil	Nil
ii) Capital Adequacy Ratio (%)	9.98	10.48	9.98	10.48	9.89
iii) Earnings Per Share-Basic & Diluted (Face value Rs.10) (Rs.)	* 4.33	* 5.01	* 7.26	* 2.57	2.10
8. Aggregate of non-promoter shareholding No.of Shares (in crores)	4.77	4.77	4.77	4.77	4.77
Percentage of shareholding	100.00%	100.00%	100.00%	100.00%	100.00%

* not annualised

NOTES :

1. The above financial results for the quarter ended December 31, 2005 subjected to limited review by the Statutory Auditors have been taken on record by the Board of Directors at their meeting held on January 18, 2006.
2. The working results have been arrived at after providing for Standard/Non performing assets as per RBI norms, provision for Income Tax, F'ringe Benefit Tax and other necessary provisions including provision for gratuity, leave encashment, pension etc. Provision for income tax is net, of excess provision in prior years written back Rs.3.55 crores and of deferred tax Rs.8.91 crores (credit) in accordance with AS – 22 issued by ICAI.
3. Payments to and provisions for employees include VRS compensation amortized on pro-rata basis.
4. There were no investor complaints pending at the beginning of the quarter. During the quarter, 83 complaints were received, and all were redressed. Number of complaints pending as on 31.12.2005 is 'Nil'
5. Elimination of pending entries in inter-bank, clearing accounts, sundries and tallying of schedules as on 31.12.05 is in progress. In the opinion of the Bank, consequential effect of the same, on the revenue/reserves/assets/liabilities is not material.
6. Previous quarter's/year's figures have been regrouped, wherever necessary to conform to the current year's classification.

Segment wise Results

Part A Business Segments

(Rs. in Crores)

Particulars	Quarter ended		Nine months ended		Year ended
	31.12.2005	**31.12.2004**	**31.12.2005**	**31.12.2004**	**31.03.2005**
1. Segment Revenue					
a) Treasury	40.84	76.28	133.79	221.44	288.91
b) Other Banking Operations	166.65	145.83	468.38	386.85	522.47
Total	207.49	222.11	602.17	608.29	811.38
Less : Inter – segment Revenue	—	—	—	—	—
Income from Operations	207.49	222.11	602.17	608.29	811.38
2. Segment Results (Profit/(loss) before provisions from each segment)					
a) Treasury	-2.20	29.55	-3.78	47.68	55.62
b) Other Banking Operations	48.25	38.89	107.97	78.93	116.61
Profit Before Provisions	46.05	68.44	104.19	126.61	172.23
Less Provisions	13.91	32.17	58.00	110.72	158.39
Profit Before Tax	32.14	36.27	46.19	15.89	13.84
Income Tax	11.49	13.08	11.60	5.82	5.14
Net Profit	20.65	23.19	34.59	10.07	8.70
3. Capital Employed					
a) Treasury	2604.43	2810.88	2604.43	2810.88	3133.43
b) Other Banking Operations	7328.56	5860.76	7328.56	5860.76	6344.09
Total	9932.99	8671.64	9932.99	8671.64	9477.52

Part B Geographical Segments

Since the Bank is having domestic operations only, the disclosure is not applicable

By order of the Board

Thrissur
18.01.2006

DR. V. A. JOSEPH
(CHAIRMAN)

OUR MANAGEMENT

The following table sets forth details regarding our Board of Directors as on the date of filing the Prospectus with ROC:

BOARD OF DIRECTORS (as on September 30, 2005)

Sr. No.	Name, Designation and Address	Age (Years)	Qualification & Experience	Date of Appointment	Date of Expiry of Current Term	Particulars of other Directorships
1.	Dr. V.A.Joseph (Chairman) Plot No. 264, IInd Gate, Hill Gardens, Kuttanellur, Thrissur.	54	M.Com, LL.B., CAIIB, Ph.D.(HRD), MPM	05.06.2005	04.06.2008	Nil
2.	Sri. Mohan Alapatt No.503, Golf Manor, 126 NAL Wind Tunnel Road, Off Airport Road, Bangalore	42	BE (Mech)	30/04/1999	2006 AGM	Nil
3.	Sri. G.A Shenai D-5, Grasmere Apartments, 57-58, Osborne Road, Bangalore- 560 042 (Nominee Director of ICICI Bank Limited)	65	M.Com, FIIB	24/10/2000	2008 AGM	Nil
4.	Dr. John Joseph T-4, Nithyadhan Apartments, Padma Layout, Trichy Road, Coimbatore- 641 045	51	MBBS., DLO	12/2/2002	2008 AGM	Janakshemam Kuries (P) Limited
5.	Sri. John P. Chakola "Parijatham", Changampuzha Nagar P.O., Kalamassery- 682 033.	57	B.Text.	18/07/2002	2006 AGM	1) M/s. Chakola Spinning & Weaving Mills Limited 2) Infoworld Solutions (P) Limited
6.	Sri. A.S Narayanamoorthy RGN Price & Co, Chartered Accountants, G-234, Price Chambers, Panampilly Nagar, Kochi- 682036	59	B.Com, FCA	18/07/2002	2006 AGM	1) Rottel Resort Private Ltd. 2) Concert Hot Breads Private Ltd.
7.	Sri. Davy K. Manavalan 231, Shriniketan, Sector 7, Plot No.1, Dwaraka, N.Delhi- 110 045.	64	B.Sc Hons, IAS(Retd)	22/03/2004	2007 AGM	Nil
8.	Dr. C.J Jose Chettupuzhakaran House, 16/523, Police Quarters Road, Kunnamkulam- 680 503	64	B.Sc,MBBS, MD	01.10.2004	2007 AGM	Nil

Sr. No.	Name, Designation and Address	Age (Years)	Qualification & Experience	Date of Appointment	Date of Expiry of Current Term	Particulars of other Directorships
9.	Shri. Jose Alapatt Alapatt Palathingal, Diwans Road, Kochi-682 016	57	B.Sc.	11.05.2005	2007 AGM	1) Alapatt Consumer Electronics India (P) Limited 2) Adlux Consumer Electronics India (P) Limited 3) Lakeshore Hospital & Research Centre (P) Limited

Dr. V. A. JOSEPH, was the Executive Director of the Bank, and took charge as Chairman and CEO of the Bank, with effect from June 5, 2005. He was the General Manager of Syndicate Bank at Mumbai, before joining the Bank. He holds a Doctorate in Human Resource Development. Dr. V. A. Joseph presently is not a Director in any other public limited company. He presently holds 6,000 equity shares in the Bank. He is the Chairman of the following committees of the board:-

- Nomination Committee of the Board.
- Customer Service Committee of the Board.
- Risk Management Committee of the Board.
- Committee to Review Irregular Advances.
- Committee to Review Large Value of Frauds.

Shri. MOHAN ALAPATT, was co-opted to the Board of the Bank on April 30, 1999. He is an Engineer by profession. He is a Promoter-Employee in Oyzterbay Private Limited. He is the Chairman of Shareholders/Investors Grievance Committee and a member of the following committees:-

- Audit Committee of the Board.
- Committee to Review Irregular Advances.
- Committee to Review Large Value Frauds.
- Nomination Committee of the Board.
- Customer Service Committee of the Board.

He holds 2,000 shares in the Bank.

Shri. G. A. SHENAI, is the nominee Director of ICICI Bank Limited, Mumbai. He has worked for Canara Bank for 40 years in various capacities in India and abroad. He was co-opted as Director of the Bank on October 24, 2000. He is not a Director in any other Public Limited Company. He is a member of the following Committees of the Board:

- Audit Committee of the Board.
- Risk Management Committee of the Board.
- Committee to Review Irregular Advances.
- Committee to Review Large Value Frauds.
- Customer Service Committee of the Board

He holds 33 shares in his name, jointly with his wife, as second joint-holder, and also 1,800 shares with his wife, as the first joint-holder.

Dr. JOHN JOSEPH, was co-opted as the Director of the Board on February 12, 2002. He is an Industrialist managing a SSI Unit. He was a former Director of the Bank for 8 years.He is not a Director in any other Public Limited Company. He is a member of the following Committees of the Board:-

- Committee to Review Irregular Advances.
- Audit Committee of the Board.
- Nomination Committee of the Board.
- Committee to Review Large Value Frauds.

He holds 17,433 shares in the Bank.

Shri. JOHN P. CHAKOLA, was co-opted on the Board on July 18, 2002. He is engaged in business.

He is a member of the following Committees:-

- Shareholders/Investors Grievance Committee.
- Risk Management Committee of the Board.
- Nomination Committee of the Board.

He holds 10,000 shares in the Bank.

Shri. A.S. NARAYANAMOORTHY, was co-opted to the Board on July 18, 2002. He is a Chartered Accountant and is a partner in RGN Price & Co., a firm of Chartered Accountants.

He is the Chairman of the Audit Committee of the Board, and a member of the following Committees:-

- Committee to Review Large Value Frauds.
- Risk Management Committee of Board
- Nomination Committee of Board.
- Customer Service Committee.

He holds 893 shares in the Bank.

Shri. DAVY K. MANAVALAN, was appointed as Additional Director on March 22, 2004. During the period from 1975 to 1981, he was overall in-charge of Development of the newly formed state of Sikkim, predominantly an agrarian economy. Between the years 1992 and 1993 he was Secretary to Department of Rural Development and Panchayath Raj, Government of West Bengal. Thereafter, he had served as Secretary to the Ministry of Social Justice and Empowerment, Government of India. He is currently working as Executive Director in Action for Food Production (AFPRO), a non-governmental organization at New Delhi. He is not a Director in any other Public Limited Company.

He is a Member of the following Committees:-

- Audit Committee of Board
- Shareholders/Investors Grievance Committee.
- Committee to Review Irregular Advances.
- Nomination Committee of the Board.

He holds 430 shares in the Bank.

Dr. C.J. JOSE, was appointed as Additional Director on 01-10-2004 at Thrissur. He is a practising Physician and was former Director of the Bank for nearly 2 ½ years. He is a Doctor and has sufficient knowledge and practical experience in Agriculture and Rural Economy, especially in raising of food crops, plantation crops etc. and also in marketing these produces, by assisting and supervising family farms, coconut gardens and banana plantations in Kunnamkulam, Thrissur District. He is not a Director in any other Public Limited Company. He is a member of the following Committees:-

- Committee to Review Irregular Advances.
- Nomination Committee of the Board.

He holds 250 shares in the Bank.

Shri. JOSE ALAPATT, was appointed as Additional Director on 11-05-2005. He was former Director of the Bank for nearly 10 years, and is an established Business Leader and Exporter:

He is not a Director in any other Public Limited Company. He is a member of the following Committee:-

- Share Holders/Investors Grievance Committee.

He holds 6,100 shares in the Bank.

Remuneration of Directors

(A) The Bank paid a remuneration of Rs. 1.02 million during the financial year ended March 31, 2005 and Rs. 0.55 million for the half year ended September 30, 2005 to Dr. V. A. Joseph, Chairman and Chief Executive Officer.

(B) Details of Remuneration paid to non-executive Directors:-

Sl.No.	Name of Directors	Sitting fees paid from 1-4-2005 to 30-9-2005 (in Rs.)
1	Shri. Mohan Alapatt	86,500
2	Shri. G A Shenai	99,000
3	Dr. John Joseph	94,000
4	Shri. John P Chakola	65,500
5	Shri. A S Narayanamoorthy	75,500
6	Shri Davy K Manavalan	58,000
7	Dr. C.J Jose #	46,500
8	Shri. Jose Alapatt ##	25,000
	Total	**550,000**

appointed as an Additional Director on October 1, 2004

appointed as an Additional Director on May 11, 2005

CORPORATE GOVERNANCE

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices and professional management. Practice of good Corporate Governance principles benefits not only our external stakeholders (i.e. our shareholders, customers) but also the internal stakeholders of the Bank (i.e. our executives and employees). The Bank is committed to attain highest standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations.

BOARD OF DIRECTORS:

Composition of Board:

The composition of the Board of Directors is governed by the provisions of the Banking Regulation Act, 1949. The Board consists of eminent persons with considerable professional expertise and experience in banking, finance and other fields as specified in the said Act. In terms of the Reserve Bank of India directive dated June 25, 2004 on Fit and Proper Criteria for Directors of banks, the Bank has already undertaken the due diligence process of all its Directors including the Chairman and has obtained the Deed of Covenant signed by all of them.

COMMITTEES OF THE BOARD

We have constituted the following Committees of our Board of Directors for compliance with the Corporate Governance requirements:

a) C.R.I.A. - Committee to Review Irregular Advances

b) R.M.C.B. - Risk Management Committee of Board

c) C.R.L.V.F. - Committee to Review Large Value Frauds

d) C.S.C.B. - Customer Service Committee of Board

e) S.I.G.C. - Share holders/Investors Grievance Committee

f) A.C.B. - Audit Committee of Board

g) N.C.B. - Nomination Committee of Board

a) AUDIT COMMITTEE OF THE BOARD (ACB):

The terms of reference of Audit Committee are harmonised with the requirements of clause 49 of the Listing Agreement and responsibilities enjoined upon it by the RBI.

The functions of Audit Committee include the following:-

1. Formation of policies for bank's internal inspection/audit.
2. Monitoring of activities of the internal audit department.
3. Recommending the appointment of statutory auditors and fixation of audit fees.
4. Appointment of concurrent auditors and fixation of the fees.
5. Review of important observations made in Audit Reports of branches/departments.
6. Review of control of corporate risks and offering recommendations.
7. Adequacy of internal control systems and procedures.
8. Review of the accounting policies/practices with a view to ensuring transparency and adequacy of accounting controls including qualification in draft audit report.
9. Reviewing the Quarterly and Yearly financial statements before submission to Board of Directors.
10. To follow up on –
    a) Statutory/External Audit of the Bank and Inspections of Reserve Bank of India.
    b) Inter-branch Adjustment Account.
    c) Unreconciled long outstanding entries in inter-bank accounts and NOSTRO accounts.
    d) Balancing of books at various branches.
    e) Frauds.

Members of the Committee are:-

1. Sri. A S Narayanamoorthy (Chairman)
2. Sri. G A Shenai
3. Sri. Mohan Alapatt
4. Dr. John Joseph
5. Sri. Davy . K. Manavalan

Shri. A. S. Narayanamoorthy, being a Chartered Accountant by profession, is the Chairman of the Committee.

b) SHAREHOLDERS /INVESTORS GRIEVANCE COMMITTEE (SIGC)

The Committee looks into redressal of shareholders and investors complaints like transfer of Shares, non-receipt of Annual Reports, non-receipt of declared dividends etc. The Committee also ratifies share transfers/transmission/name deletion cases from time to time.

Members of the Committee are:

1. Sri. Mohan Alapatt-(Chairman of the Committee)
2. Sri. John. P. Chakola
3. Sri. Davy K. Manavalan
4. Sri. Jose Alapatt.

c) COMMITTEE TO REVIEW IRREGULAR ADVANCES (CRIA):

This Committee has been constituted to review all N.P.A Accounts above Rs. 5.0millions.

Members of the Committee are:-

1. Dr. V. A. Joseph (Chairman)
2. Sri. G.A Shenai
3. Dr. John Joseph
4. Sri. Mohan Alapatt
5. Sri. Davy. K. Manavalan
6. Dr. C. J. Jose

d) COMMITTEE TO REVIEW LARGE VALUE FRAUDS (CRLVF):

In terms of Reserve Bank of India guidelines, this committee has been constituted by the Bank on 13/02/2004 with a view to provide focused attention on monitoring of frauds involving amounts of Rupees Tenmillion and above.

Members of the Committee are:-

1. Dr. V. A. Joseph (Chairman)
2. Sri. Mohan Alapatt
3. Dr . John Joseph
4. Sri. G.A Shenai
5. Sri. A.S Narayanamoorthy

e) RISK MANAGEMENT COMMITTEE OF BOARD (RMCB):

In terms of the guidelines of Reserve Bank of India, a Risk Management Committee of the Board has been constituted and the Committee looks into the following aspects-

- To oversee the implementation of the Asset Liability Management system in the Bank.
- To review its functions periodically and to take an integrated view of the overall risks faced by the Bank.

Members of the Committee are:-

1. Dr. V. A. Joseph (Chairman)
2. Sri. G. A. Shenai
3. Sri A.S. Narayanamoorthy
4. Sri. John. P. Chakola
5. Dr. John Joseph

f) NOMINATION COMMITTEE OF THE BOARD (NCB) :-

This Committee was constituted by the Board on 01.10.2004 for the specific purpose of scrutinising the declarations received from persons to be appointed as directors as well as from the existing directors seeking reappointment and make references to the appropriate authority/persons to ensure compliance with the requirements indicated by Reserve Bank Of India, vide its directive dated June 25, 2004 on 'Fit & Proper Criteria' of Directors of Banks.

Members of the Committee are:-

1. Dr. V. A. Joseph (Chairman)
2. Sri. Mohan Alapatt
3. Dr. John Joseph
4. Sri. John P. Chakola
5. Sri. A.S Narayanamoorthy
6. Dr. C.J Jose.
7. Sri. Davy. K. Manavalan.

g) CUSTOMER SERVICE COMMITTEE (CSCB) :-

Pursuant to the directives of RBI, the Bank on 12/10/2004 has constituted a Customer Service Committee of the Board

Members of the Committee are:-

1. Dr. V. A. Joseph (Chairman)
2. Sri. Mohan Alapatt
3. Sri. A.S Narayanamoorthy
4. Sri. G. A. Shenai

The Committee will address the following issues-

1. Formulation of a comprehensive deposit policy
2. Incorporating issues such as treatment of death of depositor and the operations of his/her Account, after death
3. Product approval process.
4. Annual survey of depositor satisfaction and tri-ennial audit of such services.
5. Any other issues having a bearing on the quality of Customer Services rendered.
6. Placing of the report on the performance of the Ad hoc Committee on the procedures and performance Audit, periodically.

h) REMUNERATION COMMITTEE:

Remuneration Committee has not been constituted as the remuneration and perquisites of the Chairman and Chief Executive Officer of the Bank are with the prior approval by the Reserve Bank of India and by the Shareholders of the Bank, on the recommendation of the Board of Directors. Non executive Directors are being paid sitting fee for each meeting attended by them within the ceilings fixed by the Bank i.e. Rs. 5000/- per Board/Committee Meeting. During the year under review, excepting sitting fees and reimbursement of actual travel and out of pocket expenses, no other remuneration was paid to the non-executive Directors of the Bank. Excepting Chairman, all other Directors are non-executive Directors.

Detailed below is the number of Committee meetings held during the period April 1, 2004 to November 30 2005.

Committee	No. of Meetings
Audit Committee of the Board	17
Shareholder's. Investors Grievance Committee	6
Committee to Review Irregular Advances	6
Committee to Review Large Value Frauds	1
Risk Management Committee	6
Nomination Committee of the Board	3
Customer Service Committee of Board	3

Share holdings of Directors

The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as on November 30, 2005 is given below:

Sl No.	Directors	No. of Equity Shares
1	Dr. V. A. Joseph (Chairman)	6,000
2	Sri. Mohan Alapatt	2,000
3	Sri. G. A. Shenai	33
4	Dr. John Joseph	17,433
5	Sri. John. P. Chakola	10,000
6	Sri. A. S. Narayanamoorthy	893
7	Sri. Davy. K. Manavalan	430
8	Dr. C. J. Jose	250
9	Sri. Jose Alapatt	6,100

Interests of Directors

All Directors of the Bank may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of, reimbursement of expenses payable to them. Chairman of the Bank is not entitled to sitting fees and will be interested to the extent of remuneration paid to him as approved by RBI. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Bank, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as Directors, members, partners or trustees.

Also, certain facilities, the particulars of which are detailed hereinbelow, have been made to the relative of one of our Directors, Sri. Davy. K. Manavalan :-

Sl. No.	Borrower/Person availing the Facility	Relationship to Director	Facility	Advance/Limit sanctioned (Rs. in million)	Rate of Interest	Balance Outstanding as of Sept. 30, 2005 (Rs. in million)
1.	Sri. Lazar K. Manavalan	Brother	Packing Credit Loan	4.0	8.5%	4.0
			Foreign Bill Purchase	2.0	11.00%	0.6
			Fully Secured Loan)	0.3	11.00%	0.3
			Housing Loan	2.0	8.5%	1.3

Changes in the Board of Directors during the last Three years

The Changes in the Board of Directors during the last three years are as follows:-

Name	Date of Appointment	Date of Cessation	Reason
Shri. P. M. Manuel	January 25, 1994	January 22, 2002	Resigned
Shri. Tony John Alapatt	January 25, 1994	January 22, 2002	Resigned
Shri. P. M. Udhuppu	February 12, 2002	August 23, 2003	Resigned
Dr. John Joseph	February 12, 2002	Continuing	Co-opted as Director
Shri.Thommy.P.Chakola	July 5, 1994	July 3, 2002	Resigned
Shri. Jose Pottokaran	July 5, 1994	July 4, 2002	Resigned
Shri. John.P.Chakola	July 18, 2002	Continuing	Co-opted as Director
Shri.A.S.Narayanamoorthy	July 18, 2002	Continuing	Co-opted as Director
Dr. C. Mathew John	July 25, 1996	July 22, 2004	Resigned
Shri. Davy. K. Manavalan	March 22, 2004	Continuing	Appointed as Additional Director
Shri. Paul Chalissery	September 16, 1996	September 10, 2004	Resigned
Dr. C. J. Jose	October 1, 2004	Continuing	Appointed as Additional Director
Shri. Babu Alapatt	February 26, 1997	February 23, 2005	Resigned
Shri. Jose Alapatt	May 11, 2005	Continuing	Appointed as Additional Director
Shri. A. Sethumadhavan	June 5, 1999	June 4, 2005	Relinquished the Office of Chairman
Dr. V. A. Joseph	June 5, 2005	Continuing	Appointed as Director/Chairman

Key Managerial Personnel of the Bank

Valsan M., 56, Chief General Manager joined the Bank on May 15 1995. He has a Master's Degree in Arts and is also a CAIIB. He has over 33 years of banking experience; including 23 years with State Bank of Travancore, where his last assignment was as Asst. General Manager. His remuneration for the financial year ended March 31, 2005 was Rs. 639,389.66.

Joseph V. P., 59, General Manager – Administration – joined the Bank on January 9, 1970. He is a Science graduate and holds a Bachelors' degree in IETE. He has 35 years of experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 415,130.44.

Cheryan Varkey, 54, General Manager, Credit, joined the Bank on September 8, 1975. He holds a Masters' Degree in Science and is also a CAIIB. He has over 30 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 463,297.67.

George Davis Thottan, 55, Dy. General Manager, Ernakulam Regional Office, joined the Bank on September 20, 1971. He has an MBA in Finance and holds a Master's Degree in Economics and Sociology and also Bachelor's Degree in law. He has 34 years experience with the Bank His remuneration for the financial year ended March 31, 2005 was Rs. 381,590.50.

Alex Mathew, 55, Dy. General Manager, Delhi Regional Office, joined our Bank on September 8, 1975. He has a Masters' Degree in Science and is also a CAIIB. He has over 30 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 369,614.75.

Varughese A. G., 50, Dy. General Manager, Mumbai Regional Office, joined our Bank on October 25, 1976. He has an MBA in finance and bachelor's degree in science and is also a CAIIB. He has over 29 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 402,575.31.

Krishnan K.S. 53, Dy. General Manager – Corporate Finance Management and Integrated Risk Management Department – joined the Bank on February 14, 1977. He is a Chartered Accountant and is also a Company Secretary. He has over 28 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 376,086.39.

Mani M.S., 53, Dy. General Manager, Mumbai Treasury Department – joined the Bank on September 1, 2005. He is a Science Graduate, with a diploma in Treasury Management and is also a CAIIB. He has over 32 years of banking experience and was Asst. General Manager, CRPPD, Corporate Office of Syndicate Bank. Mani M.S. was not an employee of the Bank in the last financial year.

Joseph George Kavalam, 50, Dy.General Manager, Regional Office, Bangalore- joined the Bank on October 25, 1976. He is a Science Graduate. He has over 29 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 309,298.61.

Johny P. J., 57, Dy.General Manager, Legal and Credit Recovery Departments, joined the Bank on September 23, 1976 and has over 29 years experience with the Bank. He has a Master's degree in Arts and holds a Bachelors degree in Law. His remuneration for the financial year ended March 31, 2005 was Rs. 352,688.21.

Jacob P. J., 52, Dy.General Manager, I.T. Division, joined the Bank on September 8, 1975 and has over 30 years experience with the Bank. He has a Master's degree in Science. His remuneration for the financial year ended 31-03-2005 was Rs. 344,594.78.

George K. S., 54, Dy.General Manager, Inspection & Vigilance, Planning & Development and Marketing Departments- joined the Bank on September 8, 1975 and has over 30 years experience with the Bank. He has a Master's degree in Science, holds a Bachelors degree in Law and is also a CAIIB. His remuneration for the financial year ended March 31, 2005 was Rs. 324,017.96.

Mathai P. E., 55, Dy.General Manager, Regional Office, Chennai- joined the Bank on May 30, 1975. He is a science graduate. He has over 30 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 299,841.59.

Ignatius N. V., 54, Dy. General Manager, Coimbatore Regional Office, joined the Bank on September 20, 1971. He holds a Bachelors degree in science. He has about 29 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 379,258.14.

Anto C. Kalliath, 57, Dy.General Manager, Regional Office, Thiruvananthapuram, joined the Bank on September 20, 1971. He is a Science Graduate and also holds a Diploma in Industrial Relations and Personnel Management. He has over 34 years experience with the Bank. His remuneration for the financial year ended March 31, 2005 was Rs. 346,601.73.

Note: All the Key Managerial Personnel of the Bank as listed above are the permanent employees of the Bank as on the date of filing of the Prospectus.

Shareholding of the Key Managerial Personnel

Except as disclosed below, none of the Key Managerial Employees hold Equity Shares :

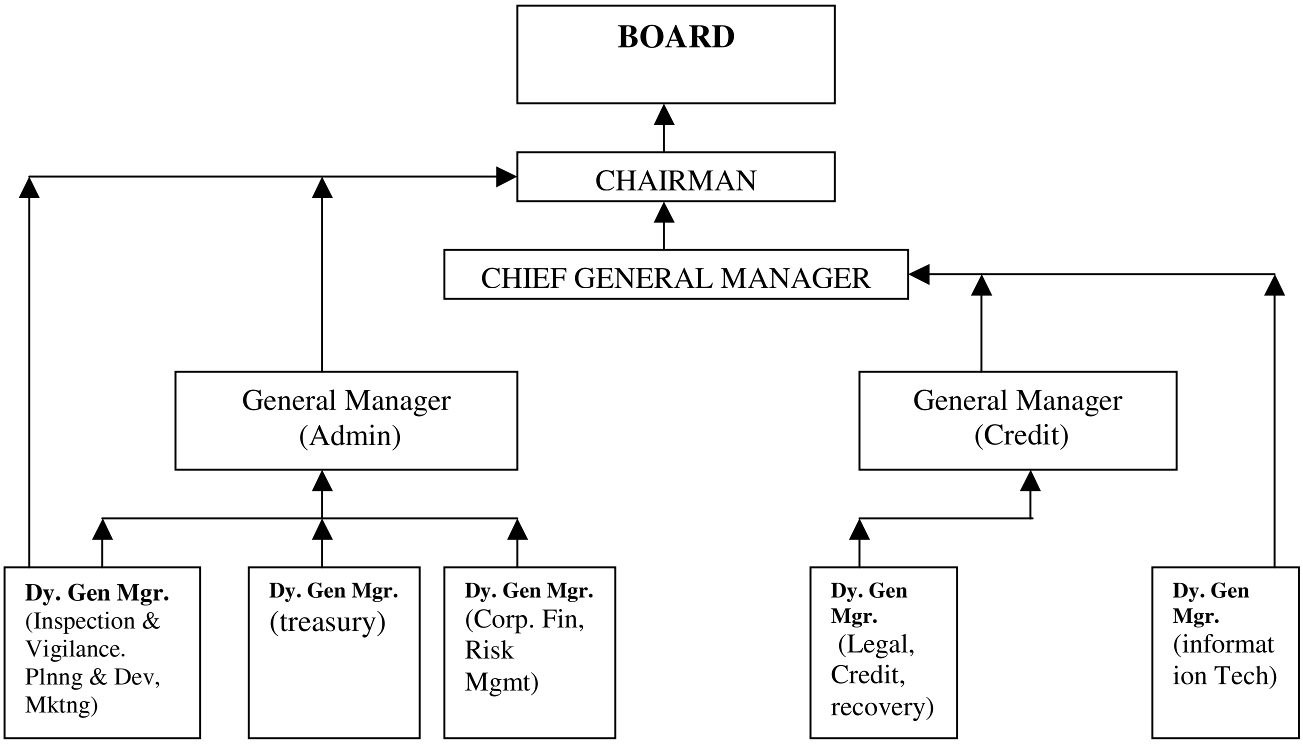
Sl. No	Name	Number of Equity Shares
1.	Shri. V. P. Joseph	100
2.	Shri. Cheryan Varkey	870
3.	Shri. K. S. Krishnan	100
4.	Shri. George Davis Thottan	1,800
5.	Shri. N. V. Ignatius	100
6.	Shri. Alex Mathew	7
7.	Shri. A. G. Varughese	1
8.	Shri. P. J. Johny	1
9.	Shri. K. S. George	1,900
10.	Shri. Anto C. Kalliath	1,870
11.	Shri. P. E. Mathai	1
12	Shri. George Joseph Kavalam	850
13.	Shri. P. J. Jacob	100

Changes in the Key Managerial Personnel during the last three years.

The changes in the Key Managerial Personnel in the last three years are as follows:

S. No.	Name	Date of Joining	Date of Change	Reason for change	Present Designation
1.	George A.F.	09-01-1997	30-10-2002	Voluntarily Retired	-
2.	Sunny T.M	31-08-2000	30-09-2004	Superannuation	-
3.	Valsan M.	15-05-1995	23-01-2003	Promotion	Chief Gen. Manager
4.	Cheryan Varkey	08-09-1975	10-09-2005	Promotion	General Manager
5.	Ignatius N.V.	20-09-1971	01-10-2002	Promotion	Dy. Gen. Manager
6.	Krishnan K.S.	14-02-1977	01-10-2002	Promotion	Dy. Gen. Manager
7.	Mani M.S	01-09-2005	01-09-2005	Joined as DGM	Dy. Gen. Manager
8.	George K.S.	08-09-1975	10-09-2005	Promotion	Dy. Gen. Manager
9.	Mathai P.E.	30-05-1975	10-09-2005	Promotion	Dy. Gen. Manager
10.	Anto C. Kalliath	20-09-1971	10-09-2005	Promotion	Dy. Gen. Manager
11.	Joseph George Kavalam	25-10-1976	10-09-2005	Promotion	Dy. Gen. Manager
12.	Jacob P.J.	08-09-1975	10-09-2005	Promotion	Dy. Gen. Manager
13.	Johny P.J.	23-09-1976	10-09-2005	Promotion	Dy. Gen. Manager

Organogram of the Bank



OUR PROMOTERS

There are no identifiable promoters for the Bank.

OUR ASSOCIATES

We do not have any associate companies or entities.

RELATED PARTY TRANSACTIONS

Payment of remuneration to Mr. Sethumadhavan, Chairman and Chief Executive Officer of the Bank upto June 4, 2005 was Rs. 0.24 million. Dr V A Joseph was appointed as the Chairman & Chief Executive Officer with effect from June 5, 2005 and the total remuneration paid to him upto September 30, 2005 was Rs. 0.55 million.

CURRENCY OF PRESENTATION

In this Prospectus, all references to “Rupees” “Rs” are to the legal currency of India.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition, and shall be subject to the guidelines issued by RBI. The Board may also from time to time pay interim dividend. For further details on restrictions on dividend declaration, see the section titled "Regulations and Policies – Restrictions on Payment of Dividends" on page 73 of this Prospectus.

Particulars	**Fiscal**				
	2001	**2002**	**2003**	**2004**	**2005**
Face Value of Equity Share (Rs. per share)	10	10	10	10	10
Interim Dividend on Equity Share (Rs. in million)	—	—	—	53.6	—
Final Dividend on Equity Share (Rs. in million)	89.2	89.3	89.4	35.8	—
Total Dividend on Equity Share (Rs. in million)	89.2	89.3	89.4	89.4	—
Dividend Rate (%)	25	25	25	25	—
Dividend Tax (Rs. in million)	9.1	Nil	11.5	11.5	—

However, the amounts paid as dividends in the past are not necessarily indicative of our dividend policy, in the future.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS AS RESTATED FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003, 2004 & 2005 and half year ended 30-09-2005

AUDITORS REPORT

The Board of Directors,
The South Indian Bank Limited,
SIB House, T.B. Road,
P.B. No.28, Mission Quarters,
Thrissur – 680 001

Dear Sirs.

1. In terms of our appointment for the purpose of reporting on the statements of account to be incorporated in the Offer Document proposed to be issued by The South Indian Bank Limited ('the Bank'), in connection with the proposed issue of Equity shares of the Bank, we state as follows:

2. We were engaged to report on the annexed restated statements of assets and liabilities of the Bank as at 30.09.2005, as at 31st March, 2005, 2004, 2003, 2002 and 2001 and the annexed restated statements of profit and loss for each of the period/years ended on those dates ('the Summary Statements) (see Annexure I & II). These Summary Statements have been prepared from the audited financial statements audited by us for the period ended 30.09.2005 years ended 31st March, 2005 & 2004 and by M/s. Fraser & Ross, Chartered Accountants, Kochi, for the years ended 31st March, 2003, 2002 and 2001. Based on our examination of the Summary Statements as above and in accordance with the requirements of Clause B of Part II to Schedule II of the Companies Act, 1956 and SEBI (Disclosure and Investor Protection) Guidelines, 2000, we report that:

   The Summary Statements read together with the Significant Accounting Policies followed by the Bank as set out in Annexure III, Significant Changes in Accounting Policies as set out in Annexure IV, Material Notes on Accounts as set out in Annexure V, Adjustments Incorporated in the Financial Statements as set in Annexure VI and subject to Auditors' Qualifications for which no Adjustments could be made as set out in Annexure VII, have been drawn up by the Bank after giving effect to adjustments and regrouping, as in our opinion, are considered appropriate.

   The Summary Statements have been drawn up by the Bank in accordance with the Guidelines issued by the Reserve Bank of India from time to time and subject to the limitations of disclosures required under the Banking Regulation Act, 1949.

3. The Bank did not have any subsidiaries within the meaning of Section 4 of the Companies Act, 1956 as at 30th September 2005.

4. We have examined the following other financial information proposed to be included in the information memorandum as approved by you and annexed to this report, viz., the Statement of Dividends paid, presented in Annexure VIII, the Statement of Net Worth, attached as Annexure IX, the Accounting Ratios based on the restated profits enclosed in Annexure X, the Capitalisation Statement, enclosed in Annexure XI, Statement of Taxation enclosed in Annexure XII, Statement of Cash Flow enclosed in Annexure XIII and Statement of Borrowings enclosed in Annexure XIV, and report that, in our opinion, subject to the notes attached there to and further subject to the consequential effect of non-adjustment of qualifications as set out in Annexure VII, they have been correctly computed.

5. The sufficiency of the procedures performed or adopted by the bank in preparation of the statements as set forth in the above paragraphs of this report, is the sole responsibility of the bank. Consequently, we make no representation regarding the sufficiency of the procedures.

6. The report should not be in any way be construed as a re issuance or redating of any of the previous audit reports issued by us or by any other firm of chartered accountants, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

7. This report is intended solely for your information and for inclusion in the offer document in connection with the proposed issue of equity shares of the Bank and is not to be used, referred to or distributed for any other purpose.

For Varma & Varma

V.Sathyanarayanan
Partner
Chartered Accountants
M No.21941

Place: Kochi
Date: 13.12.2005

ANNEXURE - I: STATEMENT OF ADJUSTED PROFITS AND LOSSES

(Rs. in million)

For the Year/half year ended	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
INCOME						
1 **Interest Earned**	5430.0	6165.8	6564.5	6808.2	7090.0	3650.0
1.1 Interest/ Discount on Advances/ Bills	3032.5	3599.1	3725.3	3580.7	4375.6	2549.8
1.2 Income on Investments	2202.6	2370.4	2626.8	3097.2	2576.2	952.8
1.3 Interest on Balances with RBI and other Inter-Bank Funds	194.9	196.3	212.4	130.3	138.2	147.4
2 **Other Income**	**699.4**	**1374.3**	**1812.8**	**2346.1**	**1023.8**	**296.7**
2.1 Commission, Exchange & Brokerage	238.1	235.2	192.3	201.7	214.5	104.8
2.2 Profit on Sale of Investments (Net)	252.7	864.6	1326.1	1873.1	370.8	67.7
2.3 Profit/ (Loss) on Revaluation of Investments - Net	(25.9)	(11.1)	(11.1)	(5.3)	(57.8)	(90.9)
2.4 Profit on Sale of Land, Buildings & Other Assets (Net)	0.5	0.5	-	(0.7)	1.3	2.9
2.5 Profit on Exchange Transactions (Net)	81.8	104.6	96.2	93.2	107.4	48.2
2.6 Miscellaneous Income	152.2	180.5	209.3	184.1	387.6	164.0
Total Income	**6129.4**	**7540.1**	**8377.3**	**9154.3**	**8113.8**	**3946.7**
B EXPENDITURE						
1 **Interest Expended**	**3909.4**	**4601.9**	**4794.2**	**4800.5**	**4520.7**	**2199.3**
1.1 **Interest** on Deposits	3695.4	4492.0	4685.8	4654.8	4361.6	2123.6
1.2 Interest on balances with RBI / Inter-bank borrowings	58.7	26.0	3.0	3.3	7.9	0.3
1.3 Others	155.3	83.9	105.4	142.4	151.2	75.4
2 **Operating Expenses**	**1150.3**	**1209.1**	**1418.4**	**1934.0**	**1870.8**	**1166.0**
2.1 Payment to and Provisions for Employees	852.7	844.0	943.6	1307.2	1185.2	779.6
2.2 Rent, Taxes & Lighting	95.2	106.7	114.3	139.5	152.3	99.8
2.3 Printing & Stationery	16.0	25.0	45.5	57.4	52.1	21.8
2.4 Advertisements & Publicity	8.6	9.5	13.1	23.9	21.8	8.5
2.5 Depreciation on Banks Premises	32.4	44.2	69.6	102.7	124.1	53.2
2.6 Directors' Fees, Allowances and Expenses	0.5	1.2	1.8	1.6	2.0	1.8
2.7 Auditor's Fees and Expenses	3.7	4.0	4.1	4.7	5.0	7.0
2.8 Law Charges	0.7	1.5	1.3	18.7	11.7	4.6
2.9 Postage, Telegrams and Telephones	25.7	33.2	45.1	54.8	54.9	35.6
2.10 Repairs and Maintenance	9.6	9.3	30.0	33.2	38.7	21.3
2.11 Insurance	24.2	28.9	32.2	38.5	65.1	40.0
2.12 Other Expenditure	81.0	101.6	117.8	151.8	157.9	92.8
Total Expenditure	**5059.7**	**5811.0**	**6212.6**	**6734.5**	**6391.5**	**3365.3**

For the Year/half year ended	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
Gross Profit Before Provision for Tax & Extraordinary Items	**1069.7**	**1729.1**	**2164.7**	**2419.8**	**1722.3**	**581.4**
Provisions & Contingencies *	654.7	1106.8	1441.4	1576.5	1635.3	442.0
Net Profit For The Year	415.0	622.3	723.3	843.3	87.0	139.4
Add: Adjustments (see Annexure VI)	-	-	-	-	-	-
Deferred Tax	1.8	-	-	-	-	-
Contribution to pension fund	22.8	22.8	22.8	22.8	68.4	-
Adjusted Net Profit	**439.6**	**645.1**	**746.1**	**866.1**	**155.4**	**139.4**
Add: Balance of Profit Brought Forward	48.5	36.0	47.4	71.5	91.3	159.9
Profit Available for Appropriation	**488.1**	**681.1**	**793.5**	**937.6**	**246.7**	**299.3**
APPROPRIATIONS						
Transfer to Statutory Reserve	103.8	156.0	180.9	211.0	21.8	-
Transfer to Capital Reserve	0.1	9.3	0.2	0.4	65.0	-
Transfer to Revenue and other reserves	250.0	197.5	337.5	34.0	-	-
Transfer to Investment Fluctuation Reserve	-	181.6	102.5	500.0	-	-
Interim dividend (inclusive of dividend tax)	-	-	-	60.5	-	-
Proposed Dividend (inclusive of dividend tax)	98.3	89.3	100.9	40.3	-	-
Balance Carried Over to Balance Sheet	36.0	47.4	71.5	91.3	159.9	299.3
Total	**488.1**	**681.1**	**793.5**	**937.6**	**246.7**	**299.3**

*Details of provisions and contingencies debited to profit and loss account during the said years/period

(Rs. in million)

Particulars	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005	30-Sep-05
Income Tax/ Wealth Tax/Fringe Benefit Tax	254.3	605.1	720.6	774.6	142.9	94.9
Provision for Depreciation in the value of investments	0.2	-	7.3	-	1160.4	(15.0)
Provision for NPA/NPIs	391.3	517.5	938.6	1084.1	395.4	446.7
Deferred Tax Asset	(1.8)	(94.8)	(250.1)	(298.2)	(91.5)	(58.3)
Excess provision for Income Tax in earlier years written back	-	-	-	-	-	(35.5)
Provision for Standard Assets	10.7	79.0	25.0	16.0	28.0	9.2
Total Provisions	654.7	1106.8	1441.4	1576.5	1635.2	442.0

ANNEXURE - II: STATEMENTS OF ADJUSTED ASSETS AND LIABILITIES

(Rs. in million)

As at	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
A ASSETS						
Cash in Hand & Balance with RBI	**2,949.5**	**3,006.6**	**3,963.7**	**4,046.1**	**4,331.6**	**4,896.7**
1 Cash in Hand	450.1	538.0	593.0	729.9	598.7	686.5
2 Balance with RBI	2,499.4	2,468.6	3,370.7	3,316.2	3,732.9	4,210.2
3 **Balance with Banks**	**2,817.5**	**6,195.6**	**3,837.3**	**4,014.5**	**2,680.5**	**2,324.0**
Balances with Bank in India	1,105.1	4,610.9	2,743.5	3,593.6	2,036.5	2,197.0
Balances with Bank outside India	1,712.4	1,584.7	1,093.8	420.9	644.0	127.0
4 Investments in India	19,983.1	21,805.8	29,993.2	39,620.9	31,334.3	25,010.1
Investments outside India	-	-	-	-	-	-
Total Investments	**19,983.1**	**21,805.8**	**29,993.2**	**39,620.9**	**31,334.3**	**25,010.1**
5 Advances in India	24,683.6	32,310.5	36,129.4	41,968.2	53,652.6	57,005.2
Advances outside India	-	-	-	-	-	-
Total Advances	**24,683.6**	**32,310.5**	**36,129.4**	**41,968.2**	**53,652.6**	**57,005.2**
6 **Fixed Assets * ***	**183.1**	**271.7**	**375.7**	**493.5**	**571.4**	**628.7**
7 **Other Assets ***	**1,396.6**	**1,787.6**	**1,818.8**	**2,232.4**	**2,000.0**	**2,457.0**
* Includes unamortised VRS Expenditure Rs.51.6 million, Rs.38.7 million, Rs. 25.9 million and Rs.19.5 million on 31/03/2003,31/03/2004, 31/03/2005 & for the half year ended 30.09.05 respectively						
TOTAL (A)	**52,013.4**	**65,377.8**	**76,118.1**	**92,375.6**	**94,570.4**	**92,321.7**
B LIABILITIES						
1 Demand Deposits:						
From Banks	145.8	199.1	511.1	26.9	22.0	12.4
From Others	2,120.4	2,713.6	2,769.0	3,949.4	4,765.1	4,909.0
2 Savings Deposits	7,184.1	8,313.4	9,883.6	13,385.6	16,263.0	17,139.6
3 Term Deposits:						
From Banks	1,226.4	2,924.9	3,729.1	5,131.5	5,492.0	147.1
From Others	36,008.8	45,046.0	51,719.9	60,306.9	58,381.0	59,091.9
Total Deposits (1+2+3)	**46,685.5**	**59,197.0**	**68,612.7**	**82,800.3**	**84,923.1**	**81,300.0**
4 Borrowings:						
In India	567.4	190.6	809.8	40.1	9.7	291.2
Outside India	73.9	423.0	139.1	754.4	27.6	337.8
Total Borrowings	**641.3**	**613.6**	**948.9**	**794.5**	**37.3**	**629.0**
5 Other Liabilities & Provisions:						
Other Liabilities & Provisions	2,174.9	2,310.6	2,559.5	3,505.9	3,702.9	3,902.1
Subordinate Debts	611.9	796.9	1,046.9	1,559.3	1,559.3	2,003.3
Sub-total	**2,786.8**	**3,107.5**	**3,606.4**	**5,065.2**	**5,262.2**	**5,905.4**
TOTAL (B)	**50,113.6**	**62,918.1**	**73,168.0**	**88,660.0**	**90,222.6**	**87,834.4**

(Rs. in million)

	As at	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
C	**NET ASSETS (C = A–B)**	**1,899.8**	**2,459.7**	**2,950.1**	**3,715.6**	**4,347.8**	**4,487.3**
	Represented by:						
D	**Share Capital**	**356.7**	**357.4**	**357.7**	**357.8**	**476.8**	**476.8**
E	Reserve & Surplus						
1	Statutory Reserve	433.1	589.1	769.9	980.9	1,002.7	1,002.7
2	Capital Reserve **	1.9	11.2	11.4	11.7	77.0	77.0
3	Investment Fluctuation Reserve	36.6	218.1	320.6	820.6	820.6	820.6
4	Share Premium	646.2	647.8	648.3	648.6	1,006.2	1,006.2
5	Revenue and other reserves	389.3	588.7	770.7	804.6	804.6	804.8
6	Balance of Profit and Loss Account	36.0	47.4	71.5	91.3	159.9	299.3
	TOTAL (E)	**1,543.1**	**2,102.3**	**2,592.4**	**3,357.8**	**3,871.0**	**4,010.6**
F	**TOTAL (D+E)**	**1,899.8**	**2,459.7**	**2,950.1**	**3,715.6**	**4,347.8**	**4,487.4**
G	Contingent Liabilities						
	Claims against the Bank not acknowledged as debts	1.0	1.0	0.8	0.3	22.3	18.9
	Disputed Income Tax demand under appeal / references etc	259.3	147.8	171.4	156.0	164.5	146.5
	Liability on account of outstanding forward exchange contracts	1,403.7	2,222.6	3,888.4	4,567.1	5,554.6	6,354.8
	Guarantees given on behalf of constituents in India	1,034.0	1,572.2	1,377.4	1,499.3	1,735.1	1,796.9
	Acceptances, endorsements and other obligations	1,578.7	1,913.8	1,612.5	1,785.9	2,483.4	2,388.3
	Other items for which the Bank is contingently liable	3.9	4.4	6.2	10.5	12.5	14.5
	Total (G)	**4,280.6**	**5,861.8**	**7,056.7**	**8,019.1**	**9,972.4**	**10,719.9**
	BILLS FOR COLLECTION	**1,218.8**	**1,101.6**	**948.3**	**1,237.5**	**1,110.7**	**1,330.8**
	** Excluding Revaluation Reserve	176.8	172.4	168.5	164.8	204.6	202.4
	Significant Accounting Policies and Notes to Accounts have been annexed						

ANNEXURE – III:

SIGNIFICANT ACCOUNTING POLICIES

(FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE HALF YEAR ENDED 30.09.2005)

1. GENERAL

   The Financial Statements have been prepared on historical cost basis except as otherwise stated and conform to the generally accepted accounting practices and statutory provisions.

2. INVESTMENTS

   Investments have been categorised into (a) Held To Maturity, (b) Held For Trading and (c) Available For Sale and have been valued in accordance with RBI Guidelines.

   a) Held To Maturity

      Investments under this category are carried at their acquisition cost except as stated in (c) below. Premium if any, paid on acquisition is amortised over the remaining period to maturity.

   b) Held for Trading / Available for Sale

      Investment under these categories are valued scrip wise, appreciation/ depreciation is aggregated for each class of securities and net depreciation as per applicable norms is provided for where as net appreciation is ignored. Investments in Security Receipts (SR) issued by Asset Reconstruction Company (India) Ltd. (ARCIL) in respect of financial assets sold to them is recognised in the books at the lower of redemption value of the SR and the net book value of the financial asset as per the provisioning /valuation norms issued by RBI in this regard.

   c) Transfer of scrips from one category to another, under all circumstances, is done at the acquisition cost/ book value/ market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer is fully provided for.

3. ADVANCES

   a) Advances are classified on the basis of asset classification and provisioning requirement under the prudential norms laid down by the Reserve Bank of India from time to time and are shown in the Balance Sheet net of provisions and unrealized interest.

   b) In the case of financial assets sold to the Asset Reconstruction Company (India) Ltd.(ARCIL), if the sale is at a price below the Net Book Value (NBV), the short fall is debited to profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed, but held till redemption of the security receipt, wherever applicable as per RBI norms.

4. FIXED ASSETS

   a) The Fixed Assets (other than those which are revalued) are stated at historical cost less depreciation.

   b) The revalued assets are stated at the revalued amount less depreciation. The appreciation in value consequent to revaluation has been credited to Capital Reserve. The incremental depreciation due to revaluation is adjusted against Capital Reserve.

   c) Depreciation on fixed assets other than computers is provided on written down value method, at the rates specified in Schedule XIV of the Companies Act, 1956. Computers are depreciated at 33.33% on straight line method as per RBI Guidelines.

5. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

   i) Monetary assets and liabilities, guarantees, acceptances, endorsements and other obligations are translated to Indian Rupee equivalent at the exchange rates notified by FEDAI as on the balance sheet date.

ii) Forward exchange contracts are translated to Indian Rupee equivalent at the exchange rate prevailing on the date of commitments. Gain/losses on outstanding forward exchange contracts are taken to revenue as per the FEDAI guidelines.

iii) Income and expenditure items are accounted for at the exchange rate prevailing on the date of transaction.

6. STAFF RETIREMENT BENEFITS

a) Pension Fund:

The liability towards pension fund determined on actuarial valuation as at Balance Sheet date is provided for.

b) Gratuity:

The bank has constituted a Gratuity Fund to cover the gratuity liability to its employees and the contribution made to the fund is charged to the Profit & Loss Account. Taking the balance in the fund to account, provision is made to cover the liability as on Balance Sheet date determined on actuarial valuation.

c) Leave encashment benefits.

The liability towards leave encashment determined on actuarial valuation as at the Balance Sheet date is provided for.

d) Expenditure on VRS

The expenditure incurred on VRS is amortised over a period of 5 years from the year of payment and the un-amortised amount is carried forward as Deferred Revenue Expenditure.

7. REVENUE RECOGNITION

a) Income/Expenditure is accounted on accrual basis except in the case of non-performing assets where income is recognised on realisation, as per prudential norms prescribed by RBI.

b) Dividends on investments in shares and units of mutual funds are accounted on cash basis except where the right to receive dividend has accrued.

c) Insurance claims, locker rent and interest paid on overdue deposits not renewed are accounted on cash basis

d) Legal expense on suit-filed accounts is charged to Profit & Loss Account.

e) In compliance with Accounting Standard (AS) 26, expenditure on computer software is amortized over a period of 36 months.

8. INCOME TAX

The provision for tax for the period comprises of current tax liability as also the deferred tax, which recognizes, subject to the consideration of prudence, timing differences between taxable income and accounting income in accordance with Accounting Standard (AS 22).

9. PROVISIONS AND CONTINGENCIES

Net Profit is arrived at after provisions for contingencies which include Provision for:

Depreciation on Investments;

Standard Assets and Non-Performing Advances and investments;

Taxation in accordance with statutory requirements.

ANNEXURE – IV:

SIGNIFICANT CHANGES TO ACCOUNTING POLICIES FROM 1ST APRIL 2000 TO 30th SEPTEMBER 2005

Effect of which has been adjusted in the restated statements.

a) During the year ended 31st March 2002 the bank has complied with accounting standard 22 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India. Consequently, the bank has recognized the cumulative net deferred tax asset of Rs. 28.1 million relating to the period upto 31/03/2001 as an accretion to the General Reserve as on 01/04/2001.

Adjustments have been made in the restated financial statements to recognize the effect of this change in policy to the extent relatable to the year ended 31/03/2001.

b) Pension Fund

(financial year ended 31/03/2001 to 31/03/2004)

Proportionate amounts of past contributions towards pension fund for the period upto 31/03/1998 are written off at Rs. 22.8 million each in the statements of profit & loss for the years ended 31/03/2001, 31/03/2002, 31/03/2003, 31/03/2004 the balance amounts of past contributions not provided for as at the end of each of the said years are Rs.136.8 million, Rs. 114.0 million, Rs. 91.2 million and Rs. 68.4 million respectively.

Effect of which has not been adjusted in the restated statements.

a) During the five consecutive financial years ended 31st March, 2005 and the period ended 30th September 2005 various guidelines were issued by the Reserve Bank of India on Income Recognition, Asset Classification, Provisioning in respect of Standard Assets, Non-Performing Assets, Other Assets, Classification of Investments, Valuation thereof, Depreciation on Investments \ Fixed \ Leased Assets and amortisation of Voluntary Retirement Scheme Expenditure. Necessary changes in the Accounting Policies have been made in the relevant years, to be in conformity with the RBI guidelines.

b) The liability towards leave encashment to employees was accounted for on 'pay-as-you-go' basis. During the year 2002-03, the said liability for the period upto 31st March, 2002 determined at Rs. 155.5 million on actuarial valuation had been charged to Revenue Reserves as per the Guideline of RBI. The incremental liability for the year ended 31/03/2004 Rs.34.2 million, for the year ended 31/03/2005 Rs. 37.6 million and Rs 45.8 million for the period ended 30/09/2005 have been charged to revenue.

No adjustments for the above has been made in the restated financial statements for the years 2000-01 and 2001-02 since the same has not been quantified.

c) Legal expenses on suit filed accounts were accounted as recoverable in the Balance Sheet till 31.03.2003. During the year ended 31st March 2004 the bank changed this policy and the said expense was debited and the recoveries were credited to Profit & Loss account. Consequent to this change, the profit for the years ended 31st March 2004 and 2005 and for the period ended 30.09.2005 were lower by 18.0 million, Rs. 11.6 million and Rs. 4.6 million respectively.

No adjustment for the above has been made in the restated financial statements for the years 2000-01, 2001-02 and 2002-03 since the amounts relating to the respective years could not be ascertained.

d) Pending finalization of the memorandum of understanding with the workmen union and with the officers' association on wage revision, based on the estimate of the management of such liability, a provision of Rs. 180 million was made in the accounts financial year ended 31.03.2005.Consequent to national industry level wage settlement, arrears of salary was paid during the period ended 30.09.2005 and 60.5 million has been debited to the Profit and Loss account of the half year ended 30.09.2005.

No adjustment for the above has been made in the restated financial statements for the years 2000-01, 2001-02, 2002-03 and 2003-04 since the amounts relating to the respective years could not be ascertained.

ANNEXURE – V:

NOTES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30TH SEPTEMBER, 2005

1. RECONCILIATION

Identification of items pending adjustment in inter branch accounts, including Extension counters, demand drafts paid and payable, sundries, inter bank and clearing have been completed upto31st July 2005. Elimination of pending items in the above, tallying of books in certain branches and inter branch reconciliation as on 30th September 2005 are in progress. The balance in Inter office adjustments pending as on 30/09/2005 is shown under "Other Assets". The net effect of these pending items is not ascertainable.

2. BREAK UP OF PROVISIONS AND CONTINGENCIES

(Rupees in million)

	Period ended 30.09.2005	Year ended 31.03.2005
Provision for NPA/NPIs	446.7	395.3
Provision for Income /Fringe Benefit/Wealth tax	94.9	142.9
Deferred Tax Asset	-58.3	-91.5
Excess Provision for Income Tax in earlier years written back	-35.5	
Provision for Standard Assets	9.2	28.0
Provn for – Write back of (-) depn. in the value of investments	-15.00	1160.5
TOTAL	**442.0**	**1635. 2**

3. INVESTMENTS

a) In accordance with RBI Guidelines the Bank has transferred SLR securities aggregating Rs 6195.3 million from Available for Sale and Held for Trading categories to Held to Maturity category. The marked to market depreciation there on as on the date of transfer was Nil.

b) The amount held under Investment Fluctuation Reserve Rs. 820.6 million as on 30.09.2005 is 14.02% of book value of investments excluding Investments under Held to Maturity

4. ADVANCES

Percentage of net NPAs to net advances works out to 3.09% (3.81% as on 31.03.2005).

Provision for Non-Performing Advances and unrealised interest thereon are deducted from various categories of advances on a proportionate basis except the Provision for Standard Assets which is included under "Other Liabilities".

Fixed Assets

a) Land and Premises include flats Rs.40.5 million, written down value Rs.37.6 million, taken possession of and being used by the Bank, for which documentation / registration formalities are to be completed.

b) Some of the Bank's Premises were revalued as on 31.3.2000and as on 31.03.2005.The resultant appreciation in value has been credited to Capital Reserve.

5. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Pending modification of the existing system, the transactions in Foreign Currency have been recorded using notional rates as in previous years and not at transaction / weekly average rates as required by the RBI Guidelines issued on 15th March 2005.The management is of the view that not implementing the revised Accounting Standard AS-11 on "The effect of Changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India with respect to recording of transactions during the half year as above will not have a material impact on the accounts for the period.

6. STAFF BENEFITS

a) Retirement Benefits.

Liability towards pension fund / leave encashment / gratuity have been actuarially ascertained as on 30/09/2005 and the incremental liability has been charged to revenue aggregating to Rs. 199.1 million (Rs 127.2 million for the year 31/03/2005).

b) Salary Arrears

Rs. 60.5 million being arrears of salary paid during this period consequent to national indusrty level wage settlement have been debited to Profit & Loss account of the current period.

7. INTANGIBLE ASSETS

Particulars to be disclosed in compliance of Accounting Standards on intangible assets (AS 26) relating to Computer software are as under:

(Rs. in million)

	Gross	**Amortisation**	**Net**
At the beginning of the Period	107.95 (102.10)	91.65 (61.86)	16.29 (40.24)
Additions	10.19 (5.85)	- (-)	10.19 (5.85)
Deductions	- (-)	6.88 (29.80)	6.88 (29.79)
At the end of the Period	118.14 (107.95)	98.54 (91.66)	19.60 (16.30)

8. CAPITAL ADEQUACY

The Capital to Risk Weighted Assets Ratio as on 30th September 2005 has been assessed at 10.28% (9.89%) on the basis of the attached financial statements and guidelines issued by the Reserve Bank of India in this regard. Out of bonds of value Rs.2003.3 million (Rs.1559.3 million), Rs1407.0 million (Rs.977.7 million) has been included in Tier II Capital for arriving at the above percentage.

Capital Adequacy Ratio

	Current Period	**Previous Year**
Tier I	5.49%	5.68%
Tier II	4.79%	4.21%

9. Impairment of assets

A substantial portion of the bank's assets comprise of "financial assets" to which Accounting Standard –28 on Impairment of Assets issued by The Institute of Chartered Accountants of India, is not applicable. In the opinion of the bank the fixed assets possessed by the bank are in the nature of "Corporate Assets" and are not Cash Generating Units as defined by the said Accounting Standard and there is no impairment of any of the fixed assets.

10. INCOME TAX

(a) Net Deferred Tax asset of Rs. 58.3 million (Rs.91.5 million) relating to the current Period arising mainly on account of provision for loan NPAs, has been recognised in the accounts.

(b)The major components of net deferred tax asset are as follows:-

(Rs. in million)

Timing Difference	Period ended 30.09.2005	Year ended 31.03.2005
Depreciation on Assets	6.66	7.24
Provisions for Loans/Investments/others	816.15	757.27
Total	**822.81**	**764.51**

11. SIGNIFICANT PERFORMANCE INDICATORS

		Period * ended 30.09.2005	Year ended 31.03.2005
1	Interest income to working funds	3.94%	7.47%
2	Non-interest income to working funds	0.32%	1.08%
3	Operating profits to working funds	0.63%	1.82%
4	Return on Average Assets	0.15%	0.09%
5	Business per Employee (Rs. in million)	37.8	35.2
6	Profit per Employee (Rs.in million)	0.038	0.024
7	Earnings per share Rs (Basic & diluted)	2.92	2.10
8	Net Profit as per P&L A/c considered as numerator for computing EPS (Rs.in million)	139.4	87.0
9	Weighted Average number of equity shares Used as denominator	47677920	41342635
10	Nominal value of shares Rs	10.00	10.00

*Not annualised

12. ADDITIONAL DISCLOSURES

A. Maturity Pattern of assets and Liabilities as on 30.09.2005*

(Rs. in million)

	Deposits	Loans & Advances	Foreign Currency		Investments	Borrowings
			Assets	Liabilities		
1 to 14 days	5783.2	5894.6	530.7	49.0	1353.8	621.0
15 days to 28 days	1353.5	1356.7	141.4	243.7	125.7	0.0
29 days to3 months	5497.7	6196.1	1309.1	187.3	347.8	0.6
3 months to 6 months	5792.4	6452.7	1553.9	224.6	18.6	0.6
6 months to1 year	11182.1	9725.2	508.0	547.9	2028.0	1.2
1 year to 3 years	45960.1	9820.9	523.2	3313.8	1883.2	4.1
3 years to 5 years	2696.1	5464.6	0.0	0.0	1930.2	1.5
Over 5 years	3034.9	12094.4	0.0	0.0	17322.8	0.1
Total	**81300.0**	**57005.2**	**4566.3**	**4566.3**	**25010.1**	**629.1**

B. MOVEMENTS IN NON-PERFORMING ADVANCES

(Rs in million)

	GROSS NPA	NET NPA
As on 1st April 2005	3661.3	2042.2
Deductions during the Period (Net)	419.3	283.5
Additions during the Period	500.0	0.0
Balance as on 30TH SEPTEMBER 2005	3742.0	1758.7

C. MOVEMENTS IN PROVISION FOR NON-PERFORMING ASSETS AND DEPRECIATION ON INVESTMENTS

(Amt. Rs. in million)

	Provn. for Advances	Provn. for Investments	Depn. on Investments
Opening balance as on 1st April 2005	1521.5	139.5	480.3
Add: Provisions/transfer made during the Period	444.8	1.8	0.0
Less: Write off, write back of excess provisions	72.4	0.0	297.2
Closing balance as on 30th September 2005	1893.9	141.3	183.1

D. LENDING TO SENSITIVE SECTORS

(Amount Rs. in million)

I. Advances to Capital Market Sector

		Period ended 30.09.2005	Year ended 31.03.2005
1	Individuals	Nil	0.05
2	Share and Stock Brokers	Nil	Nil
3	All Other Borrowers against security of shares	29.10	27.83
4	Total Advances against security/collateral of Shares	29.10	27.88

II. Advances to Real Estate Sector

		Period ended 30.09.2005	Year ended 31.03.2005
1	Commercial Property, land & bldg. developers, etc.	231.5	385.3
2	Others	255.6	10.7
3	Total Exposure to the Real Estate Sector	487.1	396.0

III. Advances to Commodities Sector *

		Period ended 30.09.2005	Year ended 31.03.2005
1	Cash Crops	156.8	148.3
2	Edible Oils	412.7	296.4
3	Agriculture Produce	510.9	699.8
4	Total Exposure to Sensitive Commodities	3311.8	3495.2

* compiled from un-audited statements received from branches

E. INVESTMENTS IN INDIA

(Rs. in million)

		Period ended 30.09.2005	Year ended 31.03.2005
A	Equity Shares	116.1	53.4
B	Preference shares	20.5	20. 5
C	Convertible debentures	0.0	0.0
D	Equity-oriented Mutual Funds	85.5	51.8
E	Aggregate Advances against shares	29.1	27.8

F. RESTRUCTURED LOANS

(Rs. in million)

	During the	
	Period ended 30.09.2005	**Year ended 31.03.2005**
A. NON-CDR SCHEME		
Total amount of loan assets subjected to restructuring, etc. during the Period	105.5	359.8
Of which:		
I. Total amount of Standard Assets subjected to restructuring, etc.	105.5	345.3
II. Total amount of Sub-Standard Assets subjected to restructuring, etc.	0	14.5
B. CDR SCHEME		
Total amount of loan assets subjected to restructuring under CDR	249.9	462.7
Of which:		
I. Total amount of Standard Assets subjected torestructuring under CDR	249.9	462.7
II. Total amount of Sub-Standard Assets subjected to restructuring under CDR	0.0	0.0

g. Details of financial assets sold during the Period to ARCIL for Asset Reconstruction

(Rs. In million)

		Period ended 30.09.2005	Year ended 31.03.2005
a)	No. of accounts	Nil	3
b)	Aggregate value (net of provisions) of accounts sold	Nil	Nil
c)	Aggregate consideration	Nil	87.1
d)	Additional consideration realised in respect of accounts transferred in earlier years	Nil	Nil
e)	Aggregate gain over net book value	Nil	87.1

H. EXPOSURE TO COUNTRY RISKS

The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the total assets of the Bank. Hence no provision and disclosure is required.

I. SECURITIES UNDER REPO/REVERSE REPO (INCLUDING THOSE FROM RBI UNDER LAF) TRANSACTIONS

(Rs. in million)

	Minimum outstanding during the Period	**Maximum outstanding during the Period**	**Daily average outstanding during the Period**	**As on 30.09.2005**
Securities sold under Repos	50.0	50.0	0.3	Nil
Securities purchased under reverse Repos	250.0	5400.0	1998.7	Nil

J. DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES - Nil

K. NON-SLR SECURITIES

i) Issuer composition of Non SLR investments

(Rs. in million)

Sl. No	**Issuer**	**Amount**	**Extent of private placement***	**Extent of 'below investment grade' securities***	**Extent of 'unrated' securities**	**Extent of 'unlisted' securities**
1	PSUs	799. 5	790.5	-	218.5	490.8
2	FIs	168.0	30.4	-	168.0	167.6
3	Banks	367.2	300.7	-	167.2	297.2
4	Private Corporates /Joint ventures	228.6	191.6	-	178.6	178.6
5	Subsidiaries/Joint Ventures	-	-			
6	Others	873.9	806.4	-	873.9	806.4
7	Total	2437.2	2119.6	-	1606.2	1940.6
8	Provision held towards depreciation	150.5		-		
	Net	2286.7		-		
	a) Shares		136.6			
	b) Debentures and Bonds		1258.2			
	c) Others(includes RIDF)		891.9			
	Total		**2286.7**			

* Compiled as per information available with the Bank

ii) NON-PERFORMING NON-SLR INVESTMENTS

(Rs. in million)

	Amount
Opening balance	161.7
Additions during the Period since 1st April	1.0
Reductions during the above period	Nil
Closing balance	162.7
Total provisions held (as per RBI norms)	141.3

13. Segment Reporting

A. The bank has identified two business segments, viz. treasury and other banking operations. Interest and other costs have been allocated to the segments on a reasonable basis.

(Rs. in million)

Business Segments	**Treasury**		**Other Banking operations**		**Total**	
Particulars	**Period ended 30.09.2005**	**Year ended 31.03.2005**	**Period ended 30.09.2005**	**Year ended 31.03.2005**	**Period ended 30.09.2005**	**Year ended 31.03.2005**
Revenue	929.5	2889.1	3017.3	5224.7	3946.8	8113.8
Result	-15.8	556.2	597.2	1166.1	581.4	1722.3
Provisions					440.9	1583.9
Profit before Tax					140.5	138.4
Income Taxes					01.1	51.4
Extraordinary Profit/Loss					-	-
Net Profit					139.4	87.0
Other Information						
Segment Assets	25010.1	31334.3	67514.1	63440.9	92524.2	94775.2
Unallocated Assets					-	-
Total Assets					92524.2	94775.2
Segment Liabilities	25010.1	31334.3	62824.3	58888.4	87834.4	90222.7
Unallocated Liabilities					4689.8	4552.5
Total Liabilities					**92524.2**	**94775.2**

B. Geographical Segment:

Since the Bank operates only in domestic segment, no disclosure is applicable. Related party disclosure

14. Disclosure as per AS-18 regarding related party

(a) Shri.A. Sethumadhavan, Chairman and Chief Executive Officer (Up to 04/06/2005)

(b) Total remuneration paid: Rs: 0.235 million

(c) Dr.V.A.Joseph, Chairman and Chief Executive Officer (from 05/06/2005)

(d) Total remuneration paid Rs: 0.547 million

15. The figures in the current interim financial statements relate to the six month period from 01/04/2005 to 30.09.2005 and those for the previous year relate to the year ended 31.03.2005 and hence are not comparable as such.

16. The same accounting policies have been followed in the interim financial statements as those followed in the most recent annual financial statements relating to the year ended 31.03.2005.

17. Previous year's figures have been regrouped/given in brackets, wherever necessary to conform to the current Period classification.

ANNEXURE – VI: ADJUSTMENTS INCORPORATED IN THE FINANCIAL STATEMENTS CONSEQUENT TO CHANGE IN ACCOUNTING POLICIES

1. During the year ended 31st March 2002 the bank has complied with accounting standard 22 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India. Consequently, the bank has recognized the cumulative net deferred tax asset of Rs.28.1 million relating to the period upto 31/03/2001 as an accretion to the General Reserve as on 01/04/2001.

   Adjustments have been made in the restated financial statements to recognize the effect of this change in policy as in point No. 1 of Annexure IV.

2. The liability for contribution to pension fund constituted by the bank in the year ended 31/03/1998 was determined on actuarial valuation and the past contributions due upto 31/03/1998 was being provided for, by the bank, proportionately to be covered over ten years commencing from the year 1997-98 at Rs.22.8 million per year. After providing for a total sum of Rs.91.2 million during the years ended 31.03.2001 to 31.03.2004(inclusive), there was a balance of Rs.68.4 million yet to be funded/provided for as on 31.03.2004. On account of the fall in the annuity rate as on 31.03.2005 applied in the actuarial valuation, there has been a reduction in the total amount of accruing liability, and the incremental liability on such valuation has been provided for as on 31.03.2005.

3. In the restated financial statements, adjustments have been made by recognizing the liability not provided for as on 01/04/2000 to the extent of Rs.159.6 million and the amounts of Rs.22.8 million provided for in each of the years ended 31/03/2001 to 31/03/2004(inclusive) have been withdrawn aggregating to Rs.91.2 million and the balance of Rs.68.4 million no more required is written back in the Profit & Loss Account for the year ended 31/03/2005.

ANNEXURE – VII: AUDITORS QUALIFICATIONS FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT

1) Assets and Liabilities in foreign currencies

   (financial years ended 31/03/2001 to 31/03/2002)

   Assets and Liabilities in foreign currencies as at the year end including forward exchange contracts and nostro accounts are translated at the rates prescribed by FEDAI guidelines which is not in accordance with Accounting Standard 11 issued by the Institute of Chartered Accountants of India, the effect of which is not ascertainable and hence not adjusted.

2) Inter-branch accounts

   (financial years ended 31/03/2001 to 31/03/2005 and half year ended 30.09.2005)

   The process of elimination of pending items in inter branch accounts including extension counters, inter bank clearing accounts, adjustment of items in Sundries accounts and tallying of books in certain branches was in progress, the consequential effect of which is not ascertainable and hence not adjusted.

3) Leave encashment

   (financial years ended 31/03/2001 to 31/03/2002)

   Accounting Policy in respect of leave encashment was changed from 'pay-as-you-go' basis to accrual basis during the financial year ended 31st March 2003. During the year 2002-2003, the said liability for the period upto 31/03/2002 amounting to Rs.155.5 million was charged to revenue reserves as per RBI guidelines.

   The impact thereof on the Profit/Loss of the years ended 31/03/2001 to 31/03/2002 has not been quantified and hence not adjusted.

4) Income Tax

   (financial year ended 31/03/2001)

   Income tax liabilities disputed by the bank for the financial year ended 31/03/2001 amounting to Rs. 111.1 million could not be provided for during that year.

   During the year ended 31st March 2002, consequent to certain amendments in the Income Tax Act, 1961, the bank has provided an amount of Rs. 129.5 million towards certain tax demands relating to earlier years. The extent of tax liabilities to be adjusted in the financial year ending 31/03/2001 has not been identified.

ANNEXURE - VIII: STATEMENT OF DIVIDEND PAID

For the Year	No. Of Shares (million)	Dividend Rate (%)	Dividend Amount (Rs. million)
2000-01	35.8	25	98.3*
2001-02	35.8	25	89.3
2002-03	35.8	25	100.9*
2003-04	35.8	25	100.9*
2004-05	47.7	0	0
Half year ended 30.09.05	47.7	0	0

* Dividend amount includes dividend tax

(Rs. in million)

ANNEXURE - IX: STATEMENT OF NETWORTH EXCLUDING REVALUATION RESERVE ON FIXED ASSETS

As on March 31,	2001	2002	2003	2004	2005	Half year ended 30.09.05
Share Capital [A]	356.7	357.4	357.7	357.8	476.8	476.8
RESERVES & SURPLUS						
i. Statutory Reserves	433.1	589.1	769.9	980.9	1002.7	1002.7
ii. Capital Reserve (Others)	1.9	11.2	11.4	11.7	77.0	77.0
iii. Investment Fluctuation Reserve	36.6	218.1	320.6	820.6	820.6	820.6
iv. Share Premium Reserve	646.2	647.8	648.3	648.6	1006.2	1006.2
v. Revenue & Other Reserve	389.3	588.7	770.7	804.6	804.6	804.8
vi. Balance of P&L Account	36.0	47.4	71.5	91.3	159.9	299.3
Total [B]	**1543.1**	**2102.3**	**2592.4**	**3357.8**	**3871.0**	**4010.6**
Deferred Revenue Expenditure [C]						
Unamortised VRS Expenditure	00.0	00.0	51.6	38.7	25.9	19.5
Net Worth [A+B+C]	**1899.8**	**2459.7**	**3001.7**	**3754.3**	**4373.7**	**4506.9**

ANNEXURE - X: STATEMENT OF ACCOUNTING RATIOS

As on March 31,		2001	2002	2003	2004	2005	Half year ended 30.09.05
a.	Net Profit after tax as restated (In million)	439.6	645.1	746.1	866.1	155.4	139.4
b.	Weighted average Number of Equity Shares	35589022	35676932	35748683	35767589	41342635	47,677,920
c.	Basic Earnings Per Share In Rs. (a/b)	12.35	18.08	20.87	24.21	3.76	2.92*
d.	Net Worth restated in million (Excluding revaluation Reserve)	1899.8	2459.7	3001.7	3754.3	4373.7	4506.9
e.	Less: Deferred Tax Assets	28.1	124.7	374.8	673.0	764.5	822.8
f.	Net Assets, Restated	1871.7	2335.0	2626.9	3081.3	3609.2	3684.1
g.	Return on net worth (a/f) %	23.49	27.63	28.40	28.11	4.31	3.78
h.	Number of shares	35800460	35800460	35800460	35758440	47677920	47677920
i.	Net Asset Value per equity share Rs. (f/h)	52.28	65.22	73.37	86.17	75.70	77.27

* Not annualised

Notes:

1. The above ratios have been calculated using the following Formulae:
   - Basic Earning per Equity = Net Profit after tax as restated \ number of shares
   - Return on Net Worth = Net Profit after tax as restated \ Net Assets restated
   - Net Asset Value per share = Net Assets restated \ Number of Shares

   Deferred tax asset has been excluded from net worth in the computation of net assets
2. The above information has been given for all years based on equity share with face value of Rs.10.

ANNEXURE - XI: STATEMENT OF CAPITALISATION

(Rs. in million)

Particulars	Pre-Issue 30.09.05	Post Issue
Borrowings:		
Short Term Borrowings	243.8	285.7
Long Term Debts	2003.3	2003.3
TOTAL DEBTS	2247.1	2289.0
Shareholder's funds:		
Share Capital	476.8	[●]
Reserves (Net of Revaluation Reserves)	4010.6	[●]
Total	4487.4	[●]
Less Deferred Revenue Expenditure	-	-
Unamortised VRS Expenditure	25.9	19.50
TOTAL SHAREHOLDERS FUND	4487.4	[●]
Long Term Debt/Equity Ratio (%)	50.08	[●]

[●] Share capital & Reserves (post Issue) can be calculated only on conclusion of the book building process.

Note: Debts maturing within one year from 30/09/2005 is considered as short term.

ANNEXURE - XII : STATEMENT OF TAXATION

(Rs. in million)

Financial year ended March 31,	**2001**	**2002**	**2003**	**2004**	**2005**	**Half year ended 30.09.05**
Tax Rate - on Normal income/Long Term Capital Gain	39.55%	35.70%	36.75%	35.875%	36.59%/ 20.91%	33.66%/ 22.44%
Tax at Actual Rate on Profit /Long term Capital Gain (See note No.2)	423.1	617.3	795.5	880.4	615.1	212.4
Permanent differences						
Adjustments:						
1. Interest on Tax Free bonds	42.8	38.0	32.2	17.4	2.8	0.00
2.Dividend	18.8	15.1	0.00	6.4	11.9	0.00
Timing Differences						
1.Difference between Tax depreciation and book depreciation	-0.1	7.4	16.7	11.6	-4.4	0.00
2.Provision/write off for bad and doubtful debts / bad debts/investments (see note No. 3)	373.7	479.6	1255.3	1464.4	1579.8	387.7
4.Other Adjustments	-13.7	1.9	1.1	0.00	-37.3	0.00
Net Adjustments	421.5	542.0	1305.3	1499.8	1552.8	387.7
Tax Saving thereon	**166.7**	**193.5**	**479.7**	**538.1**	**568.2**	**130.5**
Total Taxation	**256.4**	**423.8**	**315.8**	**342.3**	**46.8**	**81.9**

Notes

(1) The above figures have been taken as per the returns filed under the Income Tax Act,1961 up to and including the year ended September 30, 2005 as per Bank's computation and does not take into account the effect of assessments completed/decisions on appeals.

(2) For the above computation, provisions debited to Profit & Loss account are added to the profit after tax as per the Profit & Loss account.

(3) The above amounts taken are as claimed for deduction, in the returns filed.

ANNEXURE -XIII: STATEMENT OF CASH FLOW

(Rs. in million)

As at	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
A. CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before taxes	667.5	1,132.6	1,034.3	1,319.7	138.4	140.5
Adjustments for						
Depreciation / Amortisation	32.4	44.2	69.6	102.7	124.1	53.2
Provisions and contingencies	402.2	596.4	971.0	1,100.1	1,583.9	440.9
Profit/Loss on sale of fixed assets				0.6	(1.3)	(2.8)
Operating Profit before working Capital changes	**1,102.1**	**1,773.2**	**2,074.9**	**2,523.1**	**1,845.1**	**631.8**
Increase / Decrease(-) in Advances & Oth Assets	(4,927.9)	(8,635.8)	(3,850.2)	(7,316.7)	(11,767.2)	(4,205.4)
Increase / Decrease(-) in Investments	(2,532.7)	(1,847.3)	(8,187.4)	(9,647.9)	7,100.7	6,337.4
Increase(-) / Decrease in Deposits, Borrowings & Other Liabilities	7,363.3	12,800.7	9,290.2	15,498.8	1,533.0	(2,664.7)
Cash Generated from operations	**1,004.8**	**4,090.8**	**(672.5)**	**1,057.3**	**(1,288.4)**	**99.1**
Direct Taxes paid	(290.7)	(427.2)	(470.4)	(476.4)	64.7	217.1
Net Cash Flow from Operating Activities	**714.1**	**3,663.6**	**(1,142.9)**	**580.9**	**(1,223.7)**	**316.2**
B. CASHFLOW FROM INVESTING ACTIVITIES						
Purchase of fixed Assets(-)	(67.8)	(135.9)	(177.5)	(233.8)	(211.3)	(114.4)
Sale of fixed assets	7.8	3.4	7.9	12.6	10.6	6.8
Net Cash Flow from Investing Activities	**(60.0)**	**(132.5)**	**(169.6)**	**(221.2)**	**(200.7)**	**(107.6)**
C. CASHFLOW FROM FINANCING ACTIVITIES						
Proceeds of issue of Share capital	4.3	2.2	0.8	0.9	476.7	-
Dividend paid (-)	(78.9)	(98.1)	(89.3)	(100.9)	100.9	-
Net Cash Flow from financing Activities	**(74.6)**	**(95.9)**	**(88.5)**	**(100.0)**	**577.6**	**-**
Net Increase in Cash and Cash equivalent (A+B+C)	**579.5**	**3,435.2**	**(1,401.0)**	**259.7**	**(846.8)**	**208.6**
Cash and cash equivalent - Opening	5,187.5	5,767.0	9,202.2	7,801.0	8,060.8	7,012.2
Cash and cash equivalent - Closing	5,767.0	9,202.2	7,801.0	8,060.8	7,012.2	7,220.7

ANNEXURE -XIV: STATEMENT OF BORROWINGS

(Rs. in million)

	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Mar-05	30-Sep-05
Borrowings:						
In India						
Reserve Bank of India	520.0	171.9	-	-	-	-
Other Banks/ Agencies	47.4	18.7	809.8	40.1	0.2	7.4
Other Institutions/Agencies	-	-	-	-	9.5	283.8
Outside India	73.9	423.0	139.1	754.4	27.6	337.8
TIER II Bonds	611.9	796.9	1,046.9	1,559.3	1,559.3	2,003.3
Total Borrowings	**1,253.2**	**1,410.5**	**1,995.8**	**2,353.8**	**1,596.6**	**2,632.3**

Note: The Unsecured Borrowings of the Bank comprises of Borrowing as reported in Schedule 4 and Subordinated Debts as reported in Schedule 5 of the financial statements of the Bank for each of the five financial years ended March 31, 2005, and for the period ended September 30, 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this report, along with the section titled "Selected Financial Information" beginning on page 4 and the section titled "Selected Statistical Information" beginning on page7 which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page i which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to the Bank on a standalone basis (we do not have any subsidiaries) and is based on our restated financial statements, which have been prepared in accordance with Indian GAAP and the RBI guidelines. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI and other sources.

Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year. The six months ended September 30, 2004 & 2005 are reffered to here in as the first six months of fiscal 2005 and the first six months of fiscal 2006, respectively.

Introduction

Overview

We are one of the leading private sector banks in India with over 2.4 million customers and 432 branches in India. We started our operations in 1929 as a regional bank in Thrissur and now offer banking products and services to corporate and commercial, retail and agricultural customers across India. Our banking operations for corporate and commercial customers include a range of products and services for larger corporate customers as well as for small businesses and government entities. We cater to the financing needs of the agricultural sector and have created innovative financing products for farmers. We also provide significant financing to other priority sectors including small-scale industries. We offer a wide range of retail credit products including home loans, personal loans and automobile loans. Through our treasury operations, we seek to manage our balance sheet, including the maintenance of required regulatory reserves, and earn profits from our trading portfolio.

Revenue

Our revenue, which is referred to herein and in our financial statements as our total income, consists of interest income, income on investments, interest on balances with RBI and inter-bank loans and deposits and other income. Interest income consists of interest on advances (including the bills discounted) and income on investments. Income on investments consists of interest and dividends from securities and other investments. We also earn interest income from inter-bank loans and deposits and cash deposits that we keep with the RBI. Our securities portfolio consists primarily of Government of India and state government securities. We meet SLR ratio requirements through investments in these and other approved securities. We also hold investments by way of debentures and bonds issued by PSUs and other corporates, commercial papers, equity shares and mutual fund units. Our interest income is affected by fluctuations in interest rates as well as the volume of activity.

Our other income consists principally of fee-based income, commission, exchange and brokerage income, gains and losses on sales and revaluation of investments, gains or losses on foreign exchange transactions, gains and loss for services such as cash management services, credit-related transactional services and also includes service charges and processing fees chargeable on our accounts and fees for remittance services, documentary credits, letters of credit and issuance of guarantee. It also includes commissions on sales of non-funded products such as debit cards and insurance products.

Expenses

Our interest expense consists of interest on deposits as well as borrowings. Our interest expense is affected by fluctuations in interest rates, the extent to which we fund our activities with low-interest or non-interest deposits and the extent to which we rely on borrowings.

Our non-interest expense consists principally of operating expenses, including expenses for wages and employee benefits, depreciation on fixed assets, rent paid on premises, insurance, postage and telecommunications, printing and stationery, advertising and publicity, other administrative and other expenses. Provisioning for non-performing assets, depreciation on investments and income tax is included in provisions and contingencies.

Critical Accounting Policies

Interest on advances is recognised on an accrual basis except in respect of advances classified as non-performing, where interest income is recognised upon realisation. Prior to March 31, 2004, advances were classified as non-performing if any amount of interest or principal remained overdue for more than 180 days. From March 31, 2004, this period was shortened to 90 days. See also the discussion under the section titled "Selected Statistical Information" on page 7 of this Prospectus.

Commissions, income from foreign exchange transactions, income from merchant banking transactions, income from mutual fund units and other fees are recognised upon realisation.

In accordance with the RBI guidelines, we classify our investments into three categories. Securities that we intend to hold until maturity are classified as Held to Maturity securities. These securities are recorded on our balance sheet at their acquisition cost and any premium paid to acquire these securities is amortised in our statement of profit and loss over the remaining years to maturity of the securities. For the fiscal years discussed herein, these investments were not allowed to exceed 25% of our total investments. Following a change in the RBI guidelines in September 2004, these investments are not allowed to exceed 25% of our net demand and time liabilities. Securities that are held with the intention to trade by taking advantage of short-term price or interest rate movements are classified as Held for Trading, and securities not falling into either of the first two categories are classified as Available for Sale. Our investments are accounted for under various sub-categories, including government securities, equity shares, preference shares, debentures and bonds, mutual funds and commercial paper. For Held for Trading and Available for Sale securities, any appreciation or depreciation in value is aggregated within each sub-category. We provide for any net depreciation in value and ignore any net appreciation in value.

Gains or losses on the sale of investments are recognised in our profit and loss account. In addition, the amount of gain on the sale of Held to Maturity investments is appropriated to our capital reserve account.

Income from derivative transactions that we enter into for hedging purposes are accounted for on a cash basis. Gains or losses are booked at the time of unwinding of such contracts. We do not enter into derivative transactions for market making purposes.

Our policies on provisioning and write-offs of non-performing assets are consistent with those prescribed by the RBI guidelines. The size of our "floating" provision against non-performing assets, however, is determined by our management based on a number of factors, including our net profit position, tax benefits available, management's perception of market risk, expectations and estimates regarding our asset portfolio and its future performance and general prudential principles. As of September 30, 2005, we had a NPA provision coverage ratio of 50.61 % for our non-performing assets of Rs. 3,742.0 million and as of March 31, 2005, we had a NPA provision coverage ratio of 41.56 % for our non-performing assets of Rs. 3,661.3 million.

FIRST SIX MONTHS OF FISCAL 2006 COMPARED TO THE FIRST SIX MONTHS FISCAL 2005

Prospective investors should note that the financial information for the first six months of fiscal 2005 discussed below has been restated on the same basis as the audited financial information for the first six months of fiscal 2006.

Our total income increased by 2.29% from Rs. 3858.2 million during the first six months of fiscal 2005 to Rs. 3,946.7 million during the first six months of the current fiscal 2006. Total expenditure during the period has also increased by 2.71% from Rs. 3,276.5 million to Rs. 3,365.3 million. Operating profit for the period is Rs. 581.5 million in first six months of fiscal 2006 as against Rs. 581.7 million in the first six months of fiscal 2005. Adjusted net profit/(loss) has increased from (Rs. 119.8 million) in first six months of fiscal 2005 to Rs. 139.4 million in first six months of fiscal 2006.

Net Interest Income

Our Net Interest Income increased by 17.84% from Rs. 1,231.1 million in the first six months of fiscal 2005 to Rs. 1,450.7 million in the first six months of fiscal 2006. Details of the components are given below.

(Rs. in million)

	September 30, 2004	**September 30, 2005**
Interest Income	3,579.9	3,650.0
Interest Expenses	2,348.8	2,199.3
Net Interest Income	1,231.1	1,450.7

The increase in net interest income is mainly due to a shift in asset portfolio from investments to advances combined with a reduction in the cost of deposits.

Interest income:

The following table sets forth components of our interest income.

(Rs. in million)

	September 30, 2004	**September 30, 2005**
Interest/ Discount on Advances/ Bills	2,073.9	2,549.8
Income on Investments	1,438.6	952.8
Interest on Balances with RBI and other Inter-Bank Funds	67.4	147.4
TOTAL	**3,579.9**	**3,650.0**

Our interest income increased by 1.96% from Rs. 3,579.9 million in the first six months of fiscal 2005 to Rs. 3,650.0 million in the first six months of fiscal 2006.

Our interest income and discount on advances and bills increased by 22.95% from Rs. 2,073.9 million in the first six months of fiscal 2005 to Rs. 2,549.8 million in the first six months of fiscal 2006, mainly due to the organic growth of advances, which provide a higher yield compared to the Investment portfolio. Average net advances in absolute terms increased from Rs. 44,939.7 million in the first six months of fiscal 2005 to Rs. 54,392.9 million in the first six months of fiscal 2006. The growth in percentage terms is 21.04%. Yield on our net advances has increased from an average of 9.23% in the first six months of fiscal 2005 to 9.38% in the first six months of fiscal 2006.

Investment income of our bank decreased by 33.77% during the said period. Interest on investment was Rs. 952.8 million in the first six months of fiscal 2006 as against Rs. 1,438.6 million in the first six months of fiscal 2005. The reduction in interest income is on account of a reduction in the volume of investment by 22.63% coupled with the decline in the average yield on investment by 127 basis points. Average yield on net investment has come down from 8.80% in the first six months of fiscal 2005 to 7.53% in the first six months of fiscal 2006. Average net investment portfolio has declined from Rs. 32,706.9million in the first six months of fiscal 2005 to Rs. 25,304.2 million in the first six months of fiscal 2006.

Interest received on balance with RBI and other inter bank lending increased by 118.69% from Rs. 67.4 million in the first six months of fiscal 2005 to Rs. 147.4 million in the first six months of fiscal 2006. This increase is mainly on account of increased volume of fund deployment in inter-bank deposits and money market instruments.

Our average yield on interest earning assets has declined from 8.78% in the first six months of fiscal 2005 to 8.43% in the first six months of fiscal 2006.

Interest expenses:

Our interest expenses declined by 6.36%, from Rs. 2,348.8 million in the first six months of fiscal 2005 to Rs. 2,199.3 million in the first six months of fiscal 2006. The details of interest expenses are given below:

(Rs. in million)

	September 30, 2004	September 30, 2005
Interest on Deposits	2,272.7	2,123.6
Inter-bank borrowings	0.4	0.3
Others	75.7	75.4
TOTAL	**2,348.8**	**2,199.3**

Interest on deposit has declined by 6.56% during the said period, from Rs. 2,272.7 million to Rs. 2,123.6 million mainly on account of reduction in the cost of deposits. Average deposit has increased from Rs. 77,189.1 million in the first six months of fiscal 2005 to Rs. 82,063.1 million in the first six months of fiscal 2006. Cost of deposits has come down from 5.89% in the first six months of fiscal 2005 to 5.18% in the first six months of fiscal 2006. Other interest expenses consist mainly of interest on Tier II Bonds which decreased from Rs. 76.1 million in the first six months of fiscal 2005 to Rs. 75.7 million in the first six months of fiscal 2006,. This is mainly due to the redemption of high cost Tier II Bonds and fresh borrowing by way of Tier II Bonds at a lower cost.

Overall cost of interest bearing liabilities has declined from 5.96% in the first six months of fiscal 2005 to 5.25% in the first six months of fiscal 2006.

Other income:

Our other income increased by 6.61% from Rs. 278.3 million in the first six months of fiscal 2005 to Rs. 296.7 million in the first six months of fiscal 2006. Following tables set forth the components of other income.

(Rs. in million)

	September 30, 2004	September 30, 2005
Commission, Exchange & Brokerage	111.9	104.8
Profit on Sale of Investments (Net)	46.3	67.7
Profit/ (Loss) on Revaluation of Investments - Net	-33.3	-90.9
Profit on Sale of Land, Buildings & Other Assets (Net)	0.4	2.9
Profit on Exchange Transactions (Net)	45.8	48.2
Miscellaneous Income	107.2	164.0
TOTAL	**278.3**	**296.7**

Income from commission, exchange and brokerage decreased by 6.34% from Rs. 111.9 million in the first six months of fiscal 2005 to Rs. 104.8 million in the first six months of fiscal 2006. Net profit on sale of investment increased by 46.22% from Rs. 46.3 million in the first six months of fiscal 2004 to Rs. 67.7 million in the first six months of fiscal 2006. Net profit on exchange transactions has shown a growth of 5.24% from Rs. 45.8 million in the first six months of fiscal 2005 to Rs. 48.2 million in the first six months of fiscal 2006. Other miscellaneous income which includes income from service charges, upfront fees, other account keeping fees, income from distribution of insurance and mutual fund products, and other charges increased by 52.99% from Rs. 107.2 million in the first six months of fiscal 2005 to Rs. 164.0 million in the first six months of fiscal 2006.

Operating expenses:

Operating expenses increased by 25.69% from Rs. 927.7 million in the first six months of fiscal 2005 to Rs. 1,166.0 million in the first six months of fiscal 2006. Set forth below are the details of our total operating expenses for the first six months of fiscal 2005 and the first six months of fiscal 2006.

(Rs. in million)

	September 30, 2004	**September 30, 2005**
Payment to and Provisions for Employees	597.2	779.6
Rent, Taxes & Lighting	72.4	99.8
Printing & Stationery	28.6	21.8
Advertisements & Publicity	9.4	8.5
Depreciation on Banks Premises	51.6	53.2
Directors' Fees, Allowances and Expenses	1.0	1.8
Auditor's Fees and Expenses	2.6	7.0
Law Charges	5.5	4.6
Postage, Telegrams and Telephones	28.8	35.6
Repairs and Maintenance	19.8	21.3
Insurance	34.0	40.0
Other Expenditure	76.8	92.8
TOTAL	**927.7**	**1,166.0**

The primary component of our operating expenses was payment and provision for employees which has shown an increase of 30.54% from Rs. 597.2 million in the first six months of fiscal 2005 to Rs. 779.6 million in the first six months of fiscal 2006 mainly due to the higher provision on account of salary revision as per the settlement between the labour unions and Indian Banks Association, the umbrella association of banks in India and provision for higher retirement benefits arising out of salary revision. Our expenses for rent, taxes and lighting have increased from Rs. 72.4 million to Rs. 99.8 million on account of branch expansion and settlement of disputes with the land lord in certain branches. Depreciation expenses on our property have slightly increased from Rs. 51.6 million to Rs. 53.2 million during the period. Insurance premium has increased from Rs. 34.0 million in the first six months of fiscal 2005 to Rs. 40.0 million in the first six months of fiscal 2006 mainly on account of increase in the DICGC premium. All other expenses of our bank has increased from Rs. 172.5 million in the first six months of fiscal 2005 to Rs. 193.4 million in the first six months of fiscal 2006.

Operating profit:

Operating profit nominally decreased from Rs. 581.7 million in the first six months of fiscal 2005 to Rs. 581.5 million in the first six months of fiscal 2006.

Provision and Contingencies:

Provision and contingencies decreased from Rs. 712.8 million in the first six months of fiscal 2005 to Rs. 442.0 million in the first six months of fiscal 2006. Major components are set forth in the following table:

(Rs. in million)

	September 30, 2004	September 30, 2005
Provision for NPA/NPIs	32.7	446.7
Provision for Income /Fringe Benefit/Wealth tax	0.0	94.9
Deferred Tax Asset	-72.6	-58.3
Excess Provision for Income Tax in earlier years written back	0.0	-35.5
Provision for Standard Assets	11.4	9.3
Provn for – Write back of (-) depn. in the value of investments	741.3	-15.0
TOTAL	**712.8**	**442.0**

Our provision in respect of Non Performing Assets increased from Rs. 32.7 million during the first six months of fiscal 2004 to Rs. 446.7 million during the first six months of fiscal 2006. This was mainly due to the requirement of additional provision during the first six months of fiscal 2006 on account of ageing. Further, there was a lower provisioning in Fiscal 2005 because the floating provision available to us at the end of fiscal 2004 was partially utilized for providing for non performing advances in fiscal 2005. As against the provision for depreciation in investment of Rs. 741.3 million made during the the first six months of fiscal 2005 there is a write back of excess depreciation of Rs. 15.0 million in the first six months of fiscal 2006. Excess depreciation provisions were made mainly due to the reduction in the market value of securities which were recognized at the time of transfer of certain government securities from “Available for sale” category to “Held to maturity” category as permitted by RBI during the fiscal year 2005. The transfer of securities was required so as to protect our investment from further depreciation in the light of rise in market interest rate.

As against the net credit of Rs. 72.6 million of deferred tax asset in the first half of the fiscal 2005 a net amount of Rs. 1.1 million is provided for Income/Fringe Benefit/ Wealth Tax in the first six months of fiscal 2006.

Other provisions and contingencies constitute provision for standard assets which has decreased from Rs. 11.4 million to Rs. 9.3 million during the period.

Net Profit:

As a result of the foregoing factors our bank made a turn around from the loss of Rs. 131.2 million in the first six months of fiscal 2005 to a net profit of Rs. 139.4 million during the first six months of fiscal 2006. As a percentage of the total income our net profit increased from -3.40% in the first six months of fiscal 2005 to 3.53% in the first six months of fiscal 2006.

Adjusted Net profit

Our adjusted net profit for the first six months of fiscal 2006 was Rs. 139.4 million as against the restated net loss of Rs. 119.8 million for the first 6 months of fiscal 2005. In our restated financial statements, we have relocated the amount charged towards the contribution to pension fund amounting to Rs. Nil and Rs. 11.4 million respectively for the first six months of fiscal 2006 and 2005 as was done in the restatement by the auditors in other years.

FISCAL YEAR ENDED MARCH 31, 2005 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2004

Our total income decreased by 11.37% from Rs. 9,154.3 million in Fiscal 2004 to Rs. 8,113.8 million mainly due to reduction in treasury profit by Rs. 1,502.3 million. Total expenditure during the period has come down by 5.07% from Rs. 6,734.5 million in fiscal 2004 to Rs. 6,391.5 million in fiscal 2005 due to a reduction in cost of deposits. Operating profit during the period has however declined by 28.82% from Rs. 2,419.8 million to Rs. 1,722.3 million. Adjusted net profit has declined from Rs. 866.1 million to Rs. 155.4 million from 2004 to 2005 due to provision for depreciation on investment and reduction in treasury profit.

Net Interest Income

Banks Net Interest Income increased by 27.97% from Rs. 2,007.7 million in fiscal 2004 to Rs. 2,569.3 million in fiscal 2005. Details of the components are given below.

(Rs. in million)

	March 2004	March 2005
Interest Income	6,808.2	7,090.0
Interest Expenses	4,800.5	4,520.7
Net Interest Income	2,007.7	2,569.3

The increase in net interest income is mainly due to the shift in asset portfolio from investments to advances combined with a reduction in cost of deposits.

Interest income:

The following tables set forth components of our interest income.

(Rs. in million)

	March 2004	March 2005
Interest/ Discount on Advances/ Bills	3,580.7	4,375.6
Income on Investments	3,097.2	2,576.2
Interest on Balances with RBI and other Inter-Bank Funds	130.3	138.2
TOTAL	**6,808.2**	**7,090.0**

Our interest income increased by 4.14% from Rs. 6,808.2 million in fiscal 2004 to Rs. 7,090.0 million in fiscal 2005.

Our interest income and discount on advances and bills increased by 22.20% from Rs. 3,580.7 million in fiscal 2004 to Rs. 4,375.6 million in fiscal 2005. This is mainly due to the organic growth of advances, which provide a higher yield compared to the Investment portfolio. Average net advances increased from Rs. 36,588.7 million in fiscal 2004 to Rs. 47,120.1 million in fiscal 2005, up by 28.78%. Yield on our net advances has decreased from an average of 9.79% in fiscal 2004 to 9.29% in fiscal 2005. This decline was due to the general decline in interest rates and increased competition in banking industry.

Investment income of our bank has decreased by 16.82% during the said period. Interest on investment was Rs. 2,576.2 million in fiscal 2005 as against Rs. 3,097.2 million in fiscal 2004. The reduction in interest is on account of reduction in volume combined with the reduction in the yield on investment. Average yield on net investment has come down from 8.9% in fiscal 2004 to 8.15% in fiscal 2005 reflecting a decline in the general interest rate environment. Average net investment has declined from Rs. 34,802.5 million in fiscal 2004 to Rs. 31,592.8 million in fiscal 2005 down by 9.22%.

Interest on balance with RBI and other inter bank lending increased by 6.04% from Rs. 130.2 million in fiscal 2004 to Rs. 138.2 million in fiscal 2005 due to the increase in interest income from inter bank lending and increase in our deposits with RBI and other banks.

Our average yield on interest earning assets has declined from 8.97% in fiscal 2004 to 8.37% in fiscal 2005.

Interest expenses:

Despite a 9.75% growth in average deposit, our interest expenses declined by 5.83%, from Rs. 4,800.5 million in fiscal 2004 to Rs. 4,520.7 million in fiscal 2005. The details of interest expenses are given below:

(Rs. in million)

	March 2004	March 2005
Interest on Deposits	4,654.8	4,361.6
Interest on Inter-bank borrowings	3.3	7.9
Others	142.4	151.2
TOTAL	**4,800.5**	**4,520.7**

Interest on deposit has declined by 6.3% during the said period, from Rs. 4,654.8 million to Rs. 4,361.6 million mainly on account of reduction in cost of deposits. Average deposit has increased from Rs. 72,552.9 million in fiscal 2004 to Rs. 79,627.8 million in fiscal 2005. Cost of deposits has come down from 6.42% in fiscal 2004 to 5.48% in fiscal 2005.

Other interest expenses consist mainly of interest on Tier II Bonds which increased from Rs. 145.7 million in fiscal 2004 to Rs. 159.1 million in fiscal 2005, an increase of 9.2%. This is mainly due to the increase in the Tier II Bond borrowing for improving the capital adequacy requirements.

Overall cost of interest bearing liabilities has declined from 6.49% in fiscal 2004 to 5.57% in 2005.

Other income:

Our other income decreased by Rs. 1,322.3 million, or 56.36% from Rs. 2,346.1 million in fiscal 2004 to Rs. 1,023.8 million in fiscal 2005. The following table sets forth the components of other income.

(Rs. in million)

	March 2004	March 2005
Commission, Exchange & Brokerage	201.7	214.5
Profit on Sale of Investments (Net)	1,873.1	370.8
Profit/ (Loss) on Revaluation of Investments - Net	-5.3	-57.8
Profit on Sale of Land, Buildings & Other Assets (Net)	-0.7	1.3
Profit on Exchange Transactions (Net)	93.2	107.4
Miscellaneous Income	184.1	387.6
TOTAL	**2,346.1**	**1,023.8**

Income from commission and exchange and brokerage increased by 6.35%, from Rs. 201.7 million in fiscal 2004 to Rs. 214.5 million in fiscal 2005. The increase was the mainly due to growth in our non fund based business. Net profit on sale of investment decreased by 80.20% from Rs. 1,873.1 million in fiscal 2004 to Rs. 370.8 million in fiscal 2005. Our net profit on sale of investment was negatively affected by the increase in market interest rate during the second half of the fiscal 2005. Net profit on exchange transactions has shown a growth of 15.24% from Rs. 93.2 million in fiscal 2004 to Rs. 107.4 million in fiscal 2005. Other miscellaneous income which includes income from service charges, upfront fees, other account keeping fees, income from distribution of insurance and mutual fund products, and other charges increased by 110.54% from Rs. 184.1million in fiscal 2004 to Rs. 387.6 million in fiscal 2005.

Operating expenses:

Operating expenses declined from Rs. 1,934.0 million in fiscal 2004 to Rs. 1,870.8 million in fiscal 2005 by 3.27%. Set forth below are the details of our total operating expenses for the fiscal 2004 and fiscal 2005.

(Rs. in million)

	March 2004	March 2005
Payment to and Provisions for Employees	1,307.2	1,185.2
Rent, Taxes & Lighting	139.5	152.3
Printing & Stationery	57.4	52.1
Advertisements & Publicity	23.9	21.8
Depreciation on Banks Premises	102.7	124.1
Directors' Fees, Allowances and Expenses	1.6	2.0
Auditor's Fees and Expenses	4.7	5.0
Law Charges	18.7	11.7
Postage, Telegrams and Telephones	54.8	54.9
Repairs and Maintenance	33.2	38.7
Insurance	38.5	65.1
Other Expenditure	151.8	157.9
TOTAL	**1,934.0**	**1,870.8**

The primary component of our operating expenses was payment and provision for employees which has shown a decline from Rs. 1,307.2 million in fiscal 2004 to Rs. 1,185.2 million in fiscal 2005 mainly due to the higher provision on account of actuarial valuation of retirement benefits in the fiscal 2004 coupled with the benefit of VRS initiated by the bank during the fiscal 2003. The same was not required to be provided for in fiscal 2005. Our expenses for rent, taxes and lighting have increased slightly from Rs. 139.5 million to Rs. 152.3 million on account of the branch expansion. Depreciation expenses on our property have increased from Rs. 102.7 million to Rs. 124.1 million during the period. The increase in Depreciation expenses was primarily due to the addition of ATMs, Computers for total net working, staff quarters, etc. Insurance premium has increased from Rs. 38.5 million in fiscal 2004 to Rs. 65.1 million in fiscal 2005 mainly on account of increase in the DICGC premium. All other expenses of our bank has decreased from Rs. 346.1 million in fiscal 2004 to Rs. 341.4 million in fiscal 2005.

Operating profit:

Operating profit before provisions and contingencies decreased from Rs. 2,419.8 million in fiscal 2004 to Rs. 1,722.3 million in fiscal 2005 mainly on account of reduction in treasury profit which got partly offset by increase in net interest income and other fee based income.

Provision and Contingencies:

Provision and contingencies increased slightly from Rs. 1,576.5 million in fiscal 2004 to Rs. 1,635.3 million in fiscal 2005. Major components are set forth in the following table:

(Rs. in million)

	March 2004	March 2005
Provision for NPA/NPIs	1,084.1	395.4
Provision for Income /Fringe Benefit/Wealth tax	774.6	142.9
Deferred Tax Asset	-298.2	-91.5
Provision for Standard Assets	16.0	28.0
Provn for / Write back (-) of depn. in the value of investments	0.0	1,160.5
TOTAL	**1,576.5**	**1,635.3**

Our provision in respect of Non Performing Assets decreased by 63.51% i.e. from Rs. 1,084.1 million in fiscal 2004 to Rs. 395.4 million in fiscal 2005. The floating provision available to us at the end of fiscal 2004 was partially utilized for providing for non performing advances in fiscal 2005 and hence there was a lower provisioning for NPAs in fiscal 2005. Our provision for depreciation on investment was Rs. 1,160.5 million during the fiscal 2005 which constitutes 70.97% of the total provision for the fiscal 2005. This is mainly due to the reduction in the market value of securities which were recognized at the time of transfer of certain government securities from "Available for sale" category to "Held to maturity" category as permitted by RBI during the fiscal year. The transfer of securities was required so as to protect our investment from further depreciation in the light of rise in market interest rate.

Our provision for Income/Fringe Benefit/ Wealth Tax decreased from Rs. 476.4 million in fiscal 2004 to Rs. 51.4 million in fiscal 2005 on account of the decrease in profit.

Other provisions and contingencies constitute provision for standard assets which has increased from Rs. 16.0 million to Rs. 28.0 million.

Net Profit:

As a result of the foregoing factors the net profit of our bank decreased from Rs. 843.3 million in fiscal 2004 to Rs. 87.0 million during the fiscal 2005. As a percentage of the total income our net profit decreased from 9.21% in fiscal 2004 to 1.07% in fiscal 2005. Our EPS decreased from Rs. 23.58 to Rs. 2.10 during the said period.

Adjusted Net profit

Our adjusted net profit for fiscal 2005 was Rs. 155.4 million as against the restated net profit of Rs. 866.1 million in 2004. In our restated financial statements, we have relocated the amount charged towards the contribution to pension fund amounting to Rs. 68.4 million and Rs. 22.8 million respectively for the fiscal 2005 and 2004 respectively to the fiscal prior to 2001.

FISCAL YEAR ENDED MARCH 31, 2004 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2003

Our total income increased by 9.28% from Rs. 8,377.3 million in Fiscal 2003 to Rs. 9,154.3 million Fiscal 2004 mainly due to increase in treasury profit. Total expenditure during the period has increased by 8.40% from Rs. 6,212.6 million in Fiscal 2003 to Rs. 6,734.5 million in Fiscal 2004 due to increase in operating expenses. Operating profit during the period has however increased from Rs. 2,164.7 million to Rs. 2,419.8 million, up by 11.78%. Adjusted net profit has increased from Rs. 746.1 million to Rs. 866.1 million from fiscal 2003 to fiscal 2004.

Net Interest Income

Our Net Interest Income increased by 13.41% from Rs. 1,770.3 million in Fiscal 2003 to Rs. 2,007.7 million in Fiscal 2004. Details of the components are given below.

(Rs. in million)

	March 2003	**March 2004**
Interest Income	6,564.5	6,808.2
Interest Expenses	4,794.2	4,800.5
Net Interest Income	1,770.3	2,007.7

The increase in net interest income is mainly due to increased interest income on account of deployment of funds in investments portfolio combined with a reduction in cost of deposit.

Interest income:

The following tables set forth components of our interest income.

(Rs. in million)

	March 2003	**March 2004**
Interest/ Discount on Advances/ Bills	3,725.3	3,580.7
Income on Investments	2,626.8	3,097.2
Interest on Balances with RBI and other Inter-Bank Funds	212.4	130.3
TOTAL	**6,564.5**	**6,808.2**

Our interest income increased by 3.71% from Rs. 6,564.5 million in Fiscal 2003 to Rs. 6,808.2 million in Fiscal 2004.

Our interest income and discount on advances and bills decreased by 3.88% from Rs. 3,725.3 million in Fiscal 2003 to Rs. 3580.7 million in Fiscal 2004 was mainly due to a general decline in interest rate regime. Average net advances increased from Rs. 32,538.9 million in Fiscal 2003 to Rs. 36,588.7 million in Fiscal 2004 by 12.45%. Yield on our net advances has decreased from an average of 11.45% in Fiscal 2003 to 9.79% in Fiscal 2004. This decline was due to the general decline in interest rates and increased competition in banking industry.

Interest income from investment of our bank has increased by 17.91% during the said period. Interest on investment was Rs. 3,097.2 million in Fiscal 2004 as against Rs. 2,626.8 million in Fiscal 2003. The increment in interest is on account of increased deployment funds in investments portfolio. Average yield on net investment has come down from 10.29% in Fiscal 2003 to 8.90% in fiscal 2004 reflecting a decline in interest rate environment, which caused a general decline in interest yield in the market. Average net investment has increased from Rs. 25,537.9 million in Fiscal 2003 to Rs. 34,802.5 million in Fiscal 2004, up by 36.28%.

Interest on balance with RBI and other inter bank lending decreased by 38.65% from Rs. 212.4 million in Fiscal 2003 to Rs. 130.2 million in Fiscal 2004 due to the lower deployement of funds inter bank lending.

Our average yield on interest earning assets has declined from 10.18% in fiscal 2003 to 8.97% in fiscal 2004.

Interest expenses: Our interest expenses were up by 0.13%, from Rs. 4,794.2 million in Fiscal 2003 to Rs. 4,800.5 million in Fiscal 2004. The details of interest expenses are given below:

(Rs. in million)

	March 2003	**March 2004**
Interest on Deposits	4,685.8	4,654.8
Interest on Inter-bank borrowings	3.0	3.3
Others	105.4	142.4
TOTAL	**4,794.2**	**4,800.5**

Interest on deposit has declined by 0.66% during the said period from Rs. 4,685.8 million to Rs. 4,654.8 million mainly on account of reduction in cost of deposits. Average deposit has increased from Rs. 61,958.5 million in Fiscal 2003 to Rs. 72,552.9 million in Fiscal 2004, an increase of 17.10%. Cost of deposits has come down from 7.56% in Fiscal 2003 to 6.42% in Fiscal 2004.

Other interest expenses which consists mainly of interest paid on Tier II Bonds increased from Rs. 108.4 million in Fiscal 2003 to Rs. 145.7 million in Fiscal 2004, up by 34.41%. This is mainly due to the increase in the Tier II Bond borrowing for improving the capital adequacy requirement.

Overall cost of interest bearing liabilities has declined from 7.63% in Fiscal 2003 to 6.49% in 2004.

Other income:

Our other income decreased by 29.42% from Rs. 1,812.8 million in Fiscal 2003 to Rs. 2,346.1 million in Fiscal 2004. Following tables set forth the components of other income.

(Rs. in million)

	March 2003	**March 2004**
Commission, Exchange & Brokerage	192.3	201.7
Profit on Sale of Investments (Net)	1,326.1	1,873.1
Profit/ (Loss) on Revaluation of Investments - Net	-11.1	-5.3
Profit on Sale of Land, Buildings & Other Assets (Net)	0.0	-0.7
Profit on Exchange Transactions (Net)	96.2	93.2
Miscellaneous Income	209.3	184.1
TOTAL	**1,812.8**	**2,346.1**

Income from commission and exchange and brokerage increased by 4.89% from Rs. 192.3 million in Fiscal 2003 to Rs. 201.7 million in Fiscal 2004. The increase was the result of our business growth. Net profit on sale of investment increased by 41.25% from Rs. 1,326.1 million in fiscal 2003 to Rs. 1,873.1 million in fiscal 2004. Net profit on exchange transactions has shown a decline of 3.12% from Rs. 96.2 million in Fiscal 2003 to Rs. 93.2 million in Fiscal 2004. Other miscellaneous income which includes income from service charges, upfront fees, other account keeping fees, income from distribution of insurance and mutual fund products, and other charges decreased by 12.04% from Rs. 209.3 million in Fiscal 2003 to Rs. 184.1 million in Fiscal 2004.

Operating expenses

Operating expenses increased by 36.35% from Rs. 1,418.4 million in Fiscal 2003 to Rs. 1,934.0 million in Fiscal 2004.

Set forth below are the details of our total operating expenses for the Fiscal 2003 and Fiscal 2004.

(Rs. in million)

	March 2003	March 2004
Payment to and Provisions for Employees	943.6	1,307.2
Rent, Taxes & Lighting	114.3	139.5
Printing & Stationery	45.5	57.4
Advertisements & Publicity	13.1	23.9
Depreciation on Banks Premises	69.6	102.7
Directors' Fees, Allowances and Expenses	1.8	1.6
Auditor's Fees and Expenses	4.1	4.7
Law Charges	1.3	18.7
Postage, Telegrams and Telephones	45.1	54.8
Repairs and Maintenance	30.0	33.2
Insurance	32.2	38.5
Other Expenditure	117.8	151.8
TOTAL	**1,418.4**	**1,934.0**

The primary component of our operating expenses was payment and provision for employees which increased from Rs. 943.6 million in Fiscal 2003 to Rs. 1,307.2 million in Fiscal 2004, up by 38.53%, mainly due to the higher provision on account of actuarial valuation of retirement benefits in the Fiscal 2004. Our expenses for rent, taxes and lighting during the period have increased from Rs. 114.3 million to Rs. 139.5 million, up by 22.05%, on account of the branch expansion. Depreciation expenses on our property have increased from Rs. 69.6 million to Rs. 102.7 million, up by 47.56%, during the period. Depreciation expenses increased primarily due to the addition of ATMs, Computers for total net working, staff quarters, etc. Legal charges has gone up from Rs. 1.3 million in fiscal 2003 to Rs. 18.7 million fiscal 2004 due to change in accounting practice as insisted by RBI where in all the legal charges have to be writen off in the year of expence. All other expenses of our bank has decreased from, Rs. 289.6 million in Fiscal 2003 to Rs. 365.9 million in Fiscal 2004 up by 26.35% due to an increase in our branch network and business.

Operating profit

Operating profit before provisions and contingencies increased from Rs. 2,164.7 million in Fiscal 2003 to Rs. 2,419.8 million in Fiscal 2004, up by 11.78% mainly due to increase in treasury profit.

Provision and Contingencies

Provision and contingencies increased slightly from Rs. 1,441.4 million in Fiscal 2003 to Rs. 1,576.5 million in Fiscal 2004. Major components are set forth in the following table:

(Rs. in million)

	March 2003	March 2004
Provision for NPA/NPIs	938.6	1,084.1
Provision for Income /Fringe Benefit/Wealth tax	720.6	774.6
Deferred Tax Asset	-250.1	-298.2
Excess Provision for Income Tax in earlier years written back	0.0	0.0
Provision for Standard Assets	25.0	16.0
Provn for – Write back of (-) depn. in the value of investments	7.3	0.0
TOTAL	**1,441.4**	**1,576.5**

Our provision in respect of Non Performing Assets decreased by 15.50% ie. Rs. 938.6 million in fiscal 2004 to Rs. 1,084.1 million in Fiscal 2004.

Our provision for Income/ Wealth Tax decreased from Rs. 470.5 million in Fiscal 2003 to Rs. 476.4 million in Fiscal 2004.

Other provisions and contingencies constitute provision for standard assets which has increased from Rs. 25.0 million to Rs. 16.0 million.

Net Profit

As a result of the foregoing factors the net profit of our bank increased from Rs. 723.3 million in Fiscal 2003 to Rs. 843.3 million during the Fiscal 2004. As a percentage of the total income our net profit decreased from 8.63% in Fiscal 2003 to 9.21% in Fiscal 2004. Our EPS increased from Rs. 20.23 to Rs. 23.58 during the said period.

Adjusted Net profit

Our adjusted net profit for Fiscal 2004 was Rs. 866.1 million as against the restated net profit of Rs. 746.1 million in 2004. In our restated financial statements, we have relocated the amount charged towards the contribution to pension fund amounting to Rs. 22.8 million and Rs. 22.8 million respectively for the Fiscal 2003 and 2004 respectively to the fiscal prior to 2001.

FISCAL YEAR ENDED MARCH 31, 2003 COMPARED WITH THE FISCAL YEAR ENDED MARCH 31, 2002

Our total income increased by 11.10% from Rs. 7,540.1 million in Fiscal 2002 to Rs. 8,377.3 million Fiscal 2003 mainly due to increase in treasury profit. Total expenditure during the period has increased by 6.91% from Rs. 5,811.0 million in Fiscal 2002 to Rs. 6,212.6 million in Fiscal 2003 due to increased in operating expenses. Operating profit during the period has however increased from Rs. 1729.1 million to Rs. 2164.7 million, up by 25.19%. Adjusted net profit has increased from Rs. 645.1 million to Rs. 746.1 million from Fiscal 2002 to Fiscal 2003.

Net Interest Income

Bank's Net Interest Income increased by 13.20% from Rs. 1,563.9 million in Fiscal 2002 to Rs. 1,770.3 million in Fiscal 2003. Details of the components are given below.

(Rs. in million)

	March 2002	March 2003
Interest Income	6,165.8	6,564.5
Interest Expenses	4,601.9	4,794.2
Net Interest Income	1,563.9	1,770.3

The increase in net interest income is mainly due to increased interest income on account of increased deployment funds in investments portfolio and reduction in cost of deposit.

Interest income

The following tables set forth components of our interest income.

(Rs. in million)

	March 2002	March 2003
Interest/ Discount on Advances/ Bills	3,599.1	3,725.3
Income on Investments	2,370.4	2,626.8
Interest on Balances with RBI and other Inter-Bank Funds	196.3	212.4
TOTAL	**6,165.8**	**6,564.5**

Our interest income increased by 6.47% from Rs. 6,165.8 million in Fiscal 2002 to Rs. 6,564.5 million in Fiscal 2003.

Our interest income and discount on advances and bills increased by 3.51% from Rs. 3,599.1 million in Fiscal 2002 to Rs. 3,725.3 million in Fiscal 2003. Average net advances increased from Rs. 28,179.5 million in Fiscal 2002 to Rs. 32,538.9 million in Fiscal 2003 by 15.47%. Yield on our net advances has decreased from an average of 12.77% in Fiscal 2002 to 11.45% in Fiscal 2003. This decline was due to the general decline in interest rate and increased competition in banking industry.

Interest income from investment of our bank has increased by 10.82% during the said period. Interest on investment was Rs. 2,626.8 million in Fiscal 2003 as against Rs. 2,370.4 million in Fiscal 2002. The increment in interest is on account of increased deployment funds in investments portfolio. Average yield on net investment has come down from 11.17% in Fiscal 2002 to 10.29% in fiscal 2003 reflecting a decline in interest rate environment, which caused a general decline in interest yield in the market. Average net investment has increased from Rs. 21,214.3 million in Fiscal 2002 to Rs. 25,537.9 million in Fiscal 2003 up by 20.38%.

Interest on balance with RBI and other inter bank lending decreased by 8.20% from Rs. 196.3 million in Fiscal 2002 to Rs. 212.4 million in Fiscal 2003 due to the lower deployement of funds in inter bank lending.

Our average yield on interest earning assets has declined from 11.44% in fiscal 2002 to 10.18% in the first six months of fiscal 2003 on account of general trend in interest rate.

Interest expenses: Our interest expenses were up by 4.18%, from Rs. 4,601.9 million in Fiscal 2002 to Rs. 4,794.2 million in Fiscal 2003. The details of interest expenses are given below:

(Rs. in million)

	March 2002	March 2003
Interest on Deposits	4,492.0	4,685.8
Income on balances with RBI / Inter-bank borrowings	26.0	3.0
Others	83.9	105.4
TOTAL	**4,601.9**	**4,794.2**

Our interest on deposit increased by 4.31% during the said period, from Rs. 4,492.0 million to Rs. 4,685.8 million due to increase in average deposit. Average deposit has increased from Rs. 52,335.2 5 million in Fiscal 2002 to Rs. 61,958.5 million in Fiscal 2003. Total average deposit has shown an increase of 18.39% during the period. Cost of deposits has come down from 8.58% in Fiscal 2002 to 7.56% in Fiscal 2003. Other interest expenses which consist mainly of interest paid on Tier II Bonds decreased from Rs. 109.9 million in Fiscal 2002 to Rs. 108.4 million in Fiscal 2003.

Overall cost of interest bearing liabilities has declined from 8.68% in Fiscal 2002 to 7.63% in 2003.

Other income

Our other income decreased by 31.91% from Rs. 1,374.3 million in Fiscal 2002 to Rs. 1,812.8 million in Fiscal 2003. Following tables set forth the components of other income.

(Rs. in million)

	March 2002	**March 2003**
Commission, Exchange & Brokerage	235.2	192.3
Profit on Sale of Investments (Net)	864.6	1,326.1
Profit/ (Loss) on Revaluation of Investments - Net	-11.1	-11.1
Profit on Sale of Land, Buildings & Other Assets (Net)	0.5	0.0
Profit on Exchange Transactions (Net)	104.6	96.2
Miscellaneous Income	180.5	209.3
TOTAL	**1,374.3**	**1,812.8**

Income from commission and exchange and brokerage increased by 18.24% from Rs. 235.2 million in Fiscal 2002 to Rs. 192.3 million in Fiscal 2003. The increase was the result of our business growth. Net profit on sale of investment increased by 53.38% from Rs. 864.6 million in Fiscal 2002 to Rs. 1,326.1 million in Fiscal 2003. Net profit on exchange transactions has shown a decline of 8.03% from Rs. 104.6 million in Fiscal 2002 to Rs. 96.2 million in Fiscal 2003. Other miscellaneous income which includes income from service charges, minimum balance charges, upfront fees, other account keeping fees increased by 15.96% from Rs. 180.5 million in Fiscal 2002 to Rs. 209.3 million in Fiscal 2003.

Operating expenses:

Operating expenses increased by 17.31% from Rs. 1,209.1 million in Fiscal 2002 to Rs. 1,418.4 million in Fiscal 2003. Set forth below are the details of our total operating expenses for the Fiscal 2002 and Fiscal 2003.

(Rs. in million)

	March 2002	**March 2003**
Payment to and Provisions for Employees	844.0	943.6
Rent, Taxes & Lighting	106.7	114.3
Printing & Stationery	25.0	45.5
Advertisements & Publicity	9.5	13.1
Depreciation on Banks Premises	44.2	69.6
Directors' Fees, Allowances and Expenses	1.2	1.8
Auditor's Fees and Expenses	4.0	4.1
Law Charges	1.5	1.3
Postage, Telegrams and Telephones	33.2	45.1
Repairs and Maintenance	9.3	30.0
Insurance	28.9	32.2
Other Expenditure	101.6	117.8
TOTAL	**1,209.1**	**1,418.4**

The primary component of our operating expenses was payment and provision for employees which increased from Rs. 844.0 million in Fiscal 2002 to Rs. 943.6 million in Fiscal 2003, up by 11.80%. Our expenses for rent, taxes and lighting during the period have increased from Rs. 106.7 million to Rs. 114.3 million, up by 7.12%, on account of the branch expansion. Depreciation expenses on our property have increased from Rs. 44.2 million to Rs. 69.6 million, up by 57.47%, during the period. Depreciation expenses primarily increased mainly due the addition of Computers for total net working. All other expenses of our bank has decreased from Rs. 214.2 million in Fiscal 2002 to Rs. 290.9 million in Fiscal 2003 up by 35.81% due to increase in branch network and business.

Operating profit:

Operating profit before provisions and contingencies increased from Rs. 1,729.1 million in Fiscal 2002 to Rs. 2,164.7 million in Fiscal 2003, up by 25.19% mainly due to increase in treasury profit.

Provision and Contingencies:

Provision and contingencies increased from Rs. 1,106.8 million in Fiscal 2002 to Rs. 1,441.4 million in Fiscal 2003. Major components are set forth in the following table:

(Rs. in million)

	March 2002	March 2003
Provision for NPA/NPIs	517.5	938.6
Provision for Income /Fringe Benefit/Wealth tax	605.1	720.6
Deferred Tax Asset	-94.8	-250.1
Provision for Standard Assets	79.0	25.0
Provn for – Write back of (-) depn. in the value of investments	0.0	7.3
TOTAL	**1,106.8**	**1,441.4**

Our provision in respect of Non Performing Assets increased by 81.37% i.e. Rs. 5,17.5 million in fiscal 2002 to Rs. 938.6 million in Fiscal 2003.

Our provision for Income/ Wealth Tax decreased from Rs. 510.3 million in Fiscal 2002 to Rs. 470.5 million in Fiscal 2003.

Other provisions and contingencies decreased from Rs. 79.0 million to Rs. 32.3 million during the period.

Net Profit:

As a result of the foregoing factors the net profit of our bank increased from Rs. 622.3 million in Fiscal 2002 to Rs. 723.3 million during the Fiscal 2003. As a percentage of the total income our net profit decreased from 8.25% in Fiscal 2002 to 8.63% in Fiscal 2003. Our EPS increased from Rs. 17.49 to Rs. 20.23 during the said period.

Adjusted Net Profit:

Our adjusted net profit for Fiscal 2003 was Rs. 746.1 million as against the restated net profit of Rs. 645.1 million in 2002. In our restated financial statements, we have relocated the amount charged towards the contribution to pension fund amounting to Rs. 22.8 million and Rs. 22.8 million respectively for the Fiscal 2002 and 2003 respectively to the fiscal prior to 2001.

Capital

Being a scheduled bank, we are subject to the capital adequacy requirements of Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basel committee of the Bank of International Settlements in 1998. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula at 9.00% at least 50% of which must be Tier I capital.

The statement given hereunder shows the details of regulatory capital compliance.

	March 31, 2004	March 31, 2005	September 30, 2005
Tier I Capital	2,211.7	2,720.7	2,805.0
Tier II Capital	2,101.6	2,019.3	2,452.4
Total Capital	4,313.3	4,740.1	5,257.4
Total Risk Weighted Assets & contingents	38,100.3	47,937.8	51,118.5
CRAR Tier I (%)	5.80	5.68	5.49
CRAR Tier II (%)	5.52	4.21	4.79
Total Capital Ratio (%)	11.32	9.89	10.28
Minimum Ratios Stipulated by RBI			
Tier I (%)	4.50	4.50	4.50
Total Regulatory requirement (%)	9.00	9.00	9.00

Our Tier I CRAR ratio was 5.80% and total CRAR was 11.32% as on March 31, 2004. In spite of an increase in our Tier I capital by 23% during Fiscal 2005 on account of Rights issue / profit plough back, the Tier I CRAR declined to 4.21% and total CRAR declined to 9.89% on account of an increase in total risk weighted assets. To strengthen the total CRAR, Tier II bonds were issued during the first half of the current fiscal and accordingly the CRAR increased to 10.28% as on September 30, 2005.

Other matters

Unusual or infrequent events and transactions

Other than as described elsewhere in this Prospectus, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge here are no events that may be described as unusual or infrequent events and transactions.

Significant economic / regulatory changes

Other than as described elsewhere in this Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

Known trends and uncertainties

Other than as described elsewhere in this Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Bank from continuing operations.

Future relationship between costs and income

Other than as described elsewhere in this Prospectus, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Bank, taken as a whole.

Total turnover of each industry segment in which the company operates

We consider consumer & commercial banking and investment banking as reportable segments. Consumer & commercial banking comprises of retail and corporate banking business and investment banking comprises of treasury.

New product or business segment

Other than as described elsewhere in this Prospectus, particularly in "Business" and an insurance broking company, which we may incorporate as our wholly-owned subsidiary subject to approval from the RBI, to our knowledge there are no new business segments or material new products planned.

Seasonality of business

Other than as described elsewhere in this Prospectus, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", the business of the Bank is not seasonal.

Dependence on single or few customers

Other than as described elsewhere in this Prospectus, particularly in "Risk factors - We have high concentration of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected" on page i and "Business – Directed Lending on page 46 to our knowledge we have no dependence on a single or few customers and our business interests are spread across industries and customer segments.

Competitive conditions

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. See "Business - competition" on page 46 of this Prospectus.

Significant development after September 30, 2005 that may affect our future results of operations

Except as stated elsewhere in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affect or are likely to affect, our trading or profitability (including of our subsidiaries), or the value of our consolidated assets or our ability to pay our material liabilities within the next twelve months.

Except as stated elsewhere in this Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on reserves, profits, earning per share and book value of us and our subsidiaries.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as detailed below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Bank, and its Directors, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business.

Contingent Liability

The following table sets forth the principal components of our contingent liabilities as of September 30, 2005.

(Rs. in million)

Particulars	**As on Septemeber 30, 2005**
Claims against the Bank not acknowledged as debts:	
Income Tax & Interest Tax	1,46.5
Others	18.9
Liability on account of outstanding forward exchange contracts	6,354.8
Guarantees given on behalf of Constituents in India	1,796.9
Acceptances, endorsements and other obligations	2,388.3
Other items for which the Bank is contingently liable:	
Unexpired Capital Commitments	14.5
Total	**10,719.9**

Cases Against The Bank

Criminal Cases

1. Mr. Gangadharan has filed a criminal complaint No. 42/2004) before the Judicial Magistrate of Mahe against the Manager of the Bank, Mahe branch alleging commission of offences under Section 406, 409 and 420 of Indian Penal Code, 1860. The Court of the Judicial Magistrate has framed charges against the branch Manager and trial of the case has commenced. Subsequently, the Bank filed Cr. P No. 22310/05 before the High Court of Madras for grant of stay on further proceedings in the criminal complaint. Both matters are pending before the respective authorities.

2. Smt. Kasturi Sen Gupta has filed a criminal complaint No. 170 before Police department on June 20, 2001 against her husband Mr. Parthasarathi Sen Gupta and officials of Kolkata Ballygunge branch of the bank for offences under section 406, 419, 467, 471 IPC. It is alleged that complainant's husband in connivance with the branch officials has encashed a cheque dated November 9, 2000 in her SB account. Investigating officer has orally informed the bank that the records are forwarded to Central Forensic Laboratory for the comparison of signature.

3. Enforcement officer, Enforcement Directorate, Mumbai has filed a criminal case No. 1096/S/02 before the Court of Chief Metropolitan Magistrate, Esplanade, Mumbai against Mumbai Nariman Point branch for the alleged violation of provisions of Foreign Exchange Regulation Act (FERA) and Exchange Control Manual instructions. The said matter is connected with the adjudication proceeding detailed hereinbelow.

Tax cases

1. The Commissioner of Income Tax, Cochin has preferred Special Leave Petition No. 2068/ 2004 before the Hon'ble Supreme Court of India against the order dated November 11, 2002 of the Hon'ble High Court of Kerala passed in ITA 144. 2001. The said order directed the Assessing Officer to recompute the deduction under Section 36 (1) (vii) of the Income Tax Act, 1961 and to further follow the interpretation of the High Court on the issue, The Petitioner has

sought leave to appeal against the said order and has further sought that an inter stay be granted on the operation of the impugned order. The matter is presently pending adjudication before the Supreme Court. The issue involved is in respect of the assessment years 1987-88 to 1992-93 and the total disputed amount of tax involved is Rs. 1.515 million

2. The Asst. Commissioner of Income Tax, Circle 1(1) Thrissur has preferred three appeals pertaining to assesment years 1998-1999, 2000-2001 and 2001-2002 before the Income Tax Appellate Tribunal against the order of Commissioner of Income Tax (Appeals) in respect of the allowance of expenditure. Certain amounts of expenditure claimed by the Bank were disallowed by the Assessing Officer and were subsequently allowed by the Commissioner of IncomeTax (Appeals). The disputed amount of tax involved is approximately Rs.74.428 million

3. The Asst. Commissioner of Income Tax, Circle 1(1) Thrissur has filed appeals before the High Court of Kerala against the orders of the Income Tax Appellate Tribunal in respect of exclusion of interest on securities from the chargeability of interest tax. The mattaers pertain to assessment years 1992-93 to 1996-97. The total disputed amount of tax involved is approximately Rs. 46.09 million.

Adjudication Proceedings

1. The Special Director, Directorate of Enforcement, Ministry of Finance has issued show cause notices to 33 banks including the Bank bearing reference No. SCN No: T- 4/01-B/SDE/ALN/2 (SCN-1) dated January 4, 2002 and Corrigendum/ Addendum dated February 13, 2002). The notice inter alia alleges that the Bank has not exercised due care while handling import documents .The Directorate of Enforcement has further alleged that the Bank has failed to follow procedures as laid down in the Exchange Control Manual of RBI and thereby abetted the illegal transfer of USD 83,483,857.62/-. Pursuant to the said notice, the Bank has requested for a personal hearing in the matter. Accordingly, Adjudication Proceedings bearing File No. T- 4/01-B/SDE/02/CN/7943 under section 51 of the Foreign Exchange Regulation Act, 1973 have been initiated. The Bank has submitted its representation dated November 5, 2004 before Special Director, Directorate of Enforcement, Ministry of Finance denying the allegations and has sought that the show cause notice be quashed and that the Bank be discharged in the adjudication proceedings. The matter is pending adjudication.

Civil Cases

1. State Bank of India has filed a Civil Suit (OS No. 1022/03) against the Bank on February 7, 2003 before the court of City Civil Judge, Bangalore claiming a sum of Rs.165,210/-. It is alleged that our bank on behalf of M/s Vivek Limited (second defendant) and a customer of bank, had collected through clearing demand drafts for Rs.132,390/- purported to be issued by SBI, Hoskote branch and that the subject demand drafts were not actually issued by SBI, Hoskote branch or any other branches of SBI and is a fraudulent instrument. The suit is pending adjudication.

2. Smt. Saroja Govindarajan, the landlady of previous premises of the Bank's Chennai Annanagar Branch had a suit No. 1052/ 1997 before the Small Causes Court, Chennai for fixation of fair rent. The Small Causes Court fixed the fair rent at Rs. 35, 915 payable from April 1997. The Plaintiff has subsequently filed OS. No. 481/ 2000 against the Bank before the Hon'ble High Court of Madras seeking payment of Rs.1,216,328/- with interest @18% p.a. Bank. The matter is presently pending before the High Court..

3. The Catholic Trust has filed a civil suit (OS No. 41/03) before Sub Court of Kottayam on January 31, 2003 claiming a sum of Rs.688,380/-. It is alleged that fixed deposits of the trust were closed by bank unauthorizedly, without proper discharge from the depositor and the amount was paid to Mr. George Mathew (First defendant), an employee of the Trust. The suit is presently pending adjudication

4. M/s. Subash Jewellers has filed a civil suit No. 2001/98) before the City Civil Judge, Senior Division, Pune against the Bank and another. An amount of Rs. 340,000/-, being proceeds of demand drafts drawn on Bank of India, was credited to the Plaintiffs account. Subsequently, the Bank was informed that the said demand drafts were fake. As such, when the plaintiff sought a cheque withdrawal of Rs. 220,000/- the same was declined. The plaintiff filed a suit

1062/ 1998 before the Civil Judge Junior Division praying for a direction that the Bank permit the withdrawal. The said suit was dismissed. Hence the plaintiff has approached the City Civil Judge, Senior Division, Pune and the matter is pending.

5. M/s Mannar Metal Rolling Mills Limited filed a civil suit (Sp.C No.131/83A) before Civil Judge, Sr.Division at Panaji on October 31, 1983 claiming a sum of Rs. 603,634.50 with interest @15% alleging that Panaji Goa branch of the bank had allowed VK Jain alias Rajkumar Rajendra to open a current account in the name of Electronic Industries and thereby facilitated Rajkumar Rajendra to fraudulently encash demand drafts for Rs.570,000/- which was actually intended to be paid to Electronic Industries. The suit was dismissed on September 7, 2002, on the ground that the collecting bank is entitled for the protection under Section 131 of the Negotiable Insttruments Act. The plaintiff has filed appeal before the High Court of Bombay – Panaji Goa. Appeal though admitted is yet to be numbered and posted for hearing.

6. Bank of India (BOI) has filed Civil suit No.227/01 before Addl. District Court, Delhi against Chandini Chowk, Delhi branch of the bank, claiming a sum of Rs. 100,000/-. A Demand draft for Rs. 100,000/- drawn on BOI presented for payment by our customer M/s Dutta & Dutta (first defendant) was presented for clearing on July 31, 2001 and proceeds credited to party's account on August 2, 2001. BOI returned the demand draft on September 11,2001 with reason "No advise" and bank refused to accept the same. It is alleged by BOI that the DD is forged one and demands refund of the sum of Rs.0.1million. The suit is in evidence stage.

7. Mr. V.K.Jose filed a civil suit (OS No. 420/01) before the Sub Court of Irinjalakuda on September 24, 2001, against our Pariyaram branch, claiming a sum of Rs.626,877/-. It is alleged that the complainant had a fixed deposit for Rs.562,413/- with a maturity value of Rs.626,877/- as on 07.09.2001 and on the date of maturity, bank had set off the deposit against the amount due to the bank in the NPA account of M/s AJ Auto Service station, a partnership concern of the depositor. The suit was decreed against the Bank on 30.10.2004. Bank has preferred appeal (RFA No. 320/05) before the High Court of Kerala, which was admitted on 13.06.2005 and the court has ordered notice to the respondents. In the interim, Mr. Jose filed an execution petition to execute the decree in OS 420/01. Subsequently, the Bank has filed an application before the Hon'ble High Court for stay of proceedings in the execution petition.

8. Mrs. Sumathi Chandrika has filed a civil suit (OS No. 332/03) before Munsiff's Court, Neyyattinkara on 11.04.2003, against Udiyankulangara branch of the bank, claiming a sum of Rs.121,374/-. The Udiyankulangara branch is situated is on lease from Late. Mr. Narayana Panicker. The plaintiffiff in the matter is the daughter of Mr. Narayana Panicker. The said premises was purchased by the plaintiff from Mr. Narayana Panicker vide a registered sale deed in 1997. The plaintiff has approached the Court for payment of arrears of rent. The Bank has not made payment of the said amount on the ground that the erstwhile owner was indebted to the bank as co-obligant to a loan account in the name of his son Mr. Ramakrishnan. The suit is yet to be decreed.

9. Mrs. T Parameswari has filed a civil suit (OS No 158/05) before the District court of Coimbatore on 07.03.2005 against the Tirupur Main branch of the bank. Though the suit is a partition suit, it is alleged that the machineries scheduled in the plaint were hypothecated to bank in the account of M/s Sambandham International, a partnership concern of the deceased son of the plaintiff and that bank in collusion with the remaining partner of the firm had enabled him to appropriate all said assets to his individual account. Case is posted to 01.12.2005 for our written statement.

10. Smt. Jayasree K Nair and her minor daughter have filed a civil suit (OS No 619/02) before the Munsiff court of Tiruvalla on 11.10.2002 against Eraviperoor branch of the bank seeking an order directing the bank to make payment of Fixed Deposit of Rs. 200,000/- in the name of late Santhosh to the plaintiff being his legal heirs. A fixed deposit of Rs. 200,000/- dated 28.09.2004 was opened in the name of late Santhosh and Ramesh Vasudeva Panicker (First defendant), payable to "Either or Survivor" and on 14.02.1995 (due date) the deposit was converted in the name of first defendant as the survivor. Case is posted to 27.10.2005 for trial.

11. Smt. Bharati Das has filed a civil suit (OS No 242/00) before the Court of Civil Judge, Senior Division, Kolkata on 25.08.2000 against the Kolkata Ballygunge branch of the Bank seeking an order directing the bank to release monies lying to the credit of the current account of M/s Five Star Security Agencies, a partnership firm. The plaintiff claims to be the proprietor of the firm after its dissolution. The said claim is disputed by the other erstwhile partners of the firm. The matter is pending.

12. Mr. C.S.George has filed a civil suit (OS No. 122/04) before the Munsiff court of Punalur on 18.03.2004 against Piravanthoor branch of the bank claiming a sum of Rs.63,405/-. It is alleged that plaintiff had availed a vehicle loan which was subsequently closed on 19.09.2001 and on verification of the account copy it is found that bank has debited excess interest of Rs.56,000/-. The matter is pending before the civil court.

13. Mr. Abraham Reji Mathew and Mr. Abraham Thomas have filed a Writ Petition No. 8606/05 before the High Court of Kerala on 28.01.2005 against our Kanjikuzhy branch, seeking an order to issue a writ of mandamus directing the Bank to reinstate the fixed deposits held by the writ petitioners in their joint names. The writ petitioners had fixed deposit for Rs.1.926 million with the bank and they had issued a power of attorney in favour of their father. On the strength of the PA, father of the petitioners, had secured the fixed deposit towards the loan availed in the account of M/s Indus Soft Data Transcription (P) Limited Petitioners now contends that the PA has been cancelled and therefore the security created by their father is not in order. Earlier, a complaint was filed before the Banking Ombudsman, which was dismissed. High court is yet to hear the writ petition.

14. Mr.K.J. Chacko has filed a petition No. 283/04 before the Motor Accidents Claims Tribunal (MACT), Muvattupuzha in the year 2004, against Assistant General Manager(AGM), Ernakulam Regional Office (RO), claiming a sum of Rs.60,000/-. It is alleged that the petitioner has sustained injuries in a road accident involving Bank's car used by AGM at Ernakulam RO. The matter is pending.

15. Mr. Anil George has filed OS 74/05 before the Sub Court at Thiruvalla against the Theodical branch of the Bank. The plaintiff claims an amount of Rs. 338,400/- with interest in respect of loss of rent. The matter is presently pending adjudication.

Banking Ombudsman cases

1. Mr. PC Asokan had filed complaint (No. A/4612/SIB/8) before the banking Ombudsman Trivandrum on 29.10.2005 against our Kandassankadavu branch claiming that branch had illegally debited to his SB a/c No. 2826, a sum of Rs.274/- towards charges for keeping the account inoperative and therefore seek a direction to reverse the debit.

2. M/s MV Muthiah Pillai Mariammal Educational Society, Dindigul has filed two complaints (PR 74/03 & 82/03) before the Banking Ombudsman, Chennai on 08.07.2003 against the Dindigul branch of the bank, claiming a sum of Rs. 195,280/- each. It is alleged that the complainant is the subscriber of four Daily Savings Deposit (DSD) accounts of the branch and that the DSD agent engaged by the bank has absconded siphoning off the major portion of the amount deposited. Bank has refused payment of the amount demanding production of the original of the DSD pass book. As per the suggestion of Ombudsman, bank has offered to pay the amount without production of original pass book, provided the amount is kept as a fixed deposit with the bank and an indemnity bond is executed in favour of the bank undertaking not to demand back the deposit amount till the date of maturity of the deposit or the disposal of the criminal case filed by bank against the DSD agent.

3. Mr. T V Mohan has filed a complaint (A/4223) before the Banking Ombudsman, Thiruvananthapuram on 03.08.2005 against the Kunnamkulam branch of the bank, seeking an order directing the bank to submit explanation for refusing to accept 9 numbers of currency of Rs.500/- denomination in old series. The Bank has filed its reply in the matter. The matter is pending.

Employment matters

	Name of Staff	Court & Case Ref.	Reason for the case/ Relief claimed	Prayer	Present position
1.	Sri V. A. Paul, Cashier (dismissed)- Pudukode br	High Court, Kerala OP NO: 20700/99	Dismissal for misappropriation. Case is against the order of the Industrial Tribunal, Palakkad, declining his claim for reinstatement in the bank.	For reinstatement of the worker with back wages	Pending
2.	Sri E. I. Inasu, Substaff (dismissed)- TCR Main Br	High Court, Kerala OP No: 9753/99	Dismissal for drunkenness and disorderly behaviour. Case filed by bank against the order of the Industrial Tribunal, Palakkad	For reinstatement of the worker with back wages	Pending
3.	Sri P. Parameswaran, Cashier (dismissed)- Br Valanchery	High Court, Kerala WP No 7753/05	Dismissal for misappropriation. Case is against the dismissal from the bank. Labour Court ordered reinstatement.	For reinstatement of the worker with back wages	Stay obtained.
4.	Sri Sureshan Pillai, Substaff (dismissed)- Br Karunagapalli	Industrial Tribunal, Kollam. ID-51/01	Dismissal for unauthorised absence. Case is against the dismissal from the service of the bank.	For reinstatement of the worker with back wages	Pending
5.	Sri Krishnankutty, Substaff (dismissed) - expired- Br Coonoor	Labour Court, Chennai- ID-5/98	Dismissal for misappropriation of funds. Case is against dismissal from the service of the bank.	For reinstatement of the worker with back wages	Filed petition to set aside the ex-parte award.
6.	Sri A. Vijayakumar, Substaff (dismissed) Br Hyderabad	Labour Court, Hyderabad. ID-49/02	Dismissal for unauthorised absence. Case is against the dismissal from the service of the bank.	For reinstatement of the worker with back wages	Posted for enquiry
7.	Sri Subrato Kumar Paul, Substaff (Dismissed) Br kolkotta PC Street	City Civil Court, Kolkata. TS-76/01	Dismissal for unauthorised absence. Case is against the dismissal from the service of the bank.	For reinstatement of the worker with back wages	Pending
8.	Head Clerk's Association	High Court, Kerala. OP-18060	Against the award of the Labour Court, EKM directing the bank to effect payment of Special Assistant's allowance instead of Head Clerk allowance to the petitioners	For payment of Special Assistant's allowance	Pending

	Name of Staff	Court & Case Ref.	Reason for the case/ Relief claimed	Prayer	Present position
9.	Security Guard Case, Delhi Chandni Chowk Br	High Court, Delhi. CLWP-942/00	Violation of provision of ID Act	Penalty for violation of the provisions of the I.D. Act	Case adjourned for hearing. Labour Officer has represented before court that he will seek instruction from his department for withdrawing the complaint against the bank.
10.	Sri M. Rathinam, Sub staff (dismissed) Br Pasumathur	High Court, Kerala. OP-34008/00	Dismissal for misappropriation. OP filed by the employee against the award of Industrial Tribunal, Palakkad dismissing his claim for reinstatement in the bank	For reinstatement of the worker with back wages	Pending
11.	All Bank Appraiser's Federation	Central Govt. Industrial Tribunal, Chennai. ID-86/03	Claim that Gold Appraisers should be regularised in the service of the bank.	For regularising them in the service of the Bank	Pending
12.	Latha S., 1/3 PTS (dismissed),Parassala Br	Labour Court ID-01/02	Dismissal for misappropriation. Case is against the dismissal from the service of the bank.	For reinstatement of the worker with back wages	Pending
13.	Lalitha V, Clerk (dismissed) Ponani Br	High Court, Kerala WP 31381/2004	Dismissal for fraud/ misappropriation. Case filed to set aside the order of Industrial Tribunal dismissing the approval application filed by the bank.	To uphold the order of the Disciplinary Authority	Interim stay obtained. Posted for final orders.
14.	Sri Rajavelu, Manager (dismissed)-Br CBE Raja Street	High Court, Chennai. Case No:11/95	Dismissal for drunkeness and disorderly behaviour. Case is to set aside the order of dismissal and reinstate him in the service of the bank with all back wages	For reinstatement with back wages	Stay obtained
15.	Sri John Barnabas, Asst.Manager, Br Trichy	Sub-court, Trichy. OS 110/97	Misusing official position for unduly accommodating the party. Case is to declare that the punishment awarded by DA is null and void and to restore him to his original post of Senior Manager	To restore him to the post of Senior Manager	Posted for arguments.

Name of Staff	Court & Case Ref.	Reason for the case/ Relief claimed	Prayer	Present position
16. Sri T. A.. James, Manager (dismissed) Br Changanassery	Sub Court, Thrissur. OS 725/01	Misuse of official powers for unduly accommodating the party. Case is to declare his dismissal as baseless, illegal and also claiming compensation of Rs 1 million.	For reinstatement or for a compensation of Rs.1million	Case posted for evidence
17. SIBOA,Thrissur	High Court, Kerala. CMP1883/01	For declaring that the Bank is bound to increase the number of promotees for the year 1988 from among its officers in Scale II to Scale III from 31 to 35 and to promote its officers from ScaleII to Scale III at the rate of 25% from among them every year separately for the years 89, 90&91.	For declaring that the Bank is bound to increase the number of promotees for the year 1988 from among its officers in Scale II to Scale III from 31 to 35 and to promote its officers from ScaleII to Scale III at the rate of 25% from among them every year separately for the years 89,90&91.	Pending
18. Sri C. D. Thimothy, Sr Manager (Retired) HO Support Service	High Court, Kerala. SA-174/01	Against the order of Dist. Court, EKM, disallowing his claim for stagnation increment on account of his declining promotion	Claiming stagnation increment	Pending
19. Govt.of India & Central Provident Commissioner	High Court, Kerala. OP 2527/00	Against the order of Regional Provident Commissioner restraining him from applying or enforcing the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act to our Bank.	Against applying the provisions of Employees Provident Fund and Miscellaneous Provisions Act to our Bank	Stay was granted in favour of the Bank on 31-8-2000.
20. Sri C. R. Srinivasan, Manager (dismissed)- Br Ennamangalam	State CDRF, Chennai- APSR 1437/01	For directing the bank to pay him the balance of PF amount from the date of filing the complaint.	For paying him the balance of PF amount	Posted for filing of counter.
21. Sosamma Jacob	Sub Court, Kottayam OS 278/03	For prohibitory injunction from payment of terminal benefits to Sri K. C. Jacob, Manager (Dismissed)	Against disbursing of the terminal benefits payable to K.C. Jacob	Pending

Name of Staff	Court & Case Ref.	Reason for the case/ Relief claimed	Prayer	Present position
22. Kailash Chand Aggreawal, BM, N Delhi KB	Civil Judge, Delhi -Suit No:69/2005	To declare his dismissal as null and void and to re instate him	For reinstatement	Pending
23. Baby P. K., AM (Dismissed)	RFA 144/05 of High Court of Kerala	To declare his dismissal as null and void and to re instate him	For reinstatement	Appeal filed by him against the orders of Sub Court, Thrissur
24. Francis Eluvathingal, Mgr, Kasargod Br	CMP 1462/05 High Court of Kerala	Appeal challenging dismissal as null and void and to reinstate him	For reinstatement	Appeal filed by him against the orders of Sub Court, Thrissur.

Consumer cases

1. M/s. Galaxy Flowers has filed a consumer complaint No. 7/04 against the Bank on 28.01.2004 before the Karnataka State Consumer Redressal Commission, Bangalore claiming a sum of Rs.7,476,159/- with interest @21% p.a. The complainant, a partnership firm, has alleged negligence on the part of the Bank in not insuring the premises, a green house, for which the loan was availed of by the Complainant. It is claimed that the said green house had collapsed due to cyclonic wind. The matter is pending adjudication befor the State Commission, Karnataka. It is pertinent to note that the Bank has in the year 2002 filed a suit against M/s Galaxy Flowers recovery of monies borrowed. The particulars of the said matter are detailed in 167 of this Prospectus.

2. Mr. P.S. Kirubagaran has filed a consumer complaint CD No. 149/97 before the District Consumer Disputes Redressal Forum (CDRF), Vellore on 01.10.1997 against the bank claiming a sum of Rs.2,021.07. It is alleged that the complainant had a KND deposit for Rs.1,000 with a maturity value of Rs.2021.07 and the deposit receipt was presented through SBI, Gudiyattam branch, after the date of maturity of deposit and that bank had refused to pay the amount, on the ground that the complainant is indebted to the bank in a suit filed account. Arguments of both sides were completed during the last week of August 2005 and CDRF is yet to pass orders.

3. M/s. S.P.Handlooms has filed Appeal No. 177/ 2003 before the State Commission, Chennai, against the order dated November 29, 2002 of the District Consumer Disputes Redressal Forum, Chennai (North) in Consumer Complaint (OP No. 356/00). The complainant had alleged that the bank had wrongfully debited excess interest in respect of his loan account and therefore the said amount was liable to be refunded. The District Forum passed an order in favour of the complainant and directed the Bank to make payment of Rs.247,800/- together with interest @ 20 % p.a. from 24.10.2000 plus cost of Rs.1,000/-. The Bank has preferred Appeal (AP No. 177/03) before the State Commission and the State Commission has vide its Order dated 26.03.2003 conditionally stayed the order of District Forum on depositing a sum of Rs. 373,446.04 as fixed deposit.

4. 8 persons filed consumer complaints before the District Consumer Disputes Redressal Forum (CDRF), Thanjavur. It was alleged that the complainants submitted their share application for the ICICI share issue through M/s Ficer Investments Consultancy, which in turn forwarded the applications to the Bank. The applications allegedly substituted in the name of other persons causing loss to the complainants. The District Forum directed the Bank to make payment of share application amount with interest @18% along with compensation of Rs.2,500/- and costs of Rs.500/- to each of the 8 complainants. Bank has preferred appeals before the State Commission against the said order. Two appeals filed have been allowed by the State Commission, Chennai. The other appeal petitions are pending adjudication.

5. B.Rachiah had filed consumer complaint before the District Consumer Disputes Redressal Forum (CDRF), Shimoga in the year 1996, against our Vaikom branch, claiming a sum of Rs.192,432/-. It is alleged that there was inordinate

delay on the part of Vaikom branch, in returning the bill and hundi received for collection, eventhough payments were not forthcoming. The complaint was dismissed on 9.9.2003. Mr. Rachaiah has filed Appeal No. 1140/03 in October 2003 before the State Commission, Bangalore. Said Appeal is still pending.

6. Mrs. Sheela Gideon filed consumer complaint before the District Consumer Redressal Forum (CDRF), Hyderabad in the year 2001 claiming a sum of Rs.494,530/- with interest @18%. The Complainant an NRI had availed loan against deposit and said loan was later closed by set off of deposit amount and the balance of deposit amount after set off was credited to the account of complainant's brother, on the basis of a letter of authority, purported to be issued by the complainant. It is alleged that the letter of authority dated 08.07.1997 is forged one. The District Forum dismissed the complaint on 25.07.2003, against which the complainant had filed an appeal before the State Commission. The Appeal is pending.

7. Mrs. Shail Vaish had filed consumer complaint before the District Consumer Disputes Redressal Forum (CDRF), Delhi on 10.02.1997 against New Delhi, Cannaught Place branch of the bank, claiming a sum of Rs.10000/-. It is alleged that bank did not issue NOC for sale of vehicle despite closing the vehicle loan, on the ground that the vehicle is taken as general security to the Cash Credit limit availed in the account of the proprietory concern of the complainant. The complaint was allowed by the District Forum directing the bank to make payment of Rs.10,000/- together with interest @ 12 % per annum. Bank has filed Appeal No. 693/98 before the State Commission and the order of District Forum is stayed. The appeal is posted to 16.01.2006 for arguments.

8. Mr. Joseph Theramadam has filed consumer complaint (OP No. 688/03) before the District Consumer (CDRF), Thrissur on 15.09.2003 against South Indian Bank Limited, Thrissur Main branch,. The Complainant in the matter had remitted Rs. 0.3 million to the Bank towards a one time settlement of his dues dues. The complainant has npow alleged that the said amount was remitted towards a Fixed Deposit in his name and that the Bank has with malafide intention, not issued the Fixed deposit receipt contending that the amount was remitted towards settlement of the amount due to the bank in OS No. 481/85 filed by bank against Mr. TJ Jose. The Consumer Disputes Redressal Forum is yet to pass orders in the complaint.

9. Mr.C.D.Johnson has filed a consumer complaint (OP No. 6/97) before the District Consumer Disputes Redressal Forum (CDRF), Thrissur against our Thrissur Ollukkara branch, claiming a sum of Rs.30,000/- . The complainant had purchased a demand draft for Rs.25,000/- favouring Virendra Kumar payable at our New Delhi CP branch and later applied for issue of duplicate DD reporting that the original was lost. Bank refused the request stating that the DD was encashed by J & K Bank on behalf of their customer M/s Goel Trading Co., in whose favour the DD is endorsed by the original payee. It is alleged by the Complainant that the endorsement seen on the DD was not made by the complainant and that the DD being "A/C Payee" cannot be endorsed to any other person other than the original payee. Twice the complainant was dismissed by CDRF on the ground of non joinder of necessary parties and lack of jurisdiction. On both occasions, complainant filed appeal before the State forum and got the matter remanded back to CDRF for fresh disposal. CDRF is yet to pass fresh orders in the above matter.

10. The Bank has filed Appeal No. 911/ 2003 before the State Commission against Mr. James Francis. The Respondent had filed consumer complaint (OP No. 192/02) before the District Consumer Disputes Redressal Forum, Alappuzha. The complaint was filed in respect of the auction of gold ornaments pledged by the complainant by the Bank. The District Forum passed orders directing bank to pay compensation of Rs.5,000/- with interest @ 9 %. Hence the appeal. The matter is pending.

11. Mrs. Subaida has filed consumer complaint (OP No.328/03) before the District Consumer Disputes Redressal forum, Kollam, in the year 2003, against Sasthamcotta branch of the bank, claiming a sum of Rs.12,000/-. It is alleged that the complainant had purchased a cow availing loan from the bank and as the insurance was taken by the bank at the time of disbursement of loan by debiting the loan account, it is the duty of the bank to renew the insurance in time. As bank has failed in their duty to renew the insurance in time, the complainant is deprived of her right to claim damages from insurance cover. The complaint was dismissed for default and the restoration petition also was dismissed. Now a fresh complaint is filed and same is pending.

12. Mr. D Rajkumar & 2 others has filed a consumer complaint (OP No.16/04) before the District Consumer Disputes Redressal Forum (CDRF), Tirunelveli on 11.10.2003, against the Bank, Tirunelveli claiming a sum of Rs. 200,000/-. alongwith interest. The matter is pending adjudication.

13. Mr.V.Ayyannar Chettiar has filed a Appeal 547/ 2002 before the State Consumer Disputes Redressal Commission against the order of the District Consumer Disputes Redressal Forum in Complaint (OP No.68/01). The appellant and his deceased brother, had deposited title deeds with the Bank to avail of a loan. On closure of the loan account, the complainant requested for release of title deeds on the strength of a will allegedly executed in his favour by his deceased brother, V Jayarama Chettiar. The bank refused to accept his request demanding production of legal heirship certificate or production of an order from competent court probating the will. The Complainant thus filed complaint No. 68/01 alleging deficiency of service on part of the Bank. The District Forum dismissed the said complaint. Hence an appeal has been preferred before the State Commission. The matter is pending.

14. M/s Well Chem Systems Engineering (P) Limited, has filed consumer complaint No. 101/99 before the State Commissioner of Comsumer Redressal Forum, Mumbai in 1999, against the Pune branch of the Bank alleging deficiency of service on the part of the Bank.in respect of certain export credit facilities availed by the Compalainant. The Bank has filed its written statement in the matter before the State Commission seeking that the Complaint be dismissed. The matter is presently pending adjudication.

15. Smt. Valliammal has filed a consumer complaint (O.P.No.45/2004) before the District Consumer Disputes Redressal Forum (CDRF), Tirunelveli in the year 2004, against Tirunelveli branch of the bank claiming a sum of Rs.150,000/-. It is alleged that as security for the loan availed, complainant had deposited the title deeds of property and that bank has failed to release the title deeds of property despite closure of loan account. The CDRF, by its order dated 29.11.2005 directed the bank to return the original of title deeds to the complainant along with Rs.5000/- by way of damages and Rs.2000/- by way of cost.

16. Mr. N. Ramachandran has filed a consumer complaint (O.P.No.293/04) before the District Consumer Disputes Redressal Forum, Chennai North on 06.09.2003, against Chennai GT branch of the bank, claiming a sum of Rs.100,000/- alongwith interest at the rate of 18% pa and other such amount as may be determined by the Court. The complainant has alleged negligence and deficiency of service on part of the Bank. The matter is pending before the Forum.

17. Dr. Rakesh has filed a consumer complaint (OP No. 234/04) before the District Consumer Disputes Redressal Forum (CDRF), Kollam on 14.06.2004, against our Tiruvalla branch, claiming a sum of Rs.14,998/- plus Rs.6,000/- as compensation. It is alleged that a sum of Rs.14,998/- being complainant's salary was credited to his SB account on 05.04.2004 by his employer M/s Pushpagiri Medical College and the credit was later reversed by the bank in collusion with the employer, without the knowledge or consent of the complainant. Bank's action has put the complainant in an unexpected situation while trying to withdraw the cash from bank's ATM at Kollam, while he was on a tour. CDRF is yet to pass final orders in the above matter.

18. Mr. Bibu Sundar Sen has filed a consumer complaint (OP No 1140/01) before the District Consumer Redressal Forum, Bangalore in the year 2001 against the Bangalore Koramangala branch of the bank, claiming Rs.34,000/- plus compensation of Rs.50,000/-. It is alleged that bank has allowed to unauthorizedly withdrew a sum of Rs.30,000/- and Rs.40,000/- on 05.09.00 and 06.09.00 respectively from the complainants SB account. CDRF vide order dated 01.12.2004 has dismissed the complaint finding that no negligence can be attributed to the staff of the bank. Against the said order, complainant has filed appeal No. 1228/05 before the State commission on 30.08.2005. Appeal is posted to 03.02.2006 for the appearance of the bank.

19. Mr. Arunachalam has filed a consumer complaint (C No. 76/05) before the District Consumer Disputes Redressal Forum (CDRF), Pondicherry on 18.01.2005 against our Pondicherry branch claiming Rs.84,197/-. It is alleged that the complainant had deposited a sum of Rs.30,000/- in the name of his minor daughter and on maturity the proceeds of the deposit was adjusted towards the TOD account in the name of M/s Arputham Medicals, to which Mr. Arunachalam is a guarantor. It is contended that the guarantee of the complainant is restricted to Rs.10,000/- only and

hence the complaint is filed for refund of balance amount. Evidence of bank official is completed on 17.10.2005 and CDRF is yet to pass any order.

20. Mrs. Murugeswari has filed a consumer complaint (OP No. 77/04) before the District Consumer Disputes Redressal Forum (CDRF), Dindigul in the year 2004 against the Dindigul branch of the bank, claiming a sum of Rs.5,000/-. It is alleged that bank has charged excess commission for collecting the cheque in her account . Matter is being adjourned as there is no presiding officer. CDRF has passed final orders allowing compensation of Rs.3000/-.

21. Mr. Somasundaram has filed a consumer complaint OP No. 793/05 before the District Consumer Disputes Redressal Forum (CDRF) against the Bank, Pariyaram branch, seeking return of title deeds subsequent to closure of loan and compensation of Rs. 50,000/-. The Bank authorities have misplaced the original of the said title deeds. However, the Bank has in its reply undertaken to substitute the original title deeds with certified copy obtained at Bank's cost and also issue a certificate stating that the title deed was lost from the bank's custody. The matter is pending adjudication.

22. Mr. K P Mohammed had filed a consumer complaint (OP No. 722/05) before the District Consumer Disputes Redressal Forum (CDRF) on 29.09.2005 against the Thrissur Main branch of the bank, seeking an order directing the bank to vacate the hypothecation charge created over the vehicle purchased by him by availing loan from the Bank and to pay a sum of Rs.50,000/- by way of compensation. The matter is pending adjudication.

23. Mr. Cheru has filed a consumer complaint (OP No 1065/05) before the District Consumer Disputes Redressal Forum, Thrissur on 25.10.2005 against the Bank, Kunnamkulam branch alleging deficiency of service as the Bank had deducted a sum of Rs.687/- from the interest accrued on the deposit by way of Tax Deducted at Source (TDS). The matter is pending adjudication.

24. Mr. C.D Pathrose had filed a consumer complaint before the District consumer Disputes Redressal Forum, Thrissur against the Bank, Pariyaram branch claiming compensation of Rs. 51,174/- by way of loss sustained by him on account of the delay in realization of a foreign cheque for EURO 2500 presented. The matter is pending adjudication.

Other Cases

Apart from the abovementioned cases, there are 31 other cases filed against the Bank pertaining to stay against revenue recovery proceedings initiated by the Bank.

Cases Filed by the Bank

Criminal Cases

None

Tax Cases

1. We have preferred an appeal before Hon'ble High Court of Kerala against the Commissioner of Income Tax, Cochin against the order of the Income Tax Appellate Tribunal on the issue of allowablity of expenditure in respect of bad debts written off in Profit and Loss account by way of provision The issue involved is in respect of the assessment years 1993-94 to 1997-98 and the total disputed amount of tax involved is Rs. 53.638 million

2. We have preferred an appeal before Hon'ble High Court of Kerala against the Commissioner of Income Tax, Cochin against the order of the Income Tax Appellate Tribunal on the issue of claims under section 80M of the Income Tax act, 1961 being disallowed / scaled down. The issue involved is in respect of the assessment years 1994-95 to 1995-96 and the total disputed amount of tax involved is Rs. 19.148 million

3. We have preferred an appeal before Hon'ble High Court of Kerala against the Commissioner of Income Tax, Cochin against the order of the Income Tax Appellate Tribunal on the issue of demand of penal interest under section 143(1A) of the Income Tax Act, 1961. The issue involved is in respect of the assessment year 1997-98 and the disputed amount of tax involved is Rs. 2.074 million.

4. We have preferred an appeal before Hon'ble High Court of Kerala against order of the Commissioner of Income Tax

on the issue of reopening of assessment under section 263 of the Income Tax Act, 1961 for disallowance of expenditure under section 14A. The issue involved is in respect of the assessment years 1998-99 and the disputed amount of tax involved is Rs. 28.339 million.

5. We have preferred an appeal before Income Tax Appellate Tribunal against the order of the Commissioner Income Tax (Appeals) on the issue of certain amounts of expenditure claimed by the bank being disallowed. The dispute is in respect of assessment years 1998-99, 2000-2001 and 2001-02 and the disputed amount of tax involved is Rs.114.541 million.

6. We have preferred an appeal before Commissioner Income Tax (Appeals) against the order of the Assessing Officer on the issue of disallowance of certain expenditure. The dispute is in respect of assessment year 1999-00 & 2002-03 and the disputed amount of tax involved is Rs. 208.888 million.

Civil Cases

1. The Bank has filed OS No 16917/ 2002 against M/s Galaxy Flowers before the Civil Court at Bangalore. The Defendants have borrowed various sums of money from the Bank and has failed to repay the same as per the terms of the sanction letters. Hence, the Bank has filed the said suit for recovery of outstanding dues. The Bank has sought for the payment of Rs. 926,559/-, the total amount due, alongwith interest at the rate of 19.5% p.a. with quarterly rests. The Bank has further sought for a direction that in the event of failure of the defendants to pay the amounts, the Bank be entitled to recover the sum by way of sale of the immovable properties mortgaged and sake of the movable hupothecated in favour of the Bank. The matter is presently pending before the Hon'ble Civil Court.

Other Cases

Apart from the cases filed against us before the Debt Recovery Tribunals, we have filed 3,117 cases for recovery of loan dues pending at various stages and the aggregate of the dues are approximately Rs. 2,836 million. There are 492 cases filed by us before the Debt Recovery Tribunals all over India for disputes in which the amount in dispute for recovery is Rs. 4,311million.

We have also filed eviction cases under the Kerala Lease and Rent Control Act for seeking eviction of tenants occupying the Bank's own premises.

Litigations initiated by/ against our Directors

1. A civil suit was filed before the Principal Munsiff Court, Thrissur by Mr. C.V. Rajasekharan against the Bank, the Chairman of the Bank, Mr. Mohan Alapatt and 5 others. The Plaintiff was an employee of the Bank and is also a shareholder. The Plaintiff has filed the said suit against the appointment of Mr. Mohan Alappatt as director of the Bank. The Principal Munsiff Court, Thrissur in its order dated may 31, 2001 decreed the suit in the favour of the Plaintiff declaring that Mr. Mohan Alapatt has no right to continue as a director of the Bank beyond the date of the next AGM. The said order of the Principal Munsiff Court, Thrissur was upheld by the Addl. District Judge in appeal preferred by the Bank and Mr. Alapatt. The Bank and Mr. Alapatt have now preferred a Regular Second Appeal before the Hon'ble High Court of Kerala seeking that the orders of the lower courts be set aside. The matter is pending adjudication before the High Court of Kerala at Ernakulam.

2. Mr. G.A Shenai, a Director of SIB has a criminal case against him in his capacity as a former Managing Director of Canbank Investment Management Services Limited ("CIMSL"), which is a wholly owned subsidiary of Canara Bank. The case was filed by Mr. Kiran Chand Lunavat on November 8, 1995 under case No. C/1475/95 against the then five trustees of Canbank Mutual fund, executive Director and Managing Director of CIMSL alleging commission of offences under Section 420 and 120(B) of the Indian Penal Code before the 15th Metropolitan Magistrate, Kolkata for not repurchasing the Canstar units of Canbank Mutual fund as demanded by him.

   A revised petition was filed by CIMSL before the High Court, Kolkata praying for quashing of the above- mentioned proceedings. The matter was heard and orders were delivered, disallowing the petition. CIMSL subsequently filed a Special Leave Petition before the Supreme Court against the orders of Kolkata High Court. The same was also disallowed.

CIMSL then filed an application before the Magistrate under Section 205 of Criminal Procedure Code to dispense with the personal appearance of the accused. The Magistrate after hearing the petition, dispensed with the appearance of the accused subject to the condition that their presence is required on the dates of:

i. evidence of the complainant;

ii. framing of charges against the accused and delivering judgement.

CIMSL have then filed a Revision Petition before the High Court, Kolkata challenging the above orders of the Magistrate. The Revision Petition came up for hearing before the High Court on 4.3.2003 and after hearing the parties the same was disposed by modifying the Magistrate's Order dated 27.05.1997 to the effect that the accused are required to attend the court only at the time of pronouncement of Judgement, if necessary. The trial of the case before the Magistrate is underway.

3. Mr. G.A Shenai along with others, has filed a petition under section 633 of the Companies Act 1956 against the Registrar of Companies ("ROC"), Karnataka in the matter of Canbank Financial Services Limited ("Canfina") for alleged violations of Section 49,49(1), 58A, 58B, 205(2)(b), 209,211,292 and 300 of the Act in terms of the notices issued by the ROC. This case pertains to Mr. Shenai as the then Managing Director of Canfina. Mr. G.A Shenai has confirmed that his name does not find amention in the JPC report on the stock scam as Managing Director of CANFINA.

MATERIAL DEVELOPMENTS

To the knowledge of the Board of Directors of the Bank, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Bank or the value of its assets or its ability to pay its liabilities within the next twelve months.

LICENSES AND APPROVALS

1. Permissions under Sec. 23 of the Banking Regulation Act, 1949 (Act 10 of 1949) issued by the Department of Banking Operations and Development, Reserve Bank of India to operate 427 Branches, 5 Satellite Offices and 57 Extension Counters under the categories Metro, Urban, Semi Urban and Rural together with Extra Large, Very Large, Medium and Small.
2. General Permission under Sec. 23 of the Banking Regulation Act, 1949 vide Circular No. DBOD No. BP.BC. 152/ 21.3.051-94 dated 29.12.1994 issued by the Department of Banking Operations & Development, Reserve Bank of India, wherein the Bank is generally permitted to install on site Automated Teller Machines at branches which have been licensed by the Reserve Bank of India.
3. Permissions under Sec. 23 of the Banking Regulation Act, 1949 (Act 10 of 1949) for 64 sites for the off site installation of Automated Teller Machine by the Bank.
4. Authorised Dealer License on a permanent basis: License no. 1/99 dt. June 7, 1999 vide letter bearing ref No. FMID/ 2566/88.01.02/98-99 dated June 7, 1999 under para 16.4.and 16.5 of the ECM 1993.
5. Rupee Drawing Arrangement Approval vide letter bearing ref No. ECFMD/26/17.03.04 (28)/2001-02 dated July 16, 2001for the Agreement with Oman & UAE Exchange Centre & Co., Oman
6. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/395/17.03.04 (20)/2001-02 dated October 31, 2001for the Agreement with HBZ International Exchange Co. Limited, Singapore.
7. Rupee Drawing Arrangement Approval vide letter bearing ref No. ECFMD/566/17.03.04 (26)/2000-01 dated May 8, 2001for the Agreement with Modern Exchange Co., LLC., Oman
8. Rupee Drawing Arrangement Approval vide letter bearing ref No. ECFMD/522/17.03.04 (27)/2000-01 dated June 22, 2001for the Agreement with Zenj Exchange Co., WLL, Bahrain.
9. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.DRD/508/17.03.04 (28)/99-2000 dated November 17, 1999 for the Agreement with UAE Exchange Centre, Abu Dhabi
10. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.FMD/92/17.03.04 (28)/2001-02 dated August 4, 2001 for the Agreement with UAE Exchange Centre, Kuwait
11. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.DRD/518/17.03.04 (28)/99-2000 dated November 18, 1999 for the Agreement with Hamdan Exchange, Oman.
12. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.SAS/317/17.03.04 (28)/95/96 dated November 2, 1995 for the Agreement with Al Fardan Exchange & Finance Company, Doha, Qatar.
13. Rupee Drawing Arrangement and Speed Remittance Approval vide letter bearing ref No. EC.FE.CO /1166/17.03.04 (28)/2004-05 dated February 26, 2005 for the Agreement with Musandam Exchange, Oman.
14. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/538/17.03.04 (28)/2003-04 dated January 12, 2004 for the Agreement with Gulf Exchange Company, Doha, Qatar.
15. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/538/17.03.04 (28)/2003-04 dated January 12, 2004 for the Agreement with Al Razouki International Exchange Co. LLC, Dubai.
16. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/381/17.03.04 (28)/2002-2003 dated September 23, 2002 for the Agreement with Hadi Express Exchange, Dubai.
17. Rupee Drawing Arrangement and Speed Remittance Approval vide letter bearing ref No. EC.FE.CO.FMD /395/17.03.04 (28)/2004-05 dated September 6, 2005 for the Agreement with Bahrain Financing Company, Bahrain.

18. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/006/17.03.04 (28)/2003-04 dated July 2, 2003 for the Agreement with National Exchange Co., Kuwait.

19. Rupee Drawing Arrangement and Speed Remittance Approval vide letter bearing ref No. EC.FE.CO.FMD /531/17.03.04 (28)/2003-04 dated January 8, 2004 for the Agreement with Thomas Cook Al Rostamani Exchange Co., United Arab Emirates.

20. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.SAS/356/17.03.04 (28)/95/96 dated November 16, 1995 for the Agreement with Al Fardan Exchange, Abu Dhabi, United Arab Emirates.

21. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/673/17.03.04 (28)/2002-03 dated December 4, 2002 for the Agreement with Al Ahalia Money Exchange Bureau, Abu Dhabi.

22. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/799/17.03.04 (28)/2003-04 dated April 13, 2004 for the Agreement with Al Ansari Exchange, Abu Dhabi.

23. Rupee Drawing Arrangement Approval vide letter bearing ref No. EC.CO.FMD/635/17.03.04 (28)/2003-04 dated February 17, 2004 for the Agreement with Wall Street Exchange Centre LLC., Dubai.

24. Permission issued by the Department of Banking Operations Development, Reserve Bank of India granting an 'in-principle' approval to the Company to act a composite corporate insurance agent vide letter bearing ref No. DBOD No. FSC 538/2401.018/2001-02 dated January 17, 2002.

25. Permission issued by the Department of Banking Operations Development, Reserve Bank of India granting an approval to the Company to act as a referral agent for ICICI Prudential Life Insurance Company Limited vide letter bearing ref No. DBOD No. FSC 202/2401.018/2002-03 dated October 29, 2002.

26. License to act as a Corporate Agent issued by the Insurance Regulatory and Development Authority under Regulation 3 of the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 bearing License No. 1904093 dated December 6, 2005 valid for a period of three years commencing on February 24, 2005.

27. Certificate to act as a Specified Person for a Corporate Agent issued by the Insurance Regulatory and Development Authority under Regulation 3 of the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 bearing No. C000015975 dated December 6, 2005 valid for a period of three years commencing on February 24, 2005. The certificate holder is Mr. V.J. Thomas, Thrissur.

28. The Reserve Bank of India, vide Circular dated June 2, 1998 bearinng reference No. DBOD No. FDC.BP.50/ 24.01.011/ 98 issued by the Reserve Bank of has allowed banks to undertake credit card business. The circular further states that the prior approval of the RBI is not required in respect of the same.

29. The Reserve Bank of India, vide Circular dated November 12, 1999 bearinng reference No. FSC.BC.123/ 24.01.019/ 99-2000 issued by the Reserve Bank of India has permitted banks to issue Smart/ Debit Cards with the approval of their respective Boards.

30. Order issued by the Office of the Commissioner of Income Tax dated November 6, 1951 according recognition to the South Indian Bank Limited Employee's Provident Fund under sectionz 58 B(1) of the Indian Income Tax Act, 1922.

31. Life Insurance Corporation Group Savings Linked Insurance Master Policy No.: GSLI.MP.72417.

32. Certificate of Registration As Participant dated June 11, 2002 issued by the SEBI under the (Depositories and Participant) Regulations, 1996. The Registration No of the Bank is IN-DP-CDSL-181-2002. The said certificate is is valid from date of issue till June 10, 2007.

33. The Bank holds a certificate of registaration issued by SEBI bearing No. 000184 to act as a Banker to an issue and the certificate is valid for three years from December 1, 2003

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Pursuant to the special resolution adopted by the shareholders at the 77th Annual General Meeting held on September 23, 2005, authorising the Board of Directors of the bank to issue, offer and allot further Equity shares, A Committee of the Board, viz. the Committee to Decide and Monitor Augmentation of Share Capital (CDMAOSC) was constituted and authorised to finalise the exact issue size, the issue price/ price band, the mode of issue, appointment of lead Managers and all other connected matters.

The committee of the Board (CDMAOSC) at its meeting held on October 13, 2005 decided to augment share capital by way of Follow-on Public Offering through book building route, upto a maximum issue size of Rs. 1,500 million

Prohibition by SEBI

Neither we, nor our Directors, or companies with which our Directors are associated with as directors, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI. Neither we nor our directors, subsidiaries, directors of subsidiaries or associates, have been detained as wilfull defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

Eligibility for the Issue

As a banking company set up under the Banking Regulation Act, which has received a license from RBI, we are exempt from the eligibility norms specified under clause 2.2 and 2.3 of the SEBI Guidelines to make a public issue of Equity shares. The relevant extract of the SEBI Guideline is set out below:

"2.4 Exemption from Eligibility Norms

2.4.1 The provisions of clauses 2.2 and 2.3 shall not be applicable in case of;

i) a banking company including a local Area Bank (hereinafter referred to as Private Sector (C) of section 5 of the Banking Regulation Act, 1949 and which has received licence from the Reserve Bank of India ....."

Therefore, we are exempt from the eligibility norms as prescribed under the Guidelines.

"2.3. Public Issue by Listed Companies

2.3.1 A listed company shall be eligible to make a public Issue of Equity shares or any other security which may be converted into or exchanged with Equity shares at a later date.

Provided that the aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), issue size does not exceed 5 times its pre-Issue net worth as per the audited balance sheet of the last financial year.

Provided further that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period.

2.3.2. A listed company which does not fulfil the conditions given in the provisos to Clause 2.3.1 above, shall be eligible to make a public Issue subject to complying with the conditions specified in Clause 2.2.2)"

Therefore, since our Bank is a private sector new bank and is exempt under clause 2.4 of the SEBI Guidelines, we are eligible to make this Issue.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 16, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

3. **WE CONFIRM THAT:**

   THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

   ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

   THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

   BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

   WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

4. **ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GoI AND ANY OTHER COMPETENT AUTHORITY.**

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Note:

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.southindianbank.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated December 16, 2005 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Thrissur, Kerala, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Disclaimer Clause of the BSE

The Bombay Stock Exchange Limited; Mumbai (the Exchange) has given vide its letter dated January 6, 2006, permission to the Bank to use BSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
2. Warrant that this Bank's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

   and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated January 9, 2006, permission to us to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Bank fulfilling the various criteria for listing. The NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the Cochin Stock Exchange

As required, a copy of the Red Herring Prospectus has been submitted to CSE. CSE has given vide its letter dated December 22, 2005, permission to the Bank to use CSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. CSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. CSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
2. Warrant that this Bank's securities will be listed or will continue to be listed on CSE; or
3. Take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

   and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by CSE. Every Person who desires to apply for or otherwise acquires any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against CSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the RBI

A license authorising the Bank to carry on banking business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Sec. 60B of the Companies Act, 1956, has been delivered for registration to the ROC and a copy of the Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the ROC.

Listing

Our existing Equity Shares are listed on the BSE, NSE and the CSE.

Applications have been made to the NSE, BSE and the CSE for permission for further listing of our Equity Shares. The Bombay Stock Exchange Limited, Mumbai is the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Bank will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Bank become liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Bank, and every Director of the Bank who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Managers, Syndicate Members, Escrow Collection Bank and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC and such consents have not been withdrawn up to the time of delivery of this Prospectus.

M/s Varma & Varma, Chartered Accountants, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for filing with the Designated Stock Exchange.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	**(Rs. in million)**
Estimated lead management, underwriting and selling commission	30.0
Estimated other expenses (including advertising, registrar's fee, legal fee, printing and and stationery and listing fee)	40.0
Total	**70.0**

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the Memorandum of Understanding executed between the Bank and the BRLMs dated December 16, 2005a copy of which is available for inspection at our Head Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's Memorandum of Understanding dated a copy of which is available for inspection at our Head Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post or speed post or under certificate of posting.

Bidding Period/Issue Period

BID/ISSUE OPENED ON : FEBRUARY 10, 2006

BID/ISSUE CLOSED ON : FEBRUARY 15, 2006

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

We reserve the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

(a) We will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders' depository accounts within two working days of the date of allotment.

(b) As per SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500 if any, by registered post or speed post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

a) Allotment shall be made only in dematerialised form within fifteen days from the Issue Closing Date;

b) Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and

c) We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

d) We will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Companies under the Same Management

There are no companies under the same management.

Particulars regarding Public Issues during the Last Five Years

We have not made any public issue in the past five years. However, we completed an initial public offering of our Equity Shares in September 1998 and a right issue of Equity shares in ratio of 1:3 in August, 2004, the details of which are as under:

Public Issue of Equity Shares (September 1998)

Public Issue in which 1,60,07,600 Equity Shares of Rs. 10 each for cash at a premium of Rs. 22/- per Share aggregating Rs. 512 million were allotted to public.

Opening Date	September 22, 1998
Closing Date	October 3, 1998
Date of Allotment	October 28, 1998
Date of Refunds	October 30, 1998

Promise vs. Performance

Whilst our business has proceeded along the lines as disclosed in the offer document of the public issue in October, 1998 and funds raised thereto have been used towards the objects of the issue (as disclosed in the offer document of the said public issue), certain promises that were made in the said offer document were not able to be met due to certain reasons. Please find below the comparison of the projected profitability for the fiscal 2000 as per the offer document of the initial public offer in October 1998 and the actuals for the same period.

(Rs. in million)

	Fiscal 1999		
	Projected	**Actuals**	**Shortfall**
Income			
Interest earned	4,437.8	3,998.9	438.9
Other Income	406.4	369.0	37.4
Total Income	4,844.2	4,367.9	476.3
Expenses			
Interest Expended	3,536.2	3,117.8	418.4
Operating Expenses	807.0	898.3	(91.3)
Provisions and Contingencies	227.9	291.0	(63.1)
Total Expenses	4,571.1	4,307.1	264.0
Net Profit	273.1	60.8	212.3

The other objectives of the initial public offer of Equity Shares of our Bank as stated in the offer document, namely,

a) Augment the net worth of the Bank for meeting future capital adequacy requirements

b) Augment long-term resources of the Bank

c) List the shares of the Bank on the BSE, NSE and CSE.

d) Meet the expenses of the issue.

Rights Issue of Equity Shares (August 2004)

Rights Issue of 1,19,19,480 Equity shares of Rs. 10/- each for cash at a premium of Rs.30/- to the existing Equity Shareholders of the Bank in the ratio of one Equity Shares for every three Equity Shares held on Record Date i.e. July 23, 2004 aggregating Rs. 476.8 million.

Opening Date	August 12, 2004
Closing Date	September 11, 2004
Date of Allotment	October 12, 2004

Issue of Bonds

Issue Name; Date of Closure	Amount allotted (Rs. in million)	Description	Allotment Date	Date of Redemption	Credit Rating Agency	Rating at the time of Issue
SIB Bonds 2000	268.3	Unsecured Redeemable Sub-ordinated Bonds in the nature of Promissory notes, aggregating to Rs. 268.3 million.	February 17, 2001	65 months from the date of allotment.	nil	nil
SIB Bonds 2001	185.0	Unsecured Redeemable Sub-ordinated Bonds in the nature of Promissory notes, aggregating to 185 million.	March 15, 2002	65 months from the date of allotment.	nil	nil
SIB Bonds 2002	250.0	Unsecured Redeemable Sub-ordinated Bonds in the nature of Promissory notes, aggregating to 250 million.	January 15, 2003	84 months from the date of allotment.	nil	nil
SIB Bonds 2003	650.0	Unsecured Redeemable Sub-ordinated Bonds in the nature of Promissory notes, aggregating to 650 million	August 6, 2003	80 months from the date of allotment.	FITCH	A+(ind)
SIB Bonds 2005	650.0	Unsecured Redeemable Sub-ordinated Bonds in the nature of Promissory notes, aggregating to 650 million.	August 25, 2005	92 months from the date of allotment.	FITCH CARE	A + (ind) by FITCH CARE A by CARE
Total	**2,003.3**					

Commissions and Brokerages paid on previous issues by us

Name of the Issue	Year	Commission and Brokerage (Rs. in million)
Rights issue of Equity Shares	October 2004	NIL
Private Placement of Tier II Bonds	SIB Bonds 2000	NIL
Private Placement of Tier II Bonds	SIB Bonds 2001	NIL
Private Placement of Tier II Bonds	SIB Bonds 2002	NIL
Private Placement of Tier II Bonds	SIB Bonds 2003	NIL
Private Placement of Tier II Bonds	SIB Bonds 2005	NIL

Remuneration Payable to the Directors

Please refer to the section titled “Our Management - Remuneration of Directors” on page 100 of this Prospectus.

Purchase of Property

Except as stated in the section titled “Objects of the Issue” and elsewhere in this Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Stock Market Data for our Equity Shares

Our Equity Shares are listed on BSE, NSE and CSE.

The CSE has, by its letter dated December 8, 2005, informed us that the Bank's shares have not been traded on their exchange for the period April 2002 to November 2005

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE, for a period of three years, for the periods indicated :

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	43.95	16/04/2002	7,530	29.25	13/11/2002 and 14/11/2002	610 and 720	36.46
2004	87.58	15/01/2004	230,928	34.54	01/04/2003	1,787	56.88
2005	88.0	19/4/04 and 23/4/04	44,472 and 53,051	40.10	10/8/04, 24/8/04 and 30/8/04	104,828, 6,730 and 46,228	57.79

The following table sets forth, the high and low of daily closing prices of our Equity Shares on NSE, for a period of three years, for the periods indicated :

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)
2003	46.30	01/04/2002	48,180	28.00	07/10/2002	5,080	36.87
2004	94.90	16/01/2004	453,008	35.65	01/04/2003	21,432	61.06
2005	93.40	28/04/2004	148,613	41.6	23/8/2004	56,688	58.97

The following table sets forth, the high and low prices of our Equity Shares on BSE and the number of Shares traded, in the last six months, for the periods indicated :

Months	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
July 2005	67.0	25/7/05	61,782	55.25	1/7/05	22,150
August 2005	85.7	11/8/05	1,915,665	61.25	1/8/05	95,482
September 2005	78.95	2/9/05	497,771	68.0	22/9/05 and 23/9/05	159,283 and 265,687
October 2005	79.35	4/10/05	441,766	57	31/10/05	25,786
November 2005	69.85	22/11/05	96,785	58.3	2/11/05	8,760
December 2005	58.25	14/12/05	82,591	59.9	27/12/05	25,901

The following table sets forth, the number of Shares traded on the days when the high and low prices were recorded of our Equity Shares on NSE, in the past six months, on the dates indicated :

Months	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)
July 2005	66.7	25/7/05	237,782	55.15	1/7/05	85,449
August 2005	85.7	11/8/05	4,496,560	61.0	1/8/05	131,104
September 2005	78.9	2/9/05	1,429,908	66.65	27/9/05	373,332
October 2005	79.4	4/10/05	1,169,026	56.1	31/10/05	121,749
November 2005	70.0	22/11/05	347,964	58.45	2/11/05	42,931
December 2005	68.45	14/12/05	402,007	59.00	26/12/05 & & 27/12/05	108,875 & 58,454

Mechanism for Redressal Of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The details of the investor grievances are as follows:

Category	Pending 01-04- 2004	Received up to March 31, 2005	Processed during the year 2004-05	Pending on April 1, 2005
Equity Shares	16	985	1001	Nil

We have appointed Mr. A. S. Narayanan, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. A.S.Narayanan
Company Secretary
The South Indian Bank Limited, Secretarial Department
S I B House, Mission Quarters T B Road
Thrissur 680 001, Kerala, India
Tel: (91 487) 2429333
Fax: (91 487) 2424760
E-mail: trc_sibshare@sancharnet.in

Changes in Auditors

Our Auditors are appointed by the Board from time to time and his/their remuneration, rights and duties are regulated by the Board of Directors/Audit Committee of the Board.

There have been no changes in our Auditors in the last three years, except as given below :

Sl. No	Year of Appointment/ cessation	Name	Reason for Appointment/ cessation
1.	2002-2003	M/s. Fraser & Ross.	Completion of Term
2.	2003-2004	M/s. Varma & Varma.	Appointment by Shareholders
3.	2004-2005	M/s. Varma & Varma	Appointment by shareholders

Capitalisation of Reserves or Profits

We have not capitalised any reserves or profits during the last five financial years.

Revaluation of Assets

We have revalued certain immovable properties in India in fiscal 2000. The amount of additions made to the revaluation reserve account was Rs. 61.5 million. Again some of the Bank's premises have been revalued as on March 31, 2005 and the resultant appreciation in value amounting to Rs. 43.9 million has been credited to Capital Reserve.

FINANCIAL INDEBTEDNESS

Details of Tier II Capital of the Bank

(Rs. in million)

Issue Name	Amount allotted (Rs. in million)	Description	Coupon (%)	Allotment Date	Date of Redemption	Security	Servicing behaviour
SIB Bonds 2000	268.3	Tier II Bond	13% Annually	February 17, 2001	65 months from the date of allotment.	Unsecured	On time
SIB Bonds 2001	185.0	Tier II Bond	9.70% Annually	March 15, 2002	65 months from the date of allotment.	Unsecured	On time
SIB Bonds 2002	250.0	Tier II Bond	8.75% Annually	January 15, 2003	84 months from the date of allotment.	Unsecured	On time
SIB Bonds 2003	650.0	Tier II Bond	7.70% Annually	August 6, 2003	80 months from the date of allotment.	Unsecured	On time
SIB Bonds 2005	650.0	Tier II Bond	8.60% Semi Annually	August 25, 2005	92 months from the date of allotment.	Unsecured	Not due as of Date
Total	**2,003.3**						

Details of Unsecured Borrowings

Set forth below is a brief summary of our aggregate unsecured borrowings including depositsof Rs.83,932.3 million as on September 30, 2005

(Rs. in million)

Particulars	As on September 30, 2005
Demand Deposits from Banks	12.4
Demand Deposits from Others	4,909.1
Savings Bank Deposits	17,139.4
Term Deposits from Banks	1,47.1
Term Deposits from Others	59,091.9
Subordinated Debts	2,003.3
Borrowings from other Banks Institutions and Agencies	291.3
Miscellaneous including Borrowings outside India	337.8
Total	**83,932.3**

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, Banking Regulation Act, our Memorandum and Articles of Association, the terms of this Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, the Reserve Bank of India and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act and our Memorandum and the Articles of Association and shall rank pari passu in all respects with our existing Equity Shares, including rights in respect of dividends. See the section titled "Main Provisions of the Articles of Association" on page 215 of this Prospectus.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Prospectus at a total price of Rs. 66 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The face value of the shares is Rs. 10 and the issue price is 6.6 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission, see the section titled "Main Provisions of the Articles of Association" on page 215 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI Guidelines, trading in Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 100 Equity Shares.

NOMINATION FACILITY TO THE INVESTOR

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall have the same rights to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Head Office of our Bank or at the Registrar and Transfer Agents of our Bank.

In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Bank. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Thrissur, Kerala, India.

Subscription by Non-Residents, NRI, FIIs, Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions

Save and except the reservation for the Existing Shareholders and Eligible Employees, there is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation subject to applicable law and specific shareholding limits.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

We in consultation with the BRLMs reserve the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

This Prospectus is not an offer of Equity Shares for sale or an invitation to subscribe to Equity Shares to any person in any jurisdiction where it is unlawful to make such offer or invitation.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S.Persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

ISSUE STRUCTURE

The present Issue of 22,727,272 Equity Shares of Rs. 10/- each at a price of Rs. 66 for cash, aggregating Rs. 1,500 million is being made through the Book Building Process. The present Issue of 22,727,272 Equity Shares comprises of Net Issue to the public of a minimum of 18,181,818 Equity Shares aggregating Rs. 1,200 million and a reservation for Existing Retail Shareholders of up to 2,272,727 Equity Shares and a reservation for Eligible Employees of up to 2,272,727 Equity Shares aggregating Rs. 150 million each

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Existing Retail Shareholders	Eligible Employees
Number of Equity Shares*	Up to 9,090,909 Equity Shares.	Minimum of 2,727,273 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 6,363,636 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Upto 2,272,727 Equity Shares	Upto 2,272,727 Equity Shares
Percentage of Net Issue size available for Allocation	Upto 50% of the Net Issue or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However, upto 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 35% of the Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Upto 10% of size of the Issue	Upto 10% of size of the Issue
Basis of Allocation if respective category is oversubscribed (subject to sectoral cap and specified investment limits)	Proportionate as follows: (a) 454,545 Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) 9,090,909 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 100 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 100 Equity Shares.	100 Equity Shares and in multiples of 100 Equity Shares	100 Equity Shares and in multiples of 100 Equity Share thereafter	100 Equity Shares and in multiples of 100 Equity Share thereafter
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares such that the Bid Amount does not exceed Rs. 100,000	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Existing Retail Shareholders	Eligible Employees
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Bid/Allotment lot	100 Equity Shares and in multiples on 100 Equity Shares	100 Equity Shares and in multiples on 100 Equity Shares	100 Equity Shares and in multiples on 100 Equity Shares	100 Equity Shares and in multiples on 100 Equity Shares	100 Equity Shares and in multiples on 100 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	Public Financial institutions, asspecified in Section 4A of the Companies Act: scheduled commercial banks, Mutual Funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicablelaw	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.	Existing Retail Shareholders as January 20, 2006	Existing Eligible Employees as on Januray 20, 2006
Terms of Payment	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non - Institutional Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

* Subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with BRLMs and the Designated Stock Exchange. However, if the aggregate demand by Mutual Funds is less than 454,545 Equity Shares (assuming QIB Portion is 50% of the Net Issue size, i.e. 9,090,909 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs, and the Designated Stock Exchange.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein 10% of the Issue will be available for allocation on a proportionate basis to Eligible Employees and10% of the Issue will be available for allocation on a proportionate basis to Existing Retail Shareholders and up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs (including upto 5% of the QIB Portion which shall be available for allocation to Mutual Funds only). Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLMs may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Eligible Employees, Existing Retail Shareholder Bidders, Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Bank to make the necessary changes in this Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs applying on a repatriation basis	Blue
Existing Retail Shareholders	White
Eligible Employees	Pink

Who can Bid

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);

2. HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;

3. Insurance companies registered with the Insurance Regulatory and Development Authority;
4. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
7. Mutual Funds registered with SEBI;
8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. State Industrial Development Corporations;
11. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
12. Eligible Non-Residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
13. Scientific and/or industrial research organisations authorised to invest in equity shares.
14. Venture capital funds registered with SEBI
15. Foreign venture capital funds registered with SEBI

Note: Further, the BRLMs, and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Maximum and Minimum Bid Size

(a) **For Bidders in the Existing Retail Shareholder Reservation Portion:** The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 100,000. Bidders in the Existing Retail Shareholders Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at 'cut-off'.

(b) **For Bidders in the Eligible Employees Reservation Portion:** The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. Bidders in the Eligible Employees Reservation Portion applying for a maximum Bid may bid at cut-off price.

(c) **For Retail Individual Bidders:** The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(d) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 100 Equity Shares. A Bid cannot be submitted for more than the Net Issue size. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid / Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Information for the Bidders:

(a) We will have filed the Prospectus with the ROC at least three days before the Bid /Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) We and the BRLMs shall declare the Bid /Issue Opening Date and the Bid /Issue Closing Date at the time of filing the Prospectus with ROC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines, salient features of the Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and the Syndicate Members and their bidding centers. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a regional newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details please see section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 189) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 189 of this Prospectus. .

(f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Issue Procedure - Terms of Payment" beginning on page 189 of this Prospectus.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 60 to Rs. 66 per Equity Share of Rs. 10 each, Rs. 60 being the Floor Price and Rs. 66 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.

(b) In accordance with the SEBI Guidelines, the Bank reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLMs, and the and at the terminals of the members of the Syndicate.

(d) We in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Eligible Employees, Existing Retail Shareholders and Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

(f) Eligible Employees, Existing Retail Shareholders and Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Existing Retail Shareholders and Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the Payment Method selected by the Bidder in the Escrow Account. The Bidders, shall receive the refund of the excess amounts from the Escrow Account as applicable.

(g) In case of an upward revision in the Price Band announced as above, Existing Retail Shareholders, Eligible Employees and Retail Individual Bidders who had bid at Cut-off Price and in the event that the Bidder wants to continue to bid at Cut-off Price, with the Syndicate Member to whom the original Bid was submitted, such Bidder can revise their Bid such that the total amount i.e. original Bid Amount plus additional payment does not exceed the amounts prescribed in this Prospectus. If, inthe case the total Bid amount of Existing Retail Shareholders and Retail Individual Bidders (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h In case of a downward revision in the Price Band, announced as above, Eligible employees, Existing Retail Shareholders and Retail Individual Bidders who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 100 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 454,545 Equity Shares, full allocation shall be made to Mutual Funds, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

Multiple Bids

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. The Bank, the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, members of the Syndicate or the Registrar to the Issue.

2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White form with orange stripe).

Application by FIIs

As per the (Foreign Institutional Investors) Regulations, 1995 and the Guidelines made thereundercurrent regulations, the following restrictions are applicable for investments by FIIs:

As per applicable SEBI guidelines, the issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e., 10% of 70,405,192 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital, in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Bank cannot exceed 24% of the total issued capital of the Bank. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 49%. Further, an investor looking to subscribe to more than 5.0% of the paid up capital of the Bank through this issue shall not be allotted such Equity shares unless an acknowledgement from RBI is obtained for the same.

As per the current SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33% of the corpus of the venture capital fund/ foreign venture capital investor.

Escrow Mechanism

We shall open Escrow Account with the Escrow Collection Bank in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the Bid Amount (as applicable to the Payment Method opted by the Bidder) from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Bank will act in terms of the Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank for and on behalf of the Bidders. The Escrow Collection Bank shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the section titled "Issue Procedure - Payment Instructions" beginning on 189) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank, which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Bank with the Banker to the Issue. The balance amount after transfer to the Issue Account of the Bank shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Bank shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Eligible Employees Existing Retail Shareholders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 187. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding/Issue Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
- Investor category – individual, corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether payment is made upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Bank.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank or the BRLMs are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Bank, our Promoters, our management or any scheme or project of our Bank.

(h) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

Build up of the book and revision of Bids

(a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding Period/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof**.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

(i) While revising the Bid, the Bidder shall not change the Payment Method indicated originally.

Price discovery and Allocation

(a) After the Bid /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) We in consultation with the BRLMs , shall finalise the "Issue Price", and the number of Equity Shares to be allotted in to various categories, subject to applicable regulations.

(c) The allocation under the Existing Retail Shareholders Reservation Portion for up to 10% of the Issue and the allocation to Eligible Employees Reservation Portion up to 10% of the Issue would be on a proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue respectively, and the allocation to QIBs for up to 50% of the Net Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines, subject to the foreign shareholding limits and other ownership restrictions applicable to us and this Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Bank in consultation with the BRLMs . However, if the aggregate demand by Mutual Funds is less than 454,545 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs, and the Designated Stock Exchange.

(e) The BRLMs , in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.

(g) We reserve the right to cancel the Issue any time after the Bid /Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid /Issue Closing Date.

Signing of Underwriting Agreement and ROC Filing

(a) We, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Bank after the filing of the Prospectus with the ROC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs, or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Eligible Employees Existing Retail

Shareholders, Retail and Non-Institutional Bidders. However, Bidders should note that the Bank shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.

(b) The BRLMs, or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) The Bank will ensure that the Allotment of Equity Shares is done within 15 days of the Bid /Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, the Bank would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, Equity Shares will be issued and allotted only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply.

b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue, white and pink) as the case may be.

c) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only.

d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.

e) Ensure that you have been given a TRS for all your Bid options.

f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

g) Where Bid(s) is/are for Rs. 50,000 or more, you or in the case of a Bid in joint names, each of the Bidders, should mention your/his/her Permanent Account Number (PAN) allotted under the IT Act. The copy of the PAN card or PAN allotment letter should be submitted with the application form.

h) If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size.

(b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band.

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.

(d) Do not pay the Bid amount in cash.

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.

(f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders).

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

(h) Do not submit Bid accompanied with Stockinvest.

(i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white, blue, white and pink, as the case may be).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 100 Equity Shares. Bids cannot be made for more than the Net Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Existing Retail Shareholders

For the sake of clarity, the term "Existing Retail Shareholders" shall mean the natural persons, who are holders of Equity Shares of the Bank as of January 20, 2006 and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of closing price of the Equity Shares in the NSE on the same day.

1. Bids by Existing Retail Shareholders shall be made only in the prescribed pre-printed Bid cum Application Form or Revision Form.
2. Existing Retail Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid cum Application Form.
3. The sole/First Bidder should be an Existing Retail Shareholder. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Only Existing Retail Shareholders of the Bank as on January 20, 2006 would be eligible to apply in this Issue under reservation for Existing Retail Shareholders on a competitive basis.
5. Existing Retail Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Retail Shareholders Reservation Portion.
6. The maximum Bid in this category can be for Rs. 100,000.
7. If the aggregate demand in this category is less than or equal to 2,272,727 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Retail Shareholders to the extent of their demand.
8. If the aggregate demand in this category is greater than 2,272,727 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Statutory and other Information - Basis of Allocation" on page 197.
9. Bidding at Cut-off Price is allowed only for Existing Retail Shareholders whose Bid Amount is less than or equal to Rs. 100,000.

Bids by Eligible Employees

For the sake of clarity, the term "Eligible Employees" shall mean all or any of the following:

- a permanent employee of the Bank working in India as on January 20, 2006
- a director of the Bank, whether a whole time director, part time director or otherwise as on January 20, 2006

1. Bids by Eligible Employees shall be made only in the prescribed pre-printed Bid cum Application Form or Revision Form.
2. Eligible Employees should mention their Employee number at the relevant place in the Bid cum Application Form.
3. The sole/First Bidder should be an Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Only Employees of the Bank as on January 20, 2006 would be eligible to apply in this Issue under reservation for Employees on a competitive basis.
5. Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Employees Reservation Portion.
6. If the aggregate demand in this category is less than or equal to 2,272,727 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Retail Shareholders to the extent of their demand.
7. If the aggregate demand in this category is greater than 2,272,727 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Statutory and other Information - Basis of Allocation" on page 208.

Bidder's bank details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs, nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/allocation advices and printing of bank particulars on the refund orders.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by NRIs on Non-Repatriation Basis

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLMs whose addresses are printed on the cover page of this Prospectus..
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Non-Residents, NRIs and FIIs SEBI, FVCIs registered with the SEBI, Multilateral and Bilateral Development Financial Institutions on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue form), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Existing Retail Shareholders Portion and Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 100 thereafter that the Bid Amount exceeds Rs. 100,000. For further details please see section titled "Issue Procedure - Maximum and Minimum Bid Size" beginning on page 189.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the government of India, OCBs cannot participate in this Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of resident QIB Bidders: "Escrow Account-South Indian Bank Public Issue– Resident QIB"

(b) In case of non resident QIB Bidders: "Escrow Account-South Indian Bank Public Issue– NR QIB"

(c) In case of Resident Bidders: "Escrow Account-South Indian Bank Public Issue– Resident "

(d) In case of Non-Resident Bidders: "Escrow Account-South Indian Bank Public Issue– NR"

(e) In case of Existing Retail Shareholders: "Escrow Account-South Indian Bank Public Issue– Shareholders"

(f) In case of Eligible Employees "Escrow Account-South Indian Bank Public Issue– Employees"

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) On the Designated Date and not later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/moneyorders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and the Revision Form. However, for QIB Bidders the Syndicate Members shall collect the margin amount.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

Bids made by Existing Retail Shareholders both under Existing Retail Shareholders Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Bank reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

Where Bid(s) is/ are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/ First Bidder and joint Bidder(s) is/ are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/ First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.

Unique Identification Number - MAPIN

Through its circular MAPIN/Cir-13/2005, with effect from July 1, 2005, SEBI has suspended all fresh registrations for obtaining a Unique Identification Number (UIN) and the requirement to quote or provide a UIN under the SEBI MAPIN Regulation.

Right to reject Bids

In case of QIB Bidders, the Bank, in consultation with the BRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of Existing Retail Shareholder Bidders, Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for technical rejections

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by minors;
5. PAN photocopy / PAN Communication/ Form 60 or 61declaration along with documentary evidence in support of address given in the declaration not stated if Bid is for Rs. 50,000 or more and GIR number furnished instead of PAN;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;

10. Bids for number of Equity Shares, which are not in multiples of 10;
11. Category not ticked;
12. Multiple Bids as defined in this Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by stockinvest/money order/postal order/cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid cum Application Form does not have the stamp of the BRLMs, or the Syndicate Members;
17. Bid cum Application Form does not have the Bidder's depository account details;
18. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, Bid /Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid cum Application Form;
19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
20. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 189.
21. Bids by OCBs;
22. Bids by U.S. persons;
23. Bids under Existing Retail Shareholders Reservation Portion for the amounts greater than Rs. 100,000.
24. Bids not accompanied by the applicable margin amount.
25. Bids by persons who are not eligible to acquire Equity Shares of the Bank in terms of all applicable laws, rules, regulations guidelines and approvals

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Bank, the respective Depositories and Karvy Computershare Private Limited

a) an agreement dated June 24, 2005 between NSDL, us and Karvy Computershare Private Limited

b) an agreement dated June 7, 2005 between CDSL, us and Karvy Computershare Private Limited

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. A S Narayanan, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

The South Indian Bank Ltd., S I B House, Mission Quarters, T B Road, Thrissur 680001
91 0487 2429333
91 0487 2424760 : e-mail: trc_sibshare@sancharnet.in

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid /Issue Closing Date would be ensured; and
- we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allocation

The Basis of Allocation shall be subject to the following:

- Our ensuring that the shareholding of FIIs in aggregate does not exceed 49% or such percentage of the total issued share capital as may be prescribed and individual shareholding of each FII does not exceed 10% or such percentage of the total issued share capital as may be prescribed and the total foreign shareholding does not exceed 74% or such percentage as may be prescribed of the total issued share capital; and
- Our ensuring that the shareholding of Non Resident Indians does not exceed in aggregate 10% or such percentage as may be prescribed of our total issued share capital and individual shareholding of each Non Resident Indian does not exceed 5% or such percentage as may be prescribed of our total issued share capital;
- The shareholding of any Person, whether direct or indirect, beneficial or otherwise (together with the existing shareholding) and/ or the shareholding of any "Associated Enterprise" (as defined under Section 92A of the Income-tax Act, 1961) should not exceed 5% of our total issued share capital post this Issue or such percentage prescribed under the RBI circular dated February 3, 2004 without having obtained the acknowledgement from RBI for the same in terms of the RBI circular dated February 3, 2004;
- In the event, that the allocation on a proportionate basis results in breaching of applicable sectoral or person specific caps, as above, or the aggregate shareholding of any person after the allotment exceeding 5% of such total issued share capital or such percentage as prescribed by the Reserve Bank of India, without such person having obtained the acknowledgment of the Reserve Bank of India in terms of the Reserve Bank of India's circular dated February 3, 2004, then that category of persons or such specific persons shall receive such lower proportion of the allocation so as to comply with applicable regulations. Such additional Equity Shares would be allocated to the remaining bidders in the category to which the Bidder belonged for further allocation on a proportionate basis.

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,363,636 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 6,363,636 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.
- In the event, that the allocation to Retail Individual Bidders on a proportionate basis results in us breaching applicable sectoral caps, Non Resident Indians shall receive such lower proportion of the allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining Retail Individual Bidders on a proportionate basis.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,727,273 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,727,273 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.
- In the event, allocation to Non Institutional Bidders on a proportionate basis results in us breaching applicable sectoral caps, Non Resident Indians shall receive such lower proportion of the allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining Non Institutional Bidders on a proportionate basis.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Fund Portion. After completing proportionate allocation to Mutual Funds for an amount of upto 454,545 Equity Shares (the Mutual Fund Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Fund Portion). For the method of allocation in the QIB Portion please see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the aggregate demand by Mutual Funds is less than 454,545 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 9,090,909 Equity Shares.
- Subject to the applicable limits on shareholding of various categories of shareholders, allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

   (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

   (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

   (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis;

   (iv) In the event, allocation to remaining QIB Bidders on a proportionate basis results in us breaching applicable sectoral caps, FIIs shall receive such lower proportion of the allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining QIB Bidders on a proportionate basis.

- Except for any Equity Share allocated to QIB Bidders due to undersubscription in the Retail Portion and/ or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 9,090,909 Equity Shares and in multiples of 100 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Existing Retail Shareholders

- Bids received from the Existing Retail Shareholders at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Existing Retail Shareholders who Bid successfully will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 2,272,727 Equity Shares at or above the Issue Price, full Allotment shall be made to the Existing Retail Shareholders to the extent of their demand.
- If the aggregate demand in this portion is greater than 2,272,727 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of allocation, please refer below.

E. For Eligible Employees

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Eligible Employees who Bid successfully will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 2,272,727 Equity Shares at or above the Issue Price, full Allotment shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this portion is greater than 2,272,727 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of allocation, please refer below.

Method of Proportionate basis of allocation in the Issue

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 100 Equity Shares per Bidder, the allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of 100 Equity Shares.

If the proportionate allotment to a Bidder is a number that is more than 100 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	100 million Equity Shares
2	Allocation to QIB (50% of the Net Issue)	50 million Equity Shares
	Of which:	
	a. Reservation for Mutual Funds, (5%)	2.5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.5 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 million Equity Shares

B. Details of QIB Bids

S. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	**250**

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0
A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.5	3.74	4.24
MF2	20	0.5	3.74	4.24
MF3	40	1	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	0.87	2.12
	250	2.5	47.5	21.2

Please note:

1. The illustration presumes compliance with the requirements specified in this Prospectus in the section titled "Issue Structure" beginning on page 187.
2. Out of 50 million Equity Shares allocated to QIBs, 2.5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million shares in the QIB Portion.
3. The balance 47.5 million Equity Shares (i.e. 50-2.5 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 Equity Shares (including 5 Mutual Fund applicants who applied for 100 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under :
   - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 47.5/ 247.5
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., olumn III of the table above)] X 47.5/247.5
   - The numerator and denominator for arriving at allocation of 47.5 million Equity Shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

LETTERS OF ALLOTMENT OR REFUND ORDERS

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid Closing Date/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid /Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

Undertaking by our Bank

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA.

While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the private banking sector is permitted up to 74% under the automatic route.

By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity shares to be issued is not less than the price at which Equity shares are issued to residents. Pursuant to proviso to Clause 4 in Schedule 2 of FEMA (Transfer or Issue of Securities to Persons Resident Outside India) Regulations, 2000 the aggregate foreign institutional investor‘s/ FII's holding in a private sector bank cannot exceed 24% of the total issued capital. However, with the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding in a private sector bank can go up to 49%. Pursuant to the same the shareholders of the Bank at the Annual General Meeting dated September 23, 2005 resolved that the holding of FII in the Bank be increased upto 49% of the total paid up capital of the Bank.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

SHARES		
4.	Subject to the provisions of the Act and the guidelines of SEBI, the Bank may, from time to time, issue shares, securities and hybrids of various kinds including employee stock options, shares with differential rights, preference shares, either by issue of an information memorandum or shelf prospectus or otherwise as may be thought fit by the Board of Directors of the Bank from time to time.	*Issue of various kinds of shares and securities*
5.	deleted.	
6.	Subject to the provision, if any, in that behalf in the Memorandum of Association of the Company and without prejudice to any special rights previously conferred, on the holders of existing shares in the Company, any shares in the Company may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of share capital, or otherwise, as the Company may from time to time by special resolution determine, and any preference shares may with the sanction of a special resolution be issued on the terms that they are, or at the option of the Company, are liable to be redeemed.	*Issue of various kinds of shares*
7.	If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Section 66 A of the Indian Companies Act, as made applicable to Kochin State, be varied with the consent in writing of the holders of three fourths of the issued shares of that class or with the sanction of an extra-ordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these regulations relating to general meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of that class.	*Modification of Rights*
8.	Subject to the provisions of the last preceding clauses the shares shall be under the control of Directors, who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and, either at a premium, or at par, or subject to the provisions of the Indian Companies Act, at a discount, and at such times, as the Directors think fit and with full power to give to any person the call of any shares either at par or at a premium during such times and for such consideration as the Directors think fit.	*Allotment of shares*
9.	If, by the conditions of allotment of any shares, the whole or part of the amount or issue price thereof shall be payable by installments every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, shall be the registered holder of the share or his legal personal representatives.	*Instalments on shares to be duly paid*

10.	The Company may make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and the time of payment of such calls.	*Shares may be issued subject to different conditions as to calls, etc.*
11.	The Joint holders of a share shall be severally as well as jointly liable for payment of all instalments and calls due in respect of such shares.	*Liability of joint holders*
12.	Save as herein otherwise provided the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, and, accordingly, shall not, except as ordered by a Court of competent jurisdiction or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.	*Trusts not recognised*
13.	Where the shares are held by two or more persons jointly, the Directors may, in their sole discretion, on the joint request of such persons, provide on the certificates for the recognition by the Company of a transfer of the shares made by any one of them. Such transfers shall be as effectual as if executed by all of them and the person or persons not joining in the transfer shall be deemed for all purposes to have concurred in the transfer.	*Holding of shares*
14.	If two or more persons be registered as joint holders, the Directors may pay, if they think proper, any dividend, bonus or other money payable in respect of such share to any one or more of such persons, and the receipt of the payee shall be an effectual discharge for any money so paid, but all the joint holders of the share shall be severally as well as jointly liable for calls or other money payable in respect thereof and for all incidents thereof.	*Payment of dividends to joint holders*
15.	The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture stock of the Company, or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares, debentures or debenture stock of the Company, but so that if the commission in respect of shares shall be paid or payable out of the capital the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed five percent of the price at which shares are issued or five percent of the nominal value of the debentures or debenture stock in each case subscribed or to be subscribed. The commission may be paid or satisfied in cash or in shares, debentures or debenture stock of the Company.	*Commission for placing shares*
CERTIFICATE		
16.	deleted.	
17.	Every member holding shares or members jointly holding shares shall be entitled to one certificate each for every marketable lot and any remaining part thereof in respect of shares held in his or their names.	*Member's rights to certificates.*

18.	If a share certificate is defaced, lost or destroyed, it may be renewed on such terms, if any, as to evidence and indemnity, as the Directors think fit.	*New certificates in place of defaced, lost or destroyed*
19.	The certificate of shares registered in the name of two or more persons shall be delivered to the person first named on the register.	*Issue of certificates to joint holders*
CALLS		
20.	The Directors may from time to time make such calls upon the members in respect of all moneys unpaid on their shares, as they may from time to time determine provided that the option or right to call on shares shall not be exercised or given to any person except with the sanction of the Company in general meeting. No call shall be payable at less than one month from the date for payment of the previous call; and each member shall (subject to receiving atieast thirty days notice specifying the time or times of payment) pay to the Company at the time or times so specified the amounts called on his shares.	*Calls*
21.	A call shall be deemed to have been made at the time when the Directors pass a resolution making such call.	*Calls when made*
22.	If by the terms of issue of any shares or otherwise any amount is made payable at any fixed time or by installments at fixed times, whether on account of the shares or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or installments accordingly.	*Amount payable at fixed times or by installment payable as calls*
23.	If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holder for the time being of the share in respect of which the call shall have been made, or the installment shall due, shall pay interest for the same at the rate of twelve percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.	*Interest on calls*
24.	On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the register as the holder or one of the holders of the shares in respect of which such debt accrued; that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the member sued in pursuance of these presents, and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.	*Evidence in action for calls*
25.	The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him; and upon all or any of the moneys so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be agreed upon	*Payment of calls in advance*

	between the member paying the sum in advance and the Directors; And the Directors may at any time repay the amount so advanced upon giving to such member one month's notice in writing.	
26.	The Directors from time to time, at their discretion, may extend the time fixed for the payment of any call as to all or any of the shareholders, who, from residence at a distance or from other cause, the Directors may deem fairly entitled to such extension. But no shareholder shall be entitled to any such extension except as a matter of grace.	*Extension of time for payment of calls*
27.	Neither the receipt by the Company of a portion of any money which shall from time to time, be due from any member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.	*Granting of indulgence no bar enforcing forfeiture*
28.	Any money due from the Company to a shareholder may without the consent of such shareholder, be applied by the Company in or towards payment of any money due from him either alone, or jointly with any other person to the Company for calls or otherwise.	*Appropriation of payments*
FORFEITURE AND LIEN		
29.	If any member fails to pay any call or installment on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment remains unpaid, serve a notice on such member requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.	*Notice of non-payment of calls*
30.	The notice shall name a day (not being less than thirty days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event on non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable will be liable to be forfeited.	*Form of Notice*
31.	If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses due, in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares not actually paid before the forfeiture.	*Forfeiture on non-compliance of notice*
32.	Any share so forfeited shall be deemed to be the property of the Company and the Directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit.	*Forfeited shares property of the company*
33.	The Directors may, at any time, before any share so forfeited is sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit.	*Power to annul forfeiture*

34.	Any member, whose shares have been forfeited, shall notwithstanding such forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with interest thereon until payment at twelve percent per annum and the Directors may thereupon enforce the payment thereof, if they think fit but shall not be under any obligation to do so.	*Arrears after forfeiture*
35.	The forfeiture of the shares shall involve the extinction at the time of the forfeiture of all interest in and also of all claims and demands against the Company in respect of the share and all dividends and bonus due and payable in respect thereof and also all other rights incidental to the shares.	*Effect of forfeiture*
36.	Fully paid shares shall be free from all lien and that in the case of partly paid shares the Company's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares.	*Company's lien on shares*
37.	For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they think fit but no sale shall be made unless the debt for which the lien is to be enforced is presently payable and until notice in writing of the intention to sell shall have been served on such member, his heirs, executors or administrators and default shall have made- by him or them in the payment or discharge of such debts, liabilities or engagements for thirty days after such notice.	*Enforcing lien by sale*
38.	The net proceeds of any such sale shall be applied in or towards satisfaction of the said debts, liabilities or engagements and the residue (if any) paid to such member, his heirs, executors, administrators or assigns.	*Application of proceeds of sale*
39.	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money; and after his name has been entered in the register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy if any of any person aggrieved by the sale shall be in damages only and against the Company exclusively.	*Validity of sales*
40.	A duly verified declaration in writing that the declarant is a Director of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and that declaration, and the receipt of the Company for the consideration, if any, given for the share on the sale or disposition thereof, shall constitute a good title to the share, and the person to whom the share is sold or disposed, of shall be registered as the holder of the share.	*Evidence of forfeiture*

TRANSFER AND TRANSMISSION OF SHARES

41.	A common form or such form as may be prescribed by the relevant statutes / rules from time to time, may be used for transfer of shares. No transfer shall be registered unless a proper instrument of transfer duly signed by both the transferor and transferee and complete in all other respects has been delivered to the Company, the transferor continuing to remain the holder of such share until the name of the transferee is entered in the register in respect thereof.	*Execution of transfer, etc.*
42.	The Directors may decline to register any transfer of shares on which the Company has a lien in respect of shares which are not fully paid up. Registration of transfer shall not be 'refused on the ground of transferor being either alone or jointly with any other person or persons is / are indebted to the Company.	*In what cases the Directors may decline to transfer shares*
43.	The transfer of shares which results in acquisition of shares by a person / group which would take his / its holding to a level of 5% or more of the paid up capital of the Bank (or such other percentage as may be prescribed by the Reserve Bank of India from time to time) shall be registered only after the prior approval of the Reserve Bank of India. No person / group shall acquire shares which would take his / its holding to a level of 5% or more of the paid up capital of the Bank (or such other percentage as may be prescribed by the Reserve Bank of India from time to time) without obtaining the prior approval of the Reserve Bank of India.	*Approval of the Reserve Bank of India for certain cases of transfer*
44.	No transfer shall be made to a minor or a person of unsound mind.	*No transfer to minor or Lunatic*
45.	If the Directors refuse to register a transfer of any share they shall within one month after the date on which the transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal.	*Notice of refusal to transfer*
46.	Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer which the Directors register shall be retained by the Company but any instrument of transfer which they decline to register shall, on demand, be returned to the person depositing the same.	*Transfer to be left at office and evidence of title given*
47.	Deleted.	
48.	The transfer books and register of members may be closed during such time as the Directors think fit and not exceeding on the whole forty five days in a year and thirty days at a time.	*Register may be closed*
49.	The executors or administrators of a deceased member (not being one of several joint holders) shall subject to these regulations be recognised by the Company, as having title to the shares registered in the name of such member and in the case of death of any one or more of the joint holders of any registered shares, the survivors shall be the only persons	*Transmission of registered shares*

	recognised by the Company as having any title to or interest in such shares, provided that if the member should have been, a member of a joint Hindu family, the Directors on being satisfied to that effect and on being satisfied that the shares standing in his name in fact belonged to the joint family may recognise the survivors or the karta thereof as having title to the shares registered in the name of such member and provided further that in any case it shall be lawful for the Directors in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnity or otherwise as to the Directors may seem just. But the proviso shall in no way be deemed to modify or nullify the provisions contained in clauses 12 and 36 hereof.	
50.	Any person becoming entitled to shares in consequence of death or bankruptcy of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this clause in respect of his title as the Directors think sufficient may, with the consent of the Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares or may subject to the Regulations as to transfer hereinbefore contained transfer such shares. This clause is hereinafter referred to as the "transmission clause".	*Transmission clause*
51.	The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.	*Director's right to refuse registration*
52.	A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not before being registered as a member in respect of the share be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the; Company.	
INCREASE AND REDUCTION OF CAPITAL		
53.	The Company in general meeting may by an ordinary resolution from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient.	*Power to increase capital*
54.	Such new shares may be issued by the Directors upon such terms and conditions and with such rights and privileges annexed thereto, as the general meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Directors shall determine, and in particular such shares may be issued with preferential or qualified rights to dividends, and in the distribution of the assets of the Company.	*On what conditions new shares may be issued as to preference etc.*
55.	All new shares shall be offered in the first instance, either at par or at a premium, to all the then holders of all classes of shares in proportion to the existing shares held by them. The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, shall be deemed to be declined; and after the	*Allotment of new shares*

	expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of the same in such manner as they think most beneficial to the Company.	
56.	Except so far as is otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender or otherwise.	*How far the shares to rank with the shares in original capital*
57.	The Company may, by ordinary resolution -	
(a)	consolidate and divide its share capital into shares of larger amount than its existing shares;	*Consolidation and subdivision of shares*
(b)	by sub-division of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provision of paragraph (d) of sub section (i) of Section 50 of the Indian Companies Act;	
(c)	cancel any shares which, at the date of passing of the resolution have not been taken or agreed to be taken by any person.	
58.	The Company may, by special resolution, reduce its share capital in any manner and subject to any incident authorised and consent required by Law.	*Reduction of capital*
59.	The resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise, over or as compared with the other or others.	*Creation of special rights in subdivision of shares*
BORROWING POWER		
60.	The Directors may from time to time raise or borrow any sum of money or make any arrangement for finance for the purpose of the Company. The Directors may raise or secure the payment of such sum or sums or make the financial arrangement in such manner and upon such terms and conditions in all respects as they think fit and in particular by making, drawing, accepting or endorsing on behalf of the Company any promissory notes or bills of exchange or by issuing bonds, perpetual or redeemable debentures or debenture stock or any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) but so that no charge shall be created upon any unpaid capital of the Company. The Directors of the Company are hereby authorised to borrow monies, as and when required, in excess, if necessary, of the limitations placed or intended to be placed by Section 293(1)(d) of the Companies Act, 1956	*Power to Borrow*

61.	Such debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.	*Securities may be assignable free from equities*
62.	Any debentures, debenture stock, bonds or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meeting of the Company, appointment of Directors and otherwise.	*Issue at discount etc. or with special rights*
63.	The Directors shall cause a proper register to be kept in accordance with Section 123 of the Indian Companies Act of 1913 of all mortgages and charges specifically affecting the property of the Company.	*Register of mortgage, etc.*
64.	The sum of rupees one shall be payable by any person not being the creditor or member of the Company for each inspection of the Register of Mortgages and charges.	*Fees for inspection of register of mortgages and charges*
65.	If the Directors or any of them, or any other persons shall be personally liable for the payment, of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability,	*Indemnity may be given*
GENERAL MEETINGS		
66.	A general meeting of the Company shall be held once atleast in every calendar year at such time (not being more than fifteen months after the holding of the last preceding general meeting) and place as may be prescribed by the Company in general meeting and if no time or place is prescribed, at such time and place as may be determined by the Directors.	*Ordinary General Meeting*
67.	The general meetings referred to in the last preceding clause shall be called ordinary meetings. All other meetings of the Company shall be called extra ordinary meetings.	*Distinction between ordinary & extra-ordinary meeting*
68.	The Directors may, whenever they think fit, convene an extra-ordinary general meeting and they shall, on the requisition of the holders of shares representing not less than one-tenth of the issued share capital of the Company upon which all calls or other sums then due have been paid, or upon the requisition of not less than 20 members who among themselves hold shares of not less than one-twentieth of the issued share capital upon which all calls or other sums then due have been paid forthwith proceed to convene an extra-ordinary general meeting of the Company. In the case of such requisition, the following provisions shall have effect:	*Requisition for extra-ordinary meeting*
(a)	The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office and may consist of several documents in like form each signed by one or more of the requisitionists.	

(b)	If the Directors do not, within twenty one days from the date of the requisition being so deposited, proceed to convene a meeting, the requisitionists or a majority of them in regard to the paid up capital may themselves convene the meeting, but in either case any meeting so convened shall not be held after three months from the date of such deposit.	
(c)	In the case of a meeting at which a resolution is to be proposed as a special resolution, the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by Section 81 of the Indian Companies Act 1913.	
(d)	Any meeting convened under this clause by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.	
(e)	A requisition by joint holders of shares must be signed by all such holders.	
(f)	Any reasonable expenses incurred by the requisitionists by reason of the failure of the Directors duly to convene a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be retained by the Company out of any sum due or to become due from, the Company by way of fees or other remuneration for their services to such of the Directors as were in default.	
69.	Where it is proposed to pass a special resolution not less than twenty-one clear days notice and in other cases not less than fourteen clear days' 'notice specifying the place, day and hour of the meeting and in case of special business, the general nature of such business shall be given to the members in the manner hereinafter provided.	*Notice*
70.	The accidental omission to give notice of any meeting to or the non-receipt of any such notice by any of the members shall not invalidate any resolution passed at any such meeting.	*As to omission to give notice*
PROCEEDINGS AT GENERAL MEETINGS		
71.	The business of any ordinary meeting shall be to receive and consider the profit and loss account, the balance sheet and the reports of the Directors and Auditors, to elect Directors in the place of those retiring by rotation, and auditors, and to declare dividends and to transact any other business which under these presents ought to be transacted at an ordinary meeting.	*Business of ordinary meeting*
72.	All business transacted at an ordinary meeting, other than business which under these presents, ought to be transacted at an ordinary meeting, and all business transacted at an extra ordinary meeting, shall be deemed special.	*Special business*
73.	Twenty members personally present shall be a quorum to be for a general meeting and no business shall be transacted at any general meeting unless the quorum requisite be present at the commencement of the business.	*Quorum to be present when business commenced*

74.	If within one hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved, and in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and if at the adjourned meeting, a quorum is not present within one hour from the time appointed for the meeting, the members present shall be quorum.	*Quorum necessary at commencement of business*
75.	The Chairman of the Board of Directors shall preside over general meetings. If the Chairman is not present or is not willing to act as Chairman at the general body meeting, the Directors present shall choose one of their number to be Chairman of the meeting.	*Chairman of general meeting*
76.	Every question submitted to a meeting shall be decided in the first instance, by show of hands, and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes to which he may be entitled as a member.	*How questions to be decided at meetings, casting votes.*
77.	At any general meeting unless a poll is demanded by the Chairman or by at least 5 members present in person or by proxy and entitled to vote at the meeting or by any member or members holding shares representing not less than one-tenth of the issued capital which carries voting rights, a declaration by the Chairman that a resolution has been carried or carried by a particular majority, or lost or not carried by a particular majority, and an entry of that effect in the book of proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.	*What is to be evidence of the passing of a resolution where poll not demanded*
78.	If a poll is demanded as aforesaid it shall be taken in such manner and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll maybe withdrawn. In case of any dispute as to the admission or rejection of votes, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.	*Poll*
79.	The Chairman of the general meeting may, with the consent of the meeting, adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.	*Power to adjourn general meeting*
80.	The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. No poll shall be demanded on the election of a Chairman of a meeting, and a poll demanded on a question of adjournment shall be taken at a meeting without adjournment.	*Business may proceed not with-standing of poll-in what case poll taken without adjournment*

VOTES OF MEMBERS

81.	On a show of hands every member present in person shall have one vote and upon a poll, every member present in person or proxy shall exercise voting rights proportionate to the contribution made by the share holder to the paid up capital of the Company provided however no share holder shall exercise voting rights in excess of one percent of the total voting rights of all the share holders of the Company. The Directors may pass such bye-laws as may be necessary for the purpose of voting on poll based on such proportion.	*Votes (As per amendment as on 28.6.1996)*
82.	No member shall be entitled to be present or vote either personally or by proxy or as a proxy for another member or upon a poll, or be reckoned in a quorum at any general meeting or exercise any privilege as a member unless all calls or other money due and payable, in respect of any share of which he is the holder, have been paid.	*Disqualification to vote*
83.	Where there are joint registered holders of any share, any one of such persons may vote at any meeting personally in respect of such share as if he were solely entitled thereto. If more than one of such joint holders be present at any meeting the one whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Proxies by joint holders of any shares have to be executed by all the joint holders in respect of such shares.	*Vote by joint holders*
84.	Minors who have become members by transmission and persons of unsound mind having right to vote may vote through their guardians, recognised as such by the Board of Directors. Such recognition shall be final and shall not be questioned.	*Minors and Lunatics votes*
85.	No member not personally present shall be entitled to vote on a show of hands unless such member is a corporation present by a proxy or a Company present by a representative duly authorised under Section 80 of the Indian Companies Act, 1913 in which case such proxy or representative may vote on a show of hands as if he we're a member of the Company.	*No voting by proxy on show of hands*
86.	Votes may be give either personally or by proxy or in the case of a Company by a representative duly authorised as aforesaid.	*Proxies permitted*
87.	The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney. No person shall be appointed as a proxy who is not a member of the Company and qualified to vote save that, a Corporation being a member of the Company may appoint as its proxy any officer of such Corporation whether a member of the Company or not.	*Instrument appointing proxy to be in writing*
88.	The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the registered office of the Company not less than seventy two hours before the time for holding	*Deposit of proxy and power of attorney*

the meeting at which the person named in the instrument proposes to vote, and in default, the instrument of proxy shall not be treated as valid.

89. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal, or revocation of the proxy or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, revocation, or transfer shall have been received at the office or by the Chairman of the meeting before the vote is given. *When vote by proxy valid through authority revoked*

90. Every instrument of proxy whether for a specified meeting or otherwise shall as nearly as circumstances will admit, be in the form or to the effect following: *Form of proxy*

I..of..

being a member of **The South Indian Bank Limited**, hereby appoint ....of.. or failing

him .... of... as my proxy to vote for me and on my behalf at the ordinary or extra ordinary (as the case may be) general meeting of the Company to be held on the.. day of .... and at any adjournment thereof. As Witness whereof I have set my hand this .... day of .... in the presence of witnesses.

Witnesses:-1.

(Sd)

2.

DIRECTORS

91. Unless otherwise determined by a general meeting, the number of Directors shall not be more than ten and not less than seven. Not less than fifty one percent of the total number of Directors shall be persons who satisfy the conditions laid down in Section 10 A of the Banking Regulation Act, 1949. *Number of Directors (Amended on 16-9-1996 maximum 10 and minimum 7)*

92. The present Directors are: -

1.	Mr.	Ry. K.A. Davies. AvI, B.A., B.L	
2.	“	C A. Pyloth	“
3.	“	C.L. Palu	“
4.	“	T.R Kochu	“
5.	“	KJ. Varoo	“
6.	“	V.P. Cheru	“
7.	“	C. L. Mathew	“
8.	“	K.K. Francis	“
9.	“	C.A. Ouseph	“ B.A., B.L

93.	Directors need not hold any qualification shares.	
94.	Any casual vacancy occurring in the Board of Directors may be filled by the Directors but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.	*Filling up a casual vacancy*
95.	The Directors may receive out of the funds of the Company by way of remuneration for their services a sum voted by the General Meeting from time to time.	*Remuneration*
95A.	Notwithstanding anything contained in Article 95, the Directors of the Bank who attend meetings of the Board or any Committee thereof may be paid such sum of money by way of sitting fee for each such meeting as the Board may decide from time to time subject to the ceiling if any, prescribed under the Act. The directors are eligible for reimbursement of expenses incurred by them in connection with such meetings and other official duties.	
96.	The continuing Directors may act notwithstanding any vacancy in their body, but if the number of Directors falls below the minimum, no business may be transacted by them during such period except appointing a new Director or Directors.	*Vacancy in Board*
DISQUALIFICATION OF DIRECTORS		
97.	The office of a Director shall be vacated if, (a) Deleted. (b) he is found to be of unsound mind by a Court of competent jurisdiction; or (c) he is adjudged insolvent, or suspends payment or compounds with his creditors; or (d) he fails to pay to calls made on him in respect of shares held by him within six months from the date of such calls being made; or (e) Deleted. (f) he absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without leave of absence from the Board of Directors; or (g) he is concerned or participates in the profits of any contract with the Company in contravention of Section 86 F of the Indian Companies Act, 1913; or (h) by notice in writing to the Company he resigns office.	*Disqualification of Directors*
ROTATION OF DIRECTORS		
98.	The present Directors of the Company mentioned in Article 92 shall continue to hold office till fresh elections are held at the ordinary meeting held next after these articles are adopted.	*Present Director's when to retire*

99.	At the annual general meeting of the Company held after such ordinary meeting referred to in Article 98, not less than one third of such of the Directors for the time being as are liable to retire by rotation or if, their number is not three or multiple of three, the number nearest to one third shall retire from office provided that the whole-time Chairman shall not, while continuing to hold that office, be subject to retirement by rotation, but if he ceases to hold office of the Director he shall ipso facto and immediately cease to be Chairman. Directors shall be elected in place of retiring Directors.	*Rotation of Directors*
100.	The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.	*Which Directors to retire*
101.	A retiring Director shall be eligible for re-election.	*Retiring Director eligible for re-election*
102.	The Company at the general meeting at which a Director retires in manner aforesaid may fill up the vacated office by electing a person thereto.	*Meeting to fill up vacancies*
103.	If at any meeting, at which an election of Directors ought to take place, the places of the vacating Directors are not filled up, the meeting shall stand adjourned till the same day in the next week at the same time and place, and if at the adjourned meeting the places of vacating Directors are not filled up, the vacating Directors or such of them as have not had their places filled up shall be deemed to have been re-elected at the adjourned meeting	*Retiring Directors to remain in office till successors appointed*
104.	Subject to the provisions of Sections 83 A and 83 B of the Indian Companies Act, 1913, the Company may from time to time in general meeting increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.	*Power for General Meeting to increase or reduce the number of Directors*
105.	The Company may by extra-ordinary resolution remove any Director whose period of office is liable to determination at any time by retirement of Directors in rotation before the expiration of the period of his office and may by ordinary resolution appoint another Director in his stead and the person so appointed shall be subject to retirement at the same time, as if he had become a Director on the date on which the Director in whose place he is appointed was last elected a Director. A Director so removed shall not be reappointed a Director by the Board of Directors.	*Power to remove Directors by extra-ordinary resolution*
106.	The Directors shall comply with the provisions of Section 87 of the Indian Companies Act, 1913 in regard to keeping a register of Directors or Managers.	*Register of Director*

PROCEEDINGS OF DIRECTORS

107.	The Directors may meet together for the despatch of business adjourn and otherwise regulate their meetings and proceedings, as they may think fit.	*Meeting of Directors*
108.	The quorum for the meeting of the Board of Directors shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or five Directors whichever is higher.	*Quorum*
109.	The Chairman may at any time and he shall, upon the request of two Directors, convene a meeting of the Board of Directors.	*Meeting how called*
110.	Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes the Chairman shall have a second or casting vote.	*Questions how decided*
111.	The Directors may appoint one from among themselves as Chairman of the Board of Directors. The Chairman shall preside at every meeting of the Board. If there be no Chairman or if he is not present on the commencement of the meeting, the Directors present shall choose one of their number to be Chairman of the meeting.	*Chairman and Deputy Chairman*
112.	A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, and powers, vested in or exercisable by the Directors generally.	*Power of quorum*
113.	The Directors may delegate any of their powers to the Chairman or to Committees consisting of such number of members of their body as they think fit, and may from time to time revoke such delegation. Any Committee so formed shall in the exercise of the powers so delegated, - conform to any regulations that may from time to time be imposed upon it by the Directors. The meetings and proceedings of any such Committee for which the quorum shall be two shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under this clause,	*Power to appoint committee and to delegate proceedings of committee*
114.	A resolution in writing signed by a majority of not less than three fourths of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. Such, resolution shall be placed for being recorded at the next succeeding meeting of the Board.	*Resolution without Board Meeting valid*

MINUTES

115. The Directors shall cause minutes to be duly entered in the books provided for the purpose: - *Minutes to be made*

(a) of all appointments of officers;

(b) of all the names of the Directors present at each meeting of the Directors and of any Committee of Directors;

(c) of all orders made by the Directors and Committees of Directors;

(d) of all resolutions and proceedings of genera meetings and of meetings of the Directors and Committees. And any such minutes of any meeting of the Directors or of Committees or of the Company if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting shall be receivable as prima facie evidence of the matters stated in such minutes, The books containing the minutes of genera meetings shall be kept at the office, and shall be open to inspection of members between the hours of 2 and 3 p.m. on business days.

THE SEAL

116. The Board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the Seal for the time being and the seal shall never be used except by the authority of the Board or a Committee of the Board previously given. *Seal*

117. Every Deed or other instrument to which the Seal of the Company is required to be affixed shall, unless the same is executed by a duly constituted attorney for the Company or unless the Board shall otherwise determine, be signed by any two Directors. *Deeds how executed*

POWERS AND DUTIES OF DIRECTORS

118. The business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company, and may exercise all such powers of the Company as are not, by the Indian Companies Act, 1913 or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to any regulation of these articles or to the provisions of the said Act, and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made.

119. Without prejudice to the general powers conferred by the last preceding clause, and the other powers conferred by these presents, it is hereby expressly declared that the Directors shall have the following powers, that is to say, power: *Specific powers given to Directors*

(i)	To purchase or otherwise acquire for the Company and / or to sell any property, rights, or privileges which the Company is authorised to acquire at such price, and generally on such terms and conditions, as they think fit.	*To acquire property*
(ii)	At their discretion, to pay for any property, rights or privileges acquired by, or services rendered to the Company, either wholly or partly in cash or in shares, bonds, debentures or other Securities of the Company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon, and any such bonds, debentures, other securities may be either specifically charged upon all or any part of the property of the Company or not so charged.	*To pay for property in debentures, etc.*
(iii)	To secure the fulfillment of any contracts or engagements entered into by the Company by Mortgage or charge of all or any of the property of the Company for the time being or in such other manner as they may think fit.	*To secure contracts by mortgage*
(iv)	To authorise or empower the Chairman or other officers for the time being of the Company to exercise and perform all or any of the powers, authorities and duties conferred or imposed upon the Directors by the Memorandum or Articles of Association subject to such restrictions and conditions, if any, as the Board may think proper.	*To authorise manager*
(v)	From time to time to nominate and appoint and if necessary to remove or suspend as the Directors deem best for the management of the business of the Company, officers, clerks, engineers, workmen and all other employees of the Company and to fix the remuneration, salaries and wages to be paid by the Company to officers of the Company and other employees generally.	*To appoint and remove Chairman etc.*
(vi)	To raise or borrow money from time to time by bonds, debentures or promissory notes, or by opening current accounts or by reserving advances with or without security or by mortgaging any lands, buildings, machinery, goods or other property of the Company or by such other means as the Directors may deem expedient.	*To borrow money*
(vii)	To draw, accept, endorse, negotiate, buy and / or sell bills of exchange and other negotiable instruments with or without security.	*To draw bills of exchange etc.*
(viii)	To undertake on behalf of the Company the payment of all rent and the performance of all covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company.	*To pay rent*
(ix)	To insure or keep insured if deemed expedient all or any of the buildings, goods, stores or other property or any securities of the Company either separately or conjointly for such period and to such extent as the Directors may think proper and to sell, assign, surrender or discontinue any policies or assurance effected in pursuance of this power.	*To insure*

(x)	To purchase the reversion or reversions and otherwise to acquire the free-hold or fee simple of all or any of the lands of the Company for the time being held under lease or for an estate less than a free-hold estate by the Company.	*To purchase reversions in land*
(xi)	To accept from any member, on such terms and conditions as shall be agreed, a surrender of his shares or any part thereof.	*To accept surrender of shares*
(xii)	To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company, or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claims or demands by or against the Company.	*To bring and defend actions etc.*
(xiii)	To refer any claims or demands by or against the Company to arbitration and observe and perform the awards.	*To refer to arbitration*
(xiv)	To make and give receipts, releases and other discharges for money payable to the Company, and for the claims and demands of the Company.	*To give receipts*
(xv)	To authorise officers or other persons to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.	*To authorise acceptance etc.*
(xvi)	From time to time to provide for the management of the affairs of the Company in all its branches in such manner as the Directors think fit, and in particular appoint any persons to be the attorneys or agents of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.	*To appoint attorneys*
(xvii)	To appoint one or more qualified men as legal advisers whose duties shall be to give opinion on questions referred to them, and to give notices and to conduct and defend suits on behalf of the Bank and to do all that may be done by them in the interests of the Bank and in their capacity as such advisers.	*Duties of legal advisers*
(xviii)	The Directors may appoint any qualified person as legal advisers and remuneration may be fixed by the Directors. The Directors shall have also power to replace any legal adviser by another at any time they think fit.	*Appointment of legal advisers*
(xix)	To invest and deal with any of the moneys of the Company upon such shares and securities (not being shares in this Company) and in such manner as they may think fit, and from time to time to vary or realise such investments.	*To invest moneys*
(xx)	To execute in the name and on behalf of the Company in favour of any Director or other-person who may incur or be about to incur any personal liability for the benefit of the Company such mortgages of the Company's property as they think fit and any such mortgage may contain a power of sale and such other powers, covenants, and provisions as shall be agreed on.	*To give security by way of indemnity*

(xxi)	From time to time to make, vary, and repeal bye-laws for the regulation of the business of the Company, its officers and servants and provident fund and other funds.	*May make bye-laws*
(xxii)	To enter into all such negotiations and contracts, rescind and vary all such contracts, and execute and do all such acts, deeds, and things in the name and on behalf of the Company as the Directors may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company.	*May make contracts etc.*
(xxiii)	From time to time to decide and cause to be kept at any of its branches, a branch register of members or a copy of the register of its members and to make such regulations as they think fit respecting the keeping or discontinuance of such registers.	*Branch register*
(xxiv)	And generally to do, sanction and authorise all such matters and things as may be necessary to be done, authorised or sanctioned in or about the general business and affairs of the Company or in or about the execution of all or any of the powers hereinbefore conferred on the Directors.	*General powers*
120.	The Directors shall comply with the provisions of the Indian Companies Act, 1913 or other statutes relating to Joint Stock Companies and particularly the provisions of the Indian Companies Act relating to Banking Companies as also the provisions as to the registration and keeping of copies of mortgages and charges, keeping of the register of member and sending to the Registrar of Joint Stock Companies and annual list of members and summary notices as to the increase of capital, returns of allotments and contracts relating thereto, copies of special and extra-ordinary resolutions and other particulars connected with the above.	*Compliance with Statutes*
CHAIRMAN		
121-	The Directors of the Company shall elect or appoint a Chairman of its	
122.	Board of Directors who satisfies the conditions prescribed by Section 10 B of the Banking Regulation Act, 1949 for such period or periods not exceeding five years at a time. Subject to the superintendence, control and direction of the Board of Directors, the Chairman shall be entrusted with the management of the whole of the affairs of the Company and he shall be in the whole-time employment of the Company. The Chairman shall represent the Company in all suits and other legal proceedings and shall have power to engage advocates, solicitors and other agents for and behalf of the Company and shall sign all plaints, written statements and other documents and papers for and on behalf of the Company. The remuneration of the Chairman shall, subject to the provisions of law for the time being in force, be determined by the Company in general meeting.	*Directors to appoint a Chairman*

123. The Chairman may with the sanction of the Board of Directors previously obtained delegate from time to time such of the powers as are conferred on him by these articles or by the Directors, to such other officer or officers of the Company jointly or severally as he thinks fit. *Power to delegate powers*

124. Deleted. *Acting Managing Director*

CONTRACTS WITH DIRECTORS

125. No Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed by him at the meeting of the Directors at which the contract or arrangement, is determined on. If his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interest and that no Director shall as a Director vote in respect of any contract or arrangement in which he is so interested as aforesaid, nor shall his presence count for the purpose of forming a quorum at the time of any such vote and if he so does vote, his vote shall not be counted. A general notice that a Director is a member of any specified firm or Company, and is to be regarded as interested in any subsequent transaction with such firm or Company, shall be sufficient disclosure under this clause, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or Company.

LOCAL MANAGEMENT

126. The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality whether in India or abroad, in such manner as they think fit and the provisions contained in the three next following articles shall be without prejudice to the general powers conferred by this paragraph. *Local Management*

127. The Directors may from time to time and at any time establish any Local Boards or agencies for managing any of the affairs of the Company in any such specified locality, and may appoint any persons including any Directors to be members of such Local Board and may fix their qualification if any, or may appoint any managers or agents, and may fix their remuneration. And the Directors from time to time and at any time, may delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Directors, other than the powers of making calls, and may authorise the members for the time being of any such Local Board, or any of them, to fill up any vacancies therein and to act notwithstanding vacancies therein, and any such appointment or delegation may be made on such terms and subject to *Local Board*

	such conditions as the Directors may think fit, and the Directors may at any time remove any person so appointed, and may annul or vary any such delegation.	
128.	The Directors may at any time and from time to time by Power of Attorney under the Company's Seal appoint any person or persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these presents) and on such terms and subject to such conditions as the Directors may from time to time think fit; and any such appointment may (if the Directors think fit) be made in favour of the members or any of the members of the Local Board established as aforesaid or in favour of any company or of the members, Directors, nominees or managers of any company or firm or in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors; and any such power of attorney may contain such provisions for the protection or convenience of the persons dealing with such attorney or attorneys as the Directors may think fit.	*Powers of Attorney*
129.	Any such delegatees or attorneys as attorneys as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.	*Sub-Delegation*
DIVIDENDS		
130.	The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these presents, and subject to the provisions as to the reserve fund, may be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively at the date of the declaration of the dividend. Provided that where capital is paid on any shares in advance of calls upon the footing that the same shall carry interest, such capital not whilst carrying interest, confer a right to participate in the profits.	*Proportion of dividend. No Dividend on capital paid-up in advance and carrying interest*
131.	The Company in general meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors, but the Company in general meeting may declare smaller dividend.	*Declaration of dividends restriction on amount of dividends*
132.	No dividend shall be payable except out of the profits of the year or any other undistributed profits and no dividend shall carry interest as against the Company.	*Dividend to be paid out of profits*
133.	The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.	*What to be deemed net profits*
134.	The Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.	*Interim dividends*
135.	The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.	*Debts may be deducted*

136.	Any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.	*Effect of transfer*
137.	The Directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause entitled to become a member or which any person under that clause is entitled to transfer until such person shall become a member in respect thereof or shall duly transfer the same.	*Retention in certain cases*
138.	Any one of several persons who are registered as the joint holders of any share may give effectual receipt for all dividends and payments on account of dividends in respect of such share.	*Dividend to joint holders*
139.	Unless otherwise directed, any dividend may be paid by cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders, to the registered address of that one whose name-stands first on the register in respect of the joint holding, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.	*How to be paid payments by post*
140.	Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein.	*Notice of Dividend*
141.	Dividends remaining unpaid or unclaimed shall not be forfeited by the Board. The Company shall comply with all the provisions of the Act (in respect of unpaid or unclaimed dividend) which are in force from time to time	*Unclaimed Dividend*
ACCOUNTS		
142.	The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, of all sales and purchases of goods, and of the assets, credits and liabilities of the Company. The books of account shall be kept at the registered office of the Company or at such other place or places as the directors think fit, and shall at all times be open to inspection by the Directors.	*Accounts to be kept*
143.	The Directors shall from time to time determine whether and to what extend and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to inspection of members or Directors and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors or by the Company in general meeting.	*Inspection of members*
144.	The Directors shall cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are required by law for the time being in force.	
145.	Subject to the provisions of Section 29 of the Banking Regulation Act, 1949, a balance sheet shall be made out at least once in every year and laid before the Company in general meeting made up to a date not more	*Balance Sheet and Reports of Directors*

	than six months before such meeting. The balance sheet, shall be accompanied by a report of the Directors as to the state of the Company's affairs and the amount which they recommend to be paid by way of dividend and the amount (if any) which they propose to carry to the reserve funds, The profit and loss account and balance sheet shall be signed by at least three Directors and the Chairman.	
146.	A copy the balance sheet and report shall, at least, fourteen days previously to the meeting, be sent to the persons entitled to receive notices of general meetings in the manner in which notices are to be give hereunder.	*Sending of balance sheet etc.*
AUDIT		
147.	Auditors shall be appointed and their duties regulated in accordance with Sections 226 and 227 of the Companies Act. Before appointing, re-appointing or removing any auditor or auditors, previous approval of the Reserve Bank of India has to be obtained	
NOTICES		
148 (i)	A notice may be given by the Company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the giving of notices to him.	*Notice to be sent to registered address*
(ii)	Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting letter containing the notice and unless the contrary is proved, service thereof shall be deemed to have been effected at the time at which the letter would be delivered in the ordinary course of post.	*Proof of service of notice by post*
149.	If a member has no registered address in India and has not supplied to the Company an address within India for the giving of notice to him, a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the registered office of the Company shall be deemed to be duly given to him on the day on which the advertisement, appears.	*When notice by advertisement to be given*
150.	A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register in respect of the shares.	*Notice to joint holders*
151.	A notice may be given by the Company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title of representatives of the deceased or assignee of the insolvent or by any like description at the address (if any) in India supplied for the purpose by the person claiming to be so entitled or until such an address has been supplied by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.	*Notice to persons entitled to shares on death or insolvency*

152.	Notice of every general meeting shall be given in some manner hereinbefore authorised to every member of the Company in the register except those members who (having no registered address within India) have not supplied to the Company an address within India for the giving of notice to them, and also to every person entitled to a share in consequence of the death or insolvency of a member who, but for his death or insolvency, would be able entitled to receive notice of the meeting.	*To whom notice of general meetings to be given*
SECRECY CLAUSE		
153.	Every Director, Manager, Auditor, Trustee, Member of a Committee, Officer, agent, accountant, servant or other person employed in the business of the Company, shall before entering upon his duties sign and shall be deemed to have given a declaration pledging himself to observe strict secrecy respecting all transactions of the Company with the customers and the state of accounts with individuals, and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties, except when required so to do by the Directors or by any meeting, or by a court of law, or by the persons to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.	*Secrecy Clause*
WINDING UP		
154.	If the Company shall be wound up, and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such deficit shall be borne by the members in proportion to the paid-up capital or which ought to have been paid up at the commencement of the winding up on the share held by them respectively, and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital, at the commencement, of the winding up, paid up or which ought to have been paid up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of the shares issued upon special terms and conditions.	*Distribution of assets*
INDEMNITY		
155.	Subject to the provisions of Section 86C of the Indian Companies Act, 1913, every Director, Manager, Secretary, Trustee, Auditor and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay, all losses, costs, and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or any act or thing done by him as such officer or servant, or in any way in or about the discharge of his duties, including traveling expenses.	*Indemnity to directors and other officers*

156.	Subject to the provisions of Section 86'C of the Indian Companies Act, 1913, no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or Officer or for joining in any receipt or other act for the sake of conformity merely, or for any loss or expense happening to the Company through the insufficiency or deficiency in point of title to or value of any property acquired by order of the Directors for or on behalf of the Company, or mortgaged to the Company, or for insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person to or with whom any moneys, securities or effects of the Company shall be entrusted or deposited, or for any loss occasioned by any error of judgment, omission, default or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution or performance of the duties of his office or in relation thereto unless the same happen through his own dishonesty or gross negligence.	*Directors and other officers not responsible for act of others*
157.	In all legal proceedings in any court of law by or on behalf of the Company the Chairman, General Manager and other officers of the Company, who hold power of attorney to act on behalf of the Company, shall have the power to represent the Company and sign all pleadings and accept all processes unless otherwise determined by the Board of Directors.	*Local Actions*

MATERIAL CONTRACTS AND MATERIAL DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Bank.

Material Contracts

1. Letters of appointment dated October 24, 2005 to ICICI Securities Limited and Enam Financial Consultants Private Limited from our Bank appointing them as BRLMs to the Issue.
2. Memorandum of Understanding amongst our Bank and the BRLMs dated December 16, 2005.
3. Memorandum of Understanding executed by our Bank and the Registrar to the Issue dated December 15, 2005.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Bank, as amended from time to time.
2. Copy of the Certificate of Incorporation of the Bank dated January 25, 1929.
3. Shareholders' resolution dated September 23, 2005 in relation to this Issue and other related matters.
4. Copy of Resolution of the Board of Directors dated October 4, 2005 and minutes of meeting of the Committee of Directors dated 13th October, 2005 in relation to this Issue and other related matters.
5. General Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to this Prospectus and other related documents.
6. Consents of BRLMs, Registrar to the Issue, Banker to the Issue, Legal Advisor to the Issue, Auditors to the Bank, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
7. Copy of Report of Auditors dated December 13, 2005 prepared as per Indian GAAP and disclosed in this Prospectus.
8. In-principle listing approvals dated January 9, 2006, January 6, 2006 and December 22, 2005 from NSE, BSE and CSE respectively.
9. Copy of tripartite agreement dated June 24, 2005 between the Bank, Karvy Computershare Private Limited and National Securities Depository Limited.
10. Copy of tripartite agreement dated June 7, 2005 between the Bank, Karvy Computershare Private Limited and Central Depository Services (India) Limited.
11. Copy of Due diligence certificate dated December 16, 2005 to SEBI from the BRLMs.
12. Copy of SEBI observation letter no CFD/DIL/ISSUES/V/57391/2005, dated January 9, 2006 and our reply to the same dated January 16, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Bank, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Prospectus are true and fair.

SIGNED BY ALL DIRECTORS

V A Joseph

(Chairman & Chief Executive Officer)

Mohan Alapatt

G A Shenai

John Joseph

John P Chakola

A S Narayanamoorthy

Davy K Manavalan

C J Jose

Jose Alapatt

SIGNED BY

K S Krishnan

Chief Financial Officer

Date : February 24, 2006
Place : Thrissur