**Red Herring Prospectus**
*Dated June 20, 2005*
**100% Book Building Issue**

# SYNDICATE BANK


(Syndicate Bank was originally incorporated in 1925 as Canara Industrial & Banking Syndicate Limited with its Head Office in Udupi, Karnataka. It was renamed as Syndicate Bank Limited with effect from January 1, 1964, and the Head Office was shifted to Manipal, Karnataka on April 19, 1964.)
(Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on July 19, 1969)
Head Office: Manipal 576 104, Karnataka, India; Tel: (91 820) 257 1181; Fax: (91 820) 257 0266
Corporate Office: Gandhinagar, Bangalore 560 009, India; Tel: (91 80) 2228 3030; Fax: (91 80) 2226 6495
Contact Person: Sunil Y. Barve; Email: inrc@syndicatebank.net; Website: www.syndicatebank.com


**PUBLIC ISSUE OF 50,000,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION BY SYNDICATE BANK ("THE BANK" OR "ISSUER") (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF AT LEAST 45,000,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION FOR ELIGIBLE EMPLOYEES OF UP TO 5,000,000 EQUITY SHARES OF RS. 10 EACH, AT THE ISSUE PRICE. THE ISSUE WOULD CONSTITUTE 9.58% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE BANK.**

**PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE RS. 10.**

**THE PRICE BAND FOR THE ISSUE WILL BE DECIDED BY US IN CONSULTATION WITH THE BRLMS AND ADVERTISED AT LEAST ONE DAY PRIOR TO THE ISSUE OPENING DATE. IN RELATION TO THE PRICE BAND BIDDERS ARE ADVISED TO BE GUIDED BY THE MARKET PRICES OF OUR LISTED EQUITY SHARES IN THE SECONDARY MARKET.**

**THE FACE VALUE OF THE SHARES IS RS. 10 AND THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE.**

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 working 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 Stock Exchange, Mumbai, and The Bangalore Stock Exchange, by issuing a press release, and also by indicating the change on the websites of the BRLMs, the Bank and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process where up to 50% of the Net Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers ("QIBs"). Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall 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 5,000,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price and the maximum Bid in the Employee Reservation Portion is limited to 2,500 Equity Shares.

## RISK IN RELATION TO THE ISSUE

We are listed on the National Stock Exchange, the Stock Exchange, Mumbai and the Bangalore Stock Exchange. The Issue Price (as determined by Syndicate Bank 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 Syndicate Bank 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 RISK

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 Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page xii of this Red Herring Prospectus.

## ISSUER'S ABSOLUTE RESPONSIBILITY

The Bank having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring 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 Red Herring 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 Red Herring 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 Red Herring Prospectus are proposed to be listed on the National Stock Exchange, the Stock Exchange, Mumbai and the Bangalore Stock Exchange, where the existing Equity Shares of the Bank are listed. We have received in-principle approvals from the National Stock Exchange, the Stock Exchange, Mumbai and the Bangalore Stock Exchange for the listing of the Equity Shares pursuant to letters dated April 22, 2005, April 26, 2005 and April 28, 2005, respectively. The Designated Stock Exchange is the National Stock Exchange.

| BOOK RUNNING LEAD MANAGERS | | | | REGISTRAR TO THE ISSUE |
|---|---|---|---|---|
| **SBI CAPITAL MARKETS LIMITED**<br>202, Maker Tower 'E'<br>Cuffe Parade<br>Mumbai 400 005<br>Tel: 91 22 2218 9166<br>Fax: 91 22 2218 8332<br>Email:syndicate_fpo@sbicaps.com<br>Website: www.sbicaps.com | **ENAM FINANCIAL CONSULTANTS PVT. LTD.**<br>801/ 802, Dalamal Towers,<br>Nariman Point,<br>Mumbai 400 021, India<br>Tel. : (91 22) 5638 1800<br>Fax. : (91 22) 2284 6824<br>Email: syndicate_fpo@enam.com<br>Website: www.enam.com | **JM MORGAN STANLEY PRIVATE LIMITED**<br>141, Maker Chambers III<br>Nariman Point<br>Mumbai 400 021, India<br>Tel: (91 22) 5630 3030<br>Fax: (91 22) 5630 1694<br>Email: syndicatebank@jmmorganstanley.com<br>Website: www.jmmorganstanley.com | **SSKI CORPORATE FINANCE PRIVATE LIMITED**<br>701/2 Tulsiani Chambers<br>7th Floor, Nariman Point<br>Mumbai 400 021, India<br>Tel: (91 22) 5638 3333<br>Fax: (9122) 2204 0282<br>Email: syndicate_fpo@sski.co.in<br>Website: www.sski.co.in | **KARVY COMPUTERSHARE PRIVATE LIMITED**<br>Unit : Syndicate Bank FPO<br>Karvy House, 46 Avenue 4<br>Street No. 1, Banjara Hills<br>Hyderabad 500 034, India<br>Tel: (91 40) 2331 2454<br>Fax: (91 40) 2331 1968<br>Email: syndicatebank.fpo@karvy.com<br>Website: www.karvy.com |

## ISSUE PROGRAMME

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| **BID / ISSUE OPENS ON : THURSDAY, JULY 7, 2005** | **BID / ISSUE CLOSES ON : WEDNESDAY, JULY 13, 2005** |

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## DEFINITIONS AND ABBREVIATIONS

| Term | Description |
|---|---|
| The "Bank" or "our Bank" or "Syndicate Bank" or "we" or "our" or "us" | Unless the context otherwise requires, refers to Syndicate Bank, a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, having its Head Office at Manipal 576 104, Karnataka, India. |

***Bank/Industry Related Terms***

| Term | Description |
|---|---|
| Auditors | The statutory auditors of the Bank being M/s Sankaran & Krishnan, M/s Tej Raj & Pal, M/s V. K. Mehta & Co., M/s Sri Ramamurthy & Co., M/s Nandy Halder and Ganguli and M/s V. Soundararajan & Co., chartered accountants appointed by the RBI on various dates |
| Bank Acquisition Act | Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time |
| Bank Regulations | Syndicate Bank (Shares & Meetings) Regulations, 1998, as amended from time to time, which have been made by the Board of Directors in the exercise of powers conferred by Section 19 of the Bank Acquisition Act after consultation with the RBI and with previous sanction of the GoI |
| 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 |
| Constitutional Documents | The Bank Acquisition Act read with the Bank Regulations and the Nationalised Bank Scheme |
| Director(s) | Director(s) of Syndicate Bank, unless otherwise specified |
| Head Office/ Registered Office | The registered office of the Bank being Manipal 576 104, Karnataka, India. |
| Promoter | The President of India acting through the MoF, GoI |

***Issue Related Terms***

| Term | Description |
|---|---|
| Allotment | Unless, the context otherwise requires, the issue of Equity Shares pursuant to this Issue |
| Banker to the Issue | Syndicate Bank |
| 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 |

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| Bid Closing Date/Issue Closing Date | The date after which the Syndicate 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 Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language newspaper with wide circulation |
| Bid Opening Date/Issue Opening Date | The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language 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 Red Herring Prospectus |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of this Red Herring 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 |
| 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 SBI Capital Markets Limited, Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited and SSKI Corporate Finance 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 Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language 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 the Designated Stock Exchange, following which the Board shall allot Equity Shares to successful Bidders |
| Designated Stock Exchange | National Stock Exchange of India Limited |

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| Draft Red Herring Prospectus | The Draft Red Herring Prospectus filed with the SEBI on April 19, 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 Designated Stock Exchange up to the Bid Closing Date/ Issue Closing Date |
| Employee Reservation Portion | The portion of the Issue being a maximum of 5,000,000 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 |
| 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 | Syndicate Bank |
| 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 |
| IPO | Initial Public Offering |
| Issue | Public issue of 50,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million by the Bank comprising a Net Issue to the Public of at least 45,000,000 Equity Shares of Rs. 10 each and a reservation for Eligible Employees of up to 5,000,000 Equity Shares of Rs. 10 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 |

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| JMMS | JM Morgan Stanley Private Limited, a company incorporated under the Companies Act and having its registered office at 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India |
| 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 |
| 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 6,750,000 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. [●] and the maximum price (Cap Price) of Rs. [●], which shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date, in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language 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 |
| Promoter | The President of India acting through the MoF, GoI |
| Prospectus | The Prospectus, filed with the Designated Stock Exchange 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 |
| Qualified Institutional Buyers or QIBs | Public financial institutions as defined in Section 4A of the Companies Act, 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 22,500,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs |

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| Registrar/Registrar to the Issue | Registrar to the Issue, in this case being Karvy Computershare Private 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 15,750,000 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) |
| RHP or 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 Designated Stock Exchange at least three days before the Bid Opening Date and will become a Prospectus after filing with the Designated Stock Exchange after pricing and allocation |
| SARFAESI or Securitisation Act | The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 |
| SBI Caps | SBI Capital Markets Limited, a company incorporated under the Companies Act and having its registered office at 202, Maker Tower – E, Cuffe Parade, Mumbai 400 005, India |
| SSKI | SSKI Corporate Finance Private Limited, a company incorporated under the Companies Act and having its registered office at 701/2 Tulsiani Chambers, 7th Floor, Nariman Point, Mumbai 400 021, India |
| Stock Exchanges | BSE, NSE and BgSE |
| 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 | Enam Securities Private Limited, JM Morgan Stanley Retail Services Private Limited and SSKI Investor Services Private Limited |
| TRS or Transaction Registration Slip | The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid |
| UIN | Unique Identification Number |
| Underwriters | The BRLMs and the Syndicate Members |
| Underwriting Agreement | The agreement among the members of the Syndicate and the Bank to be entered into on or after the Pricing Date |

***Technical And Industry Terms***

| Term | Description |
|---|---|
| ALCO | Asset Liability Committee |
| ALM | Asset Liability Management |
| ARC | Asset Reconstruction Corporation |
| ATMs | Automated Teller Machines |
| C&IB | Corporate and Institutional Banking |
| CAIIB | Certified Associate of Indian Institute of Bankers |
| CAR | Capital Adequacy Ratio |
| CBS | Centralised/Core Banking Solutions |
| CDR | Corporate Debt Restructuring |
| CISA | Certified Information Systems Auditor |
| 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) |
| HR | Human Resources |
| IBA | Indian Banks Association |
| IT | Information Technology |
| KYC Norms | Know Your Customer norms as stipulated by the Reserve Bank of India |
| LC | Letter of Credit |
| LFAR | Long Form Audit Report |
| 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 |

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|---|---|
| SGL | Subsidiary General Ledger |
| SLBC | State Level Bankers' Committee |
| SLR | Statutory Liquidity Ratio |
| Spread | Spread represents the result of dividing net interest income by monthly average working funds (which are total assets) |
| Tier II Bonds | Unsecured subordinated bonds issued by Syndicate 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 |

***Conventional/General Terms***

| Term | Description |
|---|---|
| AS | Accounting Standards as issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BgSE | Bangalore Stock Exchange Limited |
| BPO | Business Process Outsourcing |
| BSE | The Stock Exchange, Mumbai |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| Companies Act | The Companies Act, 1956, as amended from time to time |
| CRISIL | Credit Rating Information Services of India 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 |
| DRT | Debt Recovery Tribunals |
| ECGC | Export Credit Guarantee Corporation of India Limited |
| EPS | Earnings Per Share |

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|---|---|
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder |
| FICCI | Federation of Indian Chambers of Commerce and Industry |
| 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 |
| 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 |
| MF/MFs | Mutual Funds |
| MoF | Ministry of Finance, Government of India |
| NABARD | National Bank for Agricultural and Rural Development |
| Nationalised Bank Scheme | The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under Section 9 of the Bank Acquisition Act |
| 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 of India Limited |

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|---|---|
| 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 |
| 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 |
| PSU | Public Sector Undertaking |
| 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 |
| RRB | Regional Rural Bank |
| 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, 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 |
| US GAAP | Generally accepted accounting principles in the United States of America |
| VRS | Voluntary Retirement Scheme |

## CERTAIN CONVENTIONS; USE OF MARKET DATA

The financial data in this Red Herring Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. We currently do not have any subsidiaries, hence there are no consolidated financial statements. The statistical and operational data in this Red Herring Prospectus is presented on an unconsolidated basis. 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 Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and US GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. For a summary of the significant differences between Indian GAAP and US GAAP, please refer to the section "Summary of Significant Differences between Indian GAAP and US GAAP" on page 167 of this Red Herring Prospectus. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "India" contained in this Red Herring Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America. All references to "GBP" are to United Kingdom Pound Sterling, the official currency of the United Kingdom.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus.

Unless stated otherwise, industry data used throughout this Red Herring 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 Red Herring Prospectus is reliable, it has not been independently verified.

# FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring 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;
- Our ability to successfully implement our strategy, growth and expansion plans and technological initiatives;
- Changes in Indian or international interest rates and their impact on our financial results;
- Performance of the agricultural, retail and industrial sectors in India;
- Rate of growth of our deposits, advances and investments;
- Changes in the value of the Rupee and other currencies;
- Potential mergers, acquisitions or restructurings;
- 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.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page xii of this Red Herring 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 Red Herring 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" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the other financial and statistical information contained in this Red Herring 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.

### Internal Risk Factors and Risks Relating to our Business

***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 fiscal 2005, net interest income represented 45.07% of our interest income and 39.18% of our total income. Volatility and changes in market interest rates could affect the interest we earn on our assets differently from 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. 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 with RBI. As of March 31, 2005, 40.27% of our net demand and time liabilities and 86.72% 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. Interest rates are sensitive to many factors beyond our control, including RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Any volatility in interest rates could adversely affect our business and financial performance. On April 29, 2005, the reverse repo rate (which is the rate at which commercial banks place funds with RBI) was raised from 4.75% to 5.00%. Our net interest income has been increasing due to our prudent asset and liability management. However, in a rising interest rate environment, especially if the rise were 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. Additionally, an increase in interest rates may adversely affect rate of growth of the retail and corporate sectors, which may adversely impact our business.

***We have substantial activity in agriculture and other priority sectors and our business could be adversely affected by market and other factors, which impact these sectors.***

The directed lending norms of RBI require that every bank should extend at least 40% of its net bank credit to certain eligible sectors, such as agriculture and small-scale industries, which are categorized as "priority sectors". As of the last reporting Friday of March 2005, priority sector credit constituted 46.32% of our net bank credit, and loans to agricultural and small-scale industry borrowers constituted 18.10% and 6.96%, respectively, of our net bank credit. As of the last reporting Friday of March 2005, the percentage of our priority sector gross non-performing assets to total priority sector advances was 7.06%. As of the last reporting Friday of March 2005, the percentage of our agricultural gross non-performing assets to total agricultural advances was 3.82% and the ratio of our small-scale industry gross non-performing assets to total small-scale industry advances was 16.27%, compared with our overall ratio of non-performing assets to total domestic advances of 5.86%. Although we believe that our agricultural loans are adequately collateralised, economic difficulties owing to various factors, such as uncertain monsoons or other weather conditions, natural calamities, reductions in price supports, changes in government policy, or other events and conditions may adversely impact these priority sectors and our business and level of our non-performing assets.

***We may be unable to sustain the growth rate of our retail banking business.***

We have achieved significant growth in our retail loan business in recent years. Between March 31, 2002 and March 31, 2005, our average volume of retail advances grew at a CAGR of 71.43%. As of March 31, 2005, retail loans represented 32.56% of our total outstanding domestic credit compared with 30.60% and 20.99% of our total outstanding domestic credit as of March 31, 2004 and March 31, 2003, respectively. Our present business strategy reflects continued focus on further growth in this sector. We intend to grow our income from fee-based services in this sector by offering new products and services and by cross-selling our offerings to our customers. While we anticipate continued demand in this area it may be difficult to sustain the same rate of growth on a continuous basis.

***We have concentrations 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.***

As of March 31, 2005, our total outstanding exposure was Rs. 307,126.28 million. Our total outstanding exposure includes outstanding funded exposure and non-funded exposure along with adjustments if any. Our gross total exposure to our 10 largest borrowers in the aggregate accounted for approximately 12.73% of gross total exposure as of March 31, 2005. Our exposure to our largest single borrower (non-food) as of March 31, 2005 accounted for approximately 1.49% of our gross total exposure and 17.10% of our capital funds. Our exposure to our largest borrower group as of March 31, 2005 accounted for approximately 1.56% of our total outstanding exposure and 17.93% of our capital funds. Credit losses on these large borrowers and group exposures could adversely affect our business and financial condition.

***If we are not able to reduce the level of non-performing assets, our business and financial condition may be adversely affected.***

Our gross non-performing assets were Rs. 15,899.20 million, representing 7.33% of our gross advances, as of March 31, 2004 and Rs. 14,327.80 million, representing 5.17% of our gross advances, as of March 31, 2005. Our net non-performing assets were Rs. 5,322.20 million as of March 31, 2004 representing 2.58% of our net advances and Rs. 4,258.90 million as of March 31, 2005, representing 1.59% of our net advances.

We have been able to reduce our net non-performing assets through recoveries, upgradation of non-performing assets to "performing" categories and additional provisioning. In the past we have sold a non-performing asset to Asset Reconstruction Company (India) Limited on an arms length basis, against receipts issued by them. We may sell other non-performing assets to Asset Reconstruction Company (India) Limited in the future. However, our ability to continue to reduce or contain the level of our gross and net non-performing assets may be affected by number of factors that are beyond our control, e.g., increased competition, a recession in the economy including specific industries to which we are exposed, decreases in agricultural production, declines in commodity and food grain prices, adverse fluctuations in interest and exchange rates, changes in Government policies, laws or regulations. In addition, the expansion of our business may also cause the level of our non-performing assets to increase.

***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 the collateral.***

We take collateral for a large proportion of our loans, including pledge / hypothecation of inventories, receivables and other current assets, and in some cases, charges on fixed assets and financial assets, such as marketable securities. As of March 31, 2005, 68.16% of advances were secured by tangible assets, such as properties, plant and machinery, inventory, receivables, other current assets. Foreclosure of such securities generally requires intervention of court or tribunal that may cause delay leading to deterioration in quality and value of such securities. Therefore, we may not be able to realize full value of securities in all cases. However, the implementation of Securitisation Act has strengthened the hands of the lenders/bankers in realizing the value of securities.

In addition, the RBI has set forth guidelines on Corporate Debt Restructuring (CDR). The guidelines envisage that for debt amounts of Rs. 200 million and above, lenders holding greater than 75% of such debt can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where we own 25% or less of the debt of a borrower, we could be forced to agree to a long-drawn restructuring of debt, in preference to foreclosure of security or a one-time settlement, which has generally been our practice. As on March 31, 2005, the total amount of loan assets under CDR was Rs. 608.30 million, out of which standard assets were Rs. 510.70 million, sub-standard assets were Rs. 39.80 million and doubtful assets were Rs. 57.80 million.

As a result of the foregoing factors, realisation of the full value of collateral securities may be affected.

***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 March 31, 2005, 88.84% of our funding consisted of deposits of which 37.05% consisted of demand deposits and savings deposits. As of March 31, 2005, 55.92% of our total funds comprised of term deposits. A portion of our assets have long-term maturities, creating a potential for funding mismatches. In our experience, a substantial portion of our customer deposits have been rolled over upon 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 deposited funds upon maturity, our liquidity position and business could be adversely affected. The average cost of our deposits was 4.58% for fiscal 2005. 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.

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

Approximately 48.25% of our total income in fiscal 2004 and 41.39% of our total income in fiscal 2005 was derived from our treasury operations. Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realize the same level of income from treasury operations as we have in the past. 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.

***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 caused by our increased use of the Internet. 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 dependence on technology. To address these issues and to minimise the risk of security breaches we employ security systems, including firewalls, and intrusion detection systems, conduct periodic penetration testing for identification and assessing of vulnerabilities and, use encryption technology for transmitting and storing critical data such as passwords. However, these 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.

***System failures and calamities could adversely impact our business.***

Our principal delivery channels include our branches and ATMs. We also have a stand-by system for our ATM switch. The disaster recovery site for our Centralised Banking Solutions (CBS) is located at Bangalore and a system of periodic intra-day replication of data on disaster recovery site has been put in place. For other computerised branches, we have implemented local offsite storage of back-up media. 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.

***Our contingent liabilities could adversely affect our financial condition.***

As of March 31, 2005, we had contingent liabilities not provided for amounting to Rs. 364,479.96 million. These included liabilities on account of claims against us not acknowledged as debts of Rs. 688.74 million, liability on account of outstanding forward exchange contracts of Rs. 307,275.32 million, guarantees given on behalf of constituents of Rs. 19,025.61 and acceptances, endorsements and other obligations of Rs. 20,808.64 million. For further details please refer to section titled "Outstanding Litigation and Material Developments" beginning on page 173 of this Red Herring Prospectus. If these contingent liabilities materialize, fully or partly, our financial condition could be adversely affected.

***Implementation of Basel II norms by RBI may increase our capital requirements and may require additional investment in risk management systems.***

RBI is expected to direct the banks to adopt the requirements of Basel II, which is the international capital adequacy framework for banks. Basel II prescribes minimum capital requirements for market risk and operational risk in addition to the requirement of minimum capital for credit risk. The capital requirements are expected to increase when Basel II standards are implemented by RBI. We may need to augment our capital base to meet these norms. In preparation for the adoption of the Basel II accord, banks have already commenced active measures in terms of risk management systems, evaluation of capital charges, including for operational risk and increase in transparency in financial reporting as part of market discipline, as required by RBI. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II standards and has initiated the same. Measures pertaining to market risk will be done in phases as directed by RBI from March 31, 2005 to March 31, 2006. Credit risk and operational risk management measures, as per Basel II norms, will be implemented as directed by RBI by March 31, 2007. While we are in the process of adopting the recommendations, if RBI directs banks to implement the Basel II standards before we are ready to implement those standards, it could adversely impact our business and financial performance.

***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 10.70% on March 31, 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 if we are unable to or have difficulty accessing the capital markets.

***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 stated that it increased the cash reserve ratio requirement in order to keep inflation in check and it may carry out further increases, if required. We do not earn interest on 3.00% out of 5.00% cash reserves maintained with RBI and on the remaining cash reserves and securities, we earn interest at rates that are less than those in respect of 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.

***Our international operations and our planned international expansion may pose complex management issues and tax, legal, foreign exchange and other risks.***

We have one branch in London, manage two exchange companies in the Middle East and are planning to establish representative offices in South Africa and Dubai. All of these activities are subject to inherent risks, including:

- Cost structures and cultural and language factors, associated with managing and coordinating our international operations;
- Compliance with a wide range of foreign laws, including immigration, labour and tax laws;
- Restrictions on repatriation of profits and capital in some cases; and
- Exchange rate volatility.

If we do not successfully manage these risks, our financial condition could be adversely affected.

***We plan to set up a subsidiary that will operate as a BPO provider. We have no experience in providing BPO services, and this business would be subject to start-up risks and general risks associated with providing BPO services.***

We have made an application to RBI seeking approval to promote a wholly owned subsidiary to undertake BPO activities. The proposed authorised capital of the subsidiary is Rs. 100.00 million and the proposed initial subscribed capital is Rs. 10.00 million. The BPO industry is very competitive. We have no experience in providing BPO services and this business would be subject to start-up risks and general risks associated with providing BPO services.

***We plan to set up a subsidiary to act as an asset management company for our proposed venture capital fund for rural development. Our investment in such venture capital fund would be subject to risks associated with such investments.***

We have received permission from RBI to establish a venture capital fund, to be formed as a trust, and our Board in this connection has approved the incorporation of a subsidiary as an asset management company for the trust. The total corpus of the proposed venture capital fund is proposed to be Rs. 125.00 million, of which we plan to invest Rs. 50.00 million. Our investment in such venture capital fund would be subject to risks associated with such investments.

***We may undertake mergers or acquisitions which may pose management and integration challenges.***

We may make acquisitions and investments, which may not necessarily contribute to our profitability and may require us to assume high levels of debt or contingent liabilities as part of such transactions. We could experience difficulty in combining operations and cultures and may not realise the anticipated synergies or efficiencies from such transactions.

***The provisions we have made in our financial statements on account of the banking industry wage settlement are estimates based on past experience and our actual expenditure following the wage settlement may vary from the amounts for which we have provided.***

The present industry wage and salary settlement covering employees in public and private sector banks was signed on June 2, 2005 covering the period 2002-2007 and the Bank is taking steps to implement the same. The Bank has been making provisions in its financial statements in respect of the anticipated wage settlement for the periods from November 2002 to March 2005.The amount of our provisions is an estimate based on our past experience and the broad understanding between the IBA and the banking industry employees. The actual expenditure we will have to incur on implementation of the wage settlement may vary from the amounts for which we have provided.

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

There are 12 criminal cases against us. The amount of damages cannot be accurately estimated.

There are 187 civil cases filed against us for disputes in which the amount claimed is Rs. 100,000 or more. These 187 civil cases, are in relation to interest imposed, negligence, recovery of money, guarantees, letters of credit, etc., in which the total amount claimed against us amounts to Rs. 368.81 million.

There are 90 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 Rs. 44.04 million.

There are 643 suits/writ petitions filed by employees/ex-employees pending against us and the total amount claimed by the plaintiffs in these cases is approximately Rs. 162.41 million.

There are 36 cases pending against us in relation to eviction and the total amount claimed in such cases is Rs. 108.77 million.

Apart from the cases filed against us, we file cases from time to time against persons who are in default or are in breach of their obligations to us or attempt to adversely affect our interests.

The information on the above cases is given as of March 31, 2005. We may incur substantial liability if the courts rule against us in these cases. For details of these cases, please refer to the section titled "Outstanding Litigation and Material Developments" on page 173 of this Red Herring Prospectus.

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

There were 35 disputes relating to income tax and interest tax assessments in which the aggregate amount (excluding interest thereon) claimed against us was Rs. 883.52 million as of March 31, 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 may incur liability if orders against us are passed in the said cases. For details please refer to the section titled "Outstanding Litigation and Material Developments - Tax Cases" on page 173 of this Red Herring Prospectus.

***RBI has penalised us in the past for non-compliance of KYC norms.***

RBI on two separate occasions in fiscal 2003 penalised us for an aggregate of Rs. 1.00 million for non-adherence to the KYC norms while opening deposit accounts and also for certain irregularities in monetary transactions observed in those accounts.

***If we fail to comply with the recent guidelines on corporate governance issued under Clause 49 of the Listing Agreement, our reputation and the value of our Equity Shares may be adversely affected and our Equity Shares may be delisted from the Stock Exchanges.***

On October 29, 2004, SEBI issued a circular with effect from April 1, 2005 requiring all Indian stock exchanges to modify Clause 49 of their standard listing agreements, and that all existing listed companies meet the requirements of the revised Clause 49 by April 1, 2005, which date has subsequently been extended to December 31, 2005. The revised Clause 49 has many requirements that are similar to certain requirements of the U.S. Sarbanes Oxley Act of 2002, including requirements relating to the composition and roles of the Board of Directors and the audit committee, ethics standards, related party disclosures and fraud. Among other matters, the revised Clause 49 requires us to have minimum number of independent directors and a Chief Executive Officer and Chief Financial Officer and requires our Chief Executive Officer and Chief Financial Officer to certify that they have evaluated the effectiveness of our internal control systems, have disclosed to our auditors and our Board of Directors any deficiencies in the design or operation of internal controls and have described the steps to be taken or proposed to be taken in respect of any identified deficiencies. If we are unable to comply with the requirements of the revised Clause 49 on a timely basis, our reputation, the continued listing of our Equity Shares on the Stock Exchanges and value of our securities may be adversely affected.

***The Government will continue to hold a majority interest in our Bank following the Issue and will therefore be able to significantly affect the outcome of shareholder voting.***

After the completion of the Issue, the Government will own at least 66.47% of our outstanding Equity Shares and will be able to appoint three directors out of a total of 13 directors. Consequently, the Government will continue to have a controlling interest in our Bank and will also be able to determine a majority of our Board of Directors. Further, the Bank Acquisition Act limits the voting power of our shareholders by requiring that none of our shareholders, other than the Government, shall be entitled to exercise voting rights in respect of shares held by them in excess of 1% of the total voting rights of all of our shareholders. Therefore, the outcome of most proposals for corporate action requiring the approval of our Board of Directors or shareholders will be largely controlled by the Government. The Government, through policy directives, could require us to take actions and enter into transactions such as the acquisition of other banks or financial institutions that are in financial difficulty in order to serve the public interest in India and not necessarily in the best interests of our business.

***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.

***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.

***There are certain irregularities in title in relation to some of our leased/owned immovable properties.***

Some of the immovable properties where our branches, offices, guest houses 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:

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

***The related party disclosures in this document do not include transactions with the regional rural banks in which we have an interest.***

As per RBI circular number DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standards by Banks, all nationalized banks are exempt from disclosing the transactions with their subsidiaries as well as the RRBs sponsored by them. Hence, no such disclosure has been made in this Red Herring Prospectus with respect to the RRBs in which we have an interest. Further, we are not disclosing transactions with the RRBs in the audited accounts.

***Risk related to non-registration of our trademark.***

We applied on April 22, 2004 to the Registrar of Trademarks, Chennai for registration of our trademark 'Syndicate Bank' along with the logo that appears on the cover page of this Red Herring Prospectus. Until such registration is granted, during the interim period, we may not be able to prohibit persons from using the said trademark to their advantage and any unfavorable use of such trademark may adversely affect our goodwill and business.

***We are yet to receive certain approvals from RBI.***

We have sought the approval of RBI to promote a fully owned subsidiary which would undertake BPO activities with proposed authorised capital of Rs. 100 million. We have applied to the RBI for an approval to establish a representative office in South Africa and a representative office in the United Arab Emirates.

***Our Bank has not been able to meet the projections made during our previous public issue.***

We have not been able to achieve the projected financials as detailed in the prospectus for our previous public issue in 1999. For more details on the shortfall, please refer to the section titled "Other Regulatory And Statutory Disclosures - Promise vs. Performance" on page 194 of this Red Herring Prospectus.

**External Risk Factors**

***The Indian and global banking industry is very competitive and the ability of banks to grow depends on their ability to compete effectively.***

There is competition among public and private sector Indian commercial banks as well as foreign commercial banks in India. We compete directly with large public and private sector banks, which may have much larger customer and deposit bases, larger branch networks and more capital than we do. Some of the private sector banks may be more flexible and better positioned to take advantage of market opportunities than us. In particular, private banks may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation. Additionally, 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. The RBI in July 2004 issued a Draft Policy on Investment and Governance in Private Sector Banks, which set out certain broad principles underlying the framework relating to ownership of private sector banks. Although no changes have been implemented nor have any specific proposals been published at this time it is possible that the rules for foreign investment in private sector banks may be liberalised at any time 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 banking industry as a whole, including our bank, and our growth will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

***Banking is a heavily regulated industry and material changes in the regulations that govern us could adversely affect our business.***

Banks in India are subject to detailed supervision and regulation by RBI. In addition, banks are subject generally to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. It has recently been indicated in the press that the laws and regulations governing the banking sector could change in the near future and any such changes could adversely affect our business, our future financial performance, our shareholders' funds and the price of our equity shares, by requiring a restructuring of our activities, increasing costs or otherwise.

There are a number of restrictions under the Bank Acquisition Act, the Bank Regulations, the Nationalised Bank Scheme and various RBI notifications, press notes and circulars that affect our operating flexibility and affect or restrict the rights of investors. These restrictions are different from those normally applying to shareholders of companies incorporated under the Companies Act, and include the following:

- We can increase our paid-up capital only with the consent of the Government and in consultation with RBI and the shareholding of the Government cannot go below 51% of the paid-up capital.
- The Government has control over policy matters relating to RBI and has the power to caution or prohibit us from entering into any particular transaction or class of transactions.
- Foreign investment is subject to an overall statutory limit of 20% of our paid up capital. RBI has fixed a cut-off point at 18% for the purposes of effective monitoring. Once the aggregate net purchases of equity shares of the respective bank by FIIs/NRIs/PIOs reaches the cut-off point, which is 2% below the overall limit of 20%, RBI cautions all designated bank branches so as not to purchase any more equity shares in the respective bank on behalf of NRIs/PIOs without prior approval of RBI.
- No shareholder, other than the Government, is entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all our shareholders.
- There are restrictions on payment of dividends and on rights relating to unclaimed dividends.
- Certain restrictions on opening a new place of business and transferring an existing place of business require the approval of RBI, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75% of our net demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- There are no provisions for requiring us to send compulsory statutory reports to our shareholders prior to a general meeting of the shareholders and our shareholders do not have the right to approve our accounts, the report of our Board of Directors on our activities for the period covered by the accounts and the auditors' report on our accounts. However, we are required by our listing agreements with the Stock Exchanges to send annual reports to our shareholders prior to our annual general meeting.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act, are not available to our shareholders.

Any change in the laws and regulations governing the banking sector in India may adversely affect our customer-base, our revenues and our profitability.

***We are exposed to certain risks of the Indian financial system and could be impacted by the financial difficulties of other financial institutions in India.***

As an Indian bank, we are exposed to the risks of the Indian financial system, which in turn may be affected by financial difficulties, and other problems faced by Indian financial institutions. As an emerging market system, the Indian financial system faces risks of a nature and extent not typically faced in developed countries. Additionally, the credit risk of borrowers in India is higher than in more developed countries. Unlike several developed countries, India's nationwide credit bureau is still at a nascent stage, which may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses.

Certain Indian financial institutions have experienced difficulties during recent years. Some co-operative banks have also faced serious financial and liquidity crises. The problems faced by individual Indian financial institutions and any instability in or difficulties faced by the Indian financial system generally could create adverse market perception about Indian financial institutions and banks. This in turn could adversely affect our business and our future financial performance.

***Exchange rate fluctuations may have an impact on our financial performance.***

As a financial organization we are exposed to exchange rate risk. Adverse movements in foreign exchange rates may impact our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

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

The Indian economy has shown sustained growth over the last few years with GDP growing at an estimated 6.9% in fiscal 2005, 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. However, growth in industrial and agricultural production in India has been variable. Industrial growth has been estimated at 8.3% for fiscal 2005, 6.6% in fiscal 2004, 6.2% in fiscal 2003 and 3.5% in fiscal 2002. Agricultural production grew by 9.6% in fiscal 2004 compared with a 5.2% decline in fiscal 2003 and growth of 6.5% in fiscal 2002. Agricultural production grew at an estimated rate of 1.1% in fiscal 2005. Any slowdown in the Indian economy or volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. With the importance of retail loans to our business, any slowdown in the growth of sectors like housing and automobiles could adversely impact our financial performance. Further, given the importance of the agricultural sector to our business, any slowdown in the growth of the agricultural sector could also adversely impact our performance.

***A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.***

Our assets and customers are predominantly located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, public sector entities including us, and on market conditions and prices of Indian securities, including our Equity Shares. The present Government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the Government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

***Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.***

Terrorist attacks and other acts of violence or war, may negatively affect the Indian markets where our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business. Although the governments of India and Pakistan have recently been engaged in conciliatory efforts, any deterioration in relations between India and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

***Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance our ability to obtain financing for capital expenditures, and the price of our Equity Shares.

**Notes to Risk Factors:**

- Public issue of 50,000,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million. The Issue comprises Net Issue to the Public of at least 45,000,000 Equity Shares and a reservation for Eligible Employees of up to 5,000,000 Equity Shares.
- Net worth of our Bank as of March 31, 2005 was Rs. 18,996.49 million.
- The average cost of acquisition of Equity Shares by the President of India, our Promoter, acting through the Ministry of Finance, is Rs. 10 per Equity Share and the book value per Equity Share as of March 31, 2005, was Rs. 40.25 per Equity Share.
- Refer to the notes to our financial statements relating to related party transactions in the section titled "Related Party Transactions" on page 107 of this Red Herring Prospectus.
- 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 21 of this Red Herring Prospectus, before making an investment.
- RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. The reports of RBI are strictly confidential. We are in discussions with RBI in respect of observations made by RBI in their reports for prior periods. RBI does not permit disclosure of its inspection report.
- Investors should note that in case of oversubscription in the Issue, allotment would be made on a proportionate basis to Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders. Please refer to the section titled "Issue Procedure – Basis of Allotment" on page 220 of this Red Herring 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.
- Two of our Directors, K.R. Das and Ranjana S. Salgaocar, are interested in certain advances/facilities that have been provided by us, to their relatives/Persons in which such relatives are interested. For details of the same, please refer to the section titled "Our Management – Interests of Directors" on page 94 of this Red Herring Prospectus.

# SUMMARY

***Business Overview***

We are one of India's major public sector banks. As of March 31, 2005 we had 1,798 branches in India spread over 23 states and four union territories. In addition, we maintain an international presence with a branch in London and we manage two exchange companies in the Middle East. As of March 31, 2005, we had a work force of 26,395 people serving over 16 million customers.

In fiscal 2005, we made a net profit of Rs. 4,304.08 million. In fiscal 2005, we had assets of Rs. 521,094.25 million and net worth of Rs. 18,996.49 million. We have a record of consistent growth in deposits and advances, with global deposits growing at a compound annual rate of 14.37% during the last five years and gross advances growing at a compound annual rate of 16.97% during the same period.

Our retail banking business provides financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education and other personal loans and deposit services such as demand, savings and fixed deposits for our customers. We also provide supply chain financing to our retail trade customers. In addition, we distribute products such as global debit cards and global credit cards. We also provide e-rail services for booking railway tickets. We also distribute third party products such as life and non-life insurance policies. We have launched bill pay facilities to enable our customers to pay their utility bills through our AutoPay method. We plan to launch the same facility through Internet Banking shortly.

We provide commercial banking products and services to corporate and commercial customers including mid-sized and small businesses and government entities. Our loan products include term loans for the acquisition, construction or improvement of assets as well as short-term loans, cash credit, export credit and other working capital financing and bill discounting. We also provide credit substitutes such as letters of credit and guarantees. In addition, we also provide fee-based products and services such as cash management services and direct tax collections.

We have also maintained our focus on addressing the needs of priority sector customers and offer specialised products and services to these sectors. 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 financing to farmers for production and investment as well as indirect financing for infrastructure development and credit to suppliers of inputs. Our products for small scale industry, another priority sector, are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets, plant and machinery and meeting working capital needs. We provide flexible security requirements to make credit more accessible to small-scale industry borrowers.

We deliver our products and services through our extensive branch network, extension counters, ATMs, phone banking and the Internet. As of March 31, 2005, our branch network comprised 645 rural, 430 semi-urban, 356 urban and 367 metropolitan branches, all of which are computerized. We are committed to enhancing our technological capabilities and have launched a major information technology initiative to increase the interconnectivity of our branches.

***Business Strategy***

The main elements of our strategy are set forth below:

*Enhance our retail banking business*

We intend to continue our focus on growing our retail banking business. The keys to our retail strategy are our focused marketing approach, developing new products and services, networking our branch locations, developing our distribution channels including our ATMs and internet banking and improving customer service and generating additional revenue growth by focusing on higher value added products and by increasing cross-selling across our different distribution channels.

*Reduce cost of funds*

We have achieved a low overall cost of funds through a large base of low-cost deposits representing 37.05% of our total deposits as of March 31, 2005. Interest-free demand deposits and low-interest savings deposits constituted 10.76% and 26.29%, respectively, of our total deposits as of March 31, 2005. We believe we can maintain and enlarge this low-cost funding base through our focus on retail banking, in particular deposits from rural and semi-urban branches and by offering a wide range of products and high quality customer service.

*Increase fee-based revenue*

We are looking to increase our high margin fee-based income in areas such as our treasury products and services, in particular our cash management services and foreign exchange management. In addition, we are looking to increase fee-based income by expanding our third party product offerings.

*Strengthen our priority sector banking business*

We intend to maintain and enhance our position as one of the leading banks for agricultural lending in India. We intend to further expand our agriculture and small-scale industry sector banking activities in other areas in India.

*Enhance our technological capabilities and continue to implement our Centralised Banking Solution*

We were the first amongst the PSU banks to introduce Centralised Banking Solution. We intend to use our technological capabilities to differentiate our products and services from those of our competitors.

*Expand our presence in international markets*

We believe that the international markets present a major growth opportunity. We currently have one branch in London offering a wide range of products and services in particular to PIOs and Indian corporates. In addition, we have been successfully managing two exchange companies in the Middle East namely, National Exchange Company in Doha, Qatar and Musandam Exchange in Oman. We have identified the Middle-East and South Africa as the key regions for establishing our international presence.

***Industry Overview***

For an overview of the Indian banking industry see section titled "Indian Banking Sector" beginning on page 26 of this Red Herring Prospectus.

## THE ISSUE

| | |
|---|---|
| Equity Shares issued by the Bank | 50,000,000 Equity Shares |
| of which: | |
| Employee Reservation Portion | Up to 5,000,000 Equity Shares |
| Net Issue | At least 45,000,000 Equity Shares |
| of which | |
| QIB Portion | Up to 22,500,000 Equity Shares (allocation on discretionary basis) |
| Non-Institutional Portion | At least 6,750,000 Equity Shares (allocation on proportionate basis) |
| Retail Portion | At least 15,750,000 Equity Shares (allocation on proportionate basis) |
| Equity Shares outstanding prior to the Issue | 471,968,282 Equity Shares |
| Equity Shares outstanding after the Issue | 521,968,282 Equity Shares |
| Use of proceeds by the Bank | See the section titled "Objects of the Issue" on page 20 of this Red Herring Prospectus. |

## SELECTED FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated financial statements as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005, prepared in accordance with Indian GAAP and SEBI Guidelines, and as described in the Auditors' report of May 11, 2005, included in the section titled "Financial Statements" beginning on page 110 of this Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

### SUMMARY OF PROFITS AND LOSSES, AS RESTATED

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| **A INCOME** | | | | | |
| **Interest Earned** | | | | | |
| Int & Disc on advance/bills | 15,784.82 | 15,997.26 | 15,337.04 | 15,920.88 | 20,415.15 |
| Income on Investments | 11,301.50 | 12,067.47 | 12,789.44 | 13,688.10 | 15,689.27 |
| Interest on Balance with RBI | 384.27 | 482.95 | 346.17 | 306.59 | 342.42 |
| Interest on other inter bank funds | 310.90 | 261.24 | 248.23 | 713.47 | 1,101.97 |
| Interest on Income tax | 140.35 | 1.46 | 26.09 | 223.19 | 17.79 |
| Others | 0.00 | 14.37 | 5.02 | 1.15 | 3.76 |
| **Sub-Total** | **27,921.84** | **28,824.75** | **28,751.99** | **30,853.38** | **37,570.36** |
| **OTHER INCOME** | | | | | |
| Commission, Exchange & Brokerage | 1,107.23 | 1,033.47 | 1,097.47 | 1,262.32 | 1,543.13 |
| Profit on sale of Investments (Net) | 528.54 | 669.77 | 2,631.22 | 4,944.32 | 2,199.38 |
| Profit on sale of Land/Bldg & Other Assets (Net) | 1.76 | 0.87 | (0.94) | (0.54) | 12.92 |
| Profit on Exchange Transactions (Net) | 356.07 | 285.83 | 314.71 | 355.61 | 344.43 |
| Miscellaneous Income | 820.59 | 770.43 | 908.32 | 1,202.28 | 1,545.68 |
| **Sub-Total** | **2,814.19** | **2,760.37** | **4,950.78** | **7,763.99** | **5,645.54** |
| **Total (A)** | **30,736.03** | **31,585.12** | **33,702.77** | **38,617.37** | **43,215.90** |
| **B EXPENDITURE** | | | | | |
| **Interest Expended** | | | | | |
| Interest on Deposits | 16,450.70 | 17,081.12 | 16,307.22 | 16,184.27 | 20,013.29 |
| Interest on RBI /Inter/Bank borrowings | 68.00 | 26.52 | 19.59 | 37.17 | 65.39 |
| Others | 466.59 | 641.09 | 327.66 | 334.86 | 559.27 |
| **Sub-Total** | **16,985.29** | **17,748.73** | **16,654.47** | **16,556.30** | **20,637.95** |
| **Operating Expenses** | | | | | |
| Payment & Prov for employees & wages | 8,858.34 | 8,201.83 | 8,490.58 | 9,232.90 | 9,321.60 |
| Rent,Taxes and Lighting | 531.33 | 582.13 | 643.14 | 634.97 | 648.56 |
| Insurance | 111.24 | 123.83 | 136.41 | 157.24 | 332.78 |
| Printing & Stationery | 71.06 | 80.16 | 90.28 | 113.80 | 103.09 |
| Advertisement & Publicity | 14.67 | 18.11 | 34.73 | 39.12 | 57.30 |
| Postage, Telegram, Telephones etc | 114.78 | 122.59 | 129.33 | 144.49 | 151.30 |
| Repairs & Maintenance | 78.68 | 95.08 | 120.41 | 135.57 | 173.58 |
| Software Expenses | 21.40 | 100.38 | 91.68 | 128.97 | 35.75 |
| Law Charges | 5.66 | 6.39 | 7.75 | 39.55 | 34.57 |
| Directors Fees, Allowance & Expenses | 1.47 | 2.37 | 2.21 | 3.85 | 3.57 |
| Auditors' Fees & Expenses | 47.95 | 79.62 | 67.67 | 97.32 | 105.75 |
| Other Expenditure | 826.82 | 758.69 | 779.84 | 896.26 | 994.08 |
| Depreciation on Bank's properties | 186.25 | 226.03 | 271.64 | 265.23 | 375.77 |
| **Sub-Total** | **10,869.65** | **10,397.21** | **10,865.67** | **11,889.27** | **12,337.70** |
| **Total (B)** | **27,854.94** | **28,145.94** | **27,520.14** | **28,445.57** | **32,975.65** |

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **Gross Profit before provisions for Income Tax** | **2,881.09** | **3,439.18** | **6,182.63** | **10,171.80** | **10,240.25** |
| **Provisions and contingencies** | **1,077.98** | **1,038.23** | **2,744.64** | **5,843.77** | **5,936.17** |
| **Adjusted Net Profit (Profit available for appropriation)** | **1,803.11** | **2,400.95** | **3,437.99** | **4,328.03** | **4,304.08** |
| **APPROPRIATION** | | | | | |
| Transfer to Statutory Reserve | 450.78 | 600.24 | 859.50 | 1,082.01 | 1,076.02 |
| Transfer to Capital Reserve | 0.00 | 0.00 | 157.23 | 0.00 | 0.00 |
| Transfer to Redemption Reserve for Bonds | 351.40 | 351.40 | 351.40 | 0.00 | 0.00 |
| Transfer to/from Investment Fluctuation Reserves | (46.93) | 417.87 | 932.37 | 2,056.74 | 2.16 |
| Proposed/Interim Dividend | 566.37 | 566.36 | 707.96 | 943.94 | 943.94 |
| Dividend Tax | 57.76 | 0.00 | 90.70 | 120.94 | 123.36 |
| Balance carried over to Balance Sheet | 423.73 | 465.08 | 338.83 | 124.40 | 2,158.60 |
| **Total** | **1,803.11** | **2,400.95** | **3,437.99** | **4,328.03** | **4,304.08** |
| **Break-up of Provisions & Contingencies** | | | | | |
| Prov for Inc Tax, Interest Tax & Wealth Tax | 171.39 | 216.34 | 1,123.07 | 2,697.98 | 328.48 |
| Depreciation on Investments | 0.00 | 0.00 | 0.00 | 0.00 | 3,832.18 |
| Provision for Bad & Doubtful Debts | 558.00 | 841.00 | 1,131.30 | 3,046.60 | 1,332.15 |
| Provision for Standard Advances | 19.09 | 40.62 | 34.77 | 112.90 | 154.70 |
| Bad Debts Written Off | 0.00 | 0.00 | 0.00 | 326.72 | 472.62 |
| Others | 568.40 | 293.22 | 546.00 | 44.35 | 256.46 |
| **Sub-total** | **1,316.88** | **1,391.18** | **2,835.14** | **6,228.55** | **6,376.59** |
| **Less: Excess provision withdrawn** | | | | | |
| Depreciation on Investment | 0.00 | 163.18 | 38.40 | 97.10 | 0.00 |
| Deferred Tax Asset | 0.00 | 0.00 | 0.00 | 0.00 | 380.80 |
| Others | 238.90 | 189.77 | 52.10 | 287.68 | 59.62 |
| **Sub-total** | **238.90** | **352.95** | **90.50** | **384.78** | **440.42** |
| **Total** | **1,077.98** | **1,038.23** | **2,744.64** | **5,843.77** | **5,936.17** |

## SYNDICATE BANK

**SUMMARY OF ASSETS & LIABILITIES, AS RESTATED**

(Rs. in million)

| Particulars | As on March 31, | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| **A Assets** | | | | | |
| Cash in hand | 1,098.32 | 1,492.12 | 1,475.91 | 1,529.22 | 1,721.85 |
| Balances with RBI | 18,478.62 | 18,228.17 | 15,023.89 | 43,542.72 | 25,178.19 |
| Balances with Banks in India | 2,261.00 | 6,052.07 | 4,423.67 | 5,315.12 | 1,555.91 |
| Balances with Banks outside India | 8,322.75 | 1,795.56 | 266.63 | 11,437.97 | 739.62 |
| Money at Call & Short Notice | 0.00 | 4,000.40 | 4,000.00 | 3,950.00 | 1,500.20 |
| Investments in India | 103,706.64 | 116,740.56 | 136,521.83 | 177,162.81 | 202,482.27 |
| Investments outside India | 1,794.26 | 2,365.45 | 1,710.62 | 2,003.16 | 1,225.06 |
| **Total Investments** | **105,500.90** | **119,106.01** | **138,232.45** | **179,165.97** | **203,707.33** |
| Advances in India | 107,177.53 | 119,464.24 | 139,129.66 | 173,474.80 | 233,734.51 |
| Advances outside India | 23,984.06 | 29,382.36 | 23,923.83 | 32,994.39 | 33,557.52 |
| **Total Advances** | **131,161.59** | **148,846.61** | **163,053.49** | **206,469.19** | **267,292.03** |
| Fixed Assets | 3,191.01 | 3,283.94 | 3,299.90 | 3,636.87 | 3,812.70 |
| Other Assets | 12,392.58 | 14,651.01 | 14,446.50 | 17,184.76 | 15,586.42 |
| **Total (A)** | **282,406.76** | **317,455.88** | **344,222.44** | **472,231.83** | **521,094.25** |
| **B Liabilities** | | | | | |
| From Banks | 978.24 | 993.85 | 1,459.61 | 1,358.25 | 1,444.61 |
| From Others | 26,514.83 | 32,132.71 | 32,901.27 | 39,164.10 | 48,369.20 |
| **Demand Deposits** | **27,493.07** | **33,126.56** | **34,360.89** | **40,522.36** | **49,813.81** |
| Savings Deposits | 65,755.29 | 75,110.45 | 86,427.51 | 103,857.33 | 121,711.27 |
| From Banks | 20,219.68 | 26,725.81 | 15,452.01 | 26,409.98 | 24,138.05 |
| From Others | 137,480.38 | 150,520.50 | 170,365.04 | 255,058.50 | 267,282.49 |
| **Term Deposits** | **157,700.06** | **177,246.31** | **185,817.05** | **281,468.48** | **291,420.54** |
| **Total Deposits** | **250,948.41** | **285,483.31** | **306,605.45** | **425,848.17** | **462,945.62** |
| Borrowings in India | 2,164.71 | 366.53 | 307.71 | 253.13 | 183.17 |
| Borrowings Outside India | 0.00 | 0.00 | 480.00 | 1,971.39 | 3,036.92 |
| **Total Borrowings** | **2,164.71** | **366.53** | **787.71** | **2,224.52** | **3,220.09** |
| Other Liabilities & Provisions | 14,588.47 | 15,088.01 | 18,622.54 | 20,458.81 | 25,620.79 |
| Subordinate debts | 2,587.90 | 2,587.90 | 2,587.90 | 4,837.90 | 7,237.90 |
| **Total (B)** | **270,289.49** | **303,525.75** | **328,603.59** | **453,369.40** | **499,024.40** |
| **C Net Assets (C=A-B)** | **12,117.27** | **13,930.14** | **15,618.85** | **18,862.42** | **22,069.85** |
| Represented by: | | | | | |
| **D Share Capital** | **4,719.40** | **4,719.47** | **4,719.48** | **4,719.51** | **4,719.68** |
| **E Reserves & Surplus** | | | | | |
| Statutory Reserve | 1,537.47 | 2,137.71 | 2,997.21 | 4,079.22 | 5,155.24 |
| Share Premium | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Reserve | 0.37 | 0.37 | 157.60 | 157.60 | 157.60 |
| Investment Fluctuation Reserve | 782.07 | 1,199.94 | 2,132.31 | 4,189.06 | 4,191.22 |
| Revenue & Other Reserve | 4,654.23 | 5,407.57 | 5,273.42 | 5,592.64 | 5,687.51 |
| Balance of Profit & Loss Account | 423.73 | 465.08 | 338.83 | 124.40 | 2,158.60 |
| **Total (E)** | **7,397.87** | **9,210.67** | **10,899.37** | **14,142.91** | **17,350.17** |
| **F Total (B+D+E)** | **282,406.76** | **317,455.88** | **344,222.44** | **472,231.83** | **521,094.25** |

(Rs. in million)

| Particulars | As on March 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **G Contingent Liabilities** | | | | | |
| Claims against the Bank not Acknowledged as Debts | 534.78 | 542.32 | 645.20 | 759.35 | 688.74 |
| Disputed IncomeTax demands under appeal/Reference etc. | 4,236.60 | 2,408.71 | 2,434.09 | 1,314.80 | 2,779.75 |
| Liability for partly paid Investments | 1.02 | 1.02 | 1.02 | 305.52 | 302.75 |
| Liability on account of outstanding Forward Exchange Contracts | 88,494.96 | 101,635.14 | 204,425.12 | 262,071.84 | 307,275.32 |
| Guarantees given on behalf of Constituents | 8,888.07 | 9,342.32 | 11,542.55 | 13,940.07 | 19,025.61 |
| Acceptance, Endorsements and Other Obligations | 4,499.85 | 4,224.60 | 6,031.42 | 15,437.12 | 20,808.64 |
| Other items for which Bank is contingently liable | 215.60 | 693.59 | 2,227.93 | 2,261.75 | 13,599.15 |
| **Total (G)** | **106,870.88** | **118,847.70** | **227,307.33** | **296,090.45** | **364,479.96** |
| Bills for Collection | 8,209.81 | 7,361.51 | 7,409.06 | 9,319.77 | 11,336.61 |

**PARTICULARS OF ADJUSTMENTS**

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **INCOME** | | | | | |
| Prior Year Income | 0.08 | 0.59 | 0.25 | 4.90 | (5.87) |
| **Total Income** | **0.08** | **0.59** | **0.25** | **4.90** | **(5.87)** |
| **EXPENDITURE** | | | | | |
| Prior Year Expenditure | 41.16 | (10.77) | (13.42) | (9.21) | (12.64) |
| Provisions & Contingencies | 500.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Software Expenses | 21.40 | 100.38 | 91.68 | (131.91) | 0.00 |
| Depreciation | (9.65) | (19.80) | (65.76) | 0.00 | 0.00 |
| Payment & Provision for Employees & Wages | 44.00 | 44.00 | (7.00) | 166.70 | (291.70) |
| **Total Expenditure** | **596.91** | **113.81** | **5.50** | **25.58** | **(304.34)** |
| Increase (+)/Decrease (-) in Profit before provision for Income Tax and Extraordinary items | (596.83) | (113.22) | (5.25) | (20.68) | 298.47 |
| Tax impact on Adjustments | (50.61) | (8.66) | (1.93) | (7.42) | 23.40 |
| **Total of Adjustments net of Tax Impact** | **(546.22)** | **(104.56)** | **(3.32)** | **(13.26)** | **275.07** |
| **Impact of Adjustments on Assets & Liabilities** | | | | | |
| **ASSETS** | | | | | |
| Fixed Assets | (11.75) | (80.58) | (25.92) | 131.91 | 0.00 |
| **Increase/Decrease in Assets** | **(11.75)** | **(80.58)** | **(25.92)** | **131.91** | **0.00** |
| **LIABILITIES** | | | | | |
| Revenue & Other Reserves | (546.22) | (104.56) | (3.32) | (13.26) | 275.07 |
| Other Liabilities & Provisions | 534.47 | 23.98 | (22.60) | 145.17 | (275.07) |
| **Increase/Decrease in Liabilities** | **(11.75)** | **(80.58)** | **(25.92)** | **131.91** | **0.00** |

## GENERAL INFORMATION

**Registered Office of our Bank**
Manipal 576 104
Karnataka, India
Tel: (91 820) 257 1181
Fax: (91 820) 257 0266

**Board of Directors**

Our Board comprises:

1. N. Kantha Kumar - Chairman and Managing Director
2. M. Deena Dayalan - Government Nominee Director
3. K. R. Das - RBI Nominee Director
4. Jai Perkash Sharma - Workmen Employee Director
5. Ranjana S. Salgaocar - Shareholder Director
6. Anil Kumar Khanna - Shareholder Director
7. P. C. Nayak - Shareholder Director
8. K. P. Fabian -Shareholder Director

For further details please refer to the section titled "Our Management" on page 88 of this Red Herring Prospectus.

**Company Secretary and Compliance Officer**
**Sunil Y. Barve**
Company Secretary
Syndicate Bank, Investor Relations Centre
Corporate Office, Gandhinagar
Bangalore 560 009, India
Tel: (91 80) 2228 3030
Fax: (91 80) 2226 6495
Email: inrc@syndicatebank.net

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**

**Domestic Legal Counsel to the Issue**

**Amarchand & Mangaldas & Suresh A. Shroff & Co.**
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

**International Legal Counsel to the Issue**

**Coudert Brothers**
80, Raffles Place
UOB Plaza 1
Singapore 048 624
Tel: (65) 6512 9595
Fax: (65) 6512 9500

**Book Running Lead Managers**

**SBI Capital Markets Limited**
202, Maker Tower – E, Cuffe Parade
Mumbai 400 005, India
Tel: (91 22) 2218 9166
Fax: (91 22) 2218 8332
Contact Person: Abhishek Jain
Email: syndicate_fpo@sbicaps.com
Website: www.sbicaps.com

**JM Morgan Stanley Private Limited**
141, Maker Chambers III
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 5630 3030
Fax: (91 22) 2202 8224
Contact Person: Viral Mehta
Email: syndicatebank@jmmorganstanley.com
Website: www.jmmorganstanley.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: syndicate_fpo@enam.com
Website: www.enam.com

**SSKI Corporate Finance Private Limited**
701/2 Tulsiani Chambers, 7th Floor,
Nariman Point, Mumbai 400 021, India
Tel: (91 22) 5638 3333
Fax: (91 22) 2204 0282
Contact Person: Prashant Shetty
Email: syndicate_fpo@sski.co.in
Website: www.sski.co.in

**Syndicate Members**

**Enam Securities Private Limited**
2nd Floor, Khatau Building
44, Bank Street, Off Shaheed Bhagat Singh Road
Fort, Mumbai 400 001, India
Tel: (91 22) 2267 7901
Fax: (91 22) 2266 5613
Contact Person: M. Natrajan
Email: syndicate_fpo@enam.com
Website: www.enam.com

**JM Morgan Stanley Retail Services Private Limited**
141, Maker Chambers III, Nariman Point
Mumbai 400 021, India
Tel: (91 22) 5630 3401
Fax: (91 22) 5630 1689
Contact Person: Anil Mavin Kurve
Email: syndicatebank@jmmorganstanley.com
Website: www.jmmorganstanley.com

**SSKI Investor Services Private Limited**
A 203, 2nd Floor, Phoenix House
Phoenix Mill Compound, Senapati Bapat Marg
Mumbai 400 013, India
Tel: (91 22) 2498 2000
Fax: (91 22) 2498 2626
Contact Person: Amit Arora
Email: amit_a@sharekhan.com
Website: www.sharekhan.com

**Co-Managers**

**Karvy Investor Services Limited**
Karvy House, 46 Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2331 2454
Fax: (91 40) 2337 4714
Contact Person: V. Madhusudhan Rao
Email: madhu@karvy.com
Website: www.karvy.com

**R.R. Financial Consultants Limited**
Indra Prakash Building
21, Barakhamba Road
New Delhi 110 001
Tel: (91 11) 2335 2496
Fax: (91 11) 2835 3703
Contact Person: Aradhana Bahuguna
Email: aradhanab@rrfcl.com
Website: www.rrfinance.com

## SYNDICATE BANK

**A.K. Capital Services Limited**
135, Free Press House, 13th Floor
Free Press Journal Marg, 215, Nariman Point
Mumbai 400 021
Tel: (91 22) 5634 9300
Fax: (91 22) 5636 0977
Contact Person: Sumit Arora
Email: sumit@akgrouponline.com
Website: www.akcapindia.com

**Centrum Capital Limited**
Bombay Mutual Building
2nd floor, Dr. D.N. Road, Fort
Mumbai 400 001
Tel: (91 22) 2266 2434
Fax: (91 22) 2266 3458
Contact Person: Sangeeta Sanghvi
Email: syndicatebank@centrum.co.in
Website: www.centrum.co.in

**Registrar to the Issue**

**Karvy Computershare Private Limited**
Unit: Syndicate Bank FPO
Karvy House, 46 Avenue 4, Street No. 1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2331 2454
Fax: (91 40) 2331 1968
Contact Person: V. K. Jayaraman
Email: syndicatebank.fpo@karvy.com
Website: www.karvy.com

**Auditors**

**M/s Sankaran & Krishnan**
Chartered Accountants
Rose Wood Offices, 131, Nungambakkam,
M.G.Road, Chennai 600 034, India
Tel: (91 44) 2833 0732
Fax: (91 44) 5218 2018
Email: schandran@vsnl.net

**M/s V. K. Mehta & Co.**
Chartered Accountants
1/24, Asaf Ali Road
New Delhi 110 002, India
Tel: (91 11) 2323 4522
Fax: (91 11) 2323 0819
Email: vam@giasdl01.vsnl.net.in

**M/s Tej Raj & Pal**
Chartered Accountants
1, Kalpana Square
Bhubaneshwar 751 014, India
Tel: (91 674) 231 2383
Fax: (91 674) 231 3599
Email: tejrajpal@sify.com

**M/s Sri Ramamurthy & Co.**
Chartered Accountants
Flat No. 3C, Sai Sadan Apartments, 47-09-39/17,
Dwarka Nagar, Vishakapatnam 530 016, India
Tel: (91 891) 274 8422
Fax: (91 891) 279 7968
Email: dondetipk@sify.com

**M/s Nandy Halder and Ganguli**
Chartered Accountants
18, Netaji Subhas Road
Top Floor
Kolkata 700 001, India
Tel: (91 33) 2220 008
Fax: (9133) 2466 3801
Email: nhg@vsnl.net

**M/s V. Soundararajan & Co.**
Chartered Accountants
Ground Floor, Rear Emerald Estate, New No. 6/3,
II Canal Cross Road, Gandhinagar, Adyar
Chennai 600 020, India
Tel: (91 44) 5211 6153
Fax: (91 44) 5211 6153
Email: vsandco@hotmail.com

**Banker to the Issue and Escrow Collection Bank**

**Syndicate Bank**
6-3-666, Lumbini Towers, Opposite NIMS, Punjagutta
Hyderabad 500 082, India
Tel: (91 40) 2331 1104
Fax: (91 40) 2332 2060
Contact Person: K. Rama Rao
Email: sb3008@hotmail.com

***Statement of Inter Se Allocation of Responsibilities for the Issue***

The following table sets forth the distribution of responsibility and coordination for various activities amongst the BRLMs:

| Activities | Responsibility | Co-ordinator |
|---|---|---|
| Capital structuring with the relative components and formalities such as type of instruments, etc. | SBICAP, JMMS, Enam and SSKI | SBICAP |
| Due diligence of the Bank's operations/ management/ business plans/ legal, etc. Drafting and design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of the Prospectus and filing with the Stock Exchanges. | SBICAP, JMMS, Enam and SSKI | SBICAP |
| Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc. | SBICAP, JMMS, Enam and SSKI | SBICAP |
| Appointment of other Intermediaries:<br>(a) Printers;<br>(b) Registrar;<br>(c) Advertising Agency; and<br>(d) Banker to the Issue. | SBICAP, JMMS, Enam and SSKI | (a) Printer: SBICAP<br>(b) Registrar: JMMS<br>(c) Advertising Agency: Enam<br>(d) Banker to the Issue: SSKI |
| Domestic institutions/banks/mutual funds marketing strategy:<br>● Finalise the list and division of investors for one on one meetings, institutional allocation | SBICAP, JMMS, Enam and SSKI | JMMS |
| International institutional marketing strategy, roadshow marketing presentation:<br>● Finalise the list and division of investors for one on one meetings, institutional allocation | SBICAP, JMMS, Enam and SSKI | JMMS |
| Retail/Non-institutional marketing strategy which will cover, inter alia,<br>● Finalize media, marketing and public relation strategy;<br>● Finalize centres for holding conferences for brokers, etc.;<br>● Finalize collection centres; and<br>● Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material. | SBICAP, JMMS, Enam and SSKI | Enam |
| Managing the Book, coordination with Stock Exchanges, pricing and allocation to QIB Bidders. | SBICAP, JMMS, Enam and SSKI | SSKI |
| Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc. | SSKI | SSKI |
| The post issue activities of the Issue will involve essential follow up steps, which include finalization of trading and dealing instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Banker to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the issuer Bank. | SSKI | SSKI |

***Credit Rating***

As the Issue is of equity shares, a 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 Red Herring 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 discretionary 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 201 of this Red Herring 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 206 of this Red Herring 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 Red Herring Prospectus and in the Bid cum Application Form.

***Underwriting Agreement***

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the Designated Stock Exchange, 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 and Address of the Underwriters | Indicative Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. in million) |
|---|---|---|
| SBI Capital Markets Limited | 12,500,000 | [●] |
| Enam Financial Consultants Private Limited | 6,250,000 | [●] |
| JM Morgan Stanley Private Limited | 12,499,900 | [●] |
| SSKI Corporate Finance Private Limited | 12,499,900 | [●] |
| Enam Securities Private Limited | 6,250,000 | [●] |
| JM Morgan Stanley Retail Services Private Limited | 100 | [●] |
| SSKI Investor Services Private Limited | 100 | [●] |

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●] 2005. 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. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/ subscribe to the extent of the defaulted amount. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them, provided, however, it is proposed that pursuant to the terms of the Underwriting Agreement, Enam, JMMS and SSKI shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members, being Enam Securities Private Limited, JM Morgan Stanley Retail Services Private Limited and SSKI Investor Services Private Limited, do not fulfill their underwriting obligations. Allocation to QIB Bidders is discretionary as per the terms of this Red Herring 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 March 31, 2005 | | | Aggregate Value at nominal value | Aggregate Value at Issue Price |
|---|---|---|---|---|
| **A)** | **AUTHORISED** | | | |
| | 1,500,000,000 | Equity Shares of Rs. 10 each | 15,000 | |
| **B)** | **ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL** | | | |
| | 471,968,282 | Equity Shares of Rs. 10 each | 4,719 | |
| **C)** | **PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS** | | | |
| | 50,000,000 | Equity Shares of Rs. 10 each fully paid up * | 500 | [●] |
| | **Out of which** | | | |
| | (i) | 5,000,000 Equity Shares reserved for Employee Reservation Portion | 50 | |
| | (ii) | Net Issue to the Public - 45,000,000 Equity Shares | 450 | |
| **D)** | **EQUITY CAPITAL AFTER THE ISSUE** | | | |
| | 521,968,282 Equity Shares of Rs. 10 each fully paid up shares | | 5,219 | [●] |
| **E)** | **SHARE PREMIUM ACCOUNT** | | | |
| | Before the Issue | | Nil | |
| | After the Issue | | [●] | |

* *Our Board of Directors authorised a fresh issue of up to 50,000,000 Equity Shares of Rs. 10 each pursuant to a resolution passed at its meeting held on May 6, 2004. Our shareholders subsequently authorised the fresh issue of up to 50,000,000 Equity Shares of Rs. 10 each, by a resolution passed unanimously at the AGM of our Bank held on June 14, 2004, subject to the approval of the GoI, the RBI, SEBI and other applicable authorities. For further details, see sections titled "Capital Structure - Notes to Capital Structure" on page 15 of this Red Herring Prospectus, "Other Regulatory and Statutory Disclosures - Authority for the Issue" on page 188 of the Red Herring Prospectus and "Licenses and Approvals" beginning on page 185 of the Red Herring Prospectus and for details on Section 3(2BBA) (a) of the Bank Acquisition Act, see the section titled "Main Provisions of Constitutional Documents" beginning on page 224 of this Red Herring Prospectus.*

a) Our Bank offered 125,000,000 equity shares of Rs. 10/- each for cash at par for subscription to the public on October 25, 1999 out of which 12,500,000 equity shares of Rs. 10/- each for cash at par were reserved for allotment to regular/permanent employees/executive directors of the Bank.

b) The authorised share capital of the Bank is Rs. 15,000 million as per sub-section 2A of Section 3 of the Bank Acquisition Act, as amended from time to time.

c) The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), vide its letter No. F No.12/3/97-BOA dated March 26, 1999, in exercise of the powers conferred by Section 3(2BBB) inserted in the Bank Acquisition Act by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995, and in consultation with the RBI has permitted the Bank to reduce its paid-up capital by adjusting accumulated losses of Rs. 9,426.20 million from its paid up capital as on March 31, 1998. The reduced paid up capital of the Bank was Rs. 3,469.70 million as at March 31, 1999.

***Notes to Capital Structure***

1. Share capital history of the Bank since nationalisation on July 19, 1969:

| Date of allotment of the Equity Shares | No. of Equity Shares (in million) | Face Value (Rs.) | Issue Price (Rs.) | Nature of Payment | Reasons for allotment | Cumulative Paid-up Capital (Rs. in million) |
|---|---|---|---|---|---|---|
| August 19, 1969 | 1.42 | 10 | 10 | | Nationalization | 14.20 |
| January 17, 1978 | 1.58 | 10 | 10 | Transfer from Reserves | Capitalization of reserves | 30.00 |
| September 24, 1980 | 2.00 | 10 | 10 | Transfer from Reserves | Capitalization of reserves | 50.00 |
| December 31, 1981 | 1.00 | 10 | 10 | Transfer from Reserves | Capitalization of reserves | 60.00 |
| February 25, 1982 | 1.50 | 10 | 10 | Transfer from Reserves | Capitalization of reserves | 75.00 |
| March 6, 1982 | 3.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 105.00 |
| December 9, 1985 | 4.50 | 10 | 10 | Cash | Contribution to capital by GoI * | 150.00 |
| December 30, 1985 | 18.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 330.00 |
| December 26, 1986 | 9.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 420.00 |
| March 28, 1988 | 17.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 590.00 |
| March 29, 1989 | 15.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 740.00 |
| March 31, 1992 | 85.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 1,590.00 |
| January 1, 1994 | 680.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 8,390.00 |
| December 1, 1994 | 278.59 | 10 | 10 | Cash | Contribution to capital by GoI * | 11,175.90 |
| March 25, 1996 | 172.00 | 10 | 10 | Cash | Contribution to capital by GoI * | 12,895.90 |
| March 26, 1999 | (942.62) | 10 | 10 | Set-off[#] | Adjustment of accumulated losses against capital | 3,469.68 |
| December 31, 1999 | 119.86 | 10 | 10 | Cash | Capital raised through initial public offer | 4,668.29 |
| March 31, 2000 | 5.01 | 10 | 10 | Cash | Allotment money payments[##] | 4,718.33 |
| March 31, 2001 | 0.11 | 10 | 10 | Cash | Allotment money payments[##] | 4,719.40 |
| March 31, 2002 | | 10 | 10 | Cash | Allotment money payments[##] | 4,719.47 |
| March 31, 2003 | | 10 | 10 | Cash | Allotment money payments[##] | 4,719.48 |
| March 31, 2004 | | 10 | 10 | Cash | Allotment money payments[##] | 4,719.51 |
| December 31, 2004 | | 10 | 10 | Cash | Allotment money payments[##] | 4,719.58 |

* *Contribution by GoI through recapitalisation bonds/special securities*

\# *The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), vide its letter No. F No.12/3/97-BOA dated March 26, 1999, in exercise of the powers conferred by Section 3(2BBB) inserted in the Bank Acquisition Act by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995, and in consultation with the RBI has permitted the Bank to reduce its paid-up capital by adjusting accumulated losses of Rs. 9,426.20 million from its paid up capital as on March 31, 1998. The reduced paid up capital of the Bank was Rs. 3,469.70 million as at March 31, 1999.*

\## *Allotment monies received during the respective years.*

2. Promoters' Contributions and Lock-In

The requirement of Promoters' contribution is not applicable to this Issue since the Bank has been listed on a stock exchange for at least three years and has a track record of dividend payment for at least three immediately preceding years.

The Equity Shares of our Bank are listed on the BSE, NSE and BgSE, hence, there is no requirement of lock-in for a period of one year of the entire pre-Issue equity share capital. The MoF has, however, by its letter no. F.No. 11/18/2004-BOA dated April 13, 2005 conveyed its approval to lock in 20% of the post-Issue share capital for a period of three years from the date of allotment.

Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions. In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to a new promoter or persons in control of the Bank subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

3. Equity Shares held by top 10 shareholders

Our top 10 shareholders and the Equity Shares held by them on June 10, 2005 are as follows:

| S. No. | Name | No. of Equity Shares | % |
|---|---|---|---|
| 1. | Government of India | 346,968,282 | 73.52 |
| 2. | Life Insurance Corporation of India | 15,333,954 | 3.25 |
| 3. | BSMA Limited | 3,816,439 | 0.81 |
| 4. | General Insurance Corporation of India | 2,619,166 | 0.55 |
| 5. | Goldman Sachs Investments (Mauritius) I Limited | 2,016,300 | 0.43 |
| 6. | The New India Assurance Company Limited | 1,909,959 | 0.40 |
| 7. | Societe Generale | 1,345,200 | 0.29 |
| 8. | Copthall Mauritius Investment Limited | 1,023,621 | 0.22 |
| 9. | United India Insurance Company Limited | 1,009,384 | 0.21 |
| 10. | ABN Amro Asia (Mauritius) Limited – Class D | 995,600 | 0.21 |

Our top 10 shareholders and the Equity Shares held by them 10 days prior to the date of filing the Red Herring Prospectus with the Designated Stock Exchange are as follows:

| S. No. | Name | No. of Equity Shares | % |
|---|---|---|---|
| 1. | Government of India | 346,968,282 | 73.52 |
| 2. | Life Insurance Corporation of India | 15,333,954 | 3.25 |
| 3. | BSMA Limited | 3,816,439 | 0.81 |
| 4. | General Insurance Corporation of India | 2,619,166 | 0.55 |
| 5. | Goldman Sachs Investments (Mauritius) I Limited | 2,016,300 | 0.43 |
| 6. | The New India Assurance Company Limited | 1,909,959 | 0.40 |
| 7. | Societe Generale | 1,345,200 | 0.29 |
| 8. | Copthall Mauritius Investment Limited | 1,023,621 | 0.22 |
| 9. | United India Insurance Company Limited | 1,009,384 | 0.21 |
| 10. | ABN Amro Asia (Mauritius) Limited – Class D | 995,600 | 0.21 |

Our shareholders and the Equity Shares held by them two years prior to the date of filing the Red Herring Prospectus is as follows:

| S. No. | Name | No. of Equity Shares | % |
|---|---|---|---|
| 1. | Government of India | 346,968,282 | 73.52 |
| 2. | The New India Assurance Company Limited | 1,000,000 | 0.21 |
| 3. | IFCI Limited | 910,500 | 0.19 |
| 4. | Life Insurance Corporation of India | 856,800 | 0.18 |
| 5. | Vijaya Bhargava | 548,000 | 0.12 |
| 6. | Oriental Bank of Commerce | 439,670 | 0.09 |
| 7. | Kotak Mahindra (UK) Limited | 350,000 | 0.07 |
| 8. | V. M. Salgaocar & Brothers Private Limited | 342,700 | 0.07 |
| 9. | Meenakshi Bhargava | 294,268 | 0.06 |
| 10. | United India Insurance Co. Limited | 275,726 | 0.06 |

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

5. Shareholding pattern as of March 31, 2005

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

| | Equity Shares owned prior to the Issue | | Equity Shares owned after the Issue | |
|---|---|---|---|---|
| **Shareholder Category** | **Number** | **%** | **Number** | **%** |
| **Promoter#** | **346,968,282** | **73.52** | **346,968,282** | **66.47** |
| **Sub Total (A)** | **346,968,282** | **73.52** | **346,968,282** | **66.47** |
| **Non-Promoter holding (Institutional Investors)** | | | | |
| Mutual Funds & UTI | 2,494,275 | 0.52 | [●] | [●] |
| Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions/ Non Government Institutions) | 22,560,363 | 4.78 | [●] | [●] |
| Foreign Institutional Investors | 12,583,395 | 2.67 | [●] | [●] |
| **Sub Total (B)** | **37,638,033** | **7.97** | **[●]** | **[●]** |
| Others | | | | |
| Private Corporate Bodies | 7,567,633 | 1.60 | [●] | [●] |
| Indian Public | 77,250,397 | 16.37 | [●] | [●] |
| NRIs/OCBs | 963,037 | 0.20 | [●] | [●] |
| Trade Unions/Trusts/Clearing Members | 1,580,900 | 0.33 | [●] | [●] |
| **Sub Total (C)** | **87,361,967** | **18.51** | **[●]** | **[●]** |
| **Total pre-Issue share capital (D=A+B+C)** | **471,968,282** | **100.00** | **-** | **-** |
| **Issue (E)** | **-** | **-** | **50,000,000** | **9.58** |
| **Total post-Issue share capital (F=D+E)** | **-** | **-** | **521,968,282** | **100.00** |

*# The President of India acting through the MoF, holds 73.52% of the pre-Issue paid up equity capital of our Bank. After the Issue, GoI will hold at least 66.47% of the fully diluted post-Issue paid up Equity Share capital of our Bank.*

6. Our Bank applied to the GoI for its consent to a fresh issue of up to 50,000,000 Equity Shares by its letter bearing number 519/71/2914/CO/BNG dated July 1, 2004. The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) has given its approval for the present Issue, vide letter no. F.No.11/18/2004-BOA dated December 3, 2004, inter alia on the conditions that the holding of GoI shall not fall below 51% at any point of time and that allotment to Non-Residents, if any, will be subject to the prior approval of the Exchange Control Department of RBI and should be within the ceiling of 20% of the paid-up capital or any lower ceiling that may be notified by the GoI under sub-section 2D of the Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. Our Bank had applied to the Chief General Manager, Exchange Department (Foreign Investment Division) by applications dated April 6, 2005 and April 19, 2005 seeking approval of the RBI to issue Equity Shares under this Issue to the public including NRIs and FIIs with repatriation benefits. RBI by their letter no. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005, permitted the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million. The permission is subject to ensuring that the post-Issue non-resident equity holding in the Bank shall not exceed 20% of the post-Issue paid up capital. The permission is further subject to conditions laid down by the GoI in their approval F.No.11/18/2004-BOA dated December 3, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

7. None of our Directors, the Promoter and the BRLMs have entered into any buyback and/or standby arrangements for the purchase of our Equity Shares from any person.

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 20 of this Red Herring Prospectus.

9. In the Net Issue to the Public, in case of oversubscription in all categories, up to 50% of the Net Issue to the Public shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, at least 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any undersubscription in the Employee Reservation Portion would be included in the Net Issue to the Public and distributed equally between the Retail Portion and the Non-Institutional Portion. In the case of an oversubscription in the Retail Portion or the Non-Institutional Portion, such oversubscription shall be allocated to that portion in which the demand has not been met. The remaining under-subscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion. However, our Bank in consultation with the BRLMs retains the discretion to decide the final allocation of Equity Shares arising from such undersubscription, subject to applicable laws and in accordance with the section titled "Issue Procedure - Basis of Allotment" on page 220 of this Red Herring Prospectus.

10. A total of up to 10% of the Issue size, i.e., up to 5,000,000 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 and subject to the maximum Bid in the Employee Reservation Portion being 2,500 Equity Shares. 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. Eligible Employees shall be allotted a maximum of 2,500 Equity Shares. Any undersubscription in the Employee Reservation Portion would be included in the Net Issue to the Public and distributed equally between the Retail Portion and the Non-Institutional Portion, in accordance with the section titled "Issue Procedure - Basis of Allotment" on page 220 of this Red Herring 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. Eligible Employees applying in the Employee Reservation Portion cannot make a Bid for more than 2,500 Equity Shares offered in the said category.

12. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

13. 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 Red Herring Prospectus with the Designated Stock Exchange until the equity shares offered hereby have been listed.

14. The Bank presently 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.

15. 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.

16. Under Section 3A of the Bank Acquisition Act, no notice of any trust, express, implied or constructive, shall be entered in the register or be receivable by the Bank. In terms of this Section, while trusts could make investments in Equity Shares of the Bank, this could be only in the name of the trustees and no details of the trust would be taken cognisance of by the Bank in its Register of Shareholders.

17. Section 3(2E) of the Bank Acquisition Act provides that no shareholder other than GoI shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank.

18. 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 Red Herring Prospectus.

19. We have 271,715 members as of June 10, 2005.

## OBJECTS OF THE ISSUE

The objects of the Issue are as follows:

The RBI, which regulates us, requires us to maintain a minimum capital to risk weighted assets ratio of 9.0%, at least half of which should consist of Tier I capital. As of March 31, 2005, our total capital adequacy ratio was 10.70% and our Tier I capital adequacy ratio was 6.10%. As per our audited restated financial statements, our total capital adequacy ratio was 11.49% and our Tier I capital adequacy ratio was 6.75% as of March 31, 2004 compared with 10.97% and 7.63% as of March 31, 2003, respectively. The requirements for Tier I capital and total capital adequacy ratios are expected to increase with the proposed implementation of the Basel II standards in late 2006 or early 2007 and we will need to augment our capital base to meet these ratios.

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.

The net proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue related expenses are estimated at Rs. [●] million.

Our Constitutional Documents enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

***Issue Expenses***

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

(Rs. in million)

| **Activity** | **Expense** |
|---|---|
| Lead management, underwriting commission* | [●] |
| Advertising and Marketing expenses | 27.50 |
| Printing and stationery | 15.00 |
| Registrars fee, legal fee, etc. | 24.00 |
| Others | 3.00 |
| **Total estimated Issue expenses** | **[●]** |

** will be incorporated after finalisation of Issue Price*

*Note: In addition to the above, listing fees will be paid by the Bank.*

# BASIS FOR ISSUE PRICE

***Qualitative Factors***

1. We are one of India's major public sector banks and service over 16 million customers over India.
2. We have a pan-India franchise with 1,798 branches and 216 extension counters in India and an international branch at London as of March 31, 2005, with our customers having access to over 13,000 ATMs in India, including 243 of our own, and over 870,000 ATMs across the globe.
3. Our advances increased by 29.46% to Rs. 267,292.03 million as of March 31, 2005 from Rs. 206,469.19 million as of March 31, 2004; and our retail portfolio increased by 40.92% to Rs. 79,364.00 million as of March 31, 2005 from Rs. 56,316.80 million as of March 31, 2004.
4. Our deposits increased by 8.71% to Rs. 462,945.62 million at March 31, 2005 from Rs. 425,848.17 million at March 31, 2004. As at March 31, 2005, our interest-free demand deposits and low-interest savings bank deposits constituted 37.05% of our total deposits. These low-cost deposits led to an average cost of deposits of 4.64% and an average cost of funds of 4.67% for fiscal 2005.
5. Our ratio of net NPAs to net advances declined to 1.59% as at March 31, 2005 from 2.58% as at March 31, 2004.
6. We have a track record of profitability and payment of dividend.
7. We have 245 electronically interconnected branches/offices as of March 31, 2005 throughout the country.

***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)*

| Period | EPS(Rs.) | Weight |
|---|---|---|
| Year ended March 31, 2003 | 7.28 | 1 |
| Year ended March 31, 2004 | 9.17 | 2 |
| Year ended March 31, 2005 | 9.12 | 3 |
| **Weighted Average** | **8.83** | |

**The weighted average number of Equity Shares have been considered for calculation of EPS.*

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●]

   a. Based on twelve months ended March 31, 2005 is Rs. 5.99

   b. Industry P/E[1]

      i) Highest: 16.8

      ii) Lowest: 4.2

      iii) Average (composite): 8.1

   *[1] Source: "Capital Market" Volume XX/ 07 dated June 6, 2005 to June 19, 2005 for the Category titled 'Banking – Public Sector'*

3. Weighted average return on average net worth [1]

| Period | Return on Average Net Worth (%) | Weight |
|---|---|---|
| Year ended March 31, 2003 | 43.73 | 1 |
| Year ended March 31, 2004 | 36.22 | 2 |
| Year ended March 31, 2005 | 25.79 | 3 |
| **Weighted Average** | **32.26** | |

*[1] Net worth has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets as per our audited restated financial statements.*

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 [●]% to [●]%.

5. Net Asset Value per Equity Share at March 31, 2005 is Rs. 40.25

6. Net Asset Value per Equity Share after Issue

   The net asset value per Equity Share after the Issue is [●]

   Issue Price per Equity Share: Rs. [●]

   Issue Price per Equity Share will be determined on conclusion of Book Building Process.

7. Comparison of Accounting Ratios

| | EPS (Rs.) | P/E[2] | Return On Average Net Worth (%) | Book Value Per Share (Rs.) |
|---|---|---|---|---|
| **Syndicate Bank [1]** | **9.1** | **6.5** | **25.79** | **40.25** |
| **Peer Group [2]** | | | | |
| Allahabad Bank | 11.8 | 7.0 | 35.6 | 40.9 |
| Andhra Bank | 13.0 | 7.5 | 36.1 | 45.9 |
| Vijaya Bank | 8.8 | 6.9 | 27.1 | 35.4 |
| Indian Overseas Bank | 11.9 | 6.3 | 29.9 | 44.7 |
| UCO Bank | 4.2 | 6.6 | 21.1 | 22.1 |
| Bank of Maharashtra | 3.9 | 8.7 | 12.1 | 35.2 |
| **Peer Group (Simple) Average** | **8.9** | **7.2** | **27.0** | **37.4** |

*(1) Our EPS, Return On Average Net Worth and Book Value Per Share have been calculated from our audited restated financial statements.*

*(2) Source: "Capital Market" Volume XX/ 07 dated June 6, 2005 to June 19, 2005 for the Category titled 'Banking – Public Sector'*

The Issue Price of Rs. [●] has been determined on the basis of the demand from investors through the Book Building Process and is justified based on the above accounting ratios. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times of the face value.

The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page xii of this Red Herring Prospectus and the financials of the Bank including important profitability and return ratios, as set out in the Auditors' Report on page 111 of this Red Herring Prospectus to have a more informed view.

## STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Bank and its shareholders under the current tax laws presently in force in India, as provided by the Auditors by their 'Statement of Tax Benefits' dated May 11, 2005. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperatives the Bank faces in the future, the Bank may or may not choose to fulfil. The benefits discussed below are not exhaustive. This statement 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.

**A. TO THE BANK**

1. In terms of Section 10(15) of the Income Tax Act, 1961, interest on certain securities/bonds as notified by Government of India is exempt from tax.
2. In accordance with and subject to the provisions of section 10-23(G) of the Income Tax Act, 1961, any income by way of dividends (other than dividend referred to in Section 115-O), interest or long- term capital gains of the Bank arising from investments made on or after the first day of June 1998, by way of shares or long-term finance in any specified enterprise wholly engaged in the business of (i) developing (ii) maintaining and operating or (iii) developing, maintaining and operating any specified infrastructure facility and which has been approved by the Central Government and which satisfies the prescribed conditions as per Rule 2E of the Income Tax Rules, 1962, is exempted from tax.

   Provided that income by way of dividends, other than dividend referred to in Section 115-O, interest or long-term capital gain of an infrastructure company, shall be taken into account in computing the book profit and income tax payable under Section 115 JB.
3. Income earned by way of dividend from domestic companies is exempt under Section 10 (34) of the Income Tax Act, 1961.
4. Income specified under Section 10(35) of Income Tax Act, 1961, i.e., Income received in respect of the units of a Mutual Fund specified under clause 23D, and income received in respect of the units from the Administrator of the specified undertakings;
5. In terms of Section 10(38) of the Income Tax Act, 1961, any long-term capital gains arising to a Bank from transfer of a long-term capital assets being equity shares in a company or a unit of an equity oriented mutual fund would not be liable to tax in the hands of the Bank if the following conditions are satisfied:
   - The transaction of sale of such equity shares is entered into on or after 1st October 2004.
   - The transaction is chargeable to Securities Transaction Tax.
   - In case the transaction is not covered as per Para 5 above, the following benefits are available:

5.1. As per the provisions of Section 54EC of the Income Tax Act, 1961, and subject to conditions specified therein, the Bank is eligible to claim exemption from the tax arising on transfer of long-term capital assets, by making investments of whole or part of capital gains in certain long-term notified bonds, within six months from the date of transfer of the capital assets. If only a portion of capital gain is invested, then the exemption is proportionally available.

5.2. If only a portion of capital gain is invested, then the exemption is as per the provisions of Section 54ED of the Income Tax Act, 1961, and subject to conditions specified therein, capital gains arising from the transfer of investment held as long-term capital assets, being listed securities or unit is fully exempt from tax if the Bank invests within a period of six months after the date of such transfer, in equity shares forming part of an eligible issue of capital as defined in clause (i) to proportionately available.

6. As per the provisions of Section 36 (1) (vii) of the Income Tax Act, 1961, any bad debts or part thereof of the Bank which is written off as irrecoverable in the books of accounts of the Bank is allowable as deduction subject to the condition specified in the section.
7. As per the provisions of Section 36 (1) (viia) of the Income Tax Act, 1961, in respect of any provision for bad and doubtful debts made, the Bank is entitled to a deduction not exceeding:

7.1 7.5% of the total income computed before making any deduction under this clause and chapter VIA ; and

7.2 10% of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner;

Further, with effect from April 1, 2004, the Bank at its option can claim further deduction in excess of the limits specified in the foregoing provisions for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government. In order to avail this benefit the Bank should disclose such income in the return of income under the head “Profit and gains of business or profession”.

8. As per the provisions of Section 43D of the Income Tax Act, 1961, the interest income of the Bank in relation to such categories of bad or doubtful debts as prescribed in Rule 6EA of the Income Tax Rules, 1962 shall be chargeable to tax in the year in which it is credited by the Bank to its Profit and Loss Account or in the year in which it is actually received by the Bank, whichever is earlier.

9. Under Section 111A of the Income Tax Act and the other relevant provision of the Act, short-term capital gains (i.e. if the shares are held for a period not exceeding 12 months), arising on transfer of shares in the company on a recognized stock exchange shall be taxed at 10% (plus applicable surcharge).

**B. TO THE INDIVIDUAL INVESTORS**

1. Income earned by way of dividend from domestic companies is exempt under Section 10(34) of the Income Tax Act, 1961.

2. In terms of Section 10(38) of the Income Tax Act, 1961 any long-term capital gains arising to an investor from transfer of a long-term capital assets being Equity Shares in the Bank would not be liable to tax in the hands of the investor if the following conditions are satisfied:

2.1 The transaction of sale of such Equity Share is entered into on or after 1st October 2004 and the transaction is chargeable to Securities Transaction Tax.

3. In case the transaction is not covered as per Para 2 above, the following benefits are available:

3.1 As per the provisions of Section 54EC of the Income Tax Act, 1961, and subject to conditions specified therein, an individual is eligible to claim exemption from the tax arising on transfer of long-term capital assets, by making investments of whole or part of capital gains in certain long-term notified bonds, within six months from the date of transfer of the Equity Shares of the Bank. If only a portion of capital gain is invested, then the exemption is proportionately available.

3.2 As per the provisions of Section 54ED of the Income Tax Act, 1961, and subject to conditions specified therein, capital gains arising from the transfer of Equity Shares of the Bank held as long-term capital assets, being listed securities or unit is fully exempt from tax if the individual invests within a period of six months after the date of such transfer, in equity shares forming part of an eligible issue of capital as defined in clause (i) to Explanation in the above section. If only a portion of capital gain is invested, then the exemption is proportionately available.

3.3 As per the provisions Section 54F of the Income Tax Act, 1961 and subject to conditions prescribed there in long-term capital gains arising on transfer of Equity Shares of the Bank in the case of individuals shall be exempt if the net consideration is invested in purchase of a residential house within a period of one year before or two years from the date of transfer or the net consideration is invested in the construction of a residential house within a period of three years from the date of transfer. Where only a part of net consideration is invested then the exemption is proportionately available.

4. Under Section 111A of the Income Tax Act, 1961, and the other relevant provision of the Act, short-term capital gains (i.e. if the shares are held for a period not exceeding 12 months), arising on transfer of shares in a recognized stock exchange shall be taxed at 10% (plus applicable surcharge), provided the transaction is chargeable to Securities Transaction Tax.

**C. TO THE MUTUAL FUNDS**

As per the provisions of Section 10(23D) of the Income Tax Act, 1961, income by way of short-term or long-term capital gains arising from transfer of such Equity Shares of the Bank earned by the mutual fund registered under the Securities and Exchange Board of India Act, 1992, or regulation made there under, mutual fund set up by the public sector banks or public financial institutions and mutual fund authorized by the RBI would be exempt from income tax subject to the conditions as the Central Government may by notification in the official gazette specify in this behalf.

**D. TO NON RESIDENT SHAREHOLDERS INCLUDING NRIS, OCBS AND FIIS**

1. As per the provisions of Section 54EC of the Income Tax Act, 1961, and subject to conditions specified therein exemption from the tax arising on transfer of long-term capital assets is available, by making investments of whole or part of capital gains in certain long-term notified bonds, within six months from the date of transfer of the shares of the Bank. If only a portion of capital gain is invested, then the exemption is proportionately available.

2. As per the provisions of Section 54ED of the Income Tax Act, 1961, and subject to conditions specified therein, capital gains arising from the transfer of Equity Shares of the Bank held as long-term capital assets, being listed securities or unit is fully exempt from tax if the investment is made within a period of six months after the date of such transfer, in equity shares forming part of an eligible issue of capital as defined in clause (i) to Explanation in the above section. If only a portion of capital gain is invested, then the exemption is proportionately available.

3. As per the provisions Section 54F of the Income Tax Act, 1961, and subject to conditions prescribed therein, long-term capital gains arising on the transfer of Equity Shares of the Bank in the case of individuals shall be exempt if the net consideration is invested in the purchase of a residential house within a period of one year before or two years from the date of transfer or the net consideration is invested in the construction of a residential house within a period of three years from the date of transfer. Where only a part of net consideration is invested then the exemption is proportionately available.

4. As per the provision of the first proviso to the Section 48 of the Income Tax Act, 1961, capital gains arising from the transfer of Equity Shares acquired by the non resident 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 full value of consideration received or accruing into the same foreign currency as was initially utilized in the purchase of Equity Shares and the capital gains to be computed in such foreign currency shall then be reconverted into Indian currency. Cost indexation will not be available in such cases.

5. Under Section 112 of the Income Tax Act, 1961, and other relevant provisions of the Act, long-term capital gains (not covered under Section 10(38) of the Act) arising on the transfer of Equity Shares in the Bank, if shares are held for a period exceeding 12 months shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso of Section 48 or at 10% (plus applicable surcharge and education cess) (without indexation), at the option of the shareholders (indexation will not be available if investments are made in foreign currency in accordance with the first proviso to Section 48 of the Act as stated above).

6. A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has the option of being governed by the provisions of Chapter XIIA of the Income Tax Act, 1961, viz. “Special Provisions Relating to certain Incomes of Non-Residents”.

6.1 Under Section 115E of the Income Tax Act, 1961 where shares in the Bank are subscribed for in convertible Foreign Exchange by a non-resident Indian, long-term capital gains arising to the non-resident on the transfer of shares shall (in case not covered under Section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit.

6.2 Under the provisions of Section 115F of the Income Tax Act, 1961, long-term capital gains (not covered under Section 10(38) of the Act) arising to the non-resident Indian from the transfer of Equity Shares of the Bank subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only a part of the net consideration is so reinvested the exemption shall be proportionally reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

6.3 Under the provisions of Section 115G of Income Tax Act 1961, it shall not be necessary for a non-resident Indian to furnish his return of Income if his only source of income is investment income or long-term capital gains arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

6.4 Under Section 115H of the Income Tax Act, 1961, where a non-resident Indian becomes assessable as a resident in India, along with his return of income for that year, he may furnish a declaration in writing to the assessing officer under Section 139 of the Income Tax Act, 1961, to the effect that the provisions of the Chapter-XIIA shall continue to apply to him in relation to income derived from Equity Shares of the Bank for that year and subsequent years until such assets are converted into money.

6.5 Under Section 115I of the Income Tax Act, 1961, a non-resident Indian may elect not to be governed by the provisions of Chapter XIIA for any assessment year by furnishing the return of income under Section 139 of the Income Tax Act, 1961, declaring that the provisions of this chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him, and instead the other provisions of the act shall apply.

7. As per Section 115AD of the Income Tax Act, 1961, long-term and short-term capital gains (other than Section 10(38) arising on the transfer of shares purchased by FIIs, in convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge and education cess). Cost indexation benefits will not be available.

8. In accordance with and subject to the provisions of Section 196D(2) of the Income Tax Act, 1961, 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 the FIIs.

## THE 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, 2003-2004, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as of December 2004 and RBI's Annual Policy Statements for 2004-2005 and 2005-2006.*

***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 like Allahabad Bank Limited, Oriental Bank of Commerce Limited, Bank of Baroda Limited and Bank of India Limited. 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.

***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 December 2004 there were 286 scheduled commercial banks in the country, with a network of 67,742 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. Industrial Development Bank of India was converted into a banking company by the name of Industrial Development Bank of India Limited with effect from October 2004 and is a scheduled commercial bank. Scheduled commercial banks have a presence throughout India, with nearly 69.72% 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 27 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'.

Syndicate Bank is a corresponding new bank, nationalised in 1969 under the Bank Acquisition Act. At the end of December 2004, public sector banks had 47,156 branches and accounted for 74.49% of the aggregate deposits and 71.23% 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 December 2004 with 14,423 branches, accounting for 3.46% of aggregate deposits and 2.90% 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. There are nine "new" private sector banks operating at present. In addition, 21 private sector banks existing prior to July 1993 were operating at year-end fiscal 2004.

***Foreign Banks***

At the end of December 2004 there were around 32 foreign banks with 218 branches operating in India, accounting for 4.65% of aggregate deposits and 6.72% of outstanding gross bank credit of scheduled commercial banks. The GoI 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. The RBI notification increasing the limit to 74% is, however, still awaited.

The RBI, in July 2004, issued a Draft Policy on Investment and Governance in Private Sector Banks, which set out certain broad principles underlying the framework relating to ownership of private sector banks.

***Cooperative 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 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 would be 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 Bank Regulation Act and the Companies Act with effect from October 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 are over 13,500 non-banking finance companies in India as of October 2004, mostly in the private sector. All non-banking finance companies are required to register with RBI in terms of The Reserve Bank of India (Amendment) Act, 1997. 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 and Investment Companies and deposits and business activities of Residuary Non-Banking Companies (RNBCs). The RBI 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 October 2004, 577 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 securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. RBI has directed commercial banks to lend at least 3.0% of their incremental deposits in the form of housing loans. Further, RBI has reduced the risk weight for loans for residential properties to 50.0% for the purpose of determining capital adequacy. However, RBI increased this risk weightage for loans to residential properties to 75% in December 2004. Housing loans up to certain limits prescribed by RBI as well as mortgage-backed securities qualify as priority sector lending under RBI's directed lending rules.

***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 reinsurance 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, nine are in the private sector and five are in the public sector. The reinsurance 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. In fiscal 2004, the total gross premiums underwritten of all general insurance companies were Rs. 160.37 billion and the total new premiums of all life insurance companies were Rs. 194.30 billion. As per provisional figures released by Insurance Regulatory and Development Authority (IRDA), in fiscal 2005, the total gross premiums underwritten by all general insurance companies were Rs. 180.95 billion and the total new premiums of all life insurance companies were Rs. 253.43 billion. Over the past few years, the market shares of private sector insurance companies have been increasing in both life and non-life insurance businesses. The market share of private sector life insurance companies in new business written increased from 1.35% in fiscal 2002 to 5.66% in fiscal 2003 and 12.56% in the fiscal 2004. Provisional figures released by IRDA indicate a market share of 21.93% during fiscal 2005 for private sector life insurance companies in new business written. The market share of private sector non-life insurance companies for business in India increased from 3.86% in fiscal 2002 to 9.16% in fiscal 2003 and 14.09% during the fiscal 2004. Provisional figures released by IRDA indicate a market share of 19.65% during fiscal 2005 for private sector non-life insurance companies for business in India.

*Mutual Funds*

As of the end of March 2005, there were 29 mutual funds in India with total net assets of Rs. 1495.54 billion. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in India. It was set up in 1963 at the initiative of the Government and RBI. 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.

***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 the banks' 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.

A number of measures have been taken to reduce the level of non-performing assets, such as the establishment of DRTs, Lok Adalats and the system of one-time settlement of dues through mutual negotiation. A system of corporate debt restructuring, based on the "London Approach" has been put in place as a voluntary process of corporate restructuring. For information on corporate debt restructuring, please refer to the section titled "The Indian Banking Sector - Corporate Debt Restructuring" on page 31 herein.

***Proposed Structural Reforms***

*Amendments to the Banking Regulation Act*

The Finance Act, 2005, has proposed the introduction of a comprehensive bill to amend the Banking Regulation Act, 1949, to, inter alia, provide for the following:

- to remove the lower and upper bounds to the Statutory Liquidity Ratio and provide flexibility to RBI to prescribe prudential norms;
- to allow banking companies to issue preference shares;
- to introduce specific provisions to enable the consolidated supervision of banks and their subsidiaries by RBI in consonance with international best practices;
- to provide for set-off of losses to banking companies in cases of amalgamation; and
- enhancement of credit-linking of self-help groups with the banking system.

*Amendments to the Reserve Bank of India Act*

Further, the Finance Act, 2005 also provides for the introduction of the following amendments to the Reserve Bank of India Act, 1934:

- to remove the limits of the CRR to facilitate greater flexibility in monetary policy; and
- to enable RBI to lend or borrow securities by way of repo, reverse repo or otherwise.

***Legislative Framework for Recovery of Debts Due to Banks***

In fiscal 2003, the Parliament passed the Securitisation Act. The Securitisation Act provides the powers of "seize and desist" to banks. The Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI 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 of the assets. This Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. The constitutionality of the Securitisation Act was challenged in Mardia Chemicals Limited v. Union of India, AIR 2004 SC 2371, a petition filed before the Supreme Court. The Supreme Court upheld the validity of the Act, except Section 17(2), wherein they found that the requirement of making a deposit of 75% of the amount claimed at the time of making a petition or an appeal to the DRT under Section 17 in order to challenge the measures taken by the creditor in pursuance of Section 13(4) was unreasonable and therefore, struck down. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations.

Earlier, following the recommendations of the Narasimham Committee I, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for the speedy resolution of litigation and the recovery of debts owed to banks or financial institutions. The legislation 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. While presenting its budget for fiscal 2002, the Government of India announced measures for establishing more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. While the Parliament has repealed this Act, the notification to make the repeal effective has not yet been issued.

***Corporate Debt Restructuring ("CDR")***

To put in place an institutional mechanism for the restructuring of corporate debt, RBI 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 for Industrial and Financial Reconstruction, debt recovery tribunals and other legal proceedings. In particular, the framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and co-ordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Any lender having a minimum 20% exposure in term loan or working capital may make a reference to the CDR Forum.

The system put in place by RBI contemplates a three tier structure with the CDR Standing Forum at the helm, which is the general body of all member institutions, out of which is carved out the core group, a niche body of select institutions that decides policy matters. Decisions on restructuring are taken by the CDR Empowered Group, which has all the member banks/FIs as its members. To assist the CDR Forum in secretarial matters and for analysis of the restructuring packages, a CDR Cell has been formed.

The total membership of the CDR Forum, as on March 31, 2004 is 60, of which there were 14 FIs, 27 public sector banks and 19 private sector banks.

***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, 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. 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 RBI 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.

***Annual Policy Statement***

The RBI has renamed its credit policy as the "Annual Policy" statement since it is directed at structural adjustments rather than controlling the credit flow in the economy. As per the Annual Policy statement for fiscal 2006, the rate of CRR of scheduled commercial banks has been kept at 5.00% of net demand and time liabilities.

As part of its efforts to continue bank reform, the 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 fiscal 2006, the RBI has stated that the overall stance of monetary policy for fiscal 2006 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 conducive to macroeconomic and price stability, and maintaining the momentum of growth; and
- to consider measures to stabilize inflationary expectations in response to evolving circumstances.

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

- liquidity adjustment facility ("LAF") scheme: The international usage of "repo" and "reverse repo" terms have been adopted from October 27, 2004. The LAF scheme is being operated with overnight fixed rate repo and reverse repo with effect from November 1, 2004. Accordingly, auctions of 7-day and 14-day repo ('reverse repo' in international terminology) stand discontinued 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 has been increased effective from April 29, 2005 from 4.75% to 5.00%. Accordingly the fixed repo rate under LAF will continue to remain at 6.00%;
- the CRR level is unchanged at 5.00%;
- no deregulation of interest rates relating to (i) savings deposit accounts; (ii) NRI deposits; (iii) interest rate ceilings on small loans up to Rs. 0.2 million; and (iv) interest rate regulation on export credit;
- the RBI will not be participating in the primary issuance of government securities with effect from April 1, 2006. The further sale of government securities allotted in primary issues with and between CSGL account holders shall also take place on the same day;

- the RBI shall issue guidelines on merger and amalgamation between private sector banks and with NBFCs. The guidelines would cover the 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 based on the UK model in order to ensure that a comprehensive code of conduct for the fair treatment of customers is created and adhered to;
- structural and developmental measures for expanding the government securities market; and
- measures for simplifying the systems and procedures for offering better customer service and to continue with the liberalisation process for the improvement of the foreign exchange market.

***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. Implementation of market risk will be completed within two years from the year ended March 31, 2005 and the credit risk and operational risk 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. It was a 'soft' launch with four banks, besides RBI, as participants. As on March 31, 2004, there are 71 direct participants in the RTGS system, including us. 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.

***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 year 2003-04 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 total number of ATMs installed by the public sector banks stood at 8,219 at March 31, 2004, compared with 5,963 ATMs at March 31, 2003.

The payment and settlement system is also being modernised. RBI is actively pursuing the objective of establishing a 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 typically 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.

***Consolidation***

Indian banks are increasingly recognizing the importance of size. These efforts have received encouragement from the views publicly expressed by the current Government favouring consolidation in the Indian banking sector. Although there have been instances of mergers, these have usually involved financially distressed banks. Mergers and acquisitions are seen by banks as a means of achieving inorganic growth in size and attaining economies of scale and scope. Notwithstanding the government ownership of public sector banks, the government has indicated that it would not stand in the way of mergers of public sector banks, provided the bank boards come up with a proposal of merger, based on synergies and potential for improved operational efficiency. The Government has also provided tax breaks aimed at promoting mergers and acquisitions (Section 72 (A) of the I.T. Act enables the acquiring entity (which could be a company, a corresponding new bank, a banking company or a specified bank) the benefit of "carry forward and set-off of accumulated losses and unabsorbed depreciation" of the acquired entity, subject to specified conditions being fulfilled). Further, the Finance Act, 2005 has included of a new Section 72AA to the I.T Act. Pursuant to this Section, during the amalgamation of a banking company with any other banking institution under a scheme sanctioned and brought into force by the Central Government under Section 45 (7) of the Banking Regulation Act, the accumulated loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of such banking institution for the previous year in which the scheme of amalgamation was brought into force and other provisions of the I.T Act relating to the set-off and carry forward of loss, and allowance, for depreciation shall apply accordingly. It is envisaged that the consolidation process in the public sector bank group is imminent, particularly as banks will be required to attain higher capital standards under Basel II and meet the pressures of competition by adoption of the extended universal banking model.

***Moving Ahead***

Bank deposits continue to remain an important instrument of financial saving. The share of bank deposits in household savings has shown an increase from 30.8% in fiscal 2000 to 40.5% in fiscal 2004. The increased use of technology should help banks to reduce transaction costs, and enhance cross-selling of bank products.

It has been recognized that the agricultural sector has not been a major beneficiary of the decade long reform process and a skewed interest rate structure has emerged in case of agricultural loans vis-à-vis consumer loans, mainly as a result of fierce competitive pressures in the consumer finance segment. The GoI intends to address this underlying weakness, considering that 70% of the population is in India's villages and the agro-economy needs more infrastructure investment. Accordingly, the GoI's policy is to double the level of agricultural credit in the next three years and the public sector banks have geared themselves to pursue this objective. This, however, is not expected to result in risk concentration as agricultural advances of public sector banks constituted only 15.4% of their net credit at March 31, 2004. Further, being of smaller quantum, agricultural advances help banks to achieve risk-dispersal and it is generally seen that recovery rates are consistently higher. Moreover, banks have been provided tax breaks for boosting agricultural advances banks can claim income tax exemption on 10% of their average rural advances and 7.5% of net profit before provisions and tax. More recently, RBI has also modified the NPA norms for agricultural advances (linking delinquency to the crop cycle).

## BUSINESS

### Business Overview

We are one of India's major public sector banks. As of March 31, 2005, we had 1,798 branches in India spread over 23 states and four union territories. In addition, we maintain an international presence with a branch in London and we manage two exchange companies in the Middle East. As of March 31, 2005, we had a work force of 26,395 people serving over 16 million customers.

In fiscal 2005, we made a net profit of Rs. 4,304.08 million. At year-end fiscal 2005, we had assets of Rs. 521,094.25 million and net worth of Rs. 18,996.49 million. We have a record of consistent growth in deposits and advances, with global deposits growing at a compound annual rate of 14.37% during the last five years and gross advances growing at a compound annual rate of 16.97% during the same period.

We were established in 1925 in Udupi, in the South of India to assist rural and agricultural development. We were constituted as a public sector bank in 1969. We now offer a full range of banking products and services to corporate and retail customers through a variety of delivery channels across India.

Our retail banking business provides financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education and other personal loans and deposit services such as demand, savings and fixed deposits for our customers. We also provide supply chain financing to our retail trade customers. In addition, we distribute products such as global debit cards and global credit cards. We also provide e-rail services for booking railway tickets through the Internet. We also distribute third party products such as life and non-life insurance policies. We have launched bill pay facilities to enable our customers to pay their utility bills through our AutoPay method. We plan to launch the same facility through Internet Banking shortly.

We provide commercial banking products and services to corporate and commercial customers including mid-sized and small businesses and government entities. Our loan products include term loans for the acquisition, construction or improvement of assets as well as short-term loans, cash credit, export credit and other working capital financing and bill discounting. We also provide credit substitutes such as letters of credit and guarantees. In addition, we also provide fee-based products and services such as cash management services and direct tax collections.

We have also maintained our focus on addressing the needs of priority sector customers and offer specialised products and services to these sectors. 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 financing to farmers for production and investment as well as indirect financing for infrastructure development and credit to suppliers of inputs. Our products for small scale industry, another priority sector, are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets, plant and machinery and meeting working capital needs based on the land holding of the respective farmers. We provide flexible security requirements to make credit more accessible to small-scale industry borrowers.

We deliver our products and services through our extensive branch network, extension counters, ATMs, phone banking and the Internet. As of March 31, 2005, our branch network comprised 645 rural, 430 semi-urban, 356 urban and 367 metropolitan branches, all of which are computerized. We are committed to enhancing our technological capabilities and have launched a major information technology initiative to increase the interconnectivity of our branches.

The following table gives the region-wise breakup of domestic deposits, advances and branch network as at the end of fiscal 2004 and fiscal 2005:

| | As on March 31, 2004 | | | As on March 31, 2005 | | |
|---|---|---|---|---|---|---|
| **Geographic Distribution** | **Number of branches** | **Deposits (Rs. in million)** | **Advances (Rs. in million)** | **Number of branches** | **Deposits (Rs. in million)** | **Advances (Rs. in million)** |
| Northern India | 169 | 106,547.02 | 25,061.53 | 176 | 125,893.38 | 40,100.25 |
| North-Eastern India | 7 | 1,851.59 | 1,116.21 | 7 | 2,028.07 | 1,897.94 |
| Eastern India | 112 | 22,863.13 | 10,179.47 | 115 | 22,246.07 | 14,301.03 |
| Central India | 249 | 34,817.97 | 12,841.68 | 253 | 39,626.11 | 18,038.30 |
| Western India | 197 | 78,853.65 | 43,108.40 | 200 | 87,172.68 | 50,191.93 |
| Southern India | 1,032 | 157,586.54 | 91,705.95 | 1,047 | 160,090.74 | 119,239.06 |
| **Total** | **1,766** | **402,519.90** | **184,013.24** | **1,798** | **437,057.05** | **243,768.51** |

We intend to maintain our position as a cost efficient and customer focused institution that provides comprehensive banking and related services. We intend to grow by cross-selling various fee-based financial products and services to our customers and by expanding geographically in India and internationally. We are committed to our entrenched philosophy of aiding India's development and will expand our presence to strengthen our retail branch network. We are dedicated to excellence in our customer service and also maintaining high standards of corporate responsibility.

The Government of India is our largest shareholder and will hold approximately 66.47% of our Equity Shares after the Issue. The Government has expressed its intention to maintain its ownership interest of at least 51%. For further details, see the section titled "Other Regulatory and Statutory Disclosures – Authority for the Issue" on page 188 of this Red Herring Prospectus.

***Business Strategy***

Our strategy is to maintain and enhance our position as a major Indian public sector bank. We intend to achieve a strong market position, which will allow us to attract and retain the best people in the business, optimise business origination, lower our cost of funds, maximize our shareholder value, and realise all other advantages afforded by the market to industry leaders. The main elements of our strategy are set forth below:

*Enhance our retail banking business*

We intend to continue our focus on growing our retail banking business. The retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market. The keys to our retail strategy are our focused marketing approach, developing new products and services, networking our branch locations, developing our distribution channels including our ATMs and internet banking and improving customer service. In addition, we believe that there is potential to generate additional revenue growth by focusing on higher value added products and by increasing cross-selling across our different distribution channels. Increasing the sale of high margin products such as insurance products, and credit and debit cards will also increase our fee-based revenue.

We will continue to focus on growing our retail advances portfolio. Being a high yield segment, we expect competition from private sector banks to intensify further. We foresee a situation where pricing will be the decisive factor for growth in this segment. We are continuously repositioning our products in the market to enlarge our market share.

We are also focusing on growth in our retail deposit base to diversify our funding towards more stable and lower cost funding sources. We intend to leverage our strong presence in rural and semi-urban centres to target small to medium enterprises and the trade and services segment. This focus will facilitate faster expansion of quality credit and help to stabilise our credit figures.

*Reduce cost of funds*

We have achieved a low overall cost of funds through a large base of low-cost deposits representing 37.05% of our total deposits as of March 31, 2005. Interest-free demand deposits and low-interest savings deposits constituted 10.76% and 26.29%, respectively, of our total deposits as of March 31, 2005. We believe we can maintain and enlarge this low-cost funding base through our focus on retail banking, in particular deposits from rural and semi-urban branches and by offering a wide range of products and high quality customer service.

*Increase fee-based revenue*

We are looking to increase our high margin fee-based income in areas such as our treasury products and services, in particular our cash management services and foreign exchange management. In addition, we are looking to increase fee-based income by expanding our third party product offerings. For example, we have tie-ups with Bajaj Allianz Life Insurance Company Limited for the distribution of life insurance policies and with United India Insurance Company Limited for the sale of non-life insurance products including a Mediclaim Insurance/Personal Accident Scheme under brand name 'SyndArogya'. We also have a commercial relationship with Western Union for money transfers.

*Strengthen our priority sector banking business*

Social lending and concern for the development of agricultural and small-scale industry has remained a core theme of our operations. We intend to maintain and enhance our position as one of the leading banks for agricultural lending in India. We have a nationwide presence in the agriculture and small-scale industry sectors. We intend to further expand our agriculture and small-scale industry sector banking activities. Another aspect of our strategy is to further strengthen our ties with the agricultural community by providing training and social support programs for the rural populace.

*Enhance our technological capabilities and continue to implement our Centralised Banking Solution*

We were the first amongst the PSU banks to introduce Centralised Banking Solution. We have been making and continue to make significant investments in technology. We intend to use our technological capabilities to differentiate our products and services from those of our competitors. Our strategy is to continue to implement our CBS by interconnecting, modernising and re-branding our branches. We have launched a major information technology initiative in connection with the implementation of our CBS, which has been branded "Syndicat-e-banking". As at March 31, 2005, 245 branches/offices located in 105 centres across the country covering 40% of our total business have been converted to CBS branches and we propose to increase our CBS coverage in the coming years. This connectivity will help us understand our customer base, manage our customer relationships, allow us to offer a large number of value-added products and cross-sell our products more effectively.

Our technology-driven services also include 'anywhere' banking, Internet banking, ATM and phone banking. We are committed to improving these services, particularly our Internet portal. We believe that the customer convenience and relatively low cost of our Internet banking portal makes it one of our most valuable service delivery channels. We remain focused on changes in customer needs and technological advances.

*Expand our presence in international markets*

We believe that the international markets present a major growth opportunity. We currently have one branch in London offering a wide range of products and services in particular to PIOs and Indian corporates. In addition, we have been successfully managing two exchange companies in the Middle East namely, National Exchange Company in Doha, Qatar and Musandam Exchange in Oman. The total business of the London branch has increased from GBP 702.72 million (Rs. 56,331.87 million) as at March 31, 2004 to GBP 722.40 million (Rs. 59,475.09 million) as at March 31, 2005, growing by 5.58%.

Our strategy for continued growth in international markets is based on leveraging home country links for international expansion by capturing market share in selected international markets. We have identified the Middle East and South Africa as the key regions for establishing our international presence. Our focus will be on supporting Indian companies in raising corporate and project finance, trade finance, personal financial services for non-resident Indians and international alliances to support domestic businesses.

***Overview of our Lending Operations***

We offer 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 the proportion of these loans to our outstanding total domestic loans, as of the dates indicated:

(Rs. in million, except percentages)

| | As on March 31, | | | | | |
|---|---|---|---|---|---|---|
| **Sector** | **2003** | | **2004** | | **2005** | |
| | **Loans** | **% of total** | **Loans** | **% of total** | **Loans** | **% of total** |
| Corporate and Commercial | 95,287.00 | 65.13 | 100,460.40 | 54.59 | 123,026.8 | 50.47 |
| of which Small Scale Industries (SSIs)[(1)] | 10,873.60 | 7.43 | 12,293.10 | 6.68 | 15,914.63 | 6.53 |
| Housing & Retail | 29,250.00 | 19.99 | 56,310.00 | 30.60 | 79,364.00 | 32.56 |
| Agriculture[(1)] | 21,755.50 | 14.87 | 27,243.70 | 14.81 | 41,381.46 | 16.97 |
| **Total outstanding domestic loans** | **146,292.50** | **100.00** | **184,014.10** | **100.00** | **243,772.30** | **100.00** |

*(1) As of the last reporting Friday of the month indicated.*

We also undertake treasury operations and offer treasury-related products and services to our customers. These include interest rate and currency swaps and foreign exchange transactions.

Social lending and concern for the underprivileged has remained a core theme of our operations. As of March 31, 2005, 5.76% of our total advances accounted for 1.09 million borrowers with credit limits of less than Rs. 25,000.

*Products and Services for Corporate and Commercial Customers*

General

We provide commercial banking products and services to corporate and commercial customers including mid-sized and small businesses and government entities. Our loan products include term loans for the acquisition, construction or improvement of assets as well as short-term loans, cash credit, export credit and other working capital financing and bill discounting. We also provide credit substitutes such as letters of credit and guarantees. In addition, we provide fee-based products and services such as cash management services and direct tax collections. Most of our top 20 customers in terms of loan exposure are PSUs and government companies.

Corporate and Commercial Sector Lending Activities

*Term Loans*

Our term loans consist primarily of financing for the acquisition, construction or improvement of assets, including project finance. Although most of our loans are denominated in Rupees, we provide foreign currency loans that amounted to 0.93% of our total portfolio as of March 31, 2005. These loans are typically secured by 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. 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 usually provided to highly rated corporate customers.

*Cash Credit and Other Working Capital Facilities*

Cash credit facilities are the most common form of working capital financing in India. We offer revolving credit facilities secured by working capital assets, such as inventory and receivables. We may take additional security in the form of liens on fixed assets including mortgage of immoveable property, pledges of marketable securities and personal guarantees. Facilities are typically provided for 12-month periods and bear interest, usually at floating rates. 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 borrower. We discount these instruments and in certain cases, repayment of the bill is assumed by way of a commitment (in the form of a letter of credit) by another bank.

*Export Credits*

The RBI requires banks to make loans to exporters at predetermined rates of interest. We provide credit in Rupees as well as foreign currencies for the pre-shipment and post-shipment requirements of exporters. The RBI provides export credit refinancing for an eligible portion of total outstanding export loans 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 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 typically given for twelve-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.

Cash Management Services for Corporate and Commercial Customers

We commenced our cash management products and services in fiscal 2002 for corporate and commercial clients. Our cash management services provide business houses with collection, payment and remittance services, allowing them to reduce the time period between collections and remittances, and thereby streamlining their cash flows. Our cash management products include physical cheque-based clearing, electronic clearing services and the central pooling of countrywide collections. We receive fees based on the volume of the transaction, the location of the cheque collection centre and the speed of delivery.

Small Scale Industries

We provide financing to “small scale industries” or “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. SSIs are also considered a priority sector for directed lending purposes. See the section titled “Business–Directed Lending” below. As of the last reporting Friday of March 2005, SSI loans constituted 6.53% of our total outstanding domestic loans. As of the last reporting Friday of March 2005, we had an outstanding loan portfolio of Rs. 15,914.63 million in this segment compared with Rs. 12,293.05 million as of the last reporting Friday of March 2004, representing growth of 29.46%.

Our products for the SSI sector are intended to facilitate the establishment, expansion and modernization of businesses, 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. In order to complement our strengths in the agricultural sector, we have sought out agriculture-based SSIs in areas such as food processing, which also enable us to provide financing at multiple levels of the supply chain. We aim to offer efficient loan processing and are working with our peer banks to expedite the processing of SSI loans and make the process more objective.

*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 and other personal loans and deposit services such as demand, savings and fixed deposits for our customers. We also provide supply chain financing to our retail trade customers. In addition, we distribute products such as global debit cards and global credit cards. We also provide e-rail services for booking railway tickets through the Internet. We also distribute third party products such as life and non-life insurance policies. We have launched bill pay facilities to enable our customers to pay their utility bills through our AutoPay method. We plan to launch the same facility through Internet Banking shortly.

*Retail Lending Activities*

Our total outstanding retail loans and advances were Rs. 79,364 million as of March 31, 2005, representing 32.56% of our total outstanding gross domestic advances. The following table classifies our outstanding retail loans by category of loan, as of March 31, 2004 and March 31, 2005:

(Rs. in million, except percentages)

| Particulars | As on March 31, | | | |
|---|---|---|---|---|
| | 2004 | | 2005 | |
| | Amount outstanding | % of total outstanding retail loans | Amount Outstanding | % of total outstanding retail loans |
| Personal Loans (SyndSaral) | 23,653 | 42.00 | 28,083 | 35.39 |
| Consumer Durables (SyndSuvidha) | 642 | 1.14 | 604 | 0.76 |
| Automobile (SyndVahan) | 2,091 | 3.71 | 2,911 | 3.67 |
| Agriculturists (SyndKisan) | 603 | 1.07 | 765 | 0.96 |
| NRIs (SyndPravasi)* | 0 | 0.00 | 24 | 0.03 |
| Women Customers (SyndMahila)* | 0 | 0.00 | 136 | 0.17 |
| Housing (SyndNivas) | 16,782 | 29.80 | 28,356 | 35.73 |
| Loans for Pigmy Depositors (SyndPigmy) | 548 | 0.97 | 490 | 0.62 |
| Traders (SyndVyapar) | 5,146 | 9.14 | 5,992 | 7.55 |
| Lease Rentals SyndRent) | 226 | 0.40 | 374 | 0.47 |
| Small Businesses & Enterprises (SyndLaghu Udyami) | 2,074 | 3.68 | 2,810 | 3.54 |
| Education (SyndVidya) | 1,419 | 2.52 | 2,551 | 3.22 |
| Small & Medium Enterprises (SyndUdyog) | 1,160 | 2.06 | 1,321 | 1.66 |
| Gold (SyndSwarna) | 1,974 | 3.51 | 2,904 | 3.66 |
| Mortgages (SyndMortgage)* | 0.00 | 0.00 | 2,043 | 2.57 |
| **Total outstanding retail loans** | **56,318** | **100.00** | **79,364** | **100.00** |

** Introduced after April 1, 2004*

The following is a description of our principal retail loan products:

Housing Finance (SyndNivas)

Our housing finance business involves giving long-term loans to customers to finance the purchase, construction, repair and renovation of a house. Loans are permissible up to a maximum of 72 months gross salary for salaried persons and six times average annual income for other persons. We offer flexible repayment options with a maximum repayment period of up to 25 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 (SyndMortgage)

We offer loans to customers that can be used either for personal or for business needs against a security of immovable property. These loans are extendable for maturities up to seven years and are given for amounts up to a maximum of Rs. 2.5 million.

Trade Finance (SyndVyapar)

Through our trade finance business, we provide financing to individuals and small businesses typically in the form of revolving working capital facilities and term loans with maturities up to five years. These loans are typically collateralized by a charge over movable or immovable assets, with a 40% margin on immovable property and a 15% margin on approved securities. Such financing entails providing banking services such as overdraft facilities and bill discounting to suppliers and buyers. We offer a maximum overdraft amount of Rs. 2.50 million, with the facility being renewed every two years.

Automobile Finance (SyndVahan)

We provide loans to finance the purchase of new and used automobiles, including two wheelers. Automobile loans are secured by a charge on the purchased automobile and typically also by a personal guarantee of a party other than the borrower. These loans are extended for a term of up to seven years for new vehicles and four years for old cars and up to five years for new two wheelers.

Personal and Consumer Loans (SyndSaral)

We provide personal loans for various purposes in amounts ranging to Rs.0.30 million. These loans are typically made for periods between three to five years and are secured by personal guarantees from a party other than the borrower. Quite often undertaking for remitting the loan instalments is obtained from the employers.

Consumer Loans (SyndSuvidha)

We provide personal loans for purchasing consumer durables up to a maximum of Rs. 0.10 million. These loans are typically made for a period of up to five years and secured by personal guarantees from a party other than the borrower. In the case of consumer loans, the durables purchased are hypothecated as security.

We offer a similar product to persons in the agriculture industry to a maximum of Rs. 0.10 million and a repayment period not exceeding three years.

Education Loans (SyndVidya)

We provide loans for higher education which are typically for a term of five to seven years excluding the study period, the repayment beginning one year after completion of the course or six months after securing a job, whichever is earlier. For loans exceeding Rs. 0.75 million, we require collateral security equal to the loan amount with prescribed margin.

Loans against Rent Receivables (SyndRent)

We provide loans up to a maximum of 75% of the rental value of residential or commercial property to owners. We offer a maximum repayment period of 60 months.

Loans to Professionals

We provide loans up to a maximum of 50% of gross annual income to medical practitioners and other professionals like engineers, architects, accountants, lawyers and management consultants. The loans are intended to assist professionals in meeting urgent personal credit requirements.

Loan for GoI /PSU Employees

We provide loans to permanent employees of central and state Government departments, employees of reputed companies or firms and educational institutions. We offer these loans up to a maximum of Rs. 0.03 million for salaried employees.

Loans to Small & Medium Enterprises (SyndUdyog)

Since financing SMEs is one of the thrust areas identified for business development, we have a credit product to cater exclusively to SMEs with sound fundamentals. The product brings in a faster system of credit delivery with lesser formalities to eligible SMEs. The target group for the product constitutes manufacturing, trading and service sector entities with credit requirements in the range of Rs. 0.10 to Rs. 0.50 million.

Transport Loans

We extend loans to transporter operators who own a fleet of not more than 10 vehicles.

Loans to Agriculturists (SyndKisan)

We provide loans for meeting the personal credit requirements of the agriculturists, including acquisition of consumer durables up to Rs. 0.10 million, which can be repaid over a period not exceeding three years.

Loans to Pigmy Depositors (SyndPigmy)

We also have a loan product for the depositors under the Pigmy Deposit scheme which is a door-to-door daily collection of small deposits by authorised agents of the Bank. They are offered loans or overdrafts equivalent to three times the amount saved in their Pigmy Deposit account up to a maximum limit of Rs. 0.15 million. No guarantee is required for loans up to the amount saved in the Pigmy Deposit account.

Credit to Small Businesses & Enterprises (SyndLaghu Udyami)

We offer an operative limit to small businesses and enterprises including artisans, tiny units, traders and self employed professionals up to a limit of Rs. 0.50 million.

Gold Loans (SyndSwarna)

We provide loans against the security of gold ornaments of adequate value with stipulated margins which can be repaid in periods up to 24 months.

Other Retail Products and Services

*Debit Cards*

We launched the Syndicate Bank VISA Global Debit/ATM card in October 2003, as part of a commercial arrangement with VISA International. We intend to progressively issue debit cards to our customers in all our Syndicat-e-banking branches and also in our totally mechanised branches. As on March 31, 2005, our debit card operated on over 13,000 ATMs in India, including 243 of our own, over 100,000 merchandise establishments in India and 870,000 ATMs worldwide.

*Credit Cards*

We also offer Syndicate Bank Global Credit Card that is available as a Classic Card or Gold Card, with both equipped for photo identification. Our credit card also forms part of our commercial arrangement with VISA and as of March 31, 2005, can be used at over 13,000 ATMs in India, including 243 of our own, and over 870,000 ATMs worldwide. We offer free accident insurance cover against loss of life, to be extended for cardholders, including add-on cardholders, for an amount of Rs. 0.20 million for the Classic Card and Rs. 0.50 million for the Gold Card. The insurance agency from which the bank obtains the accident insurance policy, settles the claim against the loss of life only in the event of any accident to the cardholder or to the add-on cardholder, as per the extant guidelines of the insurance agency. The cardholder earns reward points, whenever he/she spends on Syndicate Bank Global Credit Card, in India or abroad. The cardholder earns one point on every Rs. 100 spent on the card.

*e-Rail*

We provide online booking of rail tickets to our customers over the Internet.

*Synd BillPay*

Synd BillPay is a product that facilitates our customers to make utility bill payments through a tie-up with M/s IndiaIdeas.Com. At present this facility is offered through our AutoPay method only. We plan to launch the same facility through Internet Banking shortly.

*Products and Services for Agriculture Customers*

General

Approximately 23.0% of India's GDP is derived from agriculture. The industry supports approximately two-thirds of India's population and accounts for 14.7% of export earnings. As of the last reporting Friday of March 2004 and the last reporting Friday of March 2005, agricultural loans constituted 16.29% and 18.10%, respectively, of our net bank credit.

Currently, our agricultural operations are spread across India with over 60% of our branches being located primarily in the rural and semi-urban areas of Karnataka, Andhra Pradesh, Tamil Nadu and Kerala states. These states in the aggregate accounted for 72.48% of our total agricultural loans as of the last Friday of March 2005.

The following table shows the value and share of our agricultural loan products as of the last reporting Friday of the months indicated:

| | March 2004 | | | March 2005 | | |
|---|---|---|---|---|---|---|
| **Geographic Distribution** | **Number of accounts** | **Amount outstanding (Rs. in million)** | **% of total outstanding agricultural loans** | **Number of accounts** | **Amount outstanding (Rs. in million)** | **% of total outstanding agricultural loans** |
| Northern India | 140,358 | 5,251.99 | 19.28 | 157,780 | 8,822.10 | 21.32 |
| North-Eastern India | 347 | 21.27 | 0.08 | 663 | 31.90 | 0.08 |
| Eastern India | 16,181 | 612.01 | 2.24 | 13,692 | 940.10 | 2.27 |
| Central India | 3,402 | 100.31 | 0.37 | 2,242 | 144.30 | 0.35 |
| Western India | 19,737 | 1,014.88 | 3.73 | 16,721 | 1,447.20 | 3.50 |
| Southern India | 563,295 | 20,243.28 | 74.30 | 664,163 | 29,995.86 | 72.48 |
| **Total agriculture portfolio** | **743,320** | **27,243.74** | **100.00** | **855,261** | **41,381.46** | **100.00** |

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 855,000 accounts. Our average return on agricultural credit is more than 9.00% as of March 31, 2005. Our agricultural credit growth rate was 25.22% during fiscal 2004 and 51.89% during fiscal 2005. Our gross non-performing assets constituted 3.82% of gross agricultural credit as of March 31, 2005, compared with 8.21% as of March 31, 2004 and 10.12% as of March 31, 2003. We have entered into memoranda of understanding with six leading tractor-manufacturing companies for financing tractors under a tie up arrangement.

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 financing to farmers for production and investment as well as indirect financing for infrastructure development and credit to suppliers of inputs.

The following table shows the value and share of our agricultural loan products as of the last reporting Friday of March 2004 and 2005, classified by type:

| | March 2004 | | | March 2005 | | |
|---|---|---|---|---|---|---|
| **Particulars** | **Number of accounts** | **Amount outstanding (Rs. in million)** | **% of total outstanding agricultural loans** | **Number of accounts** | **Amount outstanding (Rs. in million)** | **% of total outstanding agricultural loans** |
| Direct financing: | 738,521 | 24,057.64 | 88.30 | 848,524 | 33,464.25 | 80.87 |
| Production financing | 454,637 | 12,129.31 | 44.52 | 554,810 | 15,369.09 | 37.14 |
| Investment financing | 196,765 | 9,994.00 | 36.68 | 208,538 | 15,732.68 | 38.02 |
| Allied Activities | 87,119 | 1,934.33 | 7.10 | 85,176 | 2,362.48 | 5.71 |
| Indirect financing | 4,799 | 3,186.10 | 11.70 | 6,737 | 7,917.21 | 19.13 |
| **Total agriculture portfolio** | **743,320** | **27,243.74** | **100.00** | **855,261** | **41,381.46** | **100.00** |

Syndicate Kisan Credit Card

We provide loans to farmers under an agriculture credit scheme offering loans for consumption purposes to farmers and artisans. The Syndicate Kisan Credit Card is designed to meet expenditure connected with the cultivation of various crops, maintenance of small dairy/poultry units, non-farm activity and consumption. As of March 31, 2005, we have issued over 600,000 Kisan Credit Cards.

Investment Financing

We provide financing for agricultural investments such as farm mechanization, irrigation, transport vehicles, and wasteland development. The term of such financing is typically three to ten years and is secured by charges on agricultural land or immovable property.

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. We provide a scheme for the establishment of agri-clinics and agri-business centres by agriculture graduates. These loans are generally secured by the assets financed, mortgages of real property or personal guarantees.

Community Support

We intend to maintain our reputation as a premier agricultural financing institution in India. As part of our commitment to this sector, we provide a variety of programs to offer support and assistance to rural communities.

Our rural employment generation program is a scheme available to persons who wish to start a village or cottage industry or a service sector unit in a village.

We have also pioneered, jointly with Canara Bank and Sri Dharmasthala Manjunathashwera Trust, the establishment of rural development and self-employment training institutes (RUDSETIs), having set up 20 institutes in 12 states that have trained over 155,000 candidates since April 1982. RUDSETIs provide rural youth with free training, lodging and self-employment and a large number of our candidates are women.

Our Syndicate Rural Development Trust (SRDT) was created in 2000 to promote entrepreneurship through training and the promotion of micro-credit as the means of helping the rural poor, especially women, and has trained over 22,400 unemployed youth and rural poor since its creation.

Continuing our commitment to promote the use of solar energy devices, we also provide finance for solar water heating schemes and solar home lighting systems across all Indian states. As of March 31, 2005, we have financed 14,849 solar water-heating systems and 4,545 solar home lighting systems at a cost of Rs. 342.48 million and Rs. 78.79 million, respectively.

*Directed Lending*

RBI guidelines require banks to lend at least 40.0% 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 investments in plant and machinery up to Rs. 50 million), small business, self-employed and professional individuals, housing finance up to certain limits and certain other sectors. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector.

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

We report our priority sector loans to RBI on a quarterly basis. The loans reported are as of the last reporting Friday of the quarter. As of March 18, 2005, which was the last reporting Friday for the quarter ended March 31, 2005, our priority sector loans were Rs. 105,885.18 million, constituting 46.32% of our net bank credit against the requirement of 40.0%. The agriculture sector constituted 39.08% of our priority sector credit and SSIs constituted 15.03% of our priority sector credit as of March 31, 2005.

The following table presents data on our outstanding priority sector lending, including as a percentage of our total net bank credit, as of the last reporting Friday of the months indicated.

(Rs. in million, except percentages)

| Particulars | March 2003 Amount | March 2003 % of net bank credit[1] | March 2004 Amount | March 2004 % of net bank credit[1] | March 2005 Amount | March 2005 % of net bank credit[1] |
|---|---|---|---|---|---|---|
| Agriculture credit | 21,755.46 | 16.61 | 27,243.74 | 16.29 | 41,381.46 | 18.10 |
| SSI credit | 10,873.59 | 8.30 | 12,293.05 | 7.35 | 15,914.63 | 6.96 |
| Other priority sector credit[2] | 23,889.63 | 18.24 | 34,202.43 | 20.45 | 48,589.09 | 21.26 |
| **Total Priority sector credit** | **56,518.68** | **43.15** | **73,739.22** | **44.09** | **105,885.18** | **46.32** |
| Net bank credit | 130,980.34 | | 167,250.22 | | 228,618.89 | |

*(1) Net bank credit is gross bank credit less bank advances and permitted deposits under NRNR and FCNR (B).*

*(2) Includes transport, retail trade and certain loans to individuals for education and other purposes.*

In addition, priority sector lending includes housing finance up to Rs. 28,588.20 million.

***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:
   a. Recurring deposits, which are periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate; and
   b. Certificates of deposit.

Demand deposits can be withdrawn on demand during banking hours. Current accounts, matured term deposits, etc., are categorised 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. Products such as our Fixed Deposits, Social Security Deposits and Senior Citizen Security Deposits, offer periodical interest payments. We also offer a scheme for systematic investment plans, monthly savings or Cumulative Deposit, where fixed monthly instalments can be paid every month for the chosen period and the principal along with the quarterly compounded interest will be paid on maturity. 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, except percentages)

| Particulars | As on March 31, 2003 Balance outstanding | 2003 % of total | 2004 Balance outstanding | 2004 % of total | 2005 Balance outstanding | 2005 % of total |
|---|---|---|---|---|---|---|
| **Demand deposits** | **34,360.89** | **11.21** | **40,522.36** | **9.52** | **49,813.81** | **10.76** |
| From Banks | 1,459.61 | 0.48 | 1,358.25 | 0.32 | 1,444.61 | 0.31 |
| From Others | 32,901.27 | 10.73 | 39,164.10 | 9.20 | 48,369.20 | 10.45 |
| **Savings deposits** | **86,427.51** | **28.19** | **103,857.33** | **24.39** | **121,711.27** | **26.29** |
| **Term deposits** | **185,817.05** | **60.60** | **281,468.48** | **66.10** | **291,420.54** | **62.95** |
| From Banks | 15,452.01 | 5.04 | 26,409.98 | 6.20 | 24,138.05 | 5.21 |
| From Others | 170,365.04 | 55.56 | 255,058.50 | 59.89 | 267,282.49 | 57.74 |
| **Total deposits** | **306,605.45** | **100.00** | **425,848.17** | **100.00** | **462,945.62** | **100.00** |

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 and floating interest rates.

***Delivery Channels***

We offer our customers a choice of delivery channels including physical branches, ATMs, telephone banking and the Internet. This allows customers to access information about their accounts and use banking services 24 hours a day, seven days a week.

In recent years, we have expanded our physical delivery channels, including bank branches and ATMs, to cover a total of 23 states and four union territories throughout India as at the end of March 2005.

***Branches and Interconnectivity of Branches***

As of March 31, 2005, we have 1,798 branches in India spread over 23 states and four union territories. In addition, we maintain an international presence with a branch in London offering a wide range of products and services in particular to PIOs and Indian corporates. We also have 216 extension counters/sub-offices and nine satellite offices. Our extension counters are small offices primarily within office buildings or on factory premises that provide limited banking services. 89 of our branches are specialised and devoted to servicing certain customer segments such as corporate borrowers, small-scale industries, housing and exports. 1,075 of our branches are located in rural and semi-urban centres. This equates to nearly 60% of our branches, which is above the percentage stipulated by the RBI.

We have put in place a branch expansion policy aimed at increasing our branch network in potential growth centres.

Our total branch network is computerised. We are implementing our Centralised Banking Solution (CBS), by which we intend to inter-connect all our branches electronically. We have launched a major information technology initiative in connection with the implementation of our CBS, which has been branded “Syndicat-e-banking”.

As of March 31, 2005, 245 branches/offices located in 105 centres across the country have been converted to CBS branches.

The CBS branches have a uniform look, feel and branding. The objective of the Syndicat-e-bank roll out is to create bank loyalty as opposed to branch loyalty as customers are able to access their information from any CBS branch. The CBS branches aim to have a single window facility for all types of banking transactions and offer longer business hours, ATM cards, instant funds transfer, multi-city cheque facility, personalised cheque books and other customer services.

We anticipate that the CBS initiative will reduce the rental space required by us by over 52,000 square feet, resulting in a saving on rental cost of approximately Rs. 30 million per annum. In addition, the number of employees required at each branch is reduced when CBS is implemented in the branch.

*Rural Branches – Mechanisation of back office function through Hub and Spoke Model*

With a view to moving back office functions of rural branches to regional offices (“Nodal Centres”) we have begun to implement a “Hub and Spoke” model for the mechanisation of these rural branches. The model involves entry of daily transactions at the branches, uploading the data to the Nodal Centre and centralised data processing at the Nodal Centre. This allows staff at these rural branches to concentrate on customer service and business development. This project has currently been implemented in 137 branches spread across six of our regions.

*ATMs*

As of March 31, 2005, 586,106 customers hold ATM cards allowing them to access over 13,000 ATMs in India, including 243 of our own, and over 870,000 ATMs across the globe.

ATMs offer customers the convenience of withdrawing and depositing cash and performing other banking transactions without having to visit a branch during business hours. The services offered through our ATMs include, cash withdrawal, balance enquiries, mini statements detailing the last ten customer transactions, PIN changes, stop payments on cheques and other cheque related services including cheque book requests.

We are a founding member of the CashTree ATM network consortium formed in July 2003 with four other banks, the Union Bank of India, United Bank of India, Bank of India and Indian Bank. Dena Bank, Indian Overseas Bank, Bank of Maharashtra, Bank of Rajasthan and Karnataka Bank have also subsequently entered into the consortium. The CashTree network offers our customers access to 1,048 common ATMs throughout India.

*Internet Banking*

Our Internet banking portal is accessed through the web site www.syndicatebank.com. We believe that the convenience and relatively low cost of Internet banking make it one of our most valuable service delivery channels. Internet banking is offered to both individuals and corporate accounts.

*Telebanking*

We have established a telebanking system that can be accessed by customers by telephone 24 hours, seven days a week. By dialling the telebanking number and following the user-friendly interactive voice response menu, customers are able to retrieve information about their accounts and access a range of banking services. Our telebanking services are operational in Bangalore, Mumbai, Chennai, Delhi, Kolkata, Ahmedabad, Hyderabad and Mangalore. As of March 31, 2005, the number of registered telebanking users was over 21,357 and, on average, 1,500 calls are received per month by the telebanking call centre.

***Treasury and International Operations***

*Treasury*

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. Our treasury operations also include a range of products and services for corporate and commercial customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services.

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 March 31, 2005, 40.27% 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 March 31, 2005, 5.82% 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 78 of this Red Herring 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 optimize 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.

We commenced our derivative operations in fiscal 2003. We offer to our customers forward contracts and foreign currency/Rupee swaps valid up to one year, long-term forward contracts, forward rate agreements, interest rate swaps, cross currency interest rate swaps and cross currency options.

The following table sets forth, as of the dates indicated, the allocation of our investment portfolio.

(Rs. in million, except percentages)

| Securities | As on March 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2002 | | 2003 | | 2004 | | 2005 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| **SLR** | | | | | | | | |
| Government Securities | 84,711.86 | 71.12 | 106,079.79 | 76.74 | 147,045.15 | 82.07 | 173,164.08 | 85.01 |
| Approved Securities | 3,909.38 | 3.28 | 3,415.97 | 2.47 | 2,791.54 | 1.56 | 2,359.39 | 1.16 |
| Subsidiaries & Joint Ventures | 333.48 | 0.28 | 333.48 | 0.24 | 333.48 | 0.19 | 333.48 | 0.16 |
| **Sub total** | **88,954.72** | **74.69** | **109,829.24** | **79.45** | **150,170.17** | **83.82** | **175,856.95** | **86.33** |
| **Non-SLR** | | | | | | | | |
| Recap Bonds | 12,792.82 | 10.74 | 12,792.82 | 9.25 | 12,792.82 | 7.14 | 12,792.82 | 6.28 |
| Bonds and debentures | 12,289.85 | 10.32 | 10,187.02 | 7.37 | 9,199.83 | 5.13 | 11,518.79 | 5.65 |
| Shares | 934.70 | 0.78 | 1,160.70 | 0.84 | 875.49 | 0.49 | 716.47 | 0.35 |
| Commercial Paper, Mutual Funds & Others | 1,768.47 | 1.48 | 2,552.05 | 1.85 | 4,124.50 | 2.30 | 1,597.24 | 0.78 |
| **Sub total** | **27,785.84** | **23.33** | **26,692.59** | **19.31** | **26,992.64** | **15.07** | **26,625.32** | **13.07** |
| **Total (Domestic)** | **116,740.56** | **98.01** | **136,521.83** | **98.76** | **177,162.81** | **98.88** | **202,482.27** | **99.40** |
| Outside India | 2,365.45 | 1.99 | 1,710.62 | 1.24 | 2,003.16 | 1.12 | 1,225.06 | 0.60 |
| **Total** | **119,106.01** | **100.00** | **138,232.45** | **100.00** | **179,165.97** | **100.00** | **203,707.33** | **100.00** |

*Foreign Exchange Activities*

We enter into foreign exchange and derivative transactions for our customers and on our own account. Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counter parties. We earn profit on inter-bank and customer transactions by way of a spread between the purchase rate and the sale rate.

We have 88 branches that are authorized to conduct foreign exchange operations across India and one branch in the United Kingdom, located in London. Our centralized dealing room in Mumbai is equipped with the latest, state-of-the-art equipment, including web platforms, Reuters dealing systems, Telerate and Bloomberg. We were amongst the first banks to introduce web-based direct dealing with international banks and have a fully equipped back office to facilitate settlements. We provide our dealers with intensive training to deliver cross currency and derivative trading services. We have two corporate relationship centres at New Delhi and Bangalore and offer competitive pricing to our top corporate clientele.

We are a leading market player in cross currencies and have established dealing relationships with all the leading foreign banks across the world. We maintain a correspondent relationship with 287 banks globally and deal in 13 major world currencies. We are a member of the Foreign Exchange Dealers Association of India (“FEDAI”), Clearing Corporation of India Limited (“CCIL”) and Fixed Income Money Market Derivatives Association (“FIMMDA”).

Set forth below is our foreign exchange turnover for the period indicated:

(Rs. in million)

| | Fiscal | | | |
|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2005** |
| Merchant Turnover | 86,294 | 125,230 | 153,290 | 339,791 |
| Interbank Turnover | 1,315,270 | 1,683,690 | 2,046,030 | 3,283,970 |
| **Total** | **1,401,564** | **1,808,920** | **2,199,320** | **3,623,761** |

*Our Overseas Branch*

We opened our London branch in 1976. Our London branch has been an active player in foreign exchange, treasury, trade finance, cross-border lending and syndicated loans. Our total business (advances and deposits) has increased from Rs. 56,331.87 million as of March 31, 2004 to Rs. 59,475.09 million as of March 31, 2005.

We are currently awaiting necessary approvals to open representative offices in South Africa and Dubai.

*Exchange Companies*

In order to broaden our area of operations and continue our objective of providing a safer and faster mode of remittance for our NRI customers in the Middle East, we have entered into Rupee drawing arrangements with Habib Exchange Co., Sharjah, Wall Street Exchange Centre in Dubai, UAE Exchange Centre, Kuwait and Redha Al Ansari Exchange Company, Dubai. We expect to finalise other arrangements with companies located in Abu Dhabi, Kuwait and Bahrain.

***Risk Management***

We believe that the three principal risks to our business are credit risk, market risk and operational risk.

We recognize the importance of risk management for our growth and stability and have put in place a well-designed and comprehensive risk management system. Our risk management system comprises policies, procedures, organizational structures and control systems for the identification, measurement, monitoring and control of various risks. We continuously upgrade and enhance our risk management system in tune with the guidelines and directions of the RBI and best practices in the financial industry.

We prepare a comprehensive risk profile of the Bank on the basis of templates provided by the RBI, capturing eight business risks and four control risks. The profile is reviewed and revised quarterly with regard to the level and direction of each of the risks.

Our Board of Directors has the overall responsibility for risk management. Adopting a committee-based approach to risk management, the Bank has established a Board-level Integrated Risk Management Committee which monitors the overall risk of the Bank. Credit risk, market risk and operational risk are managed by separate executive committees being the Credit Risk Management Committee, Asset-Liability Managament Committee (“ALCO”) and Operational Risk Management Committee, respectively. The Bank has established a separate Integrated Risk Management Department, headed by a General Manager to co-ordinate the functions relating to the management of credit risk, market risk and operational risk.

In addition, our Audit Committee, a sub-committee of the Board, provides direction to, and monitors the quality of, the internal audit function. For a discussion of the Integrated Risk Management Committee and the Audit Committee, see "Our Management" beginning on page 88 of this Red Herring Prospectus.

*Credit Risk*

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of the borrower or counter-party or failure on its part to meet its obligations in accordance with the agreed terms.

The Credit Risk Management Committee is responsible for managing our credit risk. The credit risk relating to lending is addressed by our credit policy. The credit risk relating to trading and settlement is addressed through our integrated treasury management policy.

For data on our credit risk exposure, see the section titled "Selected Statistical Information" beginning on page 137 of this Red Herring Prospectus.

*Credit Risk Policy*

Our credit risk policy encompasses all of the three important phases in the credit administration process: relationship management, which involves developing business; transaction management, which involves risk assessment, structuring facilities, internal approvals, documentation, loan administration, loan pricing, on going monitoring and risk management; and portfolio management, which entail monitoring the loan portfolio at a macro level and the management of problem loans.

*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. Taking into account the RBI's guidelines on credit risk management, we have implemented our own credit rating system in the case of borrowers enjoying aggregate credit limits (fund based, including terms loans and non-fund based) of Rs. 1.00 million and above. We have six grading levels for performing assets and three grading levels for non-performing assets. Exposures on different countries are classified based on country risk ratings of Export Credit Guarantee Corporation and Euro Money Journal ratings.

Set forth below is our internal rating-wise distribution of fund-based domestic exposures:

| Credit Risk Category | Risk Grade | Exposure as on March 31, 2005 (Rs. in million) | % Exposure as on March 31, 2005 |
|---|---|---|---|
| CR-01 | Highest Safety | 35,889.40 | 14.72 |
| CR-02 | High Safety | 25,548.80 | 10.48 |
| CR-03 | Safe | 87,307.00 | 35.82 |
| CR-04 | Adequate Safety | 56,445.60 | 23.16 |
| CR-05 | Moderate Safety | 15,245.30 | 6.25 |
| CR-06 | Inadequate Safety | 9,039.60 | 3.71 |
| Default | Not Safe | 14,296.60 | 5.86 |
| **Total** | | **243,772.30** | **100.00** |

MIS on Credit Ratings

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 such, we require our branches to keep account-wise rating details of all accounts irrespective of quantum as a permanent record to facilitate the estimation of the migration of accounts and the default probability under rating categories at a later stage. The migration of an account refers to the movement up or down of a credit rating assigned to a borrower due to an improvement or deterioration, respectively, of a borrower's financial position and asset quality. The default rate (probability of default) will become much more significant after the implementation of Basel II recommendations on credit risk management, provisioning and capital assessments.

Prudential Ceilings and Exposure Norms

We have established our own prudential limits for funded exposure to individual industries for borrowers and groups of borrowers, regardless of whether the exposure is in the form of loans or non-fund based exposure. Our exposure limits are typically more conservative than those required by the RBI. Our internal ceiling for exposure to any borrower shall not exceed five times the net tangible net worth of the borrower, subject to certain monetary ceilings based upon the category of the borrower.

## SYNDICATE BANK

Under the RBI guidelines, our exposure to individual borrowers must not exceed 15.0% of capital funds. Exposure to individual borrowers may exceed the exposure norm of 15.0% of capital funds by an additional 5.0% (i.e., up to 20.0%) provided the additional exposure is on account of infrastructure financing. This 5.0% limit can also be extended to non-infrastructure borrowers with the prior approval of the Board of Directors without referring the case to the RBI. Under the RBI guidelines, exposure to a group of companies under the same management control must not exceed 40.0% of capital funds unless the exposure is in respect of an infrastructure project in which case the ceiling is 50.0%.

On March 31, 2005, our largest exposure to a single borrower was 17.10% of our capital funds, and our largest group exposure was 17.93% of our capital funds; all these borrowers are currently performing according to the terms of our contracts with them.

Our policy with respect to our maximum exposure to a particular industry as a percentage of our gross credit and non-SLR investment is set forth below:

| Industry | Exposure as a % of gross credit and non-SLR investment |
|---|---|
| Iron and Steel | 3.50 |
| Engineering | 8.00 |
| Petroleum | 7.00 |
| Chemicals, Dyes, Paints, etc. | 7.00 |
| Of which Drugs & Pharma/Petrochemicals (each) | 2.00 |
| Power Generation and Transmission (existing units) | 10.00 |
| Information Technology and Computer Software | 2.00 |
| Infrastructure Projects (aggregate) | 15.00 |
| - Power (new projects) | 5.00 |
| - Road and Highway Projects | 2.00 |
| - Port, Airport and Inland Waterways | 2.00 |
| - Telecommunication services | 3.00 |
| - Other infrastructure projects | 3.00 |
| Textiles | 3.00 |
| Cements/Sugar/Gems and Jewellery (each) | 2.00 |
| Automobile/Bio-technology/Coffee (each) | 1.00 |
| NBFCs (leasing, hire purchase & factoring services) | 2.00 |

Our policy with respect to sector-wise exposure ceilings is set forth below.

| Sector | Exposure Ceilings |
|---|---|
| Film Industry | 0.5% of gross credit |
| Sensitive Sectors: | |
| - Commodity Sector | 3% of gross credit |
| - Capital Markets | 5% of total outstanding advances (including commercial paper) as on March 31 of the previous year |
| - Real Estate | 4% of gross credit |

Our policy with respect to the maturity-wise profile of our loan book is set forth below:

| Maturity as per original contract | As a % of gross credit |
|---|---|
| Up to 3 years | Not less than 40% |
| Of which, short-term corporate loan up to 1 year | Not exceeding 12% |
| Above 3 years | Not exceeding 60% |
| Of which, above 5 years | Not exceeding 35% |

As per our credit policy, our unsecured exposure (i.e., an exposure where the realizable value of security as assessed by the Bank or an approved valuer or RBI's inspecting officer is not more than 10% ab-initio) shall not exceed 25% of the total outstanding domestic advances. Our policy with respect to the rating-wise exposure limit of our loan book is set out below:

| Credit risk category | Risk grade | Exposure limit fixed as a % to total limit |
|---|---|---|
| CR-01 | Highest Safety | Not below 15% |
| CR-02 | High Safety | Not below 10% |
| CR-03 | Safe | Not below 15% |
| CR-04 | Adequate Safety | Not exceeding 20% |
| CR-05 | Moderate Safety | Not exceeding 15% |
| CR-06 | Inadequate Safety | Not exceeding 15% |
| Default | Not Safe | Not exceeding 15% |

Additionally under our credit policy, interchangeability up to 5% of the total advances with the next immediate grade is permitted.

Due Diligence in Respect of Loans and Advances

All advances of Rs. 2.50 million and more are subject to a due diligence investigation. A certificate of legal compliance and a due diligence certificate from an external legal counsel is obtained before any such loan or advance is sanctioned. Further, documents in respect of all such advances of Rs. 2.50 million and more are reviewed by a solicitor before execution.

Credit Approval Authority

We believe that knowledge is the most potent factor in managing credit risk. Accordingly, we seek to constantly upgrade the credit risk evaluation skills of our employees at every level through specialized training programs. We have also developed and circulated to our employees rule-based best practice codes and checklists on a wide range of credit functions.

Our credit 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 has been structured based on the credit risk rating earned by a borrower.

Loan Review Mechanism

A detailed loan review mechanism ensures that credit sanctions made by various functionaries as per the credit sanctioning powers delegated to them are reviewed and taken note of at the next higher level. A comprehensive system for monitoring and supervision of loans and advances is also in place.

Loan Security and Recovery Policy

We have a large and well-diversified retail loan portfolio comprising of personal loans, automobile loans, housing loans and education loans among others. Personal loans are available to salaried class employees whose salaries are credited to bank accounts maintained with our Bank or where their employer undertakes loan recovery. In case of other employed people, loans are sanctioned by obtaining post-dated cheques. Our automobile loans are secured by a charge over the vehicles. The housing loans are fully secured by mortgage of property/houses. See the section titled "Risk Factors - 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 the collateral" on page xiii of this Red Herring Prospectus.

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

*Market Risk*

Market risk refers to 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. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss and to reduce our exposure to the volatility inherent in financial instruments. We consider interest rate risk to be our most significant risk.

We have clearly articulated integrated treasury management policy and asset-liability management policy to address market risk. These policies are comprised of management policies, procedures, prudential risk limits, review mechanisms 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, which comprises some of our senior executives, is vested with the responsibility of managing liquidity risk. The ALCO is also responsible for strategic and competitive pricing of advances and deposits and deciding the mix of products for achieving the targeted Net Interest Income/Net Interest Margin.

Asset-Liability Management

We generally fund our core customer assets, consisting of loans and credit substitutes, with our core customer liabilities, consisting principally of deposits. We also borrow in the short-term inter-bank market, though we are a lender most of the time. We use the majority of our funds to make loans or purchase securities.

We measure our exposure to fluctuations in interest rates primarily by way of a gap analysis on a quarterly basis. We classify all rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category gives us an indication of the extent to which we are exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities.

As of March 31, 2005, we had captured 100% of our business on a fortnightly basis for the purpose of asset-liability management. As of March 31, 2005, 100% branches were covered under the fortnightly system.

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 our 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.

Our Asset-Liability Committee is responsible for ensuring that we have adequate liquidity, ensuring that our 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 analyses to review our liquidity position, and must submit a monthly analysis to the RBI. The RBI imposes 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. As required by the RBI, we have also established cumulative gap limits for all maturity buckets.

We regularly undertake stress tests to assess the impact of the variables affecting our liquidity position. We also have well-documented contingency plan in place that addresses the liquidity risk arising due to a sudden liquidity crisis in the financial sector.

Price Risk

Price 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.

We consider interest rate risk to be potentially the most significant and for this purpose our Board has set limits on the maximum permissible impact on the net interest income allowed due to adverse interest rate changes during any one-year period. The interest rate risk under foreign exchange is managed by using the earnings at risk model developed by assessment through the concept of a value at risk, marking to market the gaps on a daily basis. The interest rate risk under investments is measured and monitored using duration and modified duration concepts. As stipulated by the RBI, we maintain an Investment Fluctuation Reserve to serve as a buffer against adverse movement in interest rates and to have sufficient capital to meet capital adequacy standards of minimum capital of 9.0% against total risk weighted assets.

We also manage our price risk by hedging through derivative transactions. We have set various prudential limits to manage our price risk, including daylight limits, overnight open position limits, aggregate gap limits and value at risk limits. We also have cut-loss limits in place for each deal, each dealer per day and all dealers per day.

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 method, fixing and monitoring limits for individual currencies as well as for aggregate currencies.

*Operational Risk*

In our day-to-day operations, we are exposed to various types of operational risk. 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.

We are developing the assessment and measurement of our operational risks through our operational risk management department on an on-going basis. The Operational Risk Management Committee is vested with the responsibility of formulating guidelines and management of operational risks. For this purpose, the department has compiled a database on operational risk losses for the past five years in accordance with Basel requirements.

*Operational Controls and Procedures in Branches*

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. We are required to obtain photographs of customers. We have a system in place to scan the specimen signatures of customers for on-line verification in our CBS and fully computerized branches.

We have a system in place for delegating financial powers at various levels for different volume of transaction. Withdrawals from customer accounts are allowed only after due verification and authentication by authorized officials. Cash transactions of over Rs. 1.00 million are subjected to special scrutiny to comply with KYC Norms (to avoid money laundering). We have necessary systems and procedures in place to ensure compliance with all regulatory requirements. Further, our banking software has multiple security features for protecting integrity of applications and data.

We have guidelines detailing the necessary procedures for the processing of various banking transactions and the operation of the application software.

RBI on two separate occasions in fiscal 2003 penalised us for an aggregate of Rs. 1.00 million, for non-adherence to the KYC norms while opening deposit accounts and also for certain irregularities in monetary transactions observed in those accounts.

Operational Controls and Procedures in Treasury

We enter into foreign exchange and derivative transactions for our customers and on our own account. Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counterparties. Through our derivative operations we offer to our customers forward contracts and foreign currency/Rupee swaps valid up to one year, long-term forward contracts, forward rate agreements, interest rate swaps, cross currency interest rate swaps and cross currency options. Our forward exchange and derivative transactions are subject to counter-party risk to the extent that particular obligors are unable to make payment on contracts when due.

As our trading operations are fully automated, we use technology to monitor risk limits and exposures. Our front office, back office and accounting and reconciliation functions are fully segregated in both domestic treasury and foreign exchange treasury. Our mid office monitors and reports our risk limits to verify compliance with our operational guidelines. Our back office generates a statement of all our transactions to the mid office on a daily basis and our mid office uses various risk monitoring tools such as counterparty limits, position limits and exposure limits, to report breaches in risk limits.

Our inter-bank foreign exchange treasury operations are conducted through Reuters' dealing systems. Transactions completed through Reuters' systems are recorded on a real time basis for processing, while transactions completed over the telephone are recorded by the back office. Our entire inter-bank foreign exchange operations, from deal origination to settlement and accounting, take place via straight through processing.

Our mid office also monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors the market risk exposure of our investment portfolio as well as monitoring adherence to the market risk limits set up by our Market Risk Management Committee.

Our back office undertakes the settlement of funds and securities. In order to minimise operational risk, our back office adopts specific procedures, including procedures with respect to 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.

Information Technology and System Controls

Since our operations are highly automated, we place high importance on our computer security and have a comprehensive information technology security policy. Most of our information technology assets, including critical servers, are hosted in centralised data centres that are subject to appropriate physical and logistical access controls. All data is stored at a remote backup facility and we have a detailed business continuity and disaster recovery plan in place.

As part of business continuity planning, we have established a Disaster Recovery Site at Bangalore. Our data centre is located at Mumbai. We use the Oracle Database Standby Replication under 'Tier 5' model, whereby recovery time is one hour to four hours.

Internal Inspections and Audits

During fiscal 2005, regular inspections were conducted at 1,292 branches in accordance with our annual action plan. Nearly 95% of the inspected branches earned ratings from good to excellent. Our portfolio audit covered borrowing accounts with credit limits exceeding Rs. 5.00 million at 368 branches and offices. A concurrent external audit was conducted at 354 branches and offices covering 62.27% of deposits and 57.97% of advances against the RBI stipulation of 50% of deposits and 50% of advances. Out of these 354 branches, 100 branches, being high value and high profile branches, were allotted to adequately experienced Chartered Accountant firms.

Our International Division and treasury operations are subject to monthly concurrent audit.

During fiscal 2004, in addition to the regular inspection, we carried out risk based internal audit at 216 branches, covering 24% of our business, and 18 controlling offices, as part of a pilot program. Of these branches, 109 were deemed low risk, 100 were categorised as moderate risk, 6 were identified as medium risk and one was considered high risk. By the end of fiscal 2005, 323 branches, 35 regional offices and seven foreign exchange processing centres, covering 41% of our business, became subject to our risk-based internal audit regime. We also conducted information system audits at 32 branches in fiscal 2004 and 193 branches in fiscal 2005.

*Risk-based Supervision*

An independent compliance unit has been established at our Head Office to attend exclusively to risk-based supervision issues.

Our Board adopted a risk-based internal audit policy in May 2004. Our risk-based internal audits are supplementary to our internal inspections and external audits.

Our risk-based internal audit report sets out deficiencies identified through audit process under seven risk assessment areas: credit, operational, business strategy and environment, earnings, internal controls, compliance and management.

We have introduced risk-based internal audits including information system audits with risk-based approach with internally developed systems and procedures. Our information system audits are carried out by trained officers/CISA qualified officers. Any software or patches developed in-house or procured from external vendors are subject to our information system audit.

A task force of our senior executives regularly meets to attend to our risk-based internal audit requirements and review the performance.

*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 to take preventive measures. Surprise inspections of stock hypothecated to the Bank are carried out at random at various branches.

To create awareness among the employees, preventive vigilance sessions are held in all training programmes 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. We have installed latest security devices to prevent loss of the Bank's assets including personnel, 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 minimise 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. Capital charge for market risk is computed with effect from March 31, 2005 based on standardised duration method. Steps such as revision of the credit rating framework, migration analyses of loan accounts, etc. are being carried out to prepare our Bank for moving over to the advanced approaches under credit risk.

***Competition***

We face competition in all of our main business areas. Our primary competitors are other large public sector banks, 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. Other public sector banks like us have large deposit bases and extensive branch networks, including the State Bank of India Group which has over 13,500 branches. 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 other public 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.

*Treasury*

In our treasury services for corporate and commercial clients, we compete principally with foreign banks in foreign exchange and derivatives trading, as well as other public sector and private banks in the foreign exchange and money markets business.

### *Employees*

As of March 31, 2005, we had 26,395 employees. Following is a table of our total number of employees as of the dates indicated:

| | As on March 31, | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Officers | 8,037 | 8,753 | 8,670 |
| Other employees | 19,068 | 17,993 | 17,725 |
| **Total** | **27,105** | **26,746** | **26,395** |

We introduced a voluntary retirement scheme in fiscal 2001. Following this, we have consistently achieved improvements in both business per employee and employee productivity.

We do not have a stock incentive plan or discretionary bonus compensation. Bonus is paid in accordance with the Payment of Bonus Act. Most of our employees are represented by workmen unions or officers' associations. The salaries and benefits payable to our employees are in terms of the industry level bipartite settlement between the workmen unions or officers' association and the Indian Banks Association, which is the representative body of banks. We have performance-linked awards for the best branches across different categories and non-monetary recognitions to employees who contribute to business growth.

We have undertaken a major revision of our performance appraisal system to shift the focus of appraisals to performance in key responsibility areas. We have also modified our promotion policy to accelerate the career progression of outstanding performers and specialists through the introduction of fast track channels for both classes of candidates. We continue to actively identify and groom our talent base, with the creation of a skill and experience profile map to match the best employee to a particular position besides offering monetary incentives by way of reimbursement of examination and membership fees for employees acquiring professional qualifications. Other employee welfare benefits include personal accident risk cover, group insurance for executives, annual health check-ups and the extinguishment of employee liabilities up to a monetary limit, as well as a lump sum ex gratia to dependants, in case of demise of officers and workmen in service.

The present industry wage and salary settlement covering employees in public and private sector banks in the industry was signed on June 2, 2005 covering the period 2002-2007 and the Bank is taking steps to implement the same. The Bank has been making provisions in its financial statements in respect of the anticipated wage settlement for the periods from November 2002 to March 2005.

We attach great importance to the provision of training to our staff so that they keep abreast of the latest developments and update their knowledge and skills. We undertook a strategic review of our training system in fiscal 2004 for developing our human resources to take up diversified responsibilities effectively and manage the business of the Bank profitably and efficiently in the changing environment. We have introduced specialized training programmes in areas of leadership development, risk management, internal control management, marketing and quality improvement and information technology. Outstanding performers have also been identified for leadership development programmes. We believe that the introduction of our best practice code will enable the staff to meet customer expectations and help to ensure quality customer service.

Apart from our main training institute – Syndicate Institute of Bank Management (SIBM) at Manipal, we have four training centers in India which conduct training programs for our employees. The training is for improving technical skills as well as soft skills and include orientation programme for new employees, management development programs for mid-level and senior level officers/executives and also programmes in core banking areas like retail lending, trade finance, corporate credit, priority sector lending, recoveries, foreign exchange and related areas of business. One of the training centres conducts programmes mainly in foreign exchange and related areas of business. We have eight computer labs for imparting training in IT skills, of which two are dedicated exclusively for training in Centralised Banking Solutions (CBS). We have also seconded our staff to various specialized training programmes conducted by reputed institutes in India and abroad. We have imparted training to 13,349 employees during the financial year ended as on March 31, 2005, at a cost of Rs. 70.30 million.

### *Properties*

Our Head Office is located at Manipal, 576 104, Karnataka State. The buildings at our Head Office are constructed on the land owned by us. Our Corporate Office located at Bangalore has been constructed on land owned by us. Our Mumbai Zonal Office is situated at 2nd Floor, Maker Tower 'E' and International Division at 2nd and 3rd Floors of Maker Tower 'F', Cuffe Parade. Our Delhi Zonal Office is located at the 1st and 2nd Floors, 6, Bhagwan Dass Road, New Delhi, on a three-year lease extendable for a further period of five years from May 1, 2001.

We conduct our business through a total network of 1,798 domestic branches (excluding service branches) and 216 extension counters as of March 31, 2005. 1,736 of our branches are located in leased premises. Our Head Office and Corporate Office, as mentioned above, are situated in Bank-owned premises at Manipal and Bangalore respectively and data centres are situated in leased premises at Mumbai. We own 39 residential properties, 78 commercial properties and 18 vacant sites.

We have implemented a series of measures to surrender surplus space by relocating branches and offices to premises that we own and using available space in existing leasehold premises wherever possible. This has resulted in a surrender of 126,693 square feet during fiscal 2004 and annual rental savings of Rs. 26.60 million.

***Intellectual Property***

We have applied to the Registrar of Trademarks, Chennai for registration of our trademark 'Syndicate Bank' along with the logo as appearing on the cover page of this Red Herring Prospectus. The same is awaited.

***Proposed New Businesses***

*BPO services*

We have made an application to RBI seeking approval to promote a wholly owned subsidiary to undertake BPO activities. The proposed authorised capital of the subsidiary is Rs. 100.00 million and the proposed initial subscribed capital is Rs. 10.00 million. We have not formulated a detailed business plan for this subsidiary. The Board has approved the subsidiary undertaking a variety of BPO services including developing software, establishing data processing centers, instituting software training programmes, providing trustee services, and acting as a clearing house, registrar and transfer agent. The BPO industry is very competitive. We have no experience in providing BPO services and this business would be subject to start-up risks and general risks associated with providing BPO services.

*Venture Fund*

We have received permission from the RBI to establish a rural development venture capital fund, subject to the fulfillment of stipulated conditions, to be formed as a trust. Our Board, subject to the approval of RBI, has approved the incorporation of a subsidiary as an asset management company for the trust. The proposed objective of the fund is rural development with a focus on investing in agri-business, processed foods, biotech, information technology and non-conventional energy sources. The total corpus of the proposed venture capital fund is proposed to be Rs. 125.00 million, of which we plan to invest Rs. 50.00 million. The balance investment would be contributed by Government institutions and non-Government institutions interested in rural development in India. Our investment in such venture capital fund would be subject to risks associated with such investments.

## REGULATIONS AND POLICIES

The main legislation governing commercial banks, the Banking Regulation Act, applies to public sector banks like Syndicate Bank only to a limited extent. Sections 34A, 36AD and Section 51 of the Banking Regulation Act are applicable to corresponding new banks constituted under the Bank Acquisition Act. In turn, Section 51 of the Bank Acquisition Act makes some of its sections applicable to corresponding new banks.

The Syndicate Bank, as a corresponding new bank, is governed primarily by the provisions of the Bank Acquisition Act. The Bank Scheme and the Bank Regulations govern our operations.

Other important laws include the Reserve Bank of India Act, 1934. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases, circulars etc., to be followed by us and supervises our compliance with these guidelines.

Like all corresponding new banks, we are regulated and supervised by the RBI. The RBI requires us to furnish statements, information and certain details relating to our business. It has issued guidelines on several matters including recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. The RBI has set up a Board for Financial Supervision ("BFS"), under the chairmanship of the Governor of the RBI. The primary objective of the BFS is to undertake consolidated supervision of the financial sector comprising commercial banks, financial institutions and non-banking finance companies. The appointment of the auditors of banks is subject to the approval of the RBI.

The Companies Act does not apply to us and therefore there are important differences in the rights that are available to a shareholder under the Companies Act and the rights available to a shareholder of a corresponding new bank. The table provided below summarises these differences.

***Comparative Table of Rights of Shareholders under Companies Act, 1956 and under Regulations applicable to Corresponding New Banks***

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 38 | Not to be bound by an alteration made in the memorandum of association/articles of association after the date of becoming a member, so far as the alteration requires him to subscribe for more shares, or increases his liability to contribute to the share capital, or otherwise to pay money to the company. | No corresponding provision. | |
| 39 | To require a company to send within seven days of the requisition, a copy of each of the following documents as in force for the time being: (a) the Memorandum of Association; (b) the Articles of Association; and (c) every agreement and every resolution referred to in section 192, if in so far as they have not been embodied in the memorandum or articles. | No corresponding provision. | |
| 49 | To inspect the register of investments and to petition the Central Government if the inspection is refused. | No corresponding provision. | |
| 53 | To be served with a document by the company. | Regulation 46 | Regulation 46: Service of a notice or document to shareholders<br>(i) The Bank may serve a notice or a document on any shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any, within India. |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 62 | To sue directors, promoters or persons who have authorized the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus. | No corresponding provision. | |
| 71 | To avoid irregular allotment of shares/ debentures. | No corresponding provision. | |
| 73 | To obtain repayment of the application money/ excess application money. | No corresponding provision. | |
| 81 | Rights in relation to rights issue and preferential allotment. | No corresponding provision. | |
| 84 | To receive a share certificate and obtain a duplicate if the original is lost or damaged. | Regulations 14 and 15 | Issue procedure of share certificate and joint share certificates, duplicate share certificates detailed. |
| 87 | Voting rights at general meetings and on a poll in proportion to the share of the paid-up equity capital of the company. | Regulations 61 and 68<br><br>Sections 3(2BBA)(a) and 3(2E) | Regulation 61: Voting at general meetings<br><br>(i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands.<br><br>(ii) Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes.<br><br>(iii) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in the bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution.<br><br>Regulation 68: Determination of voting rights<br><br>(i) Subject to the provisions contained in Section 3 (2E) of the Act, each shareholder shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him.<br><br>(ii) Subject to the provisions contained in Section 3 (2E) of the Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation (i)<br><br>Explanation - For this Chapter, "Company" means any body corporate.<br><br>(iii) Shareholders of the bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting.<br><br>Section 3(2BBA)(a)<br><br>A corresponding new bank may from time to time and after any paid-up capital has been raised by public issue under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way.<br><br>Section 3(2E)<br><br>No shareholder of the corresponding new bank, other than the central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank. |
| 91 | To have calls on shares on a uniform basis on all the shares falling under the same class. | Regulations 22, 24, 26 and 29 | Regulation 22: Calls on shares<br>The Board may make such calls as it thinks fit for all monies remaining unpaid, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 99 | Right to determine that uncalled share capital shall be capable of being called only upon winding up. | No corresponding provision. | |
| 106 | To consent to the variation of rights attached to the shares. | No corresponding provision. | |
| 107 | To apply to the National Company Law Tribunal to have the variation of rights cancelled if no consent is given. | No corresponding provision. | |
| 108 | To transfer shares held in the company. | Regulations 3, 17, 18 and 19<br><br>Section 3(2D) | Regulation 3: Nature of Shares<br>The shares of the bank shall be movable property, transferable in the manner provided in the bank Regulations which include a detailed procedure for such transfer<br><br>Section 3(2D)<br><br>The shares of every corresponding new bank not held by the central Government shall be freely transferable:<br><br>Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the central Government by notification in the Official Gazette. |
| 110 | To apply for the registration of transfer of shares. | Regulations 18 and 19 | Regulation 18: Power to suspend transfers<br><br>The board or the committee designated by the board shall not register any transfer during any period in which the register is closed.<br><br>Regulation 19: Board's right to refuse registration of transfer of shares<br><br>(i) The board or committee may refuse transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other grounds:<br><br>a. the transfer of shares is in contravention of the provisions of the Bank Acquisition |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with;<br>b. the transfer of shares, in the opinion of the board, is prejudicial to the interests of the bank or to public interest;<br>c. the transfer of shares is prohibited by an order of court, tribunal or any other authority under any law for the time being in force;<br>d. an individual or a company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, will on the transfer being allowed, hold or acquire as a result thereof, shares of the bank and such investment in the aggregate will exceed the percentage being more than 20% of the paid up capital or as may be prescribed by the central government by notification in the official gazette.<br>(ii) The board or the committee shall, after the instrument of transfer of shares of the bank is lodged with it for the purpose of registration of such transfer, form its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to above:<br>a. if it has formed the opinion that such registration ought not to be so refused, effect such registration; and<br>b. if it has formed the opinion that such registration ought to be refused on any of the grounds mentioned above intimate the same to the transferor and the transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the listing agreement with the concerned stock exchange. |
| 111, 111A | To make a petition to the National Company Law Tribunal against refusal by the company for the registration of transfer of shares or rectification of the register of members. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 112 | To have the share transfer instrument certified by the company in the case of part transfer of the total holding. | Regulation 16 | Regulation 16: Consolidation and sub-division of shares<br>On a written application made by the shareholder(s), the board or the committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/ sub-division as the case may be and issue new certificate(s) in lieu thereof on payment to the bank of its costs, charges and expenses of and incidental to the matter. |
| 113 | To have the share certificate delivered within the time limit stipulated. | Regulation 17(v) | Regulation 17(v)<br>Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days of the date of lodging the instrument of transfer. |
| 113 | To serve on the company a notice, requiring it to make good any default in delivering share/ debenture/ stock certificates. | No corresponding provision. | |
| 113 | To apply to the Central Government in the event of the company's failure to make good any default as above. | No corresponding provision. | |
| 117A | To inspect debenture trust deed and obtain a copy thereof. | No corresponding provision. | |
| 118 | To request the company to forward a copy of a debenture trust deed. | No corresponding provision. | |
| 118 | To apply to the Central Government to direct the company to forward a copy of the debenture trust deed forthwith. | No corresponding provision. | |
| 134 | To file with the Registrar of Companies the particulars of a charge created by the company, as a person interested therein. | No corresponding provision. | |
| 141 | To apply to the Central Government for the rectification of the register of charges as an interested party. | No corresponding provision. | |
| 144 | To inspect the copies of instruments creating charge. | No corresponding provision. | |
| 144 | To apply to the Central Government for compelling inspection of the copies and the register aforesaid, in case of refusal by the company. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 163 | To inspect, to obtain copies of the register of members or register of debenture holders and copies of annual returns together with the copies of certificates and documents required to be annexed thereto. | Regulations 11 and 12 | Share register maintained under Regulation 5 and Section 3(2F)<br>Regulation 11: Inspection of Register<br>The register shall, except when closed under Regulation 12, be open to inspection, free of charge, at the place where it is maintained during business hours, subject to such reasonable restrictions as the board may impose, but that not less than two hours in each working day be allowed for inspection<br>Notwithstanding anything contained in sub-regulation (ii), any duly authorized officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof. |
| 163 | To apply to the central Government for compelling inspection of the registers of shareholders and debenture-holders and annual returns. | No corresponding provision. | |
| 165 | To receive a copy of the statutory report and to attend the statutory meeting. | No corresponding provision. | |
| 165 | To discuss at the statutory meeting, any matter relating to the formation of the company or arising out of the statutory report, without giving a previous notice therefore. | No corresponding provision. | |
| 165 | To have accessible, a list of members with details, during the continuation of the statutory meeting. | No corresponding provision. | |
| 169 | To attend an extra-ordinary general meeting. | Regulation 60 | Regulation 60: Persons entitled to attend general meetings<br>(i) All directors and all shareholders of the bank shall, subject to the provisions of sub-regulation (ii), be entitled to attend a general meeting.<br>(ii) A shareholder (not being the central government) or a director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the bank a form to be specified by the chairman containing the particulars relating to: |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | (a) his full name and registered address;<br>(b) the distinctive number of his shares;<br>(c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorized representative. |
| 169 | To requisition an extra-ordinary general meeting. | Regulation 57 | Regulation 57: Extraordinary General Meeting<br>(i) The chairman and managing director or in his absence the executive director of the bank or in his absence the executive director of the bank or in his absence any one of the directors of the bank may convene an extra-ordinary general meeting or shareholders, if so directed by the board, or on a requisition for such a meeting having been received either from the central government or from other shareholders holding shares carrying, in the aggregate not less than ten percent of the total voting rights of all shareholders.<br>(ii) The requisition referred in sub-regulation (i) shall state the purpose for which the extra ordinary general meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists.<br>(iii) Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and affect as if it had been signed by all of them.<br>(iv) The time, date and place of the extra ordinary general meeting shall be decided by the board:<br>Provided that the extraordinary general meeting convened on the requisition by the central government or other shareholder shall be convened not later than 45 days of the receipt of the requisition.<br>(v) If the chairman and managing director or in his absence the executive director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | to sub-regulation (iv), the meeting may be called by the requisitionist themselves within three months from the date of the requisition:<br>Provided that nothing in this sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period.<br>(vi) A meeting called under sub-regulation (v) by the requisitionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the board. |
| 169 | To hold an extra-ordinary general meeting if the board of directors fails to convene a meeting on the requisition, within the time limit stipulated. | Regulation 57 | |
| 169 | To have reimbursed, the expenses incurred for convening/ holding the extra-ordinary general meeting, on failure of the board as aforesaid. | No corresponding provision. | |
| 171,172 | To receive a notice of every general meeting. | Regulation 56 | Regulation 56: Notice convening an Annual General Meeting<br>(i) A notice convening an annual general meeting of the shareholders shall be published at least twenty-one clear days before the meeting in not less than two daily newspapers having wide circulation in India.<br>(ii) The time and date of such meeting shall be as specified by the board. The meeting shall be held at the place of head office of the bank. |
| 173 | To have the notice of a general meeting annexed with an explanatory statement. | No corresponding provision. | |
| 174 | To be counted for the purpose of constituting a quorum at a general meeting. | Regulation 58 | Regulation 58: Quorum of general meeting<br>No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person is present at the commencement of such business. |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 176 | To appoint a proxy to attend and vote at a general meeting of a company. | Regulations 68 and 70 | Shareholders can attend and vote personally and through proxy. |
| 176 | To inspect the proxies lodged with the company in the manner specified. | No corresponding provision. | |
| 179 | To demand a poll and to withdraw the demand in the manner laid down in this section at a general meeting of the company. | Regulation 61 | Regulation 61: Voting at general meetings<br>At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands. |
| 182 | Not to be prohibited from exercising the voting right on the ground that the shares or other interest in the company has not been held for any specified period or on any other ground than the one specified in s 181. | No corresponding provision. | |
| 183 | To use votes on a poll differently, for or against the resolution. | No corresponding provision. | |
| 184 | To be appointed as a scrutineer at a poll. | Regulation 61A | Regulation 61A: Scrutineers at a Poll<br>Of the two scrutineers appointed under this regulation one shall always be a shareholder (not being an officer or employee of the bank) present at the meeting; provided that such a shareholder is available and willing to be appointed. |
| 186 | To apply to the National Company Law Tribunal to order a general meeting other than annual general meeting, to be called. | No corresponding provision. | |
| 187 | To be represented at a general meeting of a company (if the member to be represented, is a company). | Regulation 69(i) | Regulation 69(i): Voting by duly authorised representative -<br>A shareholder, being the central Government or a company, may authorise any of its officials or any other person to act as its representative at any general meeting. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the central Government / company. |
| 187A | To be represented at a general meeting of a company (if the member to be represented, is the President or Governor of a State). | Regulation 69(i) | Same as above |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 188 | To have a resolution to be proposed at a general meeting to be circulated amongst members of the company. | No corresponding provision. | |
| 190 | To give a special notice to the company in respect of the resolutions requiring special notice. | No corresponding provision. | |
| 190 | To be given a notice of a resolution requiring special notice. | No corresponding provision. | |
| 196 | To inspect and be furnished with a copy of the minutes of any general meeting. | Regulation 62 | Regulation 62: Minutes of general meetings-<br>(i) The bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose.<br>(ii) On written request made by a shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the bank shall allow the inspection or furnish the copy of the minute, as the case may be. |
| 196 | To apply to the central Government for inspection of the minutes books or to be furnished with a copy of minutes of the general meeting. | No corresponding provision. | |
| 203 | To apply to the court/ National Company Law Tribunal to restrain fraudulent persons from managing companies. | No corresponding provision. | |
| 205A, 205B | To claim any unclaimed dividend. | No corresponding provision. | |
| 206 | To receive dividend declared. | No corresponding provision. | |
| 206A | To have the dividend transferred to the special account where the transfer of shares has not been registered by the company. | No corresponding provision. | |
| 206A | To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company. | No corresponding provision. | |
| 219 | To receive 21 days before the date of the annual general meeting, copies of the balance sheet, profit and loss account, directors' report, auditor's report and other documents. | No corresponding provision. | |
| 219 | To require a company to furnish the full accounts where the company has sent abridged accounts. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 219 | To inspect the full accounts at the annual general meeting if the company has sent the abridged accounts. | Section 10A | Section 10A: Annual general meeting<br>The shareholders present at an annual general meeting shall be entitled to discuss the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the board of directors on the working and activities of the corresponding new bank for the period covered by the accounts and the auditor's report on the balance-sheet and accounts. |
| 224(5) | To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting. | No corresponding provision. | |
| 225 | To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be reappointed. | No corresponding provision. | |
| 227 | To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company. | Section 30(2), Banking Regulation Act, 1949. | The auditor shall discharge the duties and be subject to the liabilities imposed on auditors of companies by Section 227 of the Companies Act, 1956.<br>This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act. |
| 230 | To inspect the auditors' report at the general meeting where it is laid. | Section 10 A | |
| 250 | To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases. | No corresponding provision. | |
| 257 | To stand for election for directorship at a general meeting. | Section 9(3)<br>Regulation 63 | Regulation 63: Directors to be elected at general meeting -<br>(i) A director under clause (i) of sub-Section (3) of Section 9 of the Act shall be elected by the shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of the bank. |
| 257 | To give notice to the company for proposing a resolution at a general meeting to have himself or any other person elected as a director. | Regulation 65 | Regulation 65: Nomination of candidates for election:<br>(i) No nomination of a candidate for election as a director shall be valid unless,<br>a. he is a shareholder holding not less than 100 (one hundred) shares in the bank; |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | b. he is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;<br>c. he has paid all calls in respect of the shares of the bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;<br>d. nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act.<br>(ii) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the bank on a working day not less than fourteen days before the date fixed for the meeting. |
| 257 | To be informed of the candidature for directorship or the intention of a member to propose such person for directorship. | No corresponding provision. | |
| 265 | To vote for appointing a director by the proportional representation system. | No corresponding provision. | |
| 284 | To give a notice to the company proposing a resolution at a general meeting for removal of a director and appointment of a person as director in place of the removed director. | Clause 11A | Clause 11A: Removal from office of an elected director<br>The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected by the shareholders and elect in his stead another person to fill the vacancy. |
| 301 | To inspect, to take copies of the register of contracts, etc kept under this Section. | No corresponding provision. | |
| 302 | To receive an abstract of the terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested. | No corresponding provision. | |
| 304 | To inspect the register of directors. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 304 | To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if it is refused by the company. To inspect the register kept by the registrar under this Section. | No corresponding provision. | |
| 306 | To inspect at the annual general meeting, the register of directors' shareholdings. | No corresponding provision. | |
| 307 | To inspect at the registered office, the register of directors' shareholdings. | No corresponding provision. | |
| 307 | To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if refused by the company. | No corresponding provision. | |
| 391 | To apply to the National Company Law Tribunal to call a meeting of the creditors or of the members in case compromise or arrangement is proposed with its creditors or members. | No corresponding provision. | |
| 391 | To agree to any compromise or arrangement at a special meeting called for that purpose. | No corresponding provision. | |
| 391 | To have disclosed in the notice of the special meeting referred to above, the particulars notified in sub-s (1) of this Section. | No corresponding provision. | |
| 393 | To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement. | No corresponding provision. | |
| 393 | To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member. | No corresponding provision. | |
| 395 | To receive notice within one month from the date of the transfer, of that fact in the prescribed manner, to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract. | No corresponding provision. | |
| 395 | To require the transferee company to acquire the shares in question within three months of giving the notice. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 395 | To have a copy of the notice transmitted to the transferor company together with an instrument of transfer and within one month of the date of registration be informed of the fact of registration, and of the receipt of amount or other consideration. | No corresponding provision. | |
| 396 | To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, and to receive compensation in case such interests or rights are reduced. | No corresponding provision. | |
| 396 | If aggrieved by any assessment of compensation, to prefer an appeal to the National Company Law Tribunal. | No corresponding provision. | |
| 397, 398 | To apply to the National Company Law Tribunal if he is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest or in a manner oppressive to any member. | No corresponding provision. | |
| 408 | To apply to the National Company Law Tribunal for appointment of nominee director, to safeguard the interests of the company or its shareholders or the public interests. | No corresponding provision. | |
| 433 | To resolve along with other members, at a general meeting, that the company be wound-up by the National Company Law Tribunal. | No corresponding provision. | |
| 439 | To petition the National Company Law Tribunal for winding-up the company. | No corresponding provision. | |
| 440 | To present winding-up petition where company is being wound-up voluntarily or subject to court's supervision. | No corresponding provision. | |
| 490 | To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to be paid to the liquidator. | No corresponding provision. | |
| 492 | To fill the vacancy occurred by the death, resignation or otherwise in the office of the liquidator appointed by the company, in a general meeting and convene a general meeting for this purpose. | No corresponding provision. | |
| 511 | To have distributed to himself on the winding-up, the assets of the company according to his rights and interests in the company. | No corresponding provision. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 545 | To have the opportunity of making a statement in writing to the registrar and being heard thereon, in case he is being prosecuted as a delinquent member. | No corresponding provision. | |
| 621 | To make a complaint in a court regarding offence under the Companies Act. | No corresponding provision. | |

*Please note the following for the above table;

1. All references to Sections are references to Sections of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970, except where otherwise specified.
2. All references to Regulations are references to provisions of the Syndicate Bank (Shares and Meetings) Regulations, 1999.
3. All references to Clauses are references to provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970.

***Licensing of Corresponding New Banks***

Section 22 of the Banking Regulation Act, which requires a licence to be obtained from the RBI in order to carry out banking business in India, applies only to banking companies, and not corresponding new banks. Accordingly, the Syndicate Bank does not require a licence in order to carry out banking activities.

***Regulations relating to the Opening of Branches***

Banks are required to obtain licences from the RBI to open new branches. Permission is granted based on factors such as overall financial position of the bank, quality of its management, efficacy of the internal control system, profitability and other relevant factors. The RBI may cancel the licence for violations of the conditions under which it was granted. It is left to the judgment of the individual banks to assess the needs for opening additional branches.

***Capital Adequacy Requirements***

We are subject to the capital adequacy requirements of the RBI, which is based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998. With a view to adopting the Basel Committee framework on capital adequacy norms 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 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 I capital.

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 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, i.e., 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. 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, the RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank’s investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in Held for Trading and Available for Sale categories. Investment fluctuation reserve 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.

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%. However, as per RBI guidelines issued in September, 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 11.0%.

***Asset Classification and Provisioning***

In April 1992, the RBI issued formal guidelines 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, the basis of treating various credit facilities as non-performing are set forth below.

*Non-Performing Assets*

An advance is a non-performing asset where:

- interest and/or installment 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 installment 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 installment 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.

*Asset Classification*

Non-performing assets are classified as described below:

- Sub-Standard Assets: Assets that are non-performing assets for a period not exceeding 18 months. With effect from March 31, 2005, a sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months.
- Doubtful Assets: Assets that are non-performing assets for more than 18 months. With effect from March 31, 2005, an asset is classified as doubtful if it remains in the sub-standard category for 12 months.
- Loss Assets: Assets on which losses have been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off fully.

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.

The 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 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.

*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: A general provision of 0.25% is required.
- Sub-Standard Assets: A general provision of 10.0% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10%, i.e., a total of 20% on the outstanding balance.
- Doubtful Assets: A 100.0% provision/ write-off of the unsecured portion of advances, which are not covered by 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:
  - Up to one year: 20.0% provision
  - One to three years: 30.0% provision
  - More than three years:
    1. In respect of outstanding stock of non-performing assets as on March 31, 2004: 50.0% provision, which has become 60 per cent with effect from March 31, 2005, 75 per cent with effect from March 31, 2006 and 100 per cent with effect from March 31, 2007.
    2. In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision has been raised to 100% with effect from March 31, 2005.
  - Loss Assets: The entire asset is required to be written off or 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. The RBI issues directions covering the loan activities of banks. Some of the major guidelines of RBI, which are now in effect, are as follows:

- The RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/ provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by RBI from time to time. Banks are free to determine their own lending rates but each bank must declare its benchmark prime lending rate as approved by its board of directors. Benchmark prime lending rate is determined on the basis of various parameters, which inter alia, include cost of funds, operating expenses, capital charge and profit margin. Each bank should also indicate the maximum spread over the benchmark prime lending rate for all credit exposures other than retail loans over Rs. 200,000. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than most retail loans) must not exceed the benchmark prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exporters on the basis of a transparent and objective policy approved by their boards. Interest rates for certain categories of advances are regulated by the RBI. Banks are also free to stipulate lending rates without reference to their own benchmark prime lending rates in respect of certain specified categories of loans.
- In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances on the security of its own shares. A bank is also prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the Section provides that 'loans or advances' shall not include any transaction which the RBI may specify by general or special order as not being a loan or advance for the purpose of such Section. We are in compliance with these requirements.

Legislation introduced in the Indian 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.

There are guidelines on loans secured by shares, debentures and bonds, money market mutual funds, fixed deposits receipts issued by other banks, gold/silver bullion etc. in respect of amount, margin requirement and purpose.

***Regulations relating to Sale of Assets to Asset Reconstruction Companies***

The Securitisation Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The 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. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75% by value of the total loans to the borrower are classified as non-performing and at least 75% 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 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. 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. 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 consortium or multiple banking arrangements where more than 75% 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 meeting losses on sale of other financial assets. For computing capital adequacy, a risk weight of 102.5% is applied to instruments received by banks as consideration for sale of financial assets to asset reconstruction companies.

***Directed Lending***

*Priority Sector Lending*

The RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. 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. Domestic scheduled commercial banks having shortfall in lending to priority sector are allocated amounts for contribution to the Rural Infrastructure Development Fund established in National Board for Agricultural and Rural Development. Any shortfall by foreign banks in the amount required to be lent to the priority sectors may be required to be deposited with the Small Industries Development Bank of India.

The RBI requires banks to make advances towards housing finance. This can be in the form of home loans to individuals or subscription to the debentures and bonds of the National Housing Bank and housing development institutions recognised by the Government of India.

The RBI also periodically issues instructions/directives to banks with regard to providing credit facilities to minority communities.

*Export Credit*

The 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 net bank credit is required to be in the form of export credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

***Credit Exposure Limits***

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the 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 the RBI are as follows:

- Credit exposure ceiling for a single borrower shall not exceed 15.0% of capital funds. Group exposure limit is 40.0% of capital funds. 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. Capital funds are the total capital as defined under capital adequacy standards (Tier I and Tier II capital).

- A bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of the exposure over the above specified limits, up to a further 5% of capital funds. Syndicate Bank has decided that such enhancement may be considered for public sector undertaking borrowers based on their cash flows, and for non-public sector undertaking borrowers if they have a risk rating of 'AA' and above.
- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstandings, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be reckoned at 100% of the limit or outstandings, whichever is higher.

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.

Investment exposure comprises of the following elements:

- investments in shares and debentures of companies acquired through direct subscription, devolvement arising out of underwriting obligations or purchase from secondary markets or on conversion of debt into equity;
- investment in public sector undertaking bonds through direct subscription, devolvement arising out of underwriting obligations or purchase made in the secondary market;
- investments in commercial papers issued by corporate bodies or public sector undertakings; and
- investments in debentures, bonds, security receipts, pass through certificates issued by a securitisation or reconstruction company. However, initially, since only a few securitisation and reconstruction companies are being set up, banks will be allowed to exceed prudential exposure on account of such investments on a case-to-case basis.

To ensure that exposures are evenly distributed, the RBI requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the banks.

***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 the RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments.

Pursuant to the RBI guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity-oriented mutual funds and loans to brokers, should not exceed 5.0% of outstanding domestic advances (excluding inter-bank lending and advances outside India and including commercial paper) at March 31 of the previous fiscal year and 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, the 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.

In December 2003, the 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 the 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, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. Syndicate Bank adopted these guidelines on May 6, 2004. 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 the 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 the 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.
- 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, whichever is less, except as statutorily provided.

***Limit on Transactions through Individual Brokers***

Guidelines issued by the 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. The RBI specifies that not more than 5.0% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

***Prohibition on Short-Selling***

The RBI does not permit short selling of securities by banks.

***Regulations Relating to Deposits***

The 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 the 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 three years.

The 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 RBI has stipulated that the interest rate on NRE deposits accepted before July 17, 2003 should not exceed 250 basis points and interest rates on those NRE deposits accepted before September 15, 2003 should not exceed 100 basis points over the US dollar LIBOR/ swap rates for the corresponding maturity. Further, NRE deposits contracted effective close of business in India on October 18, 2003 should not exceed 25 basis points over the US dollar LIBOR/ swap rates for the corresponding maturity, and those contracted effective close of business in India on April 17, 2004 should not exceed the LIBOR/ swap rates for US dollar of corresponding maturity.

***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 the 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***

The 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. The RBI has also issued guidelines from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds.

The RBI requires banks to open accounts only after verifying the identity of customers as to their name, residence and other details to ensure that the customer is opening the account in his own name. To open an account, a prospective customer is required to be introduced by an existing customer who has had his own account with the bank for at least six months and has satisfactorily conducted that account, or a well-known person in the local area where the prospective customer resides.

If the prospective customer does not have an introducer, the prospective customer is required to submit documents such as his identity card, passport or details of bank accounts with other banks. It must be made incumbent upon him to provide sufficient proof of his antecedents before the account is allowed to be opened.

The Prevention of Money Laundering Act, 2002 has been passed by Indian Parliament and has received the assent of the President of India on January 17, 2003. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental and connected matters.

***Legal Reserve Requirements***

*Cash Reserve Ratio*

A banking company such as us 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 the RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to Section 42 of the Reserve Bank of India Act, 1934. In September 18, 2004, the cash reserve ratio was made 4.75%. From October 2, 2004, it has been increased to 5%. The Finance Act, 2005 proposes to remove these minimum and maximum levels. In September 18, 2004, the cash reserve ratio was changed to 4.75%.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio:

The 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%. Earlier, interest was paid by the RBI at the bank rate.

The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight.

*Statutory Liquidity Ratio*

In addition to the cash reserve ratio, a banking company such as us is required to maintain a specified minimum percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003 introduced in the Indian Parliament proposed to amend Section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the RBI the freedom to fix the Statutory Liquidity Ratio below this level. The Finance Act, 2005 proposes to remove these minimum and maximum levels.

***Regulations on Asset Liability Management***

At present, the 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 the RBI on a quarterly basis. The 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, the 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. The Board of Directors has approved of these limits. In respect of other time periods, up to one year, our Bank, on the basis of the RBI's direction has laid down internal norms in respect of cumulative negative liquidity gaps. It is not mandatory for banks to lay down internal norms in respect of negative liquidity gaps for time periods greater than one year. In case of interest rate sensitivity, our Bank has set limits on the maximum permissible impact on the net interest income during the one year period, due to a general change in the interest rates.

***Foreign Currency Dealership***

The RBI has granted us a full-fledged authorised dealers' licence to deal in foreign exchange through our designated branches. Under this licence, 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 the RBI under the Foreign Exchange (Management) Act, 1999. As an authorised dealer, we are required to enrol as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and these limits are approved by the 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.

***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. All branches should monitor all non-resident accounts to prevent money laundering.

***Restriction on Transfer of Shares***

For public sector banks the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points further acquisition of equity shares by FIIs/NRIs/PIOs requires approval of the RBI. However, the foreign shareholding cannot exceed 20% of the paid up capital of the bank in terms of Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with.

***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 the RBI within 21 days, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of the RBI, exempt a bank from the requirements relating to 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 the RBI. We require to secure exemptions from the MoF, GoI from the provisions of the Banking Regulation Act for non payment of dividend.

The GoI has granted an exemption to us by its letter dated December 3, 2004 exempting us from the provisions of sections 13 (payment of commission, brokerage, discounts) and 15(1) (payment of dividend) of the Banking Regulations Act for a period of five years.

Further, as per RBI guidelines on payment of dividend, only those banks which comply with the following minimum prudential requirements are eligible to declare dividend with the prior approval of the RBI:

- Capital to risk asset ratio of at least 9% for the preceding two accounting years and for the accounting year for which it proposes to declare dividend.
- Net non-performing assets of less than 7%. In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 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%.
- The dividend pay out ratio does not exceed 40%.
- The proposed dividend is payable out of the current year's profit.
- 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.
- Compliance with restrictions as to payment of dividends and the setting up of a reserve fund as per Sections 15 and 17 of the Banking Regulation Act, 1949. However, we have by virtue of Notification F.No.11/18/2004-BOA dated December 3, 2004, from the GoI, MoF obtained exemption from the provisions of Sections 13 and 15(1) of the Banking Regulation Act for a period of five years.

In the event that we fulfil the conditions stated above we can declare dividends without the consent of the 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 the 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 the 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 the RBI.

***Restriction on Share Capital and Voting Rights***

Public sector banks can issue equity shares as per the SEBI Guidelines.

The paid up capital of corresponding new banks may be increased by such amounts as the board of directors of the corresponding new bank may, after consultation with the RBI and with the previous sanction of the central government, raise by public issue of shares in such manner as may be prescribed, so however that the central government's shareholding does not fall below 51% of the paid up capital of the bank.

No shareholder of the corresponding new bank, other than the central government, shall be entitled to exercise voting rights in respect of any shares held by them in excess of one percent of the total voting rights of all the shareholders of the corresponding new bank.

***Regulatory Reporting and Examination Procedures***

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the 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;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;

- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

The RBI also conducts periodic on-site inspections on matters relating to the bank's 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 the RBI at yearly intervals. The inspection report, along with the report on actions taken by us, has to be placed before our Board Of Directors. On approval by the Board of Directors, we are required to submit the report on actions taken by us to the RBI. The RBI also discusses the report with the management team including the chief managing director and the chief executive director.

The RBI also conducts on-site supervision of zonal branches, regional offices and other selected branches with respect to their general operations and foreign exchange related transactions.

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

Directors on the Board of Directors of our Bank are appointed by the Central Government in terms of Section 9 of the Bank Acquisition Act. The Chairman and Managing Director and Executive Director (wholetime directors) are appointed by the Central Government in consultation with the RBI. The other directors nominated/ appointed by the Central Government include officials from GoI and RBI, one director each representing workmen employees and non-workmen employees of the Bank, and one Chartered Accountant Director. Further, a specified number of directors are elected by the shareholders. The wholetime directors appointed by the Central Government and the officials of the Central Government and the RBI who serve as the nominee directors of the Central Government and RBI cannot be a director of any other corresponding new bank. For the text of Section 9 of the Bank Acquisition Act see the section titled "Main Provisions of Constitutional Documents" on page 224 of this Red Herring Prospectus.

The remuneration paid to directors is determined by the central Government in consultation with the RBI.

***Penalties***

The 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.

***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.

***Subsidiaries and other investments***

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 the 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.

***Secrecy Obligations***

Under Section 13 of the Bank Acquisition Act, our Bank is statutorily bound to maintain secrecy about the affairs of its constituents, except in circumstances in which it is, in accordance with law or practices and usages customary among bankers, necessary or appropriate for the bank to divulge such information.

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. The 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. The RBI has directed banks to incorporate consent clauses in loan agreements to enable disclosure of borrower information to credit bureaus.

***Regulations governing Offshore Banking Units***

The Government and the 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 bank 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$ 10 million to its offshore banking unit;
- Offshore banking units are exempt from cash reserve ratio requirements;
- The 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 into any transactions in foreign exchange with residents in India, unless such a person is eligible under the existing exchange control regulations to invest/maintain foreign currency accounts abroad;
- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units. The offshore banking units are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning;
- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the 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 operate and maintain balance sheets only in foreign currency and are not allowed to deal in Indian rupees except for having a special rupee account out of the convertible funds in order to meet their daily expenses. These branches are prohibited from participating in the domestic call, notice, term etc. money market and payment system;
- The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations;
- 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;
- A bank cannot borrow from its offshore banking unit; and
- The exposures of an offshore banking unit in the domestic tariff area should not exceed 25% of its total liabilities as at the close of business of the previous working day, at any point of time.

***Regulations and Guidelines of SEBI***

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 equity and debt capital issuances, as well as our underwriting, banker to the issue, custodial, depositary participant 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.

### *Foreign Ownership Restrictions*

Foreign investment in our Bank, as a new corresponding bank, is regulated by the provisions of the Bank Acquisition Act. Under Section 3(2D), foreign investment in new corresponding banks is subject to an overall statutory limit of 20% of the paid up capital. For public sector banks the RBI monitors the ceilings on Non Resident investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points further acquisition of equity shares by Non Residents to the ceiling of 20% requires approval of the RBI, beyond which Non Residents are not allowed to acquire shares.

### *Special Status of Banks in India*

The special status of banks is recognised under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the Securitisation Act. As a bank, we are entitled to certain benefits under various statutes including the following:

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies, to the Board for Industrial and Financial Reconstruction. Under it, other than the board of directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR. The Sick Industrial Companies Act, 1985 has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 (“SICA Repeal Act”). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the central government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to sick companies, under which the reference must be made to the National Company Law Tribunal, and not the Board for Industrial and Financial Reconstruction.

The Securitisation Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitisation Act.

### *Regulations Governing Insurance Companies*

Subsidiaries offering life insurance and non-life insurance are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders’ interests. In May 2002, the Indian parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents.

### *Regulations Governing International Businesses*

Our international business operations are governed by regulations in the countries in which we have a presence. We are required to obtain approval of the RBI to set up overseas subsidiaries, offshore branches and representative offices abroad. Further, approval from the foreign regulatory authority is also required prior to undertaking such banking operations.

*Overseas branches*

We have established an overseas branch at London.

### *The Regional Rural Banks Act, 1976*

Regional Rural Banks (RRBs) are established under the Regional Rural Banks Act, 1976 by the GoI at the instance of a sponsor bank. The GoI may also issue notifications specifying the local limits within which a given RRB shall operate. The sponsor bank shall subscribe to the share capital of the RRB, train personnel and provide managerial and financial assistance to the RRB during the first five years of its operations.

The authorized capital shall be Rs. 50 million, divided into 500,000 fully paid up shares of 100,000 each. However, this can be increased/reduced by the GoI after consultation with the sponsor bank, but the authorized capital shall always be at least Rs. 2.5 million and the shares shall always be fully paid up shares of one hundred rupees each.

The issued capital shall be initially fixed by the GoI, but it shall never be less than Rs. 2.5 million or exceed Rs. 10 million. Of this, 50% shall be subscribed to by the GoI, 15% by the concerned state government and 35% by the sponsor bank. The issued capital can be changed by the Board of Directors of the RRB (with the prior approval of the GoI) after consultation with NABARD, the concerned state government and the sponsor bank.

The Board of Directors, shall consist of the following:

- a chairman-appointed by the sponsor bank;
- two directors, nominated by GoI, who are not officers of GoI, the concerned state government, RBI, NABARD, sponsor bank or any other bank;
- one Director to be nominated by the RBI, such person being an officer of the RBI;
- one Director to be nominated by NABARD, such person being an officer of NABARD;
- two Directors to be nominated by the sponsor bank, such person being an officer of the sponsor bank; and
- two Directors to be nominated by the concerned state government, who are officers of the concerned State Government.

Every RRB shall carry on the business of banking as defined in Section 5(b) of the Banking Regulation Act and may engage in one or more forms of business specified in Section 6(1) of the Banking Regulation Act.

Every RRB shall prepare an annual report within three months from the date of closure of the accounting year or such further period, not exceeding three months, as may be permitted by the RBI. Such annual report shall be sent to all of its shareholders

RRBs have been deemed to be a co-operative society for the purposes of the I.T. Act, 1974. Further, the GoI is empowered to give directions to the RRBs and the RRBs shall have to obey and follow such directions.

***Amendments under the Finance Act, 2005***

The Finance Act, 2005 proposes to introduce certain changes to the existing regulations governing banks in India, by amendment of the Banking Regulation Act, and RBI Act. These proposals relate to:

- removal of the lower and upper limits on Statutory Liquidity Ratio;
- removal of the lower and upper limits on Cash Reserve Ratio;
- permitting banks to issue preference shares;
- the introduction of specific provisions to enable consolidated supervision of banks & their subsidiaries by RBI;
- continuation of the tax exemption granted to interest income on Non-Resident (External) Account and Foreign Currency Deposits;
- introduction of the new provision to provide for set off of losses to banking companies in cases of amalgamation;
- enhancement of credit-linking of Self Help Groups with the Banking System; and
- enabling RBI to lend or borrow securities by way of repo, reverse repo or otherwise.

In addition GoI has also proposed to enable RBI to sanction banks to give loans to directors and to enable RBI to remove the Board of Directors of banks.

# HISTORY AND CERTAIN CORPORATE MATTERS

***Our History***

The Bank was established in 1925 in Udupi, in coastal Karnataka with a capital of Rs. 8,000 by Upendra Ananth Pai, a businessman, Dr. T. M. A. Pai, a physician and Vaman Kudva, an engineer. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilizing small savings from the community. The business of the Bank commenced on November 10, 1925 with the name "Canara Industrial & Banking Syndicate Limited" a joint stock company with one employee.

***The Pre-Nationalisation Period***

The name of the Bank was changed from "Canara Industrial & Banking Syndicate Limited" to "Syndicate Bank Limited" in 1964. The Head Office was shifted to Manipal on April 19, 1964. We entered into agricultural financing in 1964. Rural and Semi Urban branches accounted for 66% of our network of 306 branches at the time of nationalisation.

***The Post-Nationalisation Era***

The Bank was nationalised on July 19, 1969. The Bank opened branches in rural and semi urban centres across the country and with a view to extend its social welfare philosophy. The Bank was one of the first to start the concept of Farm Clinics and Farmers' Service Societies in early seventies. The Bank also established India's first Regional Rural Bank, namely, Prathama Bank opened on October 2, 1975. We have sponsored 10 Regional Rural Banks. The Bank was also instrumental in the establishment of Rural Development and Self-Employment Training Institutes in 1982, providing vocational training to unemployed youth and the beneficiaries of poverty alleviation programmes for setting up self-employment ventures.

***Main Objects of the Bank***

Section 3(5) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 states as follows:

*"Every corresponding new bank shall carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) and may engage in one or more of the other forms of business specified in sub-section (1) of section 6 of that Act."*

Section 5(b) of the Banking Regulation Act reads as follows:

*" 'banking' means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise."*

Section 6(1) of the Banking Regulation Act reads as follows:

*"Form and business in which banking companies may engage*

(*1) In addition to the business of banking, a banking company may engage in any one or more of the following forms of business, namely—*

(*a*) *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, hoondees, 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 of credit, traveller's 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 deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;*

*(b) acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company;*

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

*(d) the 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;*

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

(f) *managing, selling and realising any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;*

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

(h) *undertaking and executing trusts;*

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

(j) *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 dependents 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;*

(k) *the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;*

(l) *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;*

(m) *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 this sub- section;*

(n) *doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;*

(o) *any other form of business which the Central Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage."*

Section 3 (7) of Chapter II of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 provides for the Bank to act as Agent of RBI.

(1) *The Bank shall, if so required by the Reserve Bank of India, act as agent of the Reserve Bank at all places in India where it has a branch for:*

    (a) *Paying, receiving, collecting and remitting money, bullion and securities on behalf of the Government of India.*

    (b) *Undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.*

(2) *The terms and conditions on which any such agency business shall be carried on by the corresponding new Bank on behalf of the Reserve Bank shall be such as may be agreed upon.*

(4) *The corresponding new Bank may transact any business or perform any function entrusted to it under Clause (I) by itself or through any agent approved by the Reserve Bank.*

***Changes in Memorandum of Association***

We do not have any articles or memorandum of association as we are a "corresponding new bank" under the provisions of the Bank Acquisition Act.

***Key Milestones***

| Date | Event |
|---|---|
| 1925 | We commenced business with the name 'Canara Industrial & Banking Syndicate Limited' |
| 1928 | First branch of the Bank opened at Brahmavar in Dakshina Kannada District |
| 1964 | - Name of the Bank changed from "Canara Industrial & Banking Syndicate Limited " to "Syndicate Bank Limited" |
| | - Head Office was shifted to Manipal |
| 1967 | Agri Card – a ready credit facility for farmers – launched |
| 1975 | Sponsored India's first Regional Rural Bank – Prathama Bank – in Moradabad in Uttar Pradesh |
| 1976 | First overseas branch opened at London |

| | |
|---|---|
| 1998 | Syndicate Bank Kisan Credit Card launched. |
| 1999 | Bank made an initial public offer of its equity shares, raising capital of Rs.1,250 million |
| 2000 | First Specialised Capital Market Services branch opened at Mumbai |
| 2001 | Syndicate Laghu Udyami Credit Card launched |
| 2002 | Centralised Banking Solution under the brand name “Syndicat-e-banking” launched at Delhi, Mumbai, Bangalore and Manipal |

***Awards And Recognition***

| **Year** | **Awards And Recognitions** |
|---|---|
| 1972 & 1978 | Indian Merchants Chamber Award for outstanding contribution towards welfare of community |
| 1974 | Indian Merchants Chamber Award for outstanding contribution in promotion of savings |
| 1975 | FICCI Award for outstanding achievements in agriculture |
| 1975 | Laghu Udyog Sahakari Award by the National Alliance of Young Entrepreneurs for significant contributions to the development of small scale industries and assistance to the young entrepreneurs through self employment clinics |
| 1976 | International Award By Jaycee International for self employment |
| 1977 | FICCI Award in recognition of corporate initiative in industrial relations |
| 1977 | Assocham Award for promotion of rural and agricultural activities of Syndicate Agriculture Foundation sponsored by the Bank |
| 1978 | Indian Merchants Chamber Award for outstanding contribution towards welfare of the community |
| 1978 | National Award for outstanding export performance |
| 1981 | National Investment and Finance Award for priority sector lending |
| 1990 | Chaudhari Charan Singh Award for rural development |
| 1999 | FICCI Award for institutional initiative in the field of “Rural Development” to RUDSETI jointly sponsored by our Bank |
| 2001 | IDRBT Award for innovative use of Banking Applications on INFINET awarded by IDRBT, Hyderabad |
| 2003 | Banking Technology Award by IDRBT, Hyderabad |

## OUR MANAGEMENT

The following table sets forth details regarding our Board of Directors as of the date of filing the Red Herring Prospectus with SEBI:

**Board of Directors**

| Sl. No. | Name, Designation, Father's Name, Address, Occupation | Nationality | Age | Date of Appointment and Term | Other Directorships |
|---|---|---|---|---|---|
| 1. | **N. Kantha Kumar**<br>**Chairman and Managing Director**<br>S/o Nagendra Shenoy<br>3539, II Cross<br>13th H Main<br>HAL II Stage<br>Indiranagar<br>Bangalore 560 038<br>India<br>*Professional Banker* | Indian | 59 | January 19, 2005<br>Appointed up to March 31, 2006, or until further orders, whichever is earlier | Nil |
| 2. | **M. Deena Dayalan**<br>**GoI Nominee Director**<br>S/o K. Muthyian<br>D-I/96, Rabindranagar<br>New Delhi 110 001<br>India<br>*Government Official* | Indian | 55 | September 24, 2004<br>Nominated until further orders | Nil |
| 3. | **K. R. Das**<br>**RBI Nominee Director**<br>S/o Madhu Sudan Das<br>E 9, Reserve Bank Qtrs<br>PH Road, Kilpauk<br>Chennai 600 010<br>India<br>*RBI Official* | Indian | 50 | August 26, 2004<br>Nominated until further orders | Nil |
| 4. | **Jai Perkash Sharma**<br>**Workmen Employee Director**<br>S/o S. N. Sharma<br>156, DDA MIG Flats<br>Block A2/B<br>Paschim Vihar<br>New Delhi 110 003<br>India<br>*Bank Employee* | Indian | 48 | May 7, 2002<br>Appointed as workmen employee director for a period of three years and thereafter until his successor is appointed or till he ceases to be a workmen employee of our Bank whichever is earlier. | Nil |
| 5. | **Ranjana S. Salgaocar**<br>**Shareholder Director**<br>W/o Shivananda V. Salgaocar<br>Hira Vihar<br>Airport Road<br>Chicalim<br>Goa 403 802<br>India<br>*Industrialist* | Indian | 50 | February 26, 2003<br>Elected by the shareholders for a period of three years | (a) Pyramid Finance Limited<br>(b) Bhoominandan Investments Private Limited<br>(c) Angira Finance and Leasing Private Limited<br>(d) Calama Leasing and Finance Private Limited<br>(e) Carlysle Finance and Leasing Private Limited |

| Sl. No. | Name, Designation, Father's Name, Address, Occupation | Nationality | Age | Date of Appointment and Term | Other Directorships |
|---|---|---|---|---|---|
| | | | | | (f) Costa Rica Investments Private Limited<br>(g) Dhanistha Real Estates Private Limited<br>(h) Ganapal Real Estates Private Limited<br>(i) Ganaraj Real Estates Private Limited<br>(j) Great Lake Finance and Leasing Private Limited<br>(k) Green Back Real Estate Private Limited<br>(l) Katyayani Investments Private Limited<br>(m) Mahadhan Real Estates Private Limited<br>(n) Medini Real Estates Private Limited<br>(o) New Ireland Real Estate and Construction Private Limited<br>(p) Pyramid Developers Private Limited<br>(q) Pyramid Metallic Private Limited<br>(r) Revati Real Estates Private Limited<br>(s) Pyramid Softech Private Limited<br>(t) Salgaocar Construction Company Private Limited<br>(u) Salgaocar Industrial Projects Private Limited<br>(v) Salgaocar Iron and Steel Company Private Limited<br>(w) Salgaocar Real Estates and Property Private Limited<br>(x) Sandstone Real Estates Private Limited<br>(y) Saroyan Finance and Leasing Private Limited<br>(z) Sharvani Investments Private Limited<br>(aa) Shinzawa Chemicals Private Limited<br>(bb) Shivranjani Investments Private Limited<br>(cc) Uttara Real Estates Private Limited<br>(dd) Vasudev Real Estates Private Limited<br>(ee) Vasuki Finance and Leasing Private Limited<br>(ff) Vega Real Estates Private Limited<br>(gg) Windermere Investments Private Limited |

| Sl. No. | Name, Designation, Father's Name, Address, Occupation | Nationality | Age | Date of Appointment and Term | Other Directorships |
|---|---|---|---|---|---|
| 6. | **Anil Kumar Khanna**<br>**Shareholder Director**<br>S/o R. K. Khanna<br>R. K. Khanna Tennis Stadium<br>DLTA Complex<br>Africa Avenue<br>New Delhi 110 029<br>India<br>*Chartered Accountant* | Indian | 51 | February 26, 2003<br>Elected by the shareholders for a period of three years | (a) Telecom Finance India Limited<br>(b) Hitech Gears Limited<br>(c) ITF Limited<br>(d) United Leasing and Industries Limited<br>(e) Saurer Emboridery Systems (India) Private Limited<br>(f) DFK Consulting Services (I) Private Limited<br>(g) ULL Securities Private Limited<br>(h) Aquarius Travels Private Limited<br>(i) Asahi Components Private Limited<br>(j) RLF Securities Private Limited |
| 7. | **P. C. Nayak**<br>**Shareholder Director**<br>S/o P. S. Nayak<br>Meghdoot<br>No.119/III Main Road<br>Jayamahal Extension<br>Bangalore 560 046<br>India<br>*Retired Government Official* | Indian | 74 | February 26, 2003<br>Elected by the shareholders for a period of three years | (a) Shree Gajanana Motor Transport Company Limited<br>(b) Yokogawa Blue Star Limited |
| 8. | **K. P. Fabian**<br>**Shareholder Director**<br>S/o K.J. Francis<br>C/45 IFS Apartments<br>Mayur Vihar<br>Phase I<br>New Delhi 110 091<br>India<br>*Retired Government Official* | Indian | 64 | February 26, 2003<br>Elected by the shareholders for a period of three years | (a) Rashtriya Chemicals and Fertilisers Limited |

**N. Kantha Kumar** is the Chairman & Managing Director of the Bank and he was appointed by the GoI. He was holding the position of Executive Director of Canara Bank for over three years prior to taking up the assignment in Syndicate Bank. He has experience of almost four decades in various fields of commercial banking operations and administration. He joined Canara Bank in 1967 as an Officer, and has worked as Manager-Personnel of Trivandrum Circle, Divisional Manager-Divisional Office Chandigarh, Assistant General Manager-Chandigarh Circle, Assistant General Manager-Mangalore Circle and Deputy General Manager of Kolkata & Delhi Circles. He was promoted as General Manager in 1996 and continued to head Delhi Circle of Canara Bank till 1998. Thereafter he held the position of General Manager (Management Audit and O&M) and General Manager (Planning & Development) at the Bank's Head Office Bangalore before becoming Executive Director in December 2001. He has served as Member of various committees of Indian Banks' Association, Reserve Bank of India and Banks' Sports Board, IBA. He was a trustee of Canbank Mutual Fund and Director in Canbank Investment Management Services Ltd, Canbank Factors Limited, Canbank Computer Services Limited, Canbank Venture Capital Limited He was also the Chairman of the South Malabar Grameena Bank sponsored by Canara Bank for three years. He is a graduate in commerce, has a degree in law and he is also a CAIIB.

**M. Deena Dayalan** is the nominee Director representing GoI and he holds a key position as Joint Secretary and Financial Advisor, Department of Expenditure, Ministry of Finance, Government of India, New Delhi. He is an Indian Audit & Accounts Service Officer of 1978 batch. He is a Post-Graduate in Chemistry and holds an M.B.A. from Leeds University, U.K. He has managerial experience in banking sector and has worked in a nationalised bank for over five years prior to joining the service. He has also been in the

Department of Telecommunications as General Manager. He has held key positions in the Audit Department as Accountant General of the States of Haryana and Kerala. He has also led teams on behalf of the Comptroller and Auditor General of India to audit United Nations Head Quarters, New York and United Nations High Commissioner for Refugees, Hanoi, Vietnam. He joined the Board in September 2004.

**K. R. Das** is the RBI nominee Director representing RBI on the Board. At present, he is the Vice Principal of Reserve Bank Staff College at Chennai. He is a Master in Arts and is also a lawyer. He joined the Board in August 2004.

**Ranjana S. Salgaocar** is a Director representing the shareholders on the Board. She holds a Master of Business Administration and Management Studies and is a professional trainer, educationist, freelance columnist and an industrialist. She has authored a book on personality, enrichment, etiquette and entertaining titled "The Pleasure of Your Company". She has conducted many training programmes for senior corporate executives on business etiquette. She has held positions in the Government of Goa as Member of Planning Board, Goa Tourism & Development Corporation, Expert Group for Restructuring Education. Some of the important positions presently held by her include Chairperson of Indian Red Cross Goa, Member of Executive Committee of the Ladies' Wing of the Indian Merchants' Chamber, Mumbai and Trustee, 'Matruchaya'. She joined the Board in February 2003.

**Anil Kumar Khanna** is a Director representing the shareholders on the Board. He is a graduate in Economics and an FCA (England and Wales) and a Chartered Accountant by profession. He is currently the Vice-President of Asian Tennis Federation and is also the Secretary General and Treasurer of the Federation. He also holds the position of Honorary Secretary General of All India Tennis Association and Chairman of DFK India, a worldwide group of Accountants. He has earlier held the position of Chairman of NIRC of the Institute of Chartered Accountants of India and Director on the Board of Central Bank of India. He has experience in Accountancy, Taxation and Banking and has presented a number of papers on Accountancy, Taxation and Banking in Seminars conducted by the Institute of Chartered Accountants in India, Delhi University and several PSU banks. He joined the Board in February 2003.

**K. P. Fabian** is a Director representing shareholders on the Board. He was in the Indian Foreign Service and served in Indian Embassies in various countries. He has also served in the Ministry of External Affairs, Government of India at, including Joint Secretary (Gulf) in 1990. He has also held the position of Alternate Resident Representative of India to the International Atomic Energy Agency and the United Nations Industrial Development Organisation, Permanent Representative to the International Civil Aviation Organisation, Permanent Representative to FAO, IFAD and WEP. He has written various papers and presented seminars on the banking sector. His current assignments include - Director (Independent) on the Rashtriya Chemicals & Fertilizers and Chairman of the Audit Committee, Consultancy (including for Food and Agricultural Organization). He joined the Board in February 2003.

**P. C. Nayak** is a Director representing the shareholders on the Board. He is a retired IAS officer and also a post graduate student of economics and statistics. He was a consultant to various bodies of the United Nations in Foreign Investment matters. He has served under Government of Maharashtra in the capacity of Secretary to Board of Industrial Development, Chief Executive Officer, Maharashtra Industrial Development Corporation, Director of Industries, Industries Commissioner and Secretary to Government-Department of Industries Energy & Labour. He was deputed by the Government of India to head the Indian Investment Centres at Dusseldorf and New York. He has also served as Joint Secretary, Ministry of Industry, Government of India and as Member, Secretary of Foreign Investment Board. He was Director, Industrial Finance Corporation of India and a Member of Governing Body of Indian Institute of Management, Bangalore and National Institute of Design, Ahmedabad. He is the honorary founder Director of Centre for Technology Development at Bangalore which project for regional development of Karnataka State. He is a public representative on the Board of Interconnected Stock Exchange of India Limited, Navi Mumbai. He joined the Board in February 2003.

**Jai Perkash** Sharma is a Director nominated by GoI representing Workmen Employees. He has a MA degree in Economics and has been working in our Bank since September 4, 1978. He is the President of Syndicate Bank Employees' Union and represents the Workmen Employees on the Board. He joined the Board in May 2002.

***Remuneration of Directors***

1. N. Kantha Kumar, Chairman and Managing Director:

   N. Kantha Kumar was appointed as Chairman and Managing Director of our Bank on January 19, 2005 by the Department of Economic Affairs (Banking Division), MoF, GoI, vide Notification No. 9/23/2003-B.O.I after consultation with the RBI under clause (a) of Sub-Section (3) of Section 9 of the Bank Acquisition Act up to March 31, 2006, i.e. the date of superannuation or until further orders, whichever is earlier.

   *Salary and dearness pay:* N. Kantha Kumar's is entitled to receive Rs. 24,050 per month as salary plus dearness pay, as remuneration during his term as the Chairman and Managing Director of our Bank.

   *Other perquisites and benefits:* In addition to the above, N. Kantha Kumar is entitled to entertainment allowance up to a ceiling of Rs. 6,000 per annum; increment every 12 months, residential accommodation, use of an official car, conveyance and travelling allowance for travel by air, leave and leave travel concession, provident fund, medical benefits and gratuity.

Other Directors receive only sitting fees from the Bank. As per extant RBI instructions, a director of a nationalized bank is entitled to receive a sitting fee of Rs. 5,000 per meeting of the board and a sitting fee of Rs. 2,500 per meeting of any committee of the Board. In accordance with the same, sitting fees paid to the Directors for the fiscal 2005 aggregated to Rs. 590,000.

***Payment or benefit to officers of our Bank***

Except as stated in the Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

***Corporate Governance***

We had made a public issue of 125,000,000 equity shares in October 1999 and are currently listed on the NSE, BSE, and BgSE. We had entered into listing agreements with the Stock Exchanges and we are in compliance with the provisions of the listing agreements with the Stock Exchanges especially relating to corporate governance, broad basing of management and setting up necessary committees like the Audit Committee and the Shareholders'/ Investors' Grievance Committee.

We have complied with SEBI Guidelines in respect of corporate governance specially with respect to broad basing of Board, constituting the committees such as Shareholders'/ Investors' Grievance committee details of which are provided hereinbelow. We shall comply with the requirements of the SEBI circular SEBI/CFD/DIL/CG/1/2004 dated October 29, 2004, which notifies revised corporate governance guidelines, by the required date, i.e., December 31, 2005 for listed entities like our Bank.

The Board has 8 Directors, of which one is a wholetime Director. The Chairman of the Board is a wholetime Director.

***Committees of the Board***

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

a. Audit Committee;

b. Shareholders'/Investors' Grievance Committee

The Board of Directors has not constituted any remuneration committee as the remuneration of Directors is by the Government and guided by guidelines of the Government in this regard.

The following committees have been formed to focus on specific areas:

*Audit Committee*

The members of the Audit Committee are Anil Kumar Khanna, Chairman, M. Deena Dayalan, K.R. Das and P.C. Nayak.

The responsibilities of the Audit Committee, which was constituted on May 26, 1994, include the following:

a. Providing direction and overseeing the total audit function of the Bank and follow up on the statutory/external audit of the Bank and inspections of RBI;

b. Obtaining and reviewing half yearly reports from the Compliance Officer appointed by the Bank;

c. To interact with statutory auditors before finalization of annual/semi-annual/quarterly financial accounts and reports and also follow up on all the issues raised in the LFAR;

d. To review the internal inspection/audit functions of the Bank namely the systems, its quality and effectiveness in terms of follow up;

e. Review of inspection reports of specialized and extra large branches and all the branches with unsatisfactory rating; and

f. To act as per provisions of the listing agreements with the Stock Exchanges and in line with the RBI guidelines.

As of June 16, 2005, the Committee has met 65 times since its inception.

*Shareholders'/Investors' Grievance Committee*

The Board of Directors of the Bank constituted the 'Shareholders/Investors Grievance Committee' on January 17, 2002 to specifically look into the redressing of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. The Shareholder/Investors Grievance Committee comprises of P. C. Nayak, Chairman of the Committee, Anil Kumar Khanna, and Ranjana S. Salgaocar. Sunil Y. Barve, Investor Relations Centre, has been designated by the Bank as the Company Secretary and Compliance Officer.

As of June 16, 2005, the Committee has met nine times since its inception.

In addition to the Audit Committee and the Shareholders'/Investors' Grievance Committee, we have so constituted a Management Committee, a Risk Management Committee, a Special Committee for monitoring and follow up of fraud cases, customer service committee and a sub-committee of the Board on human resources development. The details of these committees is provided below:

*Management Committee*

The Management Committee was constituted on June 18, 1990 and can exercise the powers of the Board, including powers with regard to credit proposals, as may be delegated to it by the Board. The Management Committee exercises all the powers vested in the Board in respect of:

a. Sanctioning of credit proposals (funded and non-funded);

b. Loan compromise/write-off proposals;

c. Proposals for approval of capital and revenue expenditure;

d. Proposals relating to acquisition and hiring of premises including deviation from norms for acquisition & hiring of premises;

e. Filing of suits/appeals, defending them, etc.;

f. Investments in Government and other approved securities, shares and debentures of companies including underwriting;

g. Donations;

h. Sanctioning of extra-ordinary leave on loss of pay;

i. Granting permission to retired executives to join other institutions;

j. Permission for opening new branches and extension counters; and

k. Any other matter referred to the Management Committee by the Board.

The Management Committee comprises N. Kantha Kumar, M. Deena Dayalan, K.R. Das, P.C. Nayak and K.P Fabian.

As of June 16, 2005, the Committee has met 162 times since its inception.

*Risk Management Committee*

The Risk Management Committee of the Board has been constituted on March 8, 2003 for implementation of proper risk management systems in the Bank. The Risk Management Committee comprises N. Kantha Kumar, Anil Kumar Khanna and K.P. Fabian.

As of June 16, 2005, the Committee has met six times since its inception.

*Special Committee for Monitoring and Follow-Up of Fraud Cases*

Special Committee for Monitoring and Follow up of Fraud Cases has been constituted on February 11, 2004 for monitoring and follow up of fraud cases involving amount of Rs.10.00 million & above exclusively. The Committee comprises of N. Kantha Kumar, M. Deena Dayalan, Anil Kumar Khanna, P.C. Nayak and Ranjana S. Salgaocar.

As of June 16, 2005, the Committee has met four times since its inception.

*Customer Service Committee*

Customer Service Committee of the Board has been constituted on August 30, 2004 for bringing about on-going improvement in the quality of customer service provided by the Bank. The Committee comprises of N. Kantha Kumar, Anil Kumar Khanna, Ranjana S. Salgaocar and Jai Perkash Sharma.

As of June 16, 2005, the Committee has met twice since its inception

*Sub-Committee of the Board on Human Resources Development*

Our Board constituted a sub-committee on Human Resources Development on January 16, 2003 to evaluate the progress of the project undertaken by external consultants for institutional strengthening and revamping of the Bank's training system by undertaking a strategic review. The sub-committee comprised of Michael Bastian, the then Chairman and Managing Director Kamalakar M. Shet, Chitra Chandramouliswaran, Prof. S.K. Khanna and Ranjana S. Salgaocar. The project was completed in December 2003 and the final report was placed before the Board.

The sub-committee met once in 2003.

***Shareholding of the Directors***

Directors nominated under Section 9(3)(a) to (h) of the Bank Acquisition Act are not required by law to hold any qualification shares in our Bank. The list of Directors holding Equity Shares and the number of Equity Shares held by each of them as of March 31, 2005 is set forth below:

| Directors | No. of Equity Shares held |
|---|---|
| Ranjana S. Salgaocar | 100 |
| P. C. Nayak | 8,850 |
| K.P.Fabian | 300 |
| Anil Kumar Khanna | 500 |
| **Total** | **9,750** |

***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 other remuneration, reimbursement of expenses payable to them under our Constitutional Documents and notifications by RBI affixing their remuneration. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Bank. 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 Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

One of our Directors, K.R. Das is the guarantor for the repayment of an educational loan, sanctioned by our Bank in June 2004, to his son of an amount of Rs. 0.34 million of which 0.10 million has been availed. The loan carries an interest rate of 10% per annum and the first instalment is due from May 2008. The loan is a performing asset.

Also, certain facilities, the particulars of which are detailed hereinbelow, have been made to certain Persons in which the relatives of one of our Directors, Ranjana S. Salgaocar are interested:

| Sl. No. | Borrower/Person availing the Facility | Relationship to Director | Facility | Advance/Limit sanctioned (Rs. in million) | Rate of Interest | Balance Outstanding as of March 31, 2005 (Rs. in million) |
|---|---|---|---|---|---|---|
| 1. | V.M. Salgaocar and Brother Private Limited | Spouse is a director of the borrower | Foreign Documentary Bills Purchased | 250.00 | PLR less 3.50% p.a. | NIL |
| | | | Bank Guarantee | 4.80 | 3.00% p.a. | 3.60 |
| 2. | Goa Maritime Private Limited | Brother-in-law is a director of the borrower | Foreign Currency Loan | 25.30 | 0.45% per quarter | NIL |
| 3. | Shivanand V. Salgaocar (HUF) | Spouse is a member of the borrower | Secured Loan | 35.00 | PLR less 4.25% p.a. | 33.30 |
| 4. | Dattaraj V. Salgaocar (HUF) | Brother-in-law is a member of the borrower | Secured Loan | 35.00 | PLR less 4.25% p.a. | 33.30 |
| 5. | M/s Aero Mundial | Spouse is a partner in the firm which has availed the bank guarantee | Bank guarantee | 1.00 | 3.00% p.a. | 1.00 |

All the above are performing assets.

Also, Vivek S. Salgaocar, son of Ranjana S. Salgaocar holds 81,000 Equity Shares in the Bank in the name of Shivanand V. Salgaocar and Ranjana S. Salgaocar.

***Changes in our Board of Directors During the Last Three Years***

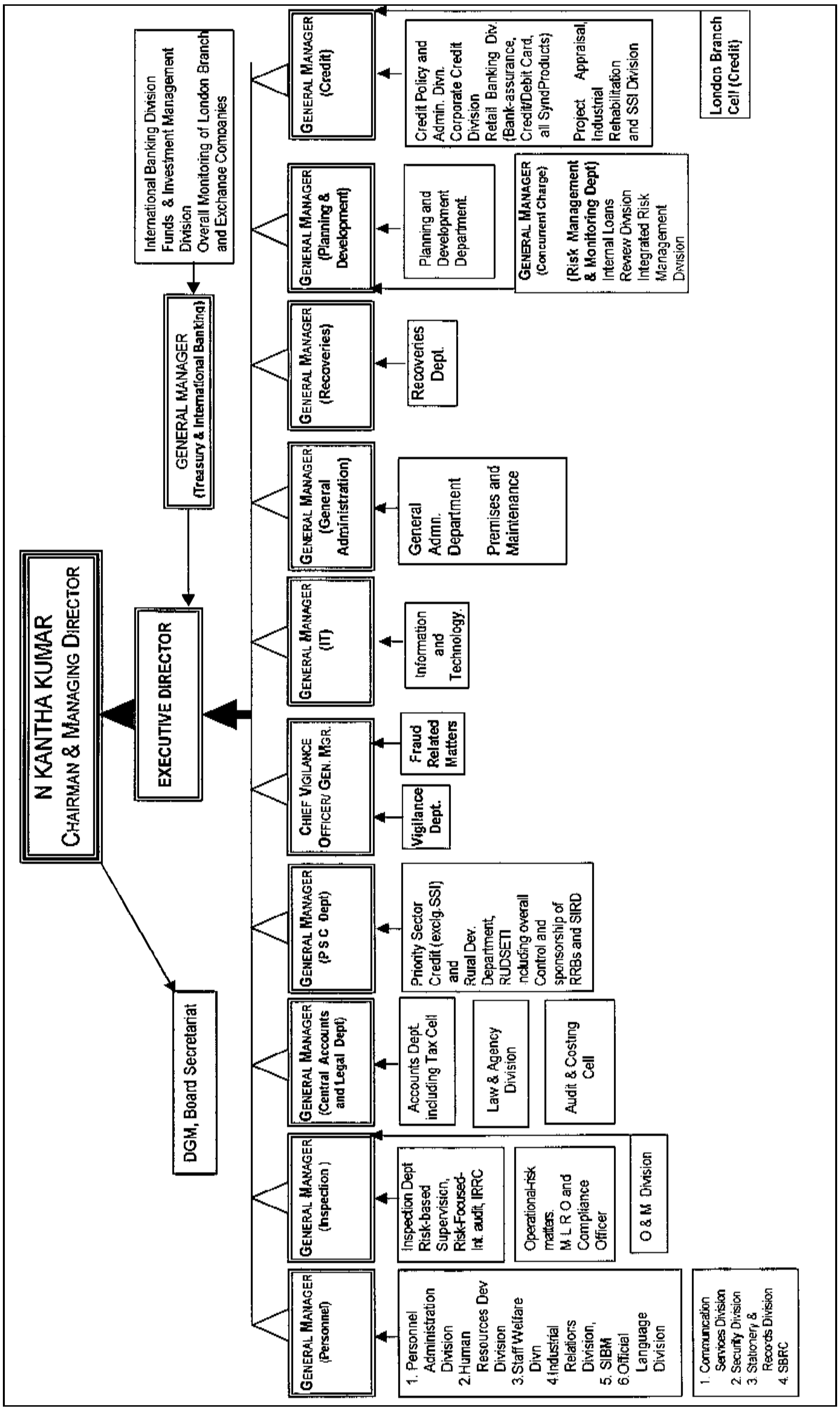
The changes in our Board of Directors during the last three years are as follows:

| Name | Date of Appointment | Date of Cessation | Reason |
|---|---|---|---|
| K. S. Shetty | November 3, 1998 | November 2, 2004 | Term expired on November 2, 2004 |
| K. Vijayaraghavan | July 24,2000 | September 27, 2002 | As per GoI notification |
| M.S. Kapur | May 4, 2001 | August 15, 2002 | Appointed as Chairman & Managing Director – Vijaya Bank, as per GoI notification |
| B.S. Suri | May 8, 2001 | May 7, 2004 | Term expired on May 7, 2004 |
| Prof. S.K. Khanna | May 8, 2001 | May 7, 2004 | Term expired on May 7, 2004 |
| P.J. Vincent | March 20, 2002 | May 31, 2004 | Retired on superannuation on May 31, 2004 |
| Michael Bastian | August 24, 2002 | August 31, 2004 | Retired on superannuation on August 31, 2004 |
| Kamalakar M. Shet | November 29, 2002 | May 31, 2005 | Retired on superannuation on May 31, 2005 |
| Chitra Chandramouliswaran | September 27, 2002 | July 31, 2004 | Retired on superannuation on July 31, 2004 |
| Jai Perkash Sharma | May 7, 2002 | | Appointed |
| Vinod Goel | April 24, 2002 | April 23, 2005 | Term completed |
| B. S. Sonde | February 24, 2000 | February 23, 2003 | Term completed |
| Ranjana S. Salgaocar | February 26, 2003 | February 23, 2003 | Re-elected Shareholder Director |
| Anil Kumar Khanna | February 26, 2003 | February 23, 2003 | Re-elected Shareholder Director |
| P. C. Nayak | February 26, 2003 | February 23, 2003 | Re-elected Shareholder Director |
| K. P. Fabian | February 26, 2003 | | Elected Shareholder Director |
| K. R. Das | August 26, 2004 | | Appointed |
| M. Deena Dayalan | September 24, 2004 | | Appointed |
| N. Kantha Kumar | January 19, 2005 | | Appointed |

## SYNDICATE BANK

***Organizational Structure***

*Organization Chart of Head Office, Manipal*



***Key Managerial Personnel of our Bank***

**Rajender Kumar Abrol**, 55, General Manager–Credit, joined the Bank on May 8, 1972. He has a master's degree in science. He has 33 years of experience with our Bank and has also been General Manager, Accounts, Audit & Inspection, at the Head Office. His remuneration for the financial year ended 2005 was Rs. 0.35 million.

**B. Pramod**, 55, General Manager–Priority Sector Credit & Rural Development Department, joined the Bank on November 11, 1970 and is widely experienced in rural banking. He has a bachelors of science degree in agriculture. He has over 34 years experience with our Bank. His remuneration for the financial year ended 2005 was Rs. 0.34 million.

**R. Chandrasekar**, 56, General Manager–Recoveries & General Administration Department at the Corporate Office, joined our Bank on February 1, 1979. He is an arts graduate and holds a bachelors degree in law. He has 26 years experience with our Bank. His remuneration for the financial year ended 2005 was Rs. 0.35 million.

**Subhash Malhotra**, 56, General Manager–Mumbai Region, joined the Bank on October 16, 1968. He holds a bachelors of science degree. He has over 36 years experience with our Bank. His remuneration for the financial year ended 2005 was Rs. 0.35 million.

**Mohan S. Bhandarkar**, 59, General Manager–Accounts and Law and Agency Department, is based at our Head Office in Manipal. He has a bachelor's degree in commerce, law and is also a CAIIB. He joined our Bank on October 3, 1964 and has experience of over 40 years with our Bank. His remuneration for the financial year ended 2005 was Rs. 0.37 million.

**Dinkar Rao**, 58, General Manager–Head Office, is responsible for Monitoring Standard 'C' Assets and NPAs of less than Rs. 1 million. He joined the Bank on February 7, 1973 and has over 31 years experience with the Bank. He is a science graduate and holds a masters degree in agriculture. His remuneration for the financial year ended 2005 was Rs. 0.35 million.

**Allen C. A. Pereira**, 54, General Manager–Personnel, Security, Official Language Department, Stationary & Records Division, Communication Division, is based at our Head Office. He joined our Bank on June 1, 1973 and has over 31 years experience with our Bank. He is an arts graduate and holds a masters degree in social work. His remuneration for the financial year ended 2005 was Rs. 0.32 million.

**Ram Dass Naidu**, 57, General Manager, is presently on deputation to State Bank of Mysore as Chief Vigilance Officer. He joined our Bank on October 3, 1969 and has experience of over 35 years with the Bank. He is a science graduate with a degree in law. He is a CAIIB and holds a postgraduate diploma in business management. His remuneration for the financial year ended 2005 was Rs. 0.40 million.

**T. V. Madhusoodanan**, 59, General Manager–Inspection Department is based at our Head Office. He joined our Bank on May 28, 1973 and has over 31 years experience with us. He is an arts graduate and also holds a bachelors degree in law. He has a postgraduate diploma in law from Zambia University. His remuneration for the financial year ended 2005 was Rs. 0.36 million.

**Nagesh A. Shanbhag**, 58, General Manager–Bangalore Region, joined the Bank on April 22, 1971 and has over 33 years experience with our Bank. He has a master's degree in arts as well as a bachelor's degree in law. He is also a CAIIB - I. His remuneration for the financial year ended 2005 was Rs. 0.35 million.

**S. R. Vijayakumar**, 55, General Manager–Department of Information Technology, Bank-Assurance, Card Cell and Investors Relation Cell at the Corporate Office, joined the Bank on October 24, 1972 and has over 32 years experience with the Bank. He has a master's degree in science and is a CISA. His remuneration for the financial year ended 2005 was Rs. 0.33 million.

**S. Seetharamu**, 57, Chief Vigilance Officer, is on deputation from the State Bank of India. He joined the Bank on May 13, 2004. He has a master's degree in science and a JAIIB. His remuneration for the financial year ended 2005 was Rs. 0.37 million.

**D. Chandrakanth Pai**, 57, General Manager–Treasury & International Division, is based in Mumbai. He joined the Bank on February 12, 1969. He is a science graduate, holds a masters degree in arts and is a CAIIB. He has experience of over 35 years with the Bank. His remuneration for the financial year ended 2005 was Rs. 0.34 million.

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 Red Herring Prospectus.

***Shareholding of the Key Managerial Personnel***

Except as disclosed below, none of our Key Managerial Employees hold Equity Shares:

| Name | Number of Equity Shares |
|---|---|
| Subhash Malhotra | 400 |
| Nagesh A. Shanbhag | 400 |
| M. S. Bhandarkar | 600 |
| Rajender Kumar Abrol | 700 |
| B. Pramod | 800 |
| Allen C. A. Pereira | 800 |
| T. V. Madhusoodanan | 800 |
| D. Chandrakanth Pai | 1,400 |
| Dinkar Rao | 2,100 |
| **Total** | **8,000** |

***Changes in our key managerial personnel during the last three years***

The changes in the key managerial personnel in the last three years are as follows:

| Name | Date of becoming key managerial personnel | Date of cessation | Reason for change |
|---|---|---|---|
| S. P. Jain | March 1, 2000 | September 30, 2002 | Retirement on superannuation |
| K. J. Ganiga | February 7, 2001 | May 31, 2003 | Retirement on superannuation |
| Y. M. Pai | July 1, 1998 | October 31, 2003 | Retirement on superannuation |
| Dr V. A. Joseph | August 23, 2003 | November 10, 2003 | Voluntary retirement |
| M. K. V. Desikan | November 23, 2002 | March 31, 2004 | Retirement on superannuation |
| S. V. Raghavendra | April 18, 2001 | April 17, 2004 | Repatriation to RBI |
| Rajender Kumar Abrol | May 11, 1998 | - | Continuing |
| B. Sambamurthy | May 11, 1998 | August 27, 2004 | Appointed as Executive Director of Indian Bank |
| N. Nagaraja Reddy | March 15, 1999 | May 30, 2005 | Voluntary retirement |
| B. Pramod | March 15, 1999 | - | Continuing |
| H. Ravindranath Rao | May 1, 1999 | October 31, 2004 | Retirement on superannuation |
| R. Chandrasekar | September 8, 1999 | - | Continuing |
| Subhash Malhotra | February 7, 2001 | - | Continuing |
| Mohan S. Bhandarkar | February 7, 2001 | - | Continuing |
| Dinkar Rao | October 12, 2001 | - | Continuing |
| Allen C. A. Pereira | November 23, 2002 | - | Continuing |
| Ram Dass Naidu | November 1, 2003 | - | Continuing |
| T. V. Madhusoodanan | November 1, 2003 | - | Continuing |
| Nagesh A. Shanbhag | April 24, 2004 | - | Continuing |
| S. R. Vijayakumar | April 24, 2004 | - | Continuing |
| D. Chandrakanth Pai | August 28, 2004 | - | Continuing |
| B. Palakshappa | November 1, 2004 | April 30, 2005 | Retired |
| S. Seetharamu | May 13, 2004 | - | Continuing |

## OUR PROMOTERS

***Promoters***

Our Promoter is the President of India, acting through the MoF, GoI, which holds 73.52% of the pre-Issue paid up equity share capital of our Bank and will hold at least 66.47% of the fully diluted post-Issue paid up equity share capital of our Bank.

## OUR ASSOCIATES

In accordance with the Regional Rural Banks Act, 1976 providing for the incorporation, regulation and functioning of Regional Rural Banks and with the view to develop the rural economy, the Bank has sponsored 10 RRBs with a network of 1,163 branches spread over 28 districts in five states of India, i.e., Andhra Pradesh, Haryana, Kerala, Karnataka and Uttar Pradesh, with a view to provide banking services in rural areas in pursuance of GoI policies.

The paid-up capital of the Regional Rural Banks is Rupees 10.00 million, of which 50% is contributed by the GoI, 35% by the Bank, and 15% by the relevant State Government. Each of the RRBs are governed independently by a Board of Directors comprising of the following directors as per the Regional Rural Banks Act, 1976:

1. Chairman
2. One Director nominated by RBI;
3. One Director nominated by NABARD;
4. Two Director nominated by GoI;
5. Two Directors nominated by the relevant State Government; and
6. Two Directors nominated by the Sponsor Bank.

The RRBs sponsored by us are:

(1) Malaprabha Grameen Bank; (2) Prathama Bank; (3) Netravati Grameena Bank; (4) Pinakini Grameena Bank; (5) Gurgaon Gramin Bank; (6) Rayalaseema Gramina Bank; (7) Sree Anantha Grameena Bank; (8) Bijapur Grameena Bank; (9) Varada Grameena Bank; and (10) North Malabar Gramin Bank.

***1. Malaprabha Grameena Bank***

Malaprabha Grameena Bank, established on August 31, 1976, has its head office at Dharwad in Karnataka. The operational area of the Malaprabha Grameena Bank covers the districts of Dharwad, Haveri, Gadag and Belgaum in Karnataka and it has 243 branches.

The Board of Directors of Malaprabha Grameena Bank as of March 31, 2005 is as follows:

| Director | Post |
|---|---|
| B. S. Surendra | Chairman |
| Gautam Sarkar | Director |
| S. H. Kulkarni | Director |
| M. E. Shivalingamurthy | Director |
| K. S. Umapathy | Director |
| P. S. Nayak | Director |
| V. Sriramprakash | Director |
| Keshav M. Yadav | Director |
| Ramchandra Joshi | Director |

The audited financial position of Malaprabha Grameena Bank for the last three financial years is as under:

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 1,220.60 | 1,407.03 | 1,590.26 |
| Profit after Tax | 171.41 | 344.95 | 464.17 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 854.86 | 1,196.55 | 1,661.97 |
| Net Asset Value/Book Value per Share (Rs.) | 1,250.07 | 1,735.35 | 2,388.01 |
| Earning per Share (Rs.) | 240.83 | 484.65 | 652.15 |

***2. Prathama Bank***

Prathama Bank, established on October 2, 1975, has its head office at Moradabad in Uttar Pradesh. The operational area of Prathama Bank covers three districts in Uttar Pradesh and it has 170 branches.

The Board of Directors of Prathama Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| T. V. Bhat | Chairman |
| B. R. Garg | Director |
| R. K. Srivastava | Director |
| G. C. Mishra | Director |
| A. D. Chawla | Director |
| Suresh Agrawal | Director |
| Shakuntla Sikka | Director |
| S. K. Yadav | Director |
| S. K. Goswami | Director |

The audited financial position of Prathama Bank for the last three financial years is as under:

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 1,063.40 | 1,259.43 | 1,097.86 |
| Profit After Tax (PAT) | 366.21 | 517.06 | 300.33 |
| Capital | 10 | 10 | 10.00 |
| Reserves & Surplus | 1,348.52 | 1,865.58 | 2,165.91 |
| Net Asset Value/Book value per share (Rs.) | 1,666.86 | 2,265.54 | 2,575.00 |
| Earning per Share (Rs.) | 418.63 | 591.13 | 343.00 |

***3. Netravati Grameena Bank***

Netravati Grameena Bank, established on October 11, 1984, has its head office at Mangalore in Karnataka. It has 22 branches and the operational area is in the districts of Dakshin Kannada and Udupi in Karnataka.

The Board of Directors of Netravati Grameena Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| N. Srinivasan | Chairman |
| D. N. Kamath | Director |
| B. K. Bhat | Director |
| U. V. Kulkarni | Director |
| Venugopal Arikeri | Director |
| K. P. Shenoy | Director |
| A. Rukmayya Poojary | Director |
| Subodh Yadav | Director |
| A. M. Kunjappa | Director |

The audited financial position of Netravati Grameena Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 86.30 | 90.35 | 85.25 |
| Profit After Tax (PAT) | 11.35 | 15.87 | 13.99 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 3.36 | 19.23 | 33.21 |
| Net Asset Value/Book Value per Share (Rs.) | 106.96 | 139.83 | 168.80 |
| Earning Per Share (Rs.) | 24.00 | 33.00 | 29.00 |

***4. Pinakini Grameena Bank***

Pinakini Grameena Bank, established on June 11, 1982, has its head office at Nellore in Andhra Pradesh. It has 101 branches and its operational area covers Nellore and Prakasam district in Andhra Pradesh.

The Board of Directors of Pinakini Grameena Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| S. N. Bhat | Chairman |
| U. Chiranjeevi | Director |
| T. Srinivasa Mohan | Director |
| Ch. Malleswara Rao | Director |
| Ega Srihari | Director |
| P. Chandra Sekhar | Director |
| M. Jaiprakash | Director |
| G. S. R. K. R. Vijayakumar | Director |
| A. S. K. Prasad | Director |

The audited financial position of Pinakini Grameena Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 484.46 | 542.98 | 523.46 |
| Profit After Tax (PAT) | 84.52 | 143.21 | 147.46 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 123.06 | 266.26 | 413.72 |
| Net Asset Value/Book Value per Share (Rs.) | 163.72 | 237.88 | 314.24 |
| Earning Per Share (Rs.) | 43.77 | 74.16 | 76.36 |

***5. Gurgaon Gramin Bank***

Gurgaon Gramin Bank, established on March 28, 1976, has its head office at Gurgaon in Haryana. The operational area of Gurgaon Gramin Bank covers five districts in Haryana and it has 123 branches.

The Board of Directors of Gurgaon Gramin Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| H. R. Issarani | Chairman |
| N. N. Reddy | Director |
| K. R. Nair | Director |
| D. V. Deshpande | Director |
| R. C. Budhiraja | Director |
| K. A. Arora | Director |
| Balraj Singh | Director |
| D. K. Sharma | Director |

The audited financial position of Gurgaon Gramin Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 921.80 | 927.11 | 845.86 |
| Profit After Tax (PAT) | 326.14 | 348.58 | 280.23 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 1,158.95 | 1,507.58 | 1,787.76 |
| Net Asset Value/Book Value per Share (Rs.) | 738.48 | 879.00 | 1,030.00 |
| Earning Per Share (Rs.) | 179.67 | 181.40 | 145.82 |

***6. Rayalaseema Gramina Bank***

Rayalaseema Gramina Bank, established on August 6, 1976, has its head office at Cuddapah in Andhra Pradesh. It has 149 branches.

The Board of Directors of Rayalaseema Gramina Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| M. Obulesu | Chairman |
| Aditya K Kishwar | Director |
| W. Nagarajan | Director |
| M. Jayaprakash | Director |
| R. Raghu Rama Rao | Director |
| Smita Sabharwal | Director |
| P. V. R Reddy | Director |
| P. Chalapathi | Director |
| N. Bali Reddy | Director |

The audited financial position of Rayalaseema Gramina Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 941.95 | 1,006.68 | 1,058.02 |
| Profit After Tax (PAT) | 215.01 | 294.49 | 283.07 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 720.94 | 1,015.43 | 1,299.51 |
| Net Asset Value/ Book Value Per Share (Rs.) | 557.00 | 744.00 | 925.00 |
| Earning Per Share (Rs.) | 136.50 | 186.96 | 191.89 |

***7. Sree Anantha Grameena Bank***

Sree Anantha Grameena Bank, established on November 1, 1979, has its head office at Anantapur in Andhra Pradesh. It has 81 branches and three extension counters.

The Board of Directors of Sree Anantha Grameena Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| I. Pardha Saradhi | Chairman |
| R. Raghu Rama Rao | Director |
| R. Venkateswaran | Director |
| K. L. Prabhakar | Director |
| C. M. Singh | Director |
| M. V. Malla Reddy | Director |
| Desai Rami Reddy | Director |
| M. Hari Jawaharlal | Director |
| D. Ananda Naik | Director |

The audited financial position of Sree Anantha Grameena Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal 2003 | Fiscal 2004 | Fiscal 2005 |
|---|---|---|---|
| Total Income | 520.30 | 578.40 | 559.04 |
| Profit After Tax (PAT) | 180.40 | 257.00 | 218.11 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 662.20 | 863.50 | 1,027.64 |
| Net Asset Value/Book Value per Share (Rs) | 100.94 | 128.60 | 151.14 |
| Earning Per Share (Rs) | 23.86 | 28.32 | 29.96 |

***8. Bijapur Grameena Bank***

Bijapur Grameena Bank, established on March 31, 1983, has its head office at Bijapur in Karnataka. The operational area of the Bijapur Grameena Bank covers Bijapur and Bagalkot districts in Karnataka. It has 91 branches.

The Board of Directors of Bijapur Grameena Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| N. Jagathpal | Chairman |
| Vijaya S Prabhu | Director |
| K. V. S. Bhat | Director |
| K. V. Prabhu | Director |
| U. V. Kulkarni | Director |
| M. Nagaraj Hampole | Director |
| V. Ponnuraj | Director |
| Subhasgouda B. Biradar | Director |
| Narayansa K. Bhandage | Director |

The audited financial position of Bijapur Grameena Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal 2003 | Fiscal 2004 | Fiscal 2005 |
|---|---|---|---|
| Total Income | 484.53 | 529.38 | 545.82 |
| Profit After Tax (PAT) | 136.82 | 184.94 | 203.66 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 590.01 | 774.95 | 979.61 |
| Net Asset Value/Book Value per share (Rs.) | 900.81 | 1,151.83 | 1,429.62 |
| Earning per Share (Rs.) | 185.70 | 251.02 | 276.43 |

***9. Varada Grameena Bank***

Varada Grameena Bank, established on October 12, 1984, has its head office at Kumta, Uttar Kannada district in Karnataka. It has 31 branches and 2 extension counters.

The Board of Directors of Varada Grameena Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| U. Rajaram Acharya | Chairman |
| H. M. Shenoy | Director |
| K. Udaykumar Shanbhag | Director |
| R. Augustine | Director |
| T. Ramesh | Director |
| S. M. Hegde | Director |
| Gajanana Bhat | Director |
| Shivananadamurthy | Director |
| Naganath Malge | Director |

The audited financial position of Varada Grameena Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 130.50 | 150.23 | 147.60 |
| Profit After Tax (PAT) | 22.16 | 37.63 | 24.28 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 76.54 | 115.17 | 139.45 |
| Net Asset Value/Book Value per share (Rs.) | 264.00 | 347.00 | 399.18 |
| Earning per Share (Rs.) | 48.00 | 81.00 | 52.09 |

***10. North Malabar Gramin Bank***

North Malabar Gramin Bank, established on December 12, 1976, has its head office at Kannaur in Kerala. The operational area of North Malabar Gramin Bank covers the Kannur, Kasargod, Wynad, Kottayam and Ernakulam districts of Kerala.

The Board of Directors of North Malabar Gramin Bank as on March 31, 2005 is as follows:

| Director | Post |
|---|---|
| S. S. Shet | Chairman |
| S. R. Nayak | Director |
| O. Kali | Director |
| P. Verghese Abraham | Director |
| N. R. Pillai | Director |
| V. Ratheesan | Director |
| V. A. Rajan | Director |
| C. K. Saji Narayanan | Director |

The audited financial position of North Malabar Gramin Bank for the last three financial years is as under

(Rs. in million)

| Particulars | Fiscal | | |
|---|---|---|---|
| | 2003 | 2004 | 2005 |
| Total Income | 840.13 | 815.51 | 910.87 |
| Profit After Tax (PAT) | 112.99 | 162.01 | 172.14 |
| Capital | 10.00 | 10.00 | 10.00 |
| Reserves & Surplus | 865.89 | 1,008.61 | 1,133.64 |
| Net Book value per Share (Rs.) | 8,758.94 | 10,186.06 | 11,436.35 |
| Earning per Share (Rs.) | 1,129.93 | 1,620.05 | 1,721.44 |

## RELATED PARTY TRANSACTIONS

We have entered into related business transactions with key managerial personnel as identified in the audited accounts.

As per the RBI circular no. DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standard by Banks, all nationalized banks are exempt from disclosing their transactions with their subsidiaries as well as the RRBs sponsored by them.

Transactions with wholetime directors who have been termed key managerial personnel for the purposes of the audited accounts of the Bank for the year ended March 31, 2005 are as follows:

(Rs. in million)

| Key Managerial Personnel | Designation | Salary and emoluments |
|---|---|---|
| N. Kantha Kumar | Chairman and Managing Director* | 0.10 |
| Kamalakar Shet | Executive Director# | 0.55 |
| Michael Bastian | Chairman and Managing Director** | 0.45 |

** Joined with effect from January 19, 2005*

*# Retired on May 31, 2005*

*** Retired on August 31, 2004*

## CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to "Rupees" "Rs." are to the legal currency of India, all references to "GBP", and "Pound Sterling" are to the legal currency of the United Kingdom.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP.

***Currency of Presentation***

For your convenience, this Red Herring Prospectus contains translations of some GBP amounts into Rupees, which should not be construed as a representation that those Rupee or GBP amounts could have been, or could be, converted into GBP or Rupees, as the case may be, at any particular rate, the rate stated below, or at all. Except as otherwise stated in this Red Herring Prospectus, all translations from GBP to Rupees contained in this Red Herring Prospectus have been based on the closing spot rate of GBP by FEDAI. The rate on March 31, 2005 was Rs. 82.3300 per GBP 1.00, and Rs. 80.1625 per GBP 1.00 on March 31, 2004.

## 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 79 of this Red Herring Prospectus.

| **Particulars** | **Fiscal** | | | | |
|---|---|---|---|---|---|
| | **2005** | **2004** | **2003** | **2002** | **2001** |
| Face value of Equity Share (per share) (Rs.) | 10 | 10 | 10 | 10 | 10 |
| Interim Dividend on Equity Shares (Rs. in million) | 283.18 | 471.97 | - | - | - |
| Final Dividend on Equity Shares (Rs. in million) | 660.76 | 471.97 | 707.95 | 566.36 | 566.36 |
| Total Dividend on Equity Shares (Rs. in million) | 943.94 | 943.94 | 707.95 | 566.36 | 566.36 |
| Dividend rate (%) | 20 | 20 | 15 | 12 | 12 |
| Dividend tax (Rs. in million) | 123.36 | 120.94 | 90.71 | - | 57.77 |

However, the amounts as dividends in the past are not necessarily indicative of our dividend amounts, if any, or our dividend policy, in the future.

## FINANCIAL STATEMENTS

1. Auditors Report dated May 11,2005
2. Unconsolidated Restated Financial Statements of Syndicate Bank as of and for the years ending March 31, 2001, 2002, 2003, 2004 and 2005 and notes thereto

| | |
|---|---|
| Annexure I | Summary Of Profit And Losses, As Restated |
| Annexure II | Summary Of Assets & Liabilities, As Restated |
| Annexure III | Notes On Adjustments |
| Annexure IV | Significant Accounting Policies |
| Annexure V | Material Notes On Accounts |
| Annexure VI | Adjustments Not Carried Out |
| Annexure VII | Statement Of Dividend Declared By The Bank |
| Annexure VIII | Key Accounting Ratios |
| Annexure IX | Capitalization Statement As On 31st March 2005 |
| Annexure X | Details Of Unsecured Liabilities |
| Annexure XI | Statement Of Tax Shelters |

# FINANCIAL STATEMENTS AS RESTATED FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003, 2004 & 2005

***Sankaran & Krishnan***
Chartered Accountants

***V.K. Mehta & Co***
Chartered Accountants

***Tej Raj & Pal***
Chartered Accountants

***Sriramamurthy & Co***
Chartered Accountants

***Nandy Halder & Ganguli***
Chartered Accountants

***V. Soundararajan & Co***
Chartered Accountants

## AUDITORS' REPORT

The Board of Directors
Syndicate Bank
Manipal
Karnataka

Dear Sirs,

We have been engaged to examine and report on the financial information of Syndicate Bank (the Bank), which have been prepared in accordance with the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the SEBI Act, 1992, (the SEBI Guidelines). The preparation and presentation of this financial information is the responsibility of the Bank's management. This financial information is proposed to be included in the offer document of the Bank in connection with its proposed Public Issue of Equity Shares.

1. For our examination, we have placed reliance on the following:

   a) The financial statements of the Bank for the financial years ended on March 31, 2001, 2002, 2003 and 2004 which were audited and reported upon by the respective auditors for respective years, names of whom and the year covered by their audit are furnished below.

| Year | Name of the Auditors |
|---|---|
| 2000-2001 | M/s Mehra Goel & Co., M/s Hingorani M & Co., M/s Prem Gupta & Co., M/s B Chhawchharia & Co., M/s APS Associates and M/s Patro & Co. |
| 2001-2002 | M/s Prem Gupta & Co., M/s Hingorani M & Co., M/s APS Associates, M/s Patro & Co., M/s Karra & Co., and M/s Sankaran & Krishnan |
| 2002-2003 | M/s Prem Gupta & Co., M/s Sankaran & Krishnan, M/s B. Gupta & Co., M/s Tej Raj & Pal., M/s V.K. Mehta & Co, and M/s Jagannathan & Sarabeswaran |
| 2003-2004 | M/s Sankaran & Krishnan, M/s B. Gupta & Co., M/s Tej Raj & Pal., M/s V.K. Mehta & Co, M/s Jagannathan & Sarabeswaran and M/s Sriramamurthy & Co. |

   b) The financial statements of the Bank for the year ended 31st March 2005, were audited by us vide our report dated 9th May 2005.

2. The audit of the financial statements for the years referred to in paragraph 1 of this report comprised of the audit tests and procedures deemed necessary by the respective auditors for the purpose of expressing an opinion on such financial statements taken as a whole in accordance with generally accepted auditing practices in India.

3. We have performed such tests and procedures, which in our opinion were necessary for the purpose of our examination. These procedures mainly involved comparison of the attached financial information with the Bank's audited financial statements for the years 2000-2001 to 2004-2005.

4. We report that the profits of the Bank as restated for the Financial Years ended March 31, 2001, 2002, 2003, 2004 & 2005 are as set out in Annexure-I. These profits have been arrived at after charging all expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the accounting policies and the notes there on.

5. We report that the assets and liabilities for the Bank as restated as at March 31, 2001, 2002, 2003, 2004 & 2005 are also as set out in Annexure–II after making such adjustments and regroupings as in our opinion are appropriate and are subject to the accounting policies and notes there on.

6. The financial Statements as referred to in paragraphs 1 above consists of the following:

   (a) Summary statement of Profit and Loss as restated (Annexure–I)

   (b) Summary statement of Assets and Liabilities as restated (Annexure–II)

   (c) Particulars of Adjustments (Schedule to Annexures I & II)

   (c) Summary Statement of Cash Flows as restated (Item No.9 (o) of Material Notes on Accounts (Annexure-V))

   (d) Notes on Adjustments (Annexure-III)

   (e) Significant Accounting Policies as at 31st March 2005 (Annexure–IV)

   (f) Material Notes on Accounts (Annexure–V)

   (g) Adjustments not carried out (Annexure–VI)

7. We report that the rates and amount of dividends declared by the Bank in respect of financial years ended March 31, 2001, 2002, 2003, 2004 & 2005 are as set out in Annexure-VII.

8. We have also examined the following accompanying documents

   (a) Key accounting ratios as set out in Annexure-VIII;

   (b) Capitalisation statement as at March 31, 2005 as set out in Annexure-IX;

   (c) Details of unsecured liabilities as set out in Annexure-X;

   (d) Statement of tax shelters as set out in Annexure-XI;

9. (a) In our opinion, the financial information of the Bank as stated in the preceding paragraphs read with respective significant accounting policies, after making groupings and adjustments as were considered appropriate and subject to non-adjustment of certain matters as stated in the Annexure-VI have been prepared in accordance with the SEBI guidelines.

   (b) In our opinion, the said financial information has been properly extracted from Bank's audited financial statements for the financial years ended 31st March 2001, 2002, 2003, 2004 and 2005 and have been correctly prepared from the financial information as applicable and in accordance with the SEBI Guidelines subject to consequential effect of non-adjustment of qualifications as described in Annexure-VI.

10. This report is intended solely for your information and for inclusion in the offer document in connection with the proposed public issue of the shares of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

11. This report should neither in any way be construed as a reissuance or redrafting of any of the previous audit reports issued by us or by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

Yours faithfully,

**Sankaran & Krishnan**
Chartered Accountants

**M. Balachandran**
Partner

**V. K. Mehta & Co**
Chartered Accountants

**V. K. Mehta**
Partner

**Tej Raj & Pal**
Chartered Accountants

**B. Ganga Raju**
Partner

**Sriramamurthy & Co**
Chartered Accountants

**D. Prasanna Kumar**
Partner

**Nandy Halder & Ganguli**
Chartered Accountants

**Arup Halder**
Partner

**V. Soundararajan & Co**
Chartered Accountants

**V. S. Sukumar**
Partner

**Date: May 11, 2005**

**ANNEXURE I**

**SUMMARY OF PROFITS AND LOSSES, AS RESTATED**

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| **A INCOME** | | | | | |
| **Interest Earned** | | | | | |
| Int & Disc on advance/bills | 15,784.82 | 15,997.26 | 15,337.04 | 15,920.88 | 20,415.15 |
| Income on Investments | 11,301.50 | 12,067.47 | 12,789.44 | 13,688.10 | 15,689.27 |
| Interest on Balance with RBI | 384.27 | 482.95 | 346.17 | 306.59 | 342.42 |
| Interest on other inter bank funds | 310.90 | 261.24 | 248.23 | 713.47 | 1,101.97 |
| Interest on Income tax | 140.35 | 1.46 | 26.09 | 223.19 | 17.79 |
| Others | 0.00 | 14.37 | 5.02 | 1.15 | 3.76 |
| **Sub-Total** | **27,921.84** | **28,824.75** | **28,751.99** | **30,853.38** | **37,570.36** |
| **OTHER INCOME** | | | | | |
| Commission, Exchange & Brokerage | 1,107.23 | 1,033.47 | 1,097.47 | 1,262.32 | 1,543.13 |
| Profit on sale of Investments (Net) | 528.54 | 669.77 | 2,631.22 | 4,944.32 | 2,199.38 |
| Profit on sale of Land/Bldg & Other Assets (Net) | 1.76 | 0.87 | (0.94) | (0.54) | 12.92 |
| Profit on Exchange Transactions (Net) | 356.07 | 285.83 | 314.71 | 355.61 | 344.43 |
| Miscellaneous Income | 820.59 | 770.43 | 908.32 | 1,202.28 | 1,545.68 |
| **Sub-Total** | **2,814.19** | **2,760.37** | **4,950.78** | **7,763.99** | **5,645.54** |
| **Total (A)** | **30,736.03** | **31,585.12** | **33,702.77** | **38,617.37** | **43,215.90** |
| **B EXPENDITURE** | | | | | |
| **Interest Expended** | | | | | |
| Interest on Deposits | 16,450.70 | 17,081.12 | 16,307.22 | 16,184.27 | 20,013.29 |
| Interest on RBI /Inter/Bank borrowings | 68.00 | 26.52 | 19.59 | 37.17 | 65.39 |
| Others | 466.59 | 641.09 | 327.66 | 334.86 | 559.27 |
| **Sub-Total** | **16,985.29** | **17,748.73** | **16,654.47** | **16,556.30** | **20,637.95** |
| **Operating Expenses** | | | | | |
| Payment & Prov for employees & wages | 8,858.34 | 8,201.83 | 8,490.58 | 9,232.90 | 9,321.60 |
| Rent,Taxes and Lighting | 531.33 | 582.13 | 643.14 | 634.97 | 648.56 |
| Insurance | 111.24 | 123.83 | 136.41 | 157.24 | 332.78 |
| Printing & Stationery | 71.06 | 80.16 | 90.28 | 113.80 | 103.09 |
| Advertisement & Publicity | 14.67 | 18.11 | 34.73 | 39.12 | 57.30 |
| Postage, Telegram, Telephones etc | 114.78 | 122.59 | 129.33 | 144.49 | 151.30 |
| Repairs & Maintenance | 78.68 | 95.08 | 120.41 | 135.57 | 173.58 |
| Software Expenses | 21.40 | 100.38 | 91.68 | 128.97 | 35.75 |
| Law Charges | 5.66 | 6.39 | 7.75 | 39.55 | 34.57 |
| Directors Fees, Allowance & Expenses | 1.47 | 2.37 | 2.21 | 3.85 | 3.57 |
| Auditors' Fees & Expenses | 47.95 | 79.62 | 67.67 | 97.32 | 105.75 |
| Other Expenditure | 826.82 | 758.69 | 779.84 | 896.26 | 994.08 |
| Depreciation on Bank's properties | 186.25 | 226.03 | 271.64 | 265.23 | 375.77 |
| **Sub-Total** | **10,869.65** | **10,397.21** | **10,865.67** | **11,889.27** | **12,337.70** |
| **Total (B)** | **27,854.94** | **28,145.94** | **27,520.14** | **28,445.57** | **32,975.65** |

## SYNDICATE BANK

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **Gross Profit before provisions for Income Tax** | **2,881.09** | **3,439.18** | **6,182.63** | **10,171.80** | **10,240.25** |
| **Provisions and contingencies** | **1,077.98** | **1,038.23** | **2,744.64** | **5,843.77** | **5,936.17** |
| **Adjusted Net Profit (Profit available for appropriation)** | **1,803.11** | **2,400.95** | **3,437.99** | **4,328.03** | **4,304.08** |
| **APPROPRIATION** | | | | | |
| Transfer to Statutory Reserve | 450.78 | 600.24 | 859.50 | 1,082.01 | 1,076.02 |
| Transfer to Capital Reserve | 0.00 | 0.00 | 157.23 | 0.00 | 0.00 |
| Transfer to Redemption Reserve for Bonds | 351.40 | 351.40 | 351.40 | 0.00 | 0.00 |
| Transfer to/from Investment Fluctuation Reserves | (46.93) | 417.87 | 932.37 | 2,056.74 | 2.16 |
| Proposed/Interim Dividend | 566.37 | 566.36 | 707.96 | 943.94 | 943.94 |
| Dividend Tax | 57.76 | 0.00 | 90.70 | 120.94 | 123.36 |
| Balance carried over to Balance Sheet | 423.73 | 465.08 | 338.83 | 124.40 | 2,158.60 |
| **Total** | **1,803.11** | **2,400.95** | **3,437.99** | **4,328.03** | **4,304.08** |
| **Break-up of Provisions & Contingencies** | | | | | |
| Prov for Inc Tax, Interest Tax & Wealth Tax | 171.39 | 216.34 | 1,123.07 | 2,697.98 | 328.48 |
| Depreciation on Investments | 0.00 | 0.00 | 0.00 | 0.00 | 3,832.18 |
| Provision for Bad & Doubtful Debts | 558.00 | 841.00 | 1,131.30 | 3,046.60 | 1,332.15 |
| Provision for Standard Advances | 19.09 | 40.62 | 34.77 | 112.90 | 154.70 |
| Bad Debts Written Off | 0.00 | 0.00 | 0.00 | 326.72 | 472.62 |
| Others | 568.40 | 293.22 | 546.00 | 44.35 | 256.46 |
| **Sub-total** | **1,316.88** | **1,391.18** | **2,835.14** | **6,228.55** | **6,376.59** |
| **Less: Excess provision withdrawn** | | | | | |
| Depreciation on Investment | 0.00 | 163.18 | 38.40 | 97.10 | 0.00 |
| Deferred Tax Asset | 0.00 | 0.00 | 0.00 | 0.00 | 380.80 |
| Others | 238.90 | 189.77 | 52.10 | 287.68 | 59.62 |
| **Sub-total** | **238.90** | **352.95** | **90.50** | **384.78** | **440.42** |
| **Total** | **1,077.98** | **1,038.23** | **2,744.64** | **5,843.77** | **5,936.17** |

**ANNEXURE II**

**SUMMARY OF ASSETS & LIABILITIES, AS RESTATED**

(Rs. in million)

| Particulars | As on March 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **A Assets** | | | | | |
| Cash in hand | 1,098.32 | 1,492.12 | 1,475.91 | 1,529.22 | 1,721.85 |
| Balances with RBI | 18,478.62 | 18,228.17 | 15,023.89 | 43,542.72 | 25,178.19 |
| Balances with Banks in India | 2,261.00 | 6,052.07 | 4,423.67 | 5,315.12 | 1,555.91 |
| Balances with Banks outside India | 8,322.75 | 1,795.56 | 266.63 | 11,437.97 | 739.62 |
| Money at Call & Short Notice | 0.00 | 4,000.40 | 4,000.00 | 3,950.00 | 1,500.20 |
| Investments in India | 103,706.64 | 116,740.56 | 136,521.83 | 177,162.81 | 202,482.27 |
| Investments outside India | 1,794.26 | 2,365.45 | 1,710.62 | 2,003.16 | 1,225.06 |
| **Total Investments** | **105,500.90** | **119,106.01** | **138,232.45** | **179,165.97** | **203,707.33** |
| Advances in India | 107,177.53 | 119,464.24 | 139,129.66 | 173,474.80 | 233,734.51 |
| Advances outside India | 23,984.06 | 29,382.36 | 23,923.83 | 32,994.39 | 33,557.52 |
| **Total Advances** | **131,161.59** | **148,846.61** | **163,053.49** | **206,469.19** | **267,292.03** |
| Fixed Assets | 3,191.01 | 3,283.94 | 3,299.90 | 3,636.87 | 3,812.70 |
| Other Assets | 12,392.58 | 14,651.01 | 14,446.50 | 17,184.76 | 15,586.42 |
| **Total (A)** | **282,406.76** | **317,455.88** | **344,222.44** | **472,231.83** | **521,094.25** |
| **B Liabilities** | | | | | |
| From Banks | 978.24 | 993.85 | 1,459.61 | 1,358.25 | 1,444.61 |
| From Others | 26,514.83 | 32,132.71 | 32,901.27 | 39,164.10 | 48,369.20 |
| **Demand Deposits** | **27,493.07** | **33,126.56** | **34,360.89** | **40,522.36** | **49,813.81** |
| Savings Deposits | 65,755.29 | 75,110.45 | 86,427.51 | 103,857.33 | 121,711.27 |
| From Banks | 20,219.68 | 26,725.81 | 15,452.01 | 26,409.98 | 24,138.05 |
| From Others | 137,480.38 | 150,520.50 | 170,365.04 | 255,058.50 | 267,282.49 |
| **Term Deposits** | **157,700.06** | **177,246.31** | **185,817.05** | **281,468.48** | **291,420.54** |
| **Total Deposits** | **250,948.41** | **285,483.31** | **306,605.45** | **425,848.17** | **462,945.62** |
| Borrowings in India | 2,164.71 | 366.53 | 307.71 | 253.13 | 183.17 |
| Borrowings Outside India | 0.00 | 0.00 | 480.00 | 1,971.39 | 3,036.92 |
| **Total Borrowings** | **2,164.71** | **366.53** | **787.71** | **2,224.52** | **3,220.09** |
| Other Liabilities & Provisions | 14,588.47 | 15,088.01 | 18,622.54 | 20,458.81 | 25,620.79 |
| Subordinate debts | 2,587.90 | 2,587.90 | 2,587.90 | 4,837.90 | 7,237.90 |
| **Total (B)** | **270,289.49** | **303,525.75** | **328,603.59** | **453,369.40** | **499,024.40** |
| **C Net Assets (C=A-B)** | **12,117.27** | **13,930.14** | **15,618.85** | **18,862.42** | **22,069.85** |
| Represented by: | | | | | |
| **D Share Capital** | **4,719.40** | **4,719.47** | **4,719.48** | **4,719.51** | **4,719.68** |
| **E Reserves & Surplus** | | | | | |
| Statutory Reserve | 1,537.47 | 2,137.71 | 2,997.21 | 4,079.22 | 5,155.24 |
| Share Premium | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Reserve | 0.37 | 0.37 | 157.60 | 157.60 | 157.60 |
| Investment Fluctuation Reserve | 782.07 | 1,199.94 | 2,132.31 | 4,189.06 | 4,191.22 |
| Revenue & Other Reserve | 4,654.23 | 5,407.57 | 5,273.42 | 5,592.64 | 5,687.51 |
| Balance of Profit & Loss Account | 423.73 | 465.08 | 338.83 | 124.40 | 2,158.60 |
| **Total (E)** | **7,397.87** | **9,210.67** | **10,899.37** | **14,142.91** | **17,350.17** |
| **F Total (B+D+E)** | **282,406.76** | **317,455.88** | **344,222.44** | **472,231.83** | **521,094.25** |

## SYNDICATE BANK

(Rs. in million)

| Particulars | As on March 31, | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **G Contingent Liabilities** | | | | | |
| Claims against the Bank not Acknowledged as Debts | 534.78 | 542.32 | 645.20 | 759.35 | 688.74 |
| Disputed IncomeTax demands under appeal/Reference etc. | 4,236.60 | 2,408.71 | 2,434.09 | 1,314.80 | 2,779.75 |
| Liability for partly paid Investments | 1.02 | 1.02 | 1.02 | 305.52 | 302.75 |
| Liability on account of outstanding Forward Exchange Contracts | 88,494.96 | 101,635.14 | 204,425.12 | 262,071.84 | 307,275.32 |
| Guarantees given on behalf of Constituents | 8,888.07 | 9,342.32 | 11,542.55 | 13,940.07 | 19,025.61 |
| Acceptance, Endorsements and Other Obligations | 4,499.85 | 4,224.60 | 6,031.42 | 15,437.12 | 20,808.64 |
| Other items for which Bank is contingently liable | 215.60 | 693.59 | 2,227.93 | 2,261.75 | 13,599.15 |
| **Total (G)** | **106,870.88** | **118,847.70** | **227,307.33** | **296,090.45** | **364,479.96** |
| Bills for Collection | 8,209.81 | 7,361.51 | 7,409.06 | 9,319.77 | 11,336.61 |

**PARTICULARS OF ADJUSTMENTS**

(Rs. in million)

| Particulars | Fiscal | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| **INCOME** | | | | | |
| Prior Year Income | 0.08 | 0.59 | 0.25 | 4.90 | (5.87) |
| **Total Income** | **0.08** | **0.59** | **0.25** | **4.90** | **(5.87)** |
| **EXPENDITURE** | | | | | |
| Prior Year Expenditure | 41.16 | (10.77) | (13.42) | (9.21) | (12.64) |
| Provisions & Contingencies | 500.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Software Expenses | 21.40 | 100.38 | 91.68 | (131.91) | 0.00 |
| Depreciation | (9.65) | (19.80) | (65.76) | 0.00 | 0.00 |
| Payment & Provision for Employees & Wages | 44.00 | 44.00 | (7.00) | 166.70 | (291.70) |
| **Total Expenditure** | **596.91** | **113.81** | **5.50** | **25.58** | **(304.34)** |
| Increase (+)/Decrease (-) in Profit before provision for Income Tax and Extraordinary items | (596.83) | (113.22) | (5.25) | (20.68) | 298.47 |
| Tax impact on Adjustments | (50.61) | (8.66) | (1.93) | (7.42) | 23.40 |
| **Total of Adjustments net of Tax Impact** | **(546.22)** | **(104.56)** | **(3.32)** | **(13.26)** | **275.07** |
| **Impact of Adjustments on Assets & Liabilities** | | | | | |
| **ASSETS** | | | | | |
| Fixed Assets | (11.75) | (80.58) | (25.92) | 131.91 | 0.00 |
| **Increase/Decrease in Assets** | **(11.75)** | **(80.58)** | **(25.92)** | **131.91** | **0.00** |
| **LIABILITIES** | | | | | |
| Revenue & Other Reserves | (546.22) | (104.56) | (3.32) | (13.26) | 275.07 |
| Other Liabilities & Provisions | 534.47 | 23.98 | (22.60) | 145.17 | (275.07) |
| **Increase/Decrease in Liabilities** | **(11.75)** | **(80.58)** | **(25.92)** | **131.91** | **0.00** |

**ANNEXURE III**

**NOTES ON ADJUSTMENTS**

1. Necessary adjustments arising from Auditors qualifications wherever quantifiable and material in respect of previous years have been carried out while preparing the Statements of Profit & Loss and Assets & Liabilities (Annexure I & II)

2. Necessary amendments in the Accounting Policies have been made by the Bank to give effect to various guidelines issued by the RBI on Income Recognition, Assets Classification, Provisioning on Standard Assets/Non performing Assets/ other assets, Classification of Investments, valuation and treatment of depreciation thereof, Depreciation on Computer Equipment, Expenditure incurred in respect of Suit Filed accounts etc. Accordingly, the amounts for the respective years are based on RBI guidelines prevailing in the said years. Adjustments to Profit as well as Assets & Liabilities of the Bank arising from the compliance with the guidelines issued by RBI have not been carried out as it is not practicable to give its effect in relevant years.

3. Pension liability of Rs. 880.1 millions that arose due to wage revision during 1999-2000 was to be amortised over five years beginning from FY 99-2000 @ Rs. 176 millions. The Bank has amortised Rs. 351.20 millions in 2002-03 including the amount of Rs. 176 millions to be amortised in 2003-04. As the said pension liability has been ultimately amortised over four years, entire amount has been restated over four years @ Rs. 220 millions.

4. In the absence of adequate information, adjustments in respect of prior period items have been made in the immediate preceding year.

5. An amount of Rs. 500 millions being provision for wage revision arrears has been made during 1998-99 and the same has been reversed during 2000-01. To give effect to the same the said entries have been reversed.

6. An amount of Rs. 1270 million (being wage revision arrears debited to P&L in fiscal 2005) of which adjustments / restatement have been made as follows.

| **Year Ended** | **Amount (Rs in million)** |
|---|---|
| March 31, 2003 | 125.00 |
| March 31, 2004 | 516.70 (including Rs 350 million already provided) |
| March 31, 2005 | 628.30 |
| **Total** | **1270.00** |

7. The impact of adjustments on account of items pertaining to financial year prior to 2000-2001 has been adjusted in the opening balances of financial year 2000-2001.

8. Income Tax rates applicable to the respective years have been adopted for arriving at the notional impact of the adjustments.

9. During the financial year 2003-04, the Bank has adopted an accounting policy for treating Application Software as intangibles and to be charged off to revenue. Accordingly, an amount of Rs. 131.91 millions pertaining to prior years has been restated by giving effect to depreciation and relevant fixed asset item.

**ANNEXURE IV**

## A. SIGNIFICANT ACCOUNTING POLICIES AS AT 31ST MARCH 2005

### 1. ACCOUNTING CONVENTIONS:

The accompanying financial statements are prepared following the 'Going Concern' concept on historical cost basis and conform to the statutory provisions and prevailing practices, of the countries concerned, except wherever otherwise stated.

### 2. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

2.1 Assets & Liabilities and Income and Expenditure Items in respect of the Foreign Branch are translated in Indian Rupee equivalent, based upon the prevailing rate of exchange at the end of the year as per FEDAI guidelines approved by RBI. Translation difference if profit, is carried to other liabilities and if loss, charged to revenue.

2.2 In accordance with the FEDAI guidelines, foreign currency monetary assets and liabilities including outstanding Forward Exchange Contracts are translated at the exchange rates at the close of the year and resultant gain/loss is adjusted to revenue.

2.3 In respect of Money market swaps, the premium / discount is amortised over the life of the swap and adjusted to revenue account as per FEDAI guidelines.

2.4 Foreign Currency Accounts like FCNR(B), EEFC, RFC etc. including accrued interest at branches are translated at market related notional rates which are reviewed periodically .

2.5 Acceptances, Endorsements and Other Obligations including Guarantees and Letters of Credit in Foreign Currency are converted at rate prevailing / contracted on the dates of respective transactions.

2.6 Income and Expenditure transactions are accounted for at exchange rates prevailing on the date of transactions.

### 3. INVESTMENTS:

3.1 In accordance with guidelines of RBI, Investments in India are classified into:

a. Held to Maturity

b. Available for Sale

c. Held for Trading

3.2 Investments are valued in accordance with RBI guidelines

3.2.1 Investments under Held to Maturity are valued at cost of acquisition, except where it is acquired at premium in which case the premium is amortized over the remaining life of the security.

3.2.2 Investments held under Available for Sale category are valued at cost or market value whichever is lower. Individual scrips are valued and depreciation/appreciation is aggregated category-wise as per the classification of investments in the Balance Sheet. Net depreciation is provided for and net appreciation, if any, is ignored.

The provisions arising on account of depreciation in the Available for Sale category is charged to the Profit & Loss Account and an equivalent amount (net of tax benefits, if any, and net of consequent reduction in the transfer to Statutory Reserves) or the balance available in the Investment Fluctuation Reserve Account, whichever is less, is transferred from the Investment Fluctuation Reserve Account to the Profit & Loss Appropriation Account.

In the case of excess provision in the Available for Sale category, the same is credited to the Profit & Loss Account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provision) is appropriated to the Investment Fluctuation Reserve Account.

3.2.3 Investments under Held for Trading are marked to market and the resultant appreciation/depreciation is aggregated category wise. Net depreciation is provided for and net appreciation, if any, is ignored.

3.2.4 For the purpose of valuation –

i Cost refers to actual cost of acquisition / carrying cost wherever applicable.

ii Market value refers to latest available price list declared by FIMMDA/Stock Exchange quotations at the year end and in the absence of such quotations:

a) Government Securities and Other Approved Securities are valued on the basis of Yield to Maturity as given by FIMMDA. Government Guaranteed Securities, where interest is not serviced regularly are valued at least of redemption value, cost or market value

b) Shares: Last traded price or where quotations are not available, at book value (without considering "Revaluation Reserves") as per the latest available balance sheet or Re. 1/- per company where latest balance sheets are not available.

c) Treasury Bills, RIDF, Commercial Papers and Term Money with financial institutions are valued at cost.

d) Debentures and Bonds where interest is serviced regularly are valued at Yield to Maturity with appropriate spreads as prescribed by FIMMDA. In other cases, these are valued by applying RBI norms \ Directions.

e) Units are valued at repurchase price or Net Assets Value whichever is lower.

f) Investments in Regional Rural Banks are valued at cost.

3.2.5 Investments are also categorised based on their performance and provisions made as per NPA norms applicable to advances as per RBI guidelines. Provision made on non performing investments are not set off against the appreciation in respect of other performing investments.

3.3. Gain, if any, on sale/disposal of securities in the Held to Maturity category is taken to Capital Reserve through the Profit and Loss Account.

3.4. Transfer of securities from one category to another is effected after providing for depreciation, if any, on the securities so transferred.

3.5. Floating Rate Note Investments at Foreign Branch which bank intends to hold till Maturity are valued at cost.

3.6. Brokerage / Commission received on subscriptions are deducted from the cost of securities. Brokerage/Commission/Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

**4. ADVANCES:**

4.1 All advances are classified into Performing and Non Performing as per the norms laid down by RBI whose directions \ guidelines are also adopted for the purposes of Asset Classification, income recognition and provisioning.

4.2 Advances are stated net of provisions made for Non-Performing Assets. Provisions made for Standard Advances is included in Other Liabilities and Provisions.

**5. FIXED ASSETS:**

5.1 The Premises and other Fixed Assets are stated at historical cost/revalued amount less depreciation. The premises revalued are disclosed at values determined on the basis of appraisals made by Approved Valuers. Surplus arising on such revaluation is credited to Revaluation Reserve.

5.2 Depreciation is provided on composite cost of premises wherever cost of land cannot be segregated.

5.3 Depreciation on fixed assets including additions is provided for on the diminishing balance method, except as otherwise stated, at the following rates:

a) Buildings:

| | |
|---|---|
| i) Bank owned (freehold/leasehold) | 5 % |
| ii) Capital Expenditure on premises taken on lease | |
| - where lease period is not specified | 10 % |
| - where lease period is specified | amortised over the residual period of lease. |

b) Other assets:

| | | |
|---|---|---|
| i) | Furniture | 10% |
| ii) | Fixtures, typewriters, other equipments, UPS, generators, etc. | 15% |
| iii) | Vehicles | 20% |
| iv) | Electronic equipments | 40% |
| v) | Computers & Operating Softwares (Straight Line Method) | 33.33% |

5.4 Irrespective of the date of acquisition, depreciation on additions to fixed assets is provided for the whole year except on additions to computer equipments and operating software, which is on pro-rata basis. No depreciation is provided on the assets in the year of their disposal. Additional depreciation due to revaluation is adjusted to the revaluation reserve.

**6. RETIREMENT BENEFITS:**

6.1 Statutory contribution is made in respect of employees who have opted for Provident Fund. For others who have opted for pension scheme, contribution to Pension Fund is made based on actuarial valuation.

6.2 Contribution to Gratuity Fund is based on actuarial valuation.

6.3 In terms of RBI guidelines, the liability for terminal benefits (excluding leave encashment) over the provisions held, in respect of employees who have opted for Voluntary Retirement Scheme, is treated as Deferred Revenue Expenditure and amortised over a period of 5 years.

6.4 Liability towards leave encashment is being provided on accrual basis as per actuarial valuation

**7. REVENUE RECOGNITION:**

7.1 Revenue and expenses are generally accounted for on accrual basis except in respect of fees/ commission on transactions with Mutual Funds, income on non-banking assets, locker rent, interest on matured deposits and overdue bills.

7.2 Interest on over due deposits is accounted for at the time of renewal.

7.3 The broken period interest on sale or purchase of securities are treated as revenue as per RBI guidelines.

7.4 Expenditure in respect of application software, bonds issue, franchises of credit card and insurance products are treated as intangibles and are charged off to revenue.

7.5 Income relating to Credit Card is accounted on the basis of bills raised. Income on insurance products is accrued on the basis of business booked.

7.6 Expenses on suit filed accounts have been charged to profit and loss account and recovery of such expenses is accounted as income.

**8. TAXES ON INCOME:**

8.1 Current Tax is determined as per the provisions of the Income Tax Act, 1961 and judicial pronouncements/legal opinions.

8.2 Deferred Tax assets and liabilities arising on account of timing differences between taxable and accounting incomes for the period, is recognized keeping in view the consideration of prudence in respect of deferred tax assets in accordance with the Accounting Standard 22.

**9. COUNTRY RISK MANAGEMENT:**

The Bank has adopted the Country Risk Management policy in accordance with the RBI guidelines.

**10. NET PROFIT:**

The Net Profit has been arrived at after accounting for the following under “Provisions & Contingencies”:

- Provision for income tax and wealth tax made in accordance with statutory requirements.
- Provision/Write off of non-performing advances and investments.
- Provisions on Standard Assets
- Adjustment for appreciation/depreciation on investments.
- Transfer to Contingencies
- Other usual and necessary provisions

**B. CHANGES IN ACCOUNTING POLICY**

1. During the five years period ended March 31, 2004 and period ended December 31, 2004, Reserve Bank of India (RBI) has issued various guidelines on income recognition, asset classification and provisioning in respect of non performing advances and valuation of/depreciation on investments, depreciation on computers, expenses on suit files account, charging premium / discount on Money Market Swaps. The Bank has carried out necessary amendments in its accounting policies in the relevant years to be in conformity with the said RBI guidelines. Accordingly, the amounts for the respective years are based on RBI guidelines prevailing in the respective years.

2. Leave Encashment was accounted for on “Pay As-You-Go” method till March 31, 2002 and provision for encashment of leave is made based on actuarial valuation at the year ended thereafter.

3. Bank has treated application software as revenue expenditure w.e.f. year ended 31.03.2004 and amounts capitalised in the previous years have been charged off to revenue in the year 2003-04.

**ANNEXURE V**

**MATERIAL NOTES ON ACCOUNTS**

**1. RECONCILIATION:**

i) Reconciliation/clearance of outstanding entries of inter-office transaction between branches, controlling offices and Head Office, pending items in few base branches with extension counters, drafts paid, drafts payable, branch adjustment, clearing adjustment, suspense accounts, capital expenditure and sundry assets, commission on Government and Insurance business and outstanding transactions between the Bank and other Banks including Foreign Banks, agencies and financial institutions is in progress.

ii) Balancing and reconciliation of balances in subsidiary ledgers in respect of certain accounts like deposits, advances, suspense, sundry suspense, fixed assets, clearing differences, credit card receivables etc., with General Ledger is in progress.

**2. FIXED ASSETS:**

i) In respect of certain premises of the Bank, documentation formalities as to transfer of title are yet to be completed. However the bank holds documents to prove its title as per the legal opinion obtained.

ii) Subsequent to revaluation of premises in fiscal 1994, many of these properties had been revalued afresh during the year 1999-2000 by approved valuers and the resultant increase of Rs. 717.80 million had further been credited to Revaluation Reserve. Depreciation aggregating to Rs. 178.30 million (Rs. 159.80 million.) including current year's depreciation amounting to Rs. 18.60 million (Rs. 19.60 million.) on revalued assets has been adjusted to the Revaluation Reserve.

**3. INVESTMENTS:**

In accordance with the RBI guidelines to build up Investment Fluctuation Reserve (IFR), a sum of Rs. 2.20 million (net of taxes and statutory reserves) being the excess provision on account of depreciation in the Available-for-Sale category investments has been transferred to IFR during the year.

**4. ADVANCES:**

i) Claims pending and to be preferred with ECGC Limited amounting Rs. 389.3 millions (previous year Rs. 505.6 million) have been considered realisable for the purpose of computing the provisions.

ii) The Bank is holding a provision of Rs. 1,703.10 million (previous year Rs. 1,613.80 million) in respect of Non Performing Assets over and above the prudential norms requirements of RBI including floating provision of Rs. 450.00 million (previous year Rs. 150.00 million) with a view to strengthen the stability of the Bank.

**5. VOLUNTARY RETIREMENT SCHEME:**

As per the Voluntary Retirement Scheme implemented in earlier years, the liability for terminal benefits (excluding leave encashment) over the provisions held amounting to Rs. 7992.60 million is being amortized over a period of five years. Accordingly, a sum of Rs. 1598.60 million (Rs. 1598.60 million) has been charged to revenue in the current year. The unabsorbed balance amounts to Rs. 868.50 million.

**6. TAXES ON INCOME:**

The Bank has complied with the requirements of AS 22 on "Accounting for Taxes on Income" issued by ICAI and accordingly deferred tax assets and liabilities are recognised.

The net balance of deferred tax asset as on March 31, 2005 amounting to Rs. 218.30 million (previous year DTL of Rs. 162.50 million) consists of the following :

(Rs. in million)

| | As on March 31, | |
|---|---|---|
| | **2005** | **2004** |
| Deferred Tax Asset | | |
| - Carried Forward Losses | 406.80 | 0.00 |
| Deferred Tax Liability | | |
| - Depreciation on Fixed Assets | 188.50 | 162.50 |
| **Net Deferred Tax Asset** | **218.30** | **(162.50)** |

**7. COUNTRY RISK MANAGEMENT:**

In terms of RBI circular DBOD.BP.71/21.04.103/2002-03 of 19.02.2003 the Bank has computed and is holding a provision of Rs. 14.20 million as below:

(Rs. in million)

| Risk Category | | Balance Outstanding | Provision Held |
|---|---|---|---|
| Insignificant | [A1] | 22516.20 | 10.40 |
| Low | [A2] | 8378.00 | 3.80 |
| Moderate | [B1] | 23418.70 | - |
| High | [B2] | 113.50 | - |
| Very High | [C1] | 70.40 | - |
| Restricted | [C2] | 18.50 | - |
| Off Credit | [D] | 179.60 | - |
| **Grand Total** | | **54694.90** | **14.20** |

**8. COMPLIANCE OF ACCOUNTING STANDARDS:**

The disclosures under Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) (to the extent applicable) are given below:

i) There were no prior period items of income / expenditure of material nature during the year as required to be disclosed by AS 5.

ii) The Bank has been consistently following FEDAI guidelines with regard to foreign exchange transactions. Reserve Bank of India has issued guidelines on 15.03.2005 on the compliance with AS 11(Revised) with effect from 01.04.04. The Bank has followed the guidelines given by RBI with regard to all foreign exchange transactions excepting the transactions of FCNR – B, EEFC and RFC accounts accepted by authorized branches, for which in the opinion of the management the impact would not be material.

iii) The bank has identified its primary reportable segments under AS 17 and necessary disclosure is as given below:

(Rs. in million)

| | Fiscal | | | | | |
|---|---|---|---|---|---|---|
| | **Treasury** | | **Other Banking Operations** | | **Total** | |
| | **2005** | **2004** | **2005** | **2004** | **2005** | **2004** |
| Revenue | 19330 | 18630 | 23890 | 19980 | 43220 | 38610 |
| Result (Operating profit) | 3410 | 5290 | 6530 | 5250 | 9940 | 10540 |
| Unallocated Expenses | | | | | 5610 | 3500 |
| Income taxes | | | | | 300 | 2700 |
| Net profit | | | | | 4030 | 4340 |
| Segment assets | 203710 | 179170 | 313570 | 289420 | 517280 | 468590 |
| Unallocated Assets | | | | | 3810 | 3650 |
| Total Assets | | | | | 521090 | 472230 |
| Segment liabilities | 227300 | 205130 | 271060 | 247520 | 498360 | 452650 |
| Unallocated Liabilities | | | | | 22730 | 19580 |
| **Total liabilities** | | | | | **521090** | **472230** |

*Note: Geographical segment disclosure is not required to be made since the operation from foreign branch is less than the required norms.*

iv) In compliance with Accounting Standard 18 issued by ICAI and the RBI guidelines , the details pertaining to related party disclosures are as under :

(Rs. in million)

| Key Management Personnel | Designation | Salary and emoluments |
|---|---|---|
| Sri Michael Bastian | Chairman & Managing Director (01.04.04 to 31.08.04) | 0.45 |
| Sri. N. Kanthakumar | Chairman & Managing Director (19.01.05 to 31.03.05) | 0.10 |
| Sri. K. M. Shet | Executive Director | 0.55 |

v) Fixed Assets possessed by Bank are treated as 'Corporate Assets' and are not 'Cash Generating Units' as defined by AS 28. In the opinion of the management, there is no impairment of the 'Fixed Assets' of the Bank.

vi) Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets.

With reference to the Contingent Liabilities of the bank as disclosed in Para G of Annexure II, the liabilities are dependent upon, the outcome of court / arbitration / out of court settlement, the amount being called up, terms of contractual obligation, devolvement and raising of demand by concerned parties. In the opinion of Management there is no possibility of any reimbursement in such cases.

**9. OTHER DISCLOSURES:**

**a) Movement of Non Performing Advances**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Gross NPAs at the beginning of the year | 14201.70 | 15899.20 |
| (ii) | Additions during the year | 4284.60 | 4010.80 |
| (iii) | Deduction during the year | 2587.10 | 5582.20 |
| (iv) | Gross NPAs at the end of the year | 15899.20 | 14327.80 |
| (v) | Net NPAs at the end of the year | 5322.20 | 4258.90 |

**b) Movement of Provisions held towards NPAs**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Opening balance | 7095.10 | 10071.40 |
| (ii) | Add: Provision made during the year | 3046.60 | 1332.20 |
| (iii) | Less: Write Off, write back of excess provision during the year | 70.30 | 1765.80 |
| (iv) | Closing balance | 10071.40 | 9637.80 |

**c) Movement of provisions for depreciation for Non performing Investments**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Opening Balance | 572.30 | 475.20 |
| (ii) | Add: Provisions made during the year | 201.50 | 188.90 |
| (iii) | Less: Write off, write back of excess provision/adjustment for shifting | 298.60 | 177.30 |
| (iv) | Closing Balance | 475.20 | 486.80 |

**d) Lending to sensitive Sectors**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Advances to Capital Market Sector | 2419.00 | 1416.30 |
| (ii) | Advances to Real Estate Sector | 1340.10 | 2464.00 |
| (iii) | Advances to Commodities Sector | 2405.80 | 1423.10 |

**e) Restructuring of Loans (excluding those under CDR)**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Total amount of loan assets subjected to restructuring | 556.00 | 2663.90 |
| (ii) | Total amount of Standard assets subjected to restructuring | 464.70 | 2219.00 |
| (iii) | Total amount of Sub-Standard/Doubtful assets subjected to restructuring | 91.30 | 444.90 |

**f) Corporate Debt Restructuring**

(Rs. in million)

| | | 31.03.2004 | 31.03.2005 |
|---|---|---|---|
| (i) | Total amount of loan assets subjected to restructuring under CDR | 119.20 | 608.30 |
| (ii) | Total amount of Standard assets subjected to restructuring | 0.00 | 510.70 |
| (iii) | Total amount of Sub-Standard/Doubtful assets subjected to restructuring | 119.20 | 97.60 |

**g) Issuer composition of Non SLR investments as at March 31 2005**

(Amounts reported under Columns 4, 5, 6 & 7 are not mutually exclusive)

(Rs. in million)

| Sl. No | Issuer | Amount private placement | Extent of Investment grade" securities | Extent of "Below "Unrated" securities | Extent of "Unlisted" securities | Extent of |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1 | PSUs | 1989.7 | 1989.7 | 250.0 | 111.1 | 808.7 |
| 2 | Financial Institutions | 7386.6 | 7167.9 | - | 892.2 | 932.4 |
| 3 | Banks | 1507.5 | 1507.5 | - | - | 565.0 |
| 4 | Private Corporates | 985.7 | 985.7 | - | 155.0 | 312.9 |
| 5 | Subsidiaries/Joint ventures | - | - | - | - | - |
| 6 | Others* | 1963.0 | - | - | - | 492.9 |
| 7 | Less: Provision held to wards depreciation | - | - | - | - | - |
| | **NET (1 to 6 minus 7)** | **13832.5** | **11650.8** | **250.0** | **1158.3** | **3111.9** |

| | | (Rs. in million) |
|---|---|---|
| *(a) | Investment in Equity Shares | 365.8 |
| (b) | Investment in RIDF | 308.4 |
| (c) | Investment in units of Mutual Funds | 1243.8 |
| (d) | Investment in ARCIL | 45.0 |
| | **Total** | **1963.0** |

**h) Non performing Non-SLR Investments**

(Rs. in million)

| Particulars | 31-03-2005 | 31-03-2004 |
|---|---|---|
| Opening balance | 469.6 | 506.7 |
| Additions during the year | 100.5 | 172.7 |
| Reduction during the year | 157.0 | 209.8 |
| Closing balance | 413.1 | 469.6 |
| **Total provisions held** | **322.1** | **427.0** |

**i) Securities sold under Repos and purchased under Reverse Repos under Liquidity Adjustment Facility of RBI**

(Rs. in million)

| Outstanding during 2004 -05 | Minimum | Maximum | Daily average | Closing Balance as on 31.03.2005 |
|---|---|---|---|---|
| Securities sold under Repos | - | - | - | - |
| Securities purchased under Reverse Repos | - | 36500.0 | 21587.0 | - |

**j) Investment in Equity and Equity like Investments outstanding.**

(Rs. in million)

| | 31.03.2005 | 31.03.2004 |
|---|---|---|
| Equity Shares | 879.9 | 1047.8 |
| RRBs | 333.5 | 333.5 |
| Equity Linked Units | 190.0 | 420.0 |
| Venture Capital | 203.8 | 75.5 |

**k) Details of Financial Assets sold to Securitisation / Reconstruction Companies**

(Rs. in million)

| | |
|---|---|
| No. of Accounts | 1 |
| Aggregate value (Net of Provisions of accounts sold to SC/RC) | 0 |
| Aggregate Consideration | 44.7 |
| Additional consideration realised in respect of accounts transferred in earlier years | 0 |
| Aggregate gain over net book value | 44.7 |

**l) Penalties imposed by RBI: During the year ended March 31 2005 no penalty has been imposed by RBI on the Bank.**

**m) Maturity pattern of assets and liabilities:**

(Rs. in million)

| Maturity Pattern | Deposits | | Loans & Advances | | Investments | | Borrowings | |
|---|---|---|---|---|---|---|---|---|
| | **31.03.04** | **31.03.05** | **31.03.04** | **31.03.05** | **31.03.04** | **31.03.05** | **31.03.04** | **31.03.05** |
| 1 to 14 days | 32554.70 | 19857.10 | 26300.70 | 27974.50 | 888.80 | 4463.90 | 18.10 | 9.30 |
| 15 to 28 days | 11309.80 | 8229.20 | 2197.10 | 1291.80 | 881.10 | 834.60 | 0.00 | 0.00 |
| 29 days & up to 3 months | 35181.00 | 37131.90 | 6612.20 | 6449.80 | 2924.60 | 4013.90 | 21.80 | 0.00 |
| Over 3 months & up to 6 months | 35170.30 | 23465.40 | 15969.60 | 10183.80 | 1039.10 | 3930.80 | 5.20 | 21.40 |
| Over 6 months & up to 1 year | 54609.60 | 58189.40 | 21380.50 | 18871.30 | 1147.40 | 9742.70 | 32.60 | 27.70 |
| Over 1 year & up to 3 years | 174998.26 | 197801.90 | 81415.00 | 97606.20 | 19971.60 | 23274.30 | 86.30 | 43.30 |
| Over 3 years & up to 5 years | 22501.50 | 17988.30 | 26353.88 | 26979.00 | 20759.22 | 28012.70 | 31.70 | 72.30 |
| Over 5 years | 59523.00 | 74395.70 | 26240.20 | 44346.9 | 131554.10 | 128209.50 | 57.40 | 9.30 |
| TOTAL | 425848.16 | 437058.90 | 206469.18 | 233703.30 | 179165.92 | 202482.40 | 253.10 | 183.30 |

The above maturity pattern has been compiled based on information received from branches, guidelines prescribed by RBI for determining core and volatile portion and adjustment / apportionment made at the Head Office on the basis of behavioural maturity, and has been relied upon by the Auditors.

**n)** i) During the year 2004-05 the Bank has raised Rs. 3000 millions as Tier II capital through private placement of subordinate, unsecured, non-convertible redeemable bonds as compared to Rs. 2250 millions raised during the year 2003-04.

ii) Subordinate Debt outstanding as on March 31 2005 was Rs. 7237.90 millions as against Rs. 4837.90 millions as on March 31 2004.

**o) Summary Statement of Cash Flow, as restated** (Rs. in million)

| | Particulars | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---|---|---|---|---|---|---|
| | **Cash flow from Operating Activities** | | | | | | |
| | Interest received during the year from Advances, Investments etc. | 24369.72 | 27776.25 | 28733.56 | 28876.59 | 30822.55 | 37522.41 |
| | Other Income | 3064.77 | 2814.18 | 2760.37 | 4950.78 | 7763.99 | 5645.54 |
| | Less: | | | | | | |
| | Interest paid during the year on Deposits | 16123.32 | 16332.01 | 17537.51 | 16397.45 | 15972.05 | 19964.49 |
| | Operating Expenses including Provisions & Contingencies | 9199.95 | 11703.56 | 9213.90 | 12507.05 | 15070.07 | 18820.41 |
| | Taxes on Income | (5.01) | 161.39 | 2241.34 | 1169.01 | 2697.98 | 923.40 |
| | Add: | | | | | | |
| | Depreciation on Fixed Assets | 160.27 | 145.17 | 226.03 | 271.64 | 265.23 | 375.77 |
| A | Cash profit generated from operations (Prior to changes in operating Assets & Liabilities) | 2276.50 | 2538.64 | 2727.21 | 4025.49 | 5111.66 | 3835.42 |

| Particulars | | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---|---|---|---|---|---|---|---|
| B | Increase/(Decrease) in Liabilities | | | | | | |
| | Deposits from Customers & Banks | 37410.72 | 14394.23 | 34534.90 | 21122.13 | 119242.73 | 37097.46 |
| | Borrowings from Banks & Other Institutions | 389.97 | 781.75 | -1798.18 | 421.18 | 1436.82 | 995.57 |
| | Other Liabilities etc. (including write back of excess provision for exp. Made in the earlier years) | 11421.68 | -5939.44 | 608.41 | 2695.94 | 3990.73 | 6579.62 |
| C | Decrease/(Increase) in Assets | | | | | | |
| | Advances | (28934.79) | (9098.52) | (17685.01) | (14206.88) | (43415.70) | (60822.84) |
| | Investments | (19051.39) | (7192.97) | (13605.11) | (19126.45) | (40933.52) | (24541.36) |
| | Other Assets | 5088.56 | (3812.60) | (2305.94) | 79.91 | (2707.43) | 2546.30 |
| **D.** | **Net Cash flow from Operating Activities (A+B+C)** | **8601.25** | **(8328.91)** | **2476.28** | **(4988.68)** | **42725.29** | **(34309.83)** |
| | **Cash Flow from Investing Activities** | | | | | | |
| | Sale/Disposal of Old Fixed Assets | 61.43 | 65.18 | 22.71 | 52.98 | 308.41 | 513.39 |
| | Purchase of Fixed Assets | (304.20) | (341.18) | (343.67) | (298.17) | (787.33) | 15.02 |
| **E.** | **Net Cash Flow from Investing Activities** | **(242.77)** | **(276.00)** | **(320.96)** | **(245.19)** | **(478.92)** | **23.19** |
| | **Cash Flow from Financing Activities** | | | | | | |
| | Share Capital | 1248.65 | 1.07 | 0.06 | 0.01 | 0.03 | 0.17 |
| | Dividend Paid | (610.38) | (624.13) | (566.36) | 0.00 | (1331.10) | (320.19) |
| | Interest on Tier II Capital | 0.00 | (295.57) | (308.73) | (282.46) | (312.83) | (443.08) |
| | Transfer from reserve | (27.67) | (41.24) | (11.36) | (861.91) | (17.53) | (29.53) |
| **F.** | **Net Cash Flow from Financing Activities** | **610.60** | **(959.87)** | **(886.39)** | **(1144.36)** | **(1661.43)** | **(792.63)** |
| | **Total Cash Flow during the year (D+E+F)** | **8969.08** | **(9564.78)** | **1268.93** | **(6378.23)** | **40584.94** | **(35079.27)** |
| G. | Cash and Cash equivalent at the beginning of the year | | | | | | |
| | Cash and Balances with the RBI | 21840.49 | 27920.89 | 19576.93 | 19720.29 | 16499.80 | 45071.95 |
| | Balances with Banks and Money at Call and Short Notice | 8915.89 | 11804.57 | 10583.75 | 11848.03 | 8690.29 | 20703.08 |
| | **Total** | **30756.38** | **39725.46** | **30160.68** | **31568.32** | **25190.09** | **65775.03** |
| H. | Cash and Cash equivalent at the end of the year | | | | | | |
| | Cash and Balances with the RBI | 27920.89 | 19576.93 | 19720.29 | 16499.80 | 45071.95 | 26900.03 |
| | Balances with Banks and Money at Call and Short Notice | 11804.57 | 10583.75 | 11709.32 | 8690.29 | 20703.08 | 3795.73 |
| | Total | 39725.46 | 30160.68 | 31429.61 | 25190.09 | 65775.03 | 30695.76 |
| | **Total Cash Flow during the year (H-G)** | **8969.08** | **(9564.78)** | **1268.93** | **(6378.23)** | **40584.94** | **(35079.27)** |

**p) Disclosure on Risk Exposures in Derivatives**

(i) Qualitative Disclosure:

The Bank is undertaking derivative transactions for hedging assets and liabilities on its balance sheet as well as for trading/market- making purposes. Bank is undertaking derivative transactions like FRAs, Interest Rate Swaps, Currency Swaps and Currency Options, with its bank and non-bank counter-parties.

The Bank has a well-laid policy for undertaking derivative transactions approved by its Board of Directors.

The operations are segregated to Front Office, Mid Office and Back Office with necessary infrastructures.

The transactions are undertaken with our counter-party banks and non-bank clients and within the limits approved by the Board. The transactions with non-bank clients are done on a back-to back covered basis without assuming any market risk.

At present the Bank is monitoring credit exposure for derivative transactions on the basis of Original Exposure Method.

ISDA Agreements are executed/exchanged with our counter-party banks and non-bank clients.

The Mid Office measures and monitors, independently the risk arising out of trading deals, which are very few in number

The transactions are undertaken within the overall Aggregate Gap Limits sanctioned by the Board.

Periodical MIS is put up to Board of Directors/Top Management/Investment Management Committee for information/ monitoring of the derivatives portfolio.

The transactions undertaken for hedging assets and liabilities on our balance sheet are monitored continuously.

Any transaction undertaken for hedging purpose, if it becomes naked, is treated as a trading transaction and allowed to run till maturity.

The transactions are separately classified as to whether they are hedge or non-hedge transactions and measured at fair value.

The transactions covered on back-to back basis and the transactions undertaken to hedge the Bank's assets and liabilities are valued on interest accrual basis and accounted accordingly.

London branch is undertaking FRAs and IRS for hedging purpose only and accounting interest on accrual basis.

(ii) Quantitative Disclosure:

(Rs. in million)

| Sl.No. | Particulars | Currency Derivatives | | Interest Rate Derivaties | |
|---|---|---|---|---|---|
| | | Currency Swaps | Currency Options | FRAs | Interest Rate Swaps |
| **1** | Derivatives (Notional Principal amount) | | | | |
| | a) Hedging | 2213.5 | 2012.8 | 8725.4 | 5501.8 |
| | b) Trading | - | - | - | 2750.0 |
| 2 | Marked to Market Positions | | | | |
| | Assets (+) | 1.566 | 0.184 | 8.724 | (22.218) |
| | Liabilities (-) | - | - | - | - |
| 3 | Credit Exposure | 70.6 | 21.9 | 2.55 | 34.636 |
| 4 | Likely impact of 1% change in Interest rates (100* PV 01) | - | - | 15.9 | 27.6 |
| 5 | Maximum and Minimum of 100* PV 01 observed during the year | - | - | - | - |
| | Hedging | - | - | - | - |
| | Trading | - | - | - | - |

**q) Regional Rural Banks sponsored by the Bank as on March 31, 2005**

(Rs. in million)

| S.No. | Name | Deposits* | Advances* |
|---|---|---|---|
| **1** | Bijapur Grameena Bank | 3622.14 | 3520.99 |
| 2 | Gurgaon Gramin Bank | 8851.83 | 4051.90 |
| 3 | Malaprabha Grameena Bank | 10039.89 | 8945.60 |
| 4 | Netravati Grameena Bank | 729.38 | 635.44 |
| 5 | Prathama Bank | 9658.47 | 7708.99 |
| 6 | Rayalaseema Gramina Bank | 9292.32 | 8802.99 |
| 7 | Sri Anantha Grameena Bank | 4225.08 | 3922.00 |
| 8 | Varada Grameena Bank | 1288.16 | 1013.24 |
| 9 | Pinakini Grameena Bank | 3973.37 | 4239.34 |
| 10 | North Malabar Gramin Bank | 7254.65 | 7115.94 |

** Deposits and advances figures are compiled by the Management and relied upon by the auditors.*

10. Previous year's figures have been regrouped / reclassified wherever considered necessary.

## ANNEXURE VI

## ADJUSTMENTS NOT CARRIED OUT:

### A Accounting Policy

1. With Effect from 31.3.2003, Leave Encashment is being provided for on actuarial valuation basis, as compared to the previous years when it was accounted for on cash basis. Difference in provision for the year ended 31.3.2002 between cash and actuarial basis was adjusted to reserves in the year 31.3.2003.

### B Auditors Qualifications

1 (i) The effect of adjustments arising from reconciliation/ balancing / clearance of outstanding entries, consequential impact of which is not ascertainable, in Head Office Account, inter office transactions, Branch Adjustment, drafts paid, drafts payable, clearing accounts, suspense and sundry accounts, capital expenditure, fixed assets, commission on Insurance and Government business, Credit Card Receivables, outstanding transactions between the bank and other banks, including foreign banks, agencies and financial institutions, and differences between General and Subsidiary ledgers.

(ii) The Ratios including CRAR and certain additional information furnished are subject to the audit qualification stated above in para (i).

2 Deferred Tax Liability in terms of AS 22 on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, for the year ended 31.3.2002 (Ascertained as Rs. 97.67 crore by four of the six Central Statutory Auditors) had not been provided for.

The non provision of the Deferred tax liability was qualified by four of the six Central Statutory Auditors.

In the opinion of Management, the amount of deferred tax liability not provided for and qualified by four of the six Central Statutory Auditors was without basis for arriving at the figure of Rs. 97.67 crores and that the bank had a net deferred tax asset as on 31.03.2002, which as a matter of prudence has not been recognised.

Subsequently, vide its Circular of 29th May 2002 (No:DBOD No:BP.BC.109 /21.04.018/2001-02) Reserve Bank of India, made compliance with AS 22, optional for banks for the year ended 31.3.2002.

3 During the year ended 31.3.2000, bank had issued guidelines, for provisioning in respect of advances covered by ECGC/DICGC as per RBI guidelines. However the same had not been strictly followed by many branches, which resulted into under provisioning in some cases, amount of which was not ascertained.

### C Others

1 Wage revision arrears, adjustments if any arising on formal execution of Agreement between the Indian Bankers' Association and All India Bank Officers and workmen Unions, in addition to Rs. 1270 million provided for in fiscal 2003, 2004 and 2005 has not been given effect to.

**ANNEXURE VII**

**STATEMENT OF DIVIDEND DECLARED BY THE BANK**

| | Fiscal | | | | | |
|---|---|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** |
| Number of shares (in millions) | 471.97 | 471.97 | 471.97 | 471.97 | 471.97 | 471.97 |
| Rate of Dividend (%) | 14 | 12 | 12 | 15 | 20 | 20 |
| Amount of Dividend (Rs. in million) | 549.90 | 566.36 | 566.36 | 707.95 | 943.94 | 943.94 |

**ANNEXURE VIII**

**KEY ACCOUNTING RATIOS**

(Rs. in million)

| **Particulars** | **Fiscal** | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| EARNINGS PER SHARE: | | | | | |
| Adjusted Profit (A) | 1803.11 | 2400.95 | 3437.99 | 4328.03 | 4304.08 |
| No. of Equity Shares (B) | 471968282 | 471968282 | 471968282 | 471968282 | 471968282 |
| Earning Per share (A/B) (Rs.) | 3.82 | 5.09 | 7.28 | 9.17 | 9.12 |
| NET ASSET VALUE PER SHARE | 17.53 | 13.15 | 20.17 | 30.47 | 40.25 |
| RETURN ON AVERAGE NET WORTH: | | | | | |
| Adjusted Profit (A) | 1803.11 | 2400.95 | 3437.99 | 4328.03 | 4304.08 |
| Avg. Net worth (B) (1) | 8563.64 | 7238.94 | 7862.32 | 11948.50 | 16687.91 |
| Return on Average Net worth (%)(A/B) | 21.06 | 33.17 | 43.73 | 36.22 | 25.79 |
| OTHER RATIOS | | | | | |
| Net NPA to Net Advance Ratio (%) | 4.05 | 4.63 | 4.29 | 2.58 | 1.59 |
| Interest Income/ Average Working Funds (%) | 9.84 | 9.39 | 8.27 | 7.35 | 7.11 |
| Non-Interest Income/ Average Working Funds (%) | 0.99 | 0.90 | 1.42 | 1.85 | 1.07 |
| Return on Assets (%) | 0.64 | 0.78 | 0.99 | 1.03 | 0.81 |
| Net Profit/ Average Working Funds (%) | 0.64 | 0.78 | 0.98 | 1.03 | 0.81 |
| Business per Employee (Rs. in millions) | 13.37 | 15.51 | 17.99 | 24.03 | 28.02 |
| Net Profit per Employee (Rs. in millions) | 0.07 | 0.09 | 0.13 | 0.16 | 0.16 |
| Capital Adequacy Ratio (%) | 11.24 | 12.03 | 10.97 | 11.49 | 10.70 |
| Tier I | 7.40 | 8.38 | 7.63 | 6.75 | 6.10 |
| Tier II | 3.84 | 3.65 | 3.34 | 4.74 | 4.60 |
| Credit/ Deposit Ratio (%) (net) | 54.43 | 54.33 | 53.18 | 48.48 | 57.73 |
| Interest Spread/Average Working Funds(%) | 3.85 | 3.61 | 3.48 | 3.41 | 3.20 |
| Gross Profit/ Average Working Funds (%) | 1.02 | 1.12 | 1.78 | 2.42 | 1.94 |
| Operating Exp/Average Working Funds(%) | 4.01 | 3.39 | 3.12 | 2.76 | 2.33 |
| Yield on Advances (%) | 13.18 | 12.74 | 10.94 | 9.09 | 8.64 |
| Yield on Investments (%) | 11.92 | 10.95 | 9.92 | 8.31 | 6.98 |
| Cost of Deposits (%) | 6.83 | 6.54 | 5.97 | 4.96 | 4.58 |
| Cost of Borrowings (%) | 3.14 | 7.24 | 2.48 | 1.67 | 2.03 |
| Gross Profit per Employee (Rs. in million) | 0.11 | 0.13 | 0.23 | 0.38 | 0.39 |
| Business per Branch (Rs. in million) | 223.63 | 251.47 | 269.61 | 357.85 | 405.91 |
| Gross profit per Branch (Rs. in million) | 1.66 | 1.96 | 3.55 | 5.76 | 5.70 |
| Share Capital (Rs. in million) | 4719.40 | 4719.46 | 4719.47 | 4719.51 | 4719.68 |

(1) *Net worth has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets as per our audited restated financial statements.*

**ANNEXURE IX**

**CAPITALISATION STATEMENT AS ON 31ST MARCH 2005**

(Rs. in million)

| **Particulars** | **Pre Issue** | **Post Issue as adjusted for the proposed issue of Equity Shares of Rs. 500 millions** |
|---|---|---|
| Loan Funds | | |
| Long-Term | 7269.65 | 7269.65 |
| Short-Term | 3220.09 | 3220.09 |
| Total Debt | 10489.74 | 10489.74 |
| Shareholders Funds | | |
| Share Capital | 4719.58 | 5219.58* |
| Reserve and Surplus (Excluding Revaluation) | 15277.82 | [●] |
| Total Equity | 19997.40 | [●] |
| Long-Term Debt / Equity Ratio | 0.52 | [●] |

** Public issue is under Book Building process, hence computation is not possible*

(Rs. in million)

| | **March 31st, 2005** |
|---|---|
| Long-Term Debt | |
| Subordinate Debts | 887.90 |
| Tier II Bonds | 6350.00 |
| MIDL | 31.75 |
| Total | 7269.65 |
| Short-Term Debt | |
| Borrowing outstanding | 3220.09 |

## ANNEXURE X

### DETAILS OF UNSECURED LIABILITIES

(Rs in million)

| | March 31, 2004 | March 31, 2005 |
|---|---|---|
| Demand Deposits from Banks | 1358.25 | 1444.61 |
| Demand Deposits from Others | 39164.10 | 48369.20 |
| Savings Bank Deposits | 103857.33 | 121711.27 |
| Term Deposits from Banks | 26409.98 | 24138.06 |
| Term Deposits from Others | 255058.49 | 255058.49 |
| Unsecured Subordinated Bonds Tier II Series I | 3950.00 | 6350.00 |
| Borrowings from other Institutions and Agencies | 253.13 | 183.17 |
| Miscellaneous including Borrowings outside India | 1971.39 | 3036.92 |

**ANNEXURE XI**

**STATEMENT OF TAX SHELTERS**

(Rs in million)

| | Fiscal | | | | | |
|---|---|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** |
| Income tax rate ( %) | 38.5000 | 39.5500 | 35.7000 | 36.7500 | 35.8750 | 36.5925 |
| Minimum alternate tax (%) | 0.00 | 8.4800 | 7.6500 | 0.00 | 0.00 | 7.8400 |
| Tax at actual rate on profit | 1050.37 | 1088.99 | 1194.17 | 1731.22 | 2595.50 | 2403.35 |
| Adjustments | | | | | | |
| **Permanent differences** | | | | | | |
| i. Interest on tax free bonds | (253.34) | (91.50) | (12.36) | (19.96) | (9.63) | (9.80) |
| ii. Dividends (exempt from tax) | (41.09) | (25.89) | (33.48) | (58.18) | (35.25) | (36.17) |
| iii. Interest income from infrastructure | 0.00 | 0.00 | 0.00 | 0.00 | (216.99) | (160.00) |
| iv. Others | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (325.20) |
| **Total (A)** | **(294.43)** | **(117.39)** | **(45.84)** | **(78.14)** | **(261.87)** | **(531.17)** |
| **Timing difference** | | | | | | |
| i. Difference between book depreciation and tax depreciation | (41.71) | (51.56) | (17.17) | 33.38 | 97.03 | (77.41) |
| ii. Provision for bad and doubtful debts / written off accounts | (609.46) | 18.54 | 132.06 | (1839.86) | (875.67) | (1602.68) |
| iii. Interest on securities (difference in income recognition - accrual / due ) | (662.10) | 185.05 | (470.10) | (10.29) | (99.37) | 0.00 |
| iv. others | 31.92 | (15.05) | (5.40) | 21.80 | 24.65 | (3523.92) |
| v. brought forward losses | (531.69) | (2244.66) | (2363.28) | 0.00 | 0.00 | 0.00 |
| **Total (B)** | **(1813.04)** | **(2107.68)** | **(2723.89)** | **(1794.97)** | **(853.36)** | **(5204.01)** |
| Net adjustments (A+B) | (2107.47) | (2225.07) | (2769.73) | (1873.11) | (1115.23) | (5735.18) |
| Tax savings thereon | (811.38) | (880.02) | (988.79) | (688.37) | (400.09) | (2098.65) |
| Taxation - current year | 239.00 | 208.97 | 205.38 | 1042.85 | 2195.41 | 304.70 |
| Tax relating to previous year | 0.00 | 64.12 | 5.43 | 0.00 | 33.21 | 0.00 |
| Deferred tax(net) | 0.00 | 0.00 | 0.00 | 25.00 | 0.00 | (380.80) |
| **Total taxation** | **239.00** | **273.09** | **210.81** | **1067.85** | **2228.62** | **(76.10)** |
| Impact of adjustments | (5.01) | (50.61) | (8.66) | (1.93) | (7.42) | 23.40 |
| **Adjusted tax liability** | **233.99** | **222.48** | **202.15** | **1065.92** | **2221.20** | **(52.70)** |

*Note: The Income Tax liability has been computed as per the Income Tax Act 1961 / relevant Income Tax returns / Communications sent to the Assessing Officer. However these have not been recast, depending on the assessed liabilities taking into account appellate orders.*

## SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Red Herring Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP and internally generated statistical data. These amounts do not give effect to the adjustment to our net profits as a result of the restatement of our financial statements in connection with this Issue.*

**Average Balance Sheet and Net Interest Margin**

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the fortnightly average of balances outstanding, as reported to the RBI on Form A. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances in the table below include gross non-performing assets.

(Rs. in million, except percentages)

| | Fiscal | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2004 | | | 2005 | | |
| | Average balance | Interest income/ expense | Average yield/ cost | Average balance | Interest ncome/ expense | Average yield/ cost | Average balance | Interest income/ expense | Average yield/ cost |
| **Assets:** | | | | | | | | | |
| Advances | 155,887.00 | 15,336.79 | 9.84 | 175,152.90 | 15,915.98 | 9.09 | 236,331.29 | 20,421.02 | 8.64 |
| Investments | 130,138.20 | 12,789.44 | 9.83 | 169,069.60 | 13,688.10 | 8.10 | 224,918.58 | 15,689.28 | 6.98 |
| Others | 18,008.79 | 625.51 | 3.47 | 22,166.39 | 1,244.40 | 5.61 | 22,182.92 | 1,465.94 | 6.61 |
| **Total interest earning assets** | 304,033.99 | 28,751.74 | 9.46 | 366,388.89 | 30,848.48 | 8.42 | 483,432.79 | 37,576.24 | 7.77 |
| Fixed assets | 3,380.98 | 0.00 | 0.00 | 3,485.90 | 0.00 | 0.00 | 3,649.30 | 0.00 | 0.00 |
| Other assets | 16,772.60 | 0.00 | 0.00 | 17,979.40 | 0.00 | 0.00 | 16,782.91 | 0.00 | 0.00 |
| **Total assets** | 324,187.57 | 28,751.74 | 8.87 | 387,854.19 | 30,848.48 | 7.95 | 503,865.00 | 37,576.24 | 7.46 |
| **Liabilities:** | | | | | | | | | |
| Deposits | 268,728.92 | 16,307.22 | 6.07 | 318,583.80 | 16,184.27 | 5.08 | 431,618.96 | 20,013.30 | 4.64 |
| Demand deposits | 39,665.75 | 62.65 | 0.16 | 46,359.40 | 73.41 | 0.16 | 58,947.85 | 93.95 | 0.16 |
| Savings deposits | 79,045.97 | 2,551.77 | 3.23 | 93,019.86 | 2,699.83 | 2.90 | 111,131.31 | 3,148.43 | 2.83 |
| Term deposits | 150,017.20 | 13,692.80 | 9.13 | 179,204.54 | 13,411.03 | 7.48 | 261,539.80 | 16,770.92 | 6.41 |
| Borrowings | 6,171.72 | 347.25 | 5.63 | 7,062.42 | 372.03 | 5.27 | 9,960.21 | 624.66 | 6.27 |
| Unsecured subordinated bonds ("Tier II bonds") | 2,587.90 | 220.10 | 8.50 | 4,837.90 | 261.06 | 5.40 | 7,237.90 | 443.08 | 6.12 |
| Other borrowings | 3,583.82 | 127.15 | 3.55 | 2,224.52 | 110.97 | 4.99 | 2,722.31 | 181.58 | 6.67 |
| **Total interest bearing liabilities** | **274,900.64** | **16,654.47** | **6.06** | **325,646.22** | **16,556.30** | **5.08** | **441,579.17** | **20,637.96** | **4.67** |
| Capital and reserves | 15,618.83 | 0.00 | 0.00 | 13,784.48 | 0.00 | 0.00 | 18,258.34 | 0.00 | 0.00 |
| Other Liabilities | 17,786.23 | 0.00 | 0.00 | 2,183.55 | 0.00 | 0.00 | 13,570.99 | 0.00 | 0.00 |
| **Total liabilities** | **308,305.70** | **16,654.47** | **5.40** | **341,614.25** | **16,556.30** | **4.85** | **473,408.49** | **20,637.96** | **4.36** |
| **Net interest income** | **0.00** | **12,097.27** | **0.00** | **0.00** | **14,292.18** | **0.00** | **0.00** | **16,938.28** | **0.00** |
| **Net Interest Margin(1)** | **0.00** | **0.00** | **3.98** | **0.00** | **3.90** | **0.00** | **0.00** | **3.50** | **0.00** |

(1) *The net interest margin is ratio of net interest income to the average working funds. Average working funds is the average of total fund utilized for the business as on the last Friday of every month.*

**Analysis of Changes in Interest Income and Interest Expense Volume and Rate Analysis**

The following table sets forth, for the periods 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 the purposes of this table, changes that are due to both volume and rate have been allocated solely to changes in rate.

(Rs. in million, except percentages)

| | Fiscal 2004 vs. Fiscal 2003 | | | Fiscal 2005 vs. Fiscal 2004 | | |
|---|---|---|---|---|---|---|
| | **Net change in interest income or expense** | **Change due to change in average volume** | **Change due to change in average rate** | **Net change in interest income or expense** | **Change due to change in average volume** | **Change due to change in average rate** |
| **Interest income:** | | | | | | |
| Advances | 579.19 | 1,895.45 | (1,316.26) | 4,505.04 | 5,559.22 | (1,054.18) |
| Investments | 898.66 | 3,826.02 | (2,927.36) | 2,001.18 | 4,521.61 | (2,520.43) |
| Others | 618.89 | 144.41 | 474.48 | 221.54 | 0.93 | 220.61 |
| **Total interest earning assets** | **2,096.74** | **5,896.75** | **(3,800.01)** | **6,727.76** | **9,854.63** | **(3,126.87)** |
| **Interest expense** | | | | | | |
| Demand Deposits | 10.76 | 10.57 | 0.19 | 20.54 | 19.93 | 0.61 |
| Savings deposits | 148.06 | 451.11 | (303.05) | 448.60 | 525.67 | (77.07) |
| Term deposits | (281.76) | 2,664.07 | (2,945.84) | 3,359.89 | 6,161.68 | (2,801.78) |
| Borrowings | 24.78 | 50.11 | (25.33) | 252.63 | 152.65 | 99.98 |
| Unsecured Redeemable Bonds | 40.96 | 191.36 | (150.40) | 182.02 | 129.51 | 52.51 |
| Other borrowings | (16.18) | (48.2) | 32.04 | 70.61 | 24.83 | 45.78 |
| **Total interest bearing liabilities** | **(98.17)** | **3,074.35** | **(3,172.52)** | **4,081.66** | **5,894.19** | **(1,812.53)** |
| **Net interest income** | **2,194.91** | | | **2,646.10** | | |

**Yields, Spreads and Margins**

The following table sets forth, for the periods indicated the yields, spreads and interest margins on our interest-earning assets.

(Rs. in million, except percentages)

| | Fiscal | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| Interest income | 27,921.77 | 28,824.16 | 28,751.74 | 30,848.48 | 37,576.24 |
| Of Which Interest Income on Rupee Assets | 27,731.01 | 28,678.94 | 28,654.38 | 30,778.41 | 37,466.67 |
| Average interest-earning assets | 252,120.99 | 276,090.76 | 304,033.99 | 366,388.89 | 483,432.79 |
| Of Which Average Interest earning Rupee Assets | 249,478.66 | 272,876.45 | 301,225.78 | 363,737.47 | 479,970.15 |
| Interest expense | 16,985.28 | 17,748.73 | 16,654.47 | 16,556.30 | 20,637.96 |
| Of which interest expenses on Rupee Liabilities | 16,804.88 | 17,616.56 | 16,563.41 | 16,494.78 | 20,542.72 |
| Average interest-bearing liabilities | 234,227.23 | 254,259.48 | 274,900.64 | 325,646.22 | 441,579.17 |
| Of which Average Interest Bearing Rupee Liabilities | 232,691.22 | 252,691.55 | 273,353.57 | 323,788.92 | 439,057.80 |
| Net interest income | 10,936.49 | 11,075.43 | 12,097.27 | 14,292.18 | 16,938.28 |
| Average total assets | 268,422.77 | 294,870.36 | 324,187.57 | 387,854.19 | 503,865.00 |
| Average interest-earning assets as a percentage of average total assets | 93.93% | 93.63% | 93.78% | 94.47% | 95.94% |
| Average interest-bearing liabilities as a percentage of average total assets | 87.26% | 86.23% | 84.80% | 83.96% | 87.64% |
| Average interest-earning assets as a percentage of average interest- bearing liabilities | 107.64% | 108.59% | 110.60% | 112.51% | 109.48% |
| Average interest-earning rupee assets as a percentage of average interest-bearing rupee liabilities | 107.21 | 108.11 | 110.20 | 112.34 | 109.32 |
| Yield | 11.07% | 10.44% | 9.46% | 8.42% | 7.77% |
| Of which Yield on Rupee Earning Assets | 11.12 | 10.47 | 9.51 | 8.46 | 7.80 |
| Cost of funds | 7.25% | 6.98% | 6.06% | 5.08% | 4.67% |
| Of which cost of Funds of Rupee Liabilities | 7.22 | 6.98 | 6.06 | 5.09 | 4.68 |
| Spread | 3.82% | 3.46% | 3.40% | 3.34% | 3.10% |
| Net interest margin | 4.34% | 4.01% | 3.98% | 3.90% | 3.50% |

**Returns on Equity and Assets**

The following table presents selected financial ratios for the periods indicated.

(Rs. in million, except percentages)

| | Fiscal | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| Net profit after tax | 2,349.35 | 2,505.50 | 3,441.30 | 4,341.20 | 4,029.01 |
| Average total assets | 268,422.77 | 294,870.36 | 324,187.57 | 387,854.19 | 441,579.17 |
| Average shareholders' funds [(1)] | 8,359.70 | 7,360.40 | 8,037.72 | 121,32.17 | 16,740.69 |
| Net profit after tax as a percentage of average total assets | 0.88% | 0.85% | 1.06% | 1.12% | 0.91% |
| Net profit after tax as a percentage of average shareholders' funds | 28.10% | 34.04% | 42.81% | 35.78% | 24.07% |
| Average shareholders' funds as a percentage of average total assets | 3.11% | 2.50% | 2.48% | 3.13% | 3.79% |

[(1)] *Shareholders' Funds has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets.*

The following table sets forth, as of March 31, 2005, an analysis of the residual maturity profile of our investments in coupon-bearing securities. The amounts indicate the book value (i.e. the acquisition cost) of the securities and are gross of depreciation.

(Rs. in million, except percentages)

| | As on March 31, 2005 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to one year** | **One to five years** | **Five to ten years** | **More than ten years** | **Total** | **Yield (%)** |
| Government and other approved securities (excluding recap/ special bonds) | 13,734.81 | 37,249.63 | 65,043.85 | 59,651.63 | 175,679.92 | 7.25 |
| Other debt securities (including recap/ special bonds) | 9,426.61 | 12,753.95 | 1,964.35 | 1,912.09 | 26,057.00 | 10.12 |
| Total coupon-bearing securities | 23,161.42 | 50,003.58 | 67,008.20 | 61,563.72 | 201,736.92 | 7.47 |
| Total market value of coupon-bearing securities | 23,189.52 | 51,377.09 | 68,697.19 | 61,941.71 | 205,205.50 | - |

**Funding**

Our funding operations are designed to optimize the cost of funding and effective liquidity management. The primary source of funding is deposits raised from our customers.

***Total Deposits***

The average cost (interest expense divided by average of monthly balances) of savings deposits was 3.23% in fiscal 2003, 2.90 % in fiscal 2004 and 2.83 % in fiscal 2005. The average cost of term deposits was 9.13 % in fiscal 2003, 7.48 % in fiscal 2004 and 6.41% in fiscal 2005. Demand deposits do not bear interest, and are therefore carried at zero cost. The following table sets forth, as of the dates indicated our outstanding deposits and the percentage composition by each category of deposits.

(Rs. in million, except percentages)

| | March 31, 2003 | | March 31, 2004 | | March 31, 2005 | |
|---|---|---|---|---|---|---|
| | **Balance outstanding** | **% of total** | **Balance outstanding** | **% of total** | **Balance outstanding** | **% of total** |
| Demand deposits | 34,630.89 | 11.21 | 40,522.36 | 9.52 | 49,813.80 | 10.76 |
| From Banks | 1,459.61 | 0.48 | 1,358.25 | 0.32 | 1,444.61 | 0.31 |
| From Others | 32,901.27 | 10.73 | 39,164.10 | 9.20 | 48,369.19 | 10.45 |
| Savings deposits | 86,427.51 | 28.19 | 103,857.33 | 24.39 | 121,711.27 | 26.29 |
| Term deposits | 185,817.05 | 60.60 | 281,468.48 | 66.10 | 291,420.55 | 62.95 |
| From banks | 15,452.01 | 5.04 | 26,409.98 | 6.20 | 24,138.06 | 5.21 |
| From Others | 170,365.04 | 55.56 | 255,058.50 | 59.89 | 267,282.49 | 57.74 |
| **Total deposits** | **306,605.45** | **100.00** | **425,848.17** | **100.00** | **462,945.62** | **100.00** |

The following table sets forth, as of the dates indicated, the regional exposure of our deposits:

(Rs. in million, except percentages)

| | March 31, 2003 | | March 31, 2004 | | March 31, 2005 | |
|---|---|---|---|---|---|---|
| **Geographic Distribution** | **Balance outstanding** | **% of total** | **Balance outstanding** | **% of total** | **Balance outstanding** | **% of total** |
| Northern | 75,940.40 | 26.08 | 106,547.02 | 26.47 | 125,893.38 | 28.80 |
| North Eastern | 1,601.50 | 0.55 | 1,851.59 | 0.46 | 2,028.07 | 0.46 |
| Eastern | 17,238.01 | 5.92 | 22,863.13 | 5.68 | 22,246.07 | 5.09 |
| Central | 27,574.98 | 9.47 | 34,817.97 | 8.65 | 39,626.11 | 9.07 |
| Western | 45,919.48 | 15.77 | 78,853.65 | 19.59 | 87,172.68 | 19.95 |
| Southern | 122,908.13 | 42.21 | 157,586.54 | 39.15 | 160,090.74 | 36.63 |
| **Total** | **291,182.50** | **100.00** | **402,519.90** | **100.00** | **437,057.05** | **100.00** |

***Total Borrowings***

The following table sets forth, for the periods indicated our average outstanding borrowings with and without Tier II bonds:

(Rs. in million, except percentages)

| | Fiscal 2003 | | | Fiscal 2004 | | | Fiscal 2005 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Average balance** | **Interest Expense** | **Average cost (%)** | **Average balance** | **Interest Expense** | **Average cost (%)** | **Average balance** | **Interest Expense** | **Average cost (%)** |
| Borrowings, excluding Tier II bonds | 3,583.82 | 127.15 | 3.55% | 2,224.52 | 110.97 | 4.99% | 9,961.21 | 624.66 | 6.27% |
| Tier II bonds | 2,587.90 | 220.10 | 8.50% | 4,837.90 | 261.06 | 5.40% | 7,237.90 | 443.08 | 6.12% |
| Total borrowings | 6,171.72 | 347.25 | 5.63% | 7,062.42 | 372.03 | 5.27% | 17,198.11 | 1,067.74 | 6.21% |

### Asset-Liability Gap

The following tables set forth our asset-liability gap position as of March 31, 2004 and March 31, 2005

(Rs. in million, except percentages)

**Statement Of Structural Liquidity as on March 31, 2004**

| | | | Residual Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | 1-14 Days | 15-28 Days | 29 days-3 Months | > 3 Months Up to 6 Months | > 6 Months Up to 1 year | > 1 Year Up to 3 years | > 3 Years Up to 5 Years | Over 5 Years |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **A** | **Outflows** | | | | | | | | | |
| 1. | Capital | 4,719.51 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,719.51 |
| 2. | Reserves & Surplus | 14,333.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 14,333.22 |
| 3. | Deposits | 425,848.16 | 25,630.27 | 9,550.30 | 25,786.59 | 25,406.33 | 39,816.81 | 153,320.56 | 31,303.48 | 115,033.82 |
| 4. | Borrowings | 2,224.52 | 716.49 | 0.00 | 21.84 | 593.16 | 717.56 | 86.28 | 31.71 | 57.49 |
| 5. | Other Liabilities & Provisions | 36,776.11 | 13,946.95 | 63.94 | 3,092.09 | 697.03 | 1,893.21 | 8,498.56 | 5,162.39 | 3,421.93 |
| 6. | Lines Of Credit-Committed To | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 7. | Unavailed Portion Of CC/OD/WCDL | 11,527.93 | 1,959.75 | 0.00 | 0.00 | 0.00 | 9,568.18 | 0.00 | 0.00 | 0.00 |
| 8. | Letters Of Credit/ Guarantees | 758.01 | 391.73 | 0.00 | 0.00 | 0.00 | 366.29 | 0.00 | 0.00 | 0.00 |
| 9. | Repos | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 10. | Bills Rediscounted | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11. | Swaps (Buy/Sell) | 103,730.80 | 7,145.00 | 504.00 | 36,919.10 | 18,062.60 | 40,845.00 | 255.10 | 0.00 | 0.00 |
| 12. | Others (Specify | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **A** | **Total Outflows** | **599,918.28** | **49,790.19** | **10,118.24** | **65,819.62** | **44,759.12** | **93,207.06** | **162,160.51** | **36,497.57** | **137,565.97** |
| **B.** | **Cumulative Outflows** | | **49,790.19** | **59,908.43** | **125,728.05** | **170,487.16** | **263,694.22** | **425,854.73** | **462,352.30** | **599,918.28** |
| **C.** | **INFLOWS** | | | | | | | | | |
| 1. | Cash | 1,529.22 | 1,529.22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. | Balances With RBI | 43,542.72 | 23,395.18 | 1,005.82 | 246.87 | 1190.95 | 1,165.42 | 1,876.38 | 7,446.92 | 7,215.19 |
| 3. | Balances With Other Banks | 20,703.08 | 13,237.70 | 2,932.59 | 3,296.09 | 477.52 | 306.03 | 453.15 | 0.00 | 0.00 |
| 4. | Investments | 179,165.97 | 888.76 | 1,444.46 | 2,924.63 | 1,472.22 | 1,234.06 | 20,607.29 | 19,040.63 | 131,553.93 |
| 5. | Advances | 206,469.15 | 26,300.70 | 1,633.67 | 6,612.18 | 15,536.47 | 21,293.89 | 80,779.34 | 28,718.40 | 25,594.50 |
| 6. | Fixed Assets | 3,636.87 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,636.87 |
| 7. | Other Assets | 28,854.46 | 16,051.96 | 443.09 | 3,637.66 | 958.79 | 231.55 | 1,827.35 | 1,838.37 | 3,865.70 |
| 8. | Reverse Repos | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9. | Swaps (Sell/Buy) | 129,655.40 | 24,762.10 | 1,023.60 | 41,493.10 | 19,871.80 | 42,372.90 | 12.10 | 112.30 | 7.50 |
| 10. | Bills Re-Discounted (DUPN) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11. | Committed Lines Of Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 12. | Others (Specify) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **C.** | **Total Inflows** | **613,556.89** | **106,165.62** | **8,483.23** | **58,210.52** | **39,507.75** | **66,603.85** | **105,555.60** | **57,156.62** | **171,873.69** |
| **D.** | **Cumulative Inflows** | **-** | **106,165.62** | **114,648.85** | **172,859.37** | **212,367.13** | **278,970.98** | **384,526.58** | **441,683.20** | **613,556.89** |
| **E.** | **Mismatch (C-A)** | **13,638.61** | **56,375.43** | **(1,635.01)** | **(7,609.09)** | **(5,251.37)** | **(26,603.21)** | **(56,604.91)** | **20,659.05** | **34,307.71** |
| **F.** | **E As % To A** | **2.27** | **113.23** | **(16.16)** | **(11.56)** | **(11.73)** | **(28.54)** | **(34.91)** | **56.60** | **24.94** |
| **G.** | **Cumulative Mismatch (D-B)** | **-** | **56,375.43** | **54,740.42** | **47,131.33** | **41,879.96** | **15,276.76** | **(41,328.15)** | **(20,669.10)** | **13,638.61** |
| **H.** | **G As % To B** | **-** | **113.23** | **91.37** | **37.49** | **24.56** | **5.79** | **(9.70)** | **(4.47)** | **2.27** |

## Statement of Structural Liquidity as on March 31, 2005

(Rs. in million, except percentages)

| | | | Residual Maturity | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | 1-14 Days | 15-28 Days | 29 days-3 Months | > 3 Months Up to 6 Months | > 6 Months Up to 1 year | > 1 Year Up to 3 years | > 3 Years Up to 5 Years | Over 5 Years |
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| A | **Outflows** | | | | | | | | | |
| 1. | Capital | 4,719.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,719.68 |
| 2. | Reserves & Surplus | 17,265.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17,265.40 |
| 3. | Deposits | 462,945.64 | 26,331.07 | 8,137.90 | 33,709.75 | 18,113.24 | 46,915.03 | 174,208.59 | 27,867.53 | 127,662.53 |
| 4. | Borrowings | 3,220.10 | 18.17 | 0 | 0 | 3,049.44 | 27.67 | 43.28 | 72.25 | 9.29 |
| 5. | Other Liabilities & Provisions | 32,943.44 | 12,578.79 | 84.18 | 510.58 | 351.59 | 751.40 | 11,782.75 | 694.99 | 6,189.16 |
| 6. | Lines Of Credit-Committed To | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 7. | Unavailed Portion Of CC/OD/WCDL | 15,216.40 | 2,586.79 | 0.00 | 0.00 | 0.00 | 12,629.61 | 0.00 | 0.00 | 0.00 |
| 8. | Letters Of Credit/ Guarantees | 574.70 | 303.93 | 0.00 | 0.00 | 0.00 | 270.77 | 0.00 | 0.00 | 0.00 |
| 9. | Repos | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 10. | Bills Rediscounted | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11. | Swaps (Buy/Sell) | 111,194.10 | 3,753.00 | 542.40 | 46,167.20 | 18,456.00 | 4,0781.20 | 1,244.30 | 250.00 | 0.00 |
| 12. | Others (Specify | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **A** | **Total Outflows** | **648,079.46** | **45,571.75** | **8,764.48** | **80,387.53** | **39,970.27** | **101,375.68** | **187,278.92** | **28,884.77** | **155,846.06** |
| **B.** | **Cumulative Outflows** | **-** | **45,571.75** | **54,336.23** | **134,723.76** | **174,694.03** | **276,069.71** | **463,348.63** | **492,233.40** | **648,079.46** |
| C. | **INFLOWS** | | | | | | | | | |
| 1. | Cash | 1,721.86 | 1,721.86 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2. | Balances With RBI | 25,178.18 | 3,323.85 | 836.34 | 289.62 | 1,287.72 | 841.36 | 2,101.52 | 8,891.78 | 7,605.99 |
| 3. | Balances With Other Banks | 3,795.73 | 3,215.82 | 80.00 | 450.00 | 0.00 | 30.21 | 19.70 | 0.00 | 0.00 |
| 4. | Investments | 203,707.33 | 4,627.46 | 964.74 | 4,013.86 | 3,930.82 | 9917.59 | 23,361.70 | 28,506.77 | 128,384.39 |
| 5. | Advances | 267,292.04 | 44,574.74 | 4,968.96 | 13,315.13 | 12,174.92 | 19,954.32 | 98,343.35 | 28,695.49 | 45,265.13 |
| 6. | Fixed Assets | 3,812.70 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,812.70 |
| 7. | Other Assets | 15,586.42 | 4,177.94 | 1,147.36 | 2,130.58 | 974.88 | 1,871.67 | 456.90 | 644.63 | 4,182.46 |
| 8. | Reverse Repos | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9. | SWAPS (Sell/Buy) | 121,118.70 | 7,281.20 | 2,919.90 | 50,876.80 | 19,666.00 | 38,799.20 | 962.10 | 612.30 | 1.20 |
| 10. | Bills Re-Discounted (DUPN) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 11. | Committed Lines Of Credit | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 12. | Others (Export Finance) | 901.90 | 901.90 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **C.** | **Total Inflows** | **643,114.86** | **69,824.77** | **10,917.30** | **71,075.99** | **38,034.34** | **71,414.35** | **125,245.27** | **67,350.97** | **189,251.87** |
| **D.** | **Cumulative Inflows** | **-** | **69,824.77** | **80,742.07** | **151,818.06** | **189,852.40** | **261,266.75** | **386,512.02** | **453,862.99** | **643,114.86** |
| **E.** | **Mismatch (C-A)** | **(4,964.60)** | **24,253.02** | **2,152.82** | **(9,311.54)** | **(1,935.93)** | **(29,961.34)** | **(62,033.65)** | **38,466.20** | **33,405.81** |
| **F.** | **E As % To A** | **-0.77** | **53.22** | **24.56** | **(11.58)** | **(4.84)** | **(29.56)** | **(33.12)** | **133.17** | **21.43** |
| **G.** | **Cumulative Mismatch (D-B)** | **-** | **24,253.02** | **26,405.84** | **17,094.30** | **15,158.37** | **(14,802.96)** | **(76,836.61)** | **(38,370.41)** | **(4,964.60)** |
| **H.** | **G As % To B** | **-** | **53.22** | **48.60** | **12.69** | **8.68** | **(5.36)** | **(16.58)** | **(7.79)** | **(0.77)** |

Assumptions:

1. Capital Reserves and Surplus have been shown in over five years bucket.
2. Current and savings bank deposits have been distributed in various time buckets on the basis of behavioural Studies on Volatility & Core portion of these deposits.
3. In case of term deposits the maturity pattern has been taken on the basis of data received from the branches, considering roll over of retails term deposits at 75%.
4. Borrowings have been allocated as per actual re-payment schedule.
5. In case of bills payable, the core portion has been shown in 1-3 years time bucket and the remaining portion has been shown in 1-14 daystime bucket.
6. Subordinate debts have been distributed as per the actual repayment schedule.
7. Cash has been shown in 1-14 days time bucket.
8. Call lending/Term deposits with banks and others have been shown in respective maturity time buckets as per actual maturity profile.
9. In case of current deposits with banks, volatile portion has been shown in 1-14 days time bucket, while the remaining portions have been shown in 1-3 years time bucket.
10. Investment has been distributed in various time buckets as per actual maturity.
11. In case of CC/OD the core and volatile portion has been determined on the basis of Behavioural Studies.
12. In case of bills purchased and discounted and term loans, maturity period have been taken on the basis of data collected from branches.
13. NPAs have been distributed in 3-5 years and over 5 years time bucket.
14. Fixed assets have been shown in over 5 years time bucket.

**Loan Portfolio**

As of March 31, 2005, our total outstanding loan portfolio was Rs. 267,292.03 million. The following table sets forth, for the dated indicated, our loan portfolio classified by product group.

(Rs. in million, except percentages)

| | As on March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2004 | | 2005 | |
| | Amount | % | Amount | % | Amount | % |
| Bills Purchased/Discounted | 5,838.71 | 3.58 | 8,214.07 | 3.98 | 7,768.69 | 2.91 |
| Cash Credit, overdrafts and others | 85,568.47 | 52.48 | 111,205.46 | 53.86 | 126,854.75 | 47.46 |
| Term Loans | 71,646.31 | 43.94 | 87,049.66 | 42.16 | 132,668.59 | 49.63 |
| Total | 163,053.49 | 100.00 | 206,469.19 | 100.00 | 267,292.03 | 100.00 |

*Note: Advances figures are from the Balance Sheet as on the reference dates and are net of provisions*

The following table presents our outstanding loans by sector and the proportion of these loans to our outstanding total loans, as of the dates indicated:

(Rs. in million, except percentages)

| | As on March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2004 | | 2005 | |
| **Sector** | **Loans** | **% of total** | **Loans** | **% of total** | **Loans** | **% of total** |
| Corporate and Commercial | 95,287.00 | 65.13 | 100,460.40 | 54.59 | 123,026.84 | 50.47 |
| Of which Small Scale Industries (SSIs)[1] | 10,873.60 | 7.43 | 12,293.10 | 6.68 | 15,914.63 | 6.53 |
| Housing & Retail | 29,250.00 | 19.99 | 56,310.00 | 30.60 | 79,364.00 | 32.56 |
| Agriculture [1] | 21,755.50 | 14.87 | 27,243.70 | 14.81 | 41,381.46 | 16.97 |
| Total outstanding loans | 146,292.50 | 100.00 | 184,014.10 | 100.00 | 243,772.30 | 100.00 |

[1] *As of the last reporting Friday of the month indicated.*

***Concentration of Loans and Credit Substitutes***

Under the RBI guidelines, our exposure to individual borrowers must not exceed 15.0% of capital funds comprising Tier I and Tier II capital. Exposure to individual borrowers may exceed the exposure norm of 15.0% of capital funds by an additional 5.0% (i.e., up to 20.0%) provided the additional exposure is on account of infrastructure financing. Under the RBI guidelines, exposure to a group of companies under the same management control must not exceed 40.0% of capital funds unless the exposure is in respect of an infrastructure project in which case the ceiling is 50.0%.

On March 31, 2005, our largest non-food exposure to a single borrower was 17.10% of our capital funds, and our largest group exposure was 17.93% of our capital funds; all these borrowers are currently performing according to the terms of our contracts with them.

Our policy with respect to our maximum exposure to a particular industry as a percentage of our gross credit and non-SLR investment is set forth below:

| **Industry** | **Exposure as a % of gross credit and non-SLR investment** |
|---|---|
| Iron and Steel | 3.50 |
| Engineering | 8.00 |
| Petroleum | 7.00 |
| Chemicals, Dyes, Paints, etc. | 7.00 |
| Of which Drugs & Pharma/Petrochemicals (each) | 2.00 |
| Power Generation and Transmission (existing units) | 10.00 |
| Information Technology and Computer Software | 2.00 |
| Infrastructure Projects (aggregate) | 15.00 |
| - Power (new projects) | 5.00 |
| - Road and Highway Projects | 2.00 |
| - Port, Airport and Inland Waterways | 2.00 |
| - Telecommunication services | 3.00 |
| - Other infrastructure projects | 3.00 |
| Textiles | 3.00 |
| Cements/Sugar/Gems and Jewellery (each) | 2.00 |
| Automobile/Bio-technology./Coffee (each) | 1.00 |
| NBFCs(Leasing, Hire purchase & factoring services) | 2.00 |

Our policy with respect to sector-wise exposure ceilings is set forth below.

| Sector | Exposure Ceiling |
|---|---|
| Film Industry | 0.5% of gross credit |
| Sensitive Sectors: | |
| - Commodity Sector | 3% of gross credit |
| - Capital Markets | 5% of total outstanding advances (including commercial paper) as on March 31 of the previous year |
| - Real Estate | 4% of gross credit |

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)

| | March 31, 2004 | | | | March 31, 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposure | % of total Outstanding Exposure | % of Capital Funds | Classification | Exposure | % of total Outstanding Exposure | % of Capital Funds | Classification |
| Borrower 1 | 9,055.80 | 3.84 | 42.54 | Standard | 10,358.40 | 3.37 | 38.68 | Standard |
| Borrower 2 | - | - | - | Standard | 4,578.30 | 1.49 | 17.10 | Standard |
| Borrower 3 | 4,643.40 | 1.97 | 21.81 | Standard | 4,246.40 | 1.38 | 15.86 | Standard |
| Borrower 4 | - | - | - | Standard | 3,529.80 | 1.15 | 13.18 | Standard |
| Borrower 5 | 2,150.00 | 0.91 | 10.10 | Standard | 3,150.00 | 1.03 | 11.76 | Standard |
| Borrower 6 | - | - | - | Standard | 3,051.00 | 0.99 | 11.39 | Standard |
| Borrower 7 | 1,420.00 | 0.60 | 6.67 | Standard | 2,945.00 | 0.96 | 11.00 | Standard |
| Borrower 8 | 1,760.00 | 0.75 | 8.27 | Standard | 2,540.00 | 0.83 | 9.48 | Standard |
| Borrower 9 | 2,000.00 | 0.85 | 9.39 | Standard | 2,492.50 | 0.81 | 9.31 | Standard |
| Borrower 10 | 2,200.00 | 0.93 | 10.33 | Standard | 2,200.00 | 0.72 | 8.22 | Standard |
| **Total** | **23,229.20** | **9.85** | **109.11** | | **39,091.00** | **12.73** | **145.97** | |

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)

| | March 31, 2004 | | | | March 31, 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposure | % of total Outstanding Exposure | % of Capital Funds | Classification | Exposure | % of total Outstanding Exposure | % of Capital Funds | Classification |
| Group 1 | 8,470.00 | 3.59 | 39.78 | Standard | 4,802.20 | 1.56 | 17.93 | Standard |
| Group 2 | 3,742.00 | 1.59 | 17.58 | Standard | 4,242.50 | 1.38 | 15.84 | Standard |
| Group 3 | —- | —- | —- | Standard | 3,817.20 | 1.24 | 14.25 | Standard |
| Group 4 | —- | —- | —- | Standard | 2,995.00 | 0.98 | 11.18 | Standard |
| Group 5 | —- | —- | —- | Standard | 2,919.10 | 0.95 | 10.90 | Standard |
| Group 6 | 2,010.00 | 0.85 | 9.44 | Standard | 2,790.00 | 0.91 | 10.42 | Standard |
| Group 7 | —- | —- | —- | Standard | 2,650.00 | 0.86 | 9.90 | Standard |
| Group 8 | 1,732.40 | 0.74 | 8.13 | Standard | 2,127.50 | 0.69 | 7.94 | Standard |
| Group 9 | 1,751.00 | 0.74 | 8.22 | Standard | 1,751.00 | 0.57 | 6.54 | Standard |
| Group 10 | —- | —- | —- | Standard | 1,634.90 | 0.53 | 6.10 | Standard |
| **Total** | **17,705.40** | **7.51** | **83.15** | | **29,729.40** | **9.68** | **111.01** | |

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)

| | Fiscal | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2003 | | | 2004 | | | 2005 | | |
| Industry | Rank | Exposure | % of Exposure | Rank | Exposure | % of Exposure | Rank | Exposure | % of Exposure |
| Infrastructure | 5 | 1,605.30 | 0.87 | 1 | 7,279.40 | 3.96 | 1 | 12,444.30 | 5.10 |
| Chemical, Dyes, Paints, Drugs & Pharmaceuticals | 2 | 3,117.30 | 1.69 | 3 | 3,584.90 | 1.95 | 2 | 4,367.50 | 1.79 |
| Gems & Jewellery | 7 | 1,391.40 | 0.76 | 4 | 3,189.60 | 1.73 | 3 | 3,988.80 | 1.64 |
| All Engineering | 3 | 2,503.60 | 1.36 | 2 | 3,754.70 | 2.04 | 4 | 3,913.40 | 1.61 |
| Cotton Textiles | 6 | 1,566.30 | 0.85 | 9 | 1,743.60 | 0.95 | 5 | 2,919.50 | 1.20 |
| Other Metal & Metal Products | 110 | 944.80 | 0.51 | 5 | 2,537.20 | 1.38 | 6 | 2,907.60 | 1.19 |
| Electricity (Gen & Trans) | 1 | 3,676.30 | 2.00 | 7 | 2,226.80 | 1.21 | 7 | 2,889.50 | 1.19 |
| Iron & Steel | 9 | 1,233.10 | 0.67 | 8 | 2,041.70 | 1.11 | 8 | 2,847.80 | 1..17 |
| Construction | 8 | 1,374.80 | 0.75 | 10 | 1,359.40 | 0.74 | 9 | 2,500.50 | 1.03 |
| Other Textiles | 4 | 1,824.30 | 0.99 | 16 | 2,440.30 | 1.33 | 10 | 2,114.10 | 0.87 |
| Total | | 19,237.20 | 10.45 | | 30,157.60 | 16.39 | | 40,893.00 | 16.79 |

***Security***

The table below shows the amount of our net advances as at the end of fiscal 2003, 2004 and 2005, which are secured or covered by guarantees or unsecured.

(Rs. in million, except percentages)

| Classification of Net Advances | As on March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2003 | | 2004 | | 2005 | |
| | Amount | % of advances | Amount | % of advances | Amount | % of advances |
| Secured by tangible assets (including advances against book debts) | 111,874.66 | 68.61 | 136,780.67 | 66.25 | 182,179.60 | 68.16 |
| Covered by bank or Government guarantees | 13,671.61 | 8.38 | 159,67.00 | 7.73 | 17,251.19 | 6.45 |
| Unsecured | 37,507.22 | 23.01 | 537,21.52 | 26.02 | 67,861.24 | 25.39 |
| **Total** | **163,053.49** | **100.00** | **206,469.19** | **100.00** | **267,292.03** | **100.00** |

***Non-Performing Assets***

As of March 31, 2005, our gross non-performing assets as a percentage of gross advances were 5.17% and our net non-performing assets as a percentage of net advances were 1.59%. 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 67.27% of our gross non-performing loans. As of March 31, 2005, 52.17% of our gross NPAs were from priority sector advances.

## SYNDICATE BANK

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

(Rs. in million, except percentages)

| Particulars | Fiscal | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | | | 2002 | | | 2003 | | | 2004 | | | 2005 | | |
| | Amount | NPAs | NPA as % of Adv | Amount | NPAs | NPA as % of Adv | Amount | NPAs | NPA as % of Adv | Amount | NPAs | NPA as % of Adv | Amount | NPAs | NPA as % of Adv |
| Total Gross Advances | 136,601.00 | 10,746.10 | 7.87 | 155,100.40 | 12,991.30 | 8.38 | 170,255.80 | 14,201.70 | 8.34 | 217,046.20 | 15,899.20 | 7.33 | 277,360.98 | 14,327.83 | 5.17 |
| Provisions (as prescribed by RBI) | 5,266.20 | 5,266.20 | | 6,095.40 | 6,095.40 | | 7,095.10 | 7,095.10 | | 9,100.30 | 9,100.30 | | 7,934.70 | 7,934.70 | |
| Additional Provisions made by the Bank | | | | | | | | | | 1,463.80 | 1,463.80 | | 1,253.10 | 1,253.10 | |
| Float provision | | | | | | | | | | 150.00 | 150.00 | | 450.00 | 450.00 | |
| DICGC & ECGC Claim Received [(1)] | 173.30 | 173.30 | | 158.40 | 158.40 | | 107.20 | 107.20 | | 505.60 | 505.60 | | 431.16 | 431.16 | |
| Net Advances | 131,161.50 | 5,306.60 | 4.05 | 148,846.60 | 6,737.50 | 4.53 | 163,053.50 | 6,999.40 | 4.29 | 205,826.50 | 4,679.50 | 2.27 | 267,292.02 | 4,258.87 | 1.59 |
| Derecognized Interest and Suspended Interest | | 35,270.30 | | | 44,315.10 | | | 50,949.10 | | | 57,568.00 | | | 61,665.30 | |

*[(1)] Represents claims received and held from Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation.*

### *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 regarded as 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 instalment 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, except percentages)

| Particulars | Fiscal | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | | 2002 | | 2003 | | 2004 | | 2005 | |
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Standard assets | 125,854.90 | 92.13 | 142,109.00 | 91.62 | 156,054.10 | 91.66 | 201,147.00 | 92.67 | 263,033.16 | 94.83 |
| Non-Performing assets | 10,746.14 | 7.87 | 12,991.40 | 8.38 | 14,201.70 | 8.34 | 15,899.20 | 7.33 | 14,327.83 | 5.17 |
| Of which: | | | | | | | | | | |
| Sub-standard | 3,447.42 | 2.52 | 4,395.10 | 2.83 | 4,393.10 | 2.58 | 3,613.30 | 1.66 | 3,730.83 | 1.35 |
| Doubtful assets | 4,615.01 | 3.38 | 5,424.80 | 3.50 | 6,274.90 | 3.69 | 7,542.30 | 3.47 | 7,601.60 | 2.74 |
| Loss assets | 2,683.71 | 1.96 | 3,171.50 | 2.04 | 3,533.70 | 2.08 | 4,743.60 | 2.19 | 2,995.40 | 1.08 |
| **Total Loan assets** | **136,601.04** | **100.00** | **155,100.40** | **100.00** | **170,255.80** | **100.00** | **217,046.20** | **100.00** | **277,360.99** | **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** | **2004** | **2005** |
| ***<u>CDR restructured assets</u>*** | | | |
| Standard assets | 341.90 | 0.00 | 510.70 |
| Sub-standard assets | 0.00 | 119.20 | 39.80 |
| Doubtful assets | 0.00 | 0.00 | 57.80 |
| Loss assets | | | |
| ***Total CDR restructured assets*** | ***341.90*** | ***119.20*** | ***608.30*** |
| ***<u>Other restructured assets</u>*** | | | |
| Standard assets | 633.30 | 22.50 | 2,219.00 |
| Sub-standard assets | 36.90 | 0.00 | 194.40 |
| Doubtful assets | 0.00 | 89.80 | 250.50 |
| ***Total other restructured assets*** | ***670.20*** | ***112.30*** | ***2,663.90*** |
| **Total restructured assets** | **101.10** | **231.50** | **3,272.20** |

***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:<br>1. Up to one year: 20% provision<br>2. One to three years: 30% provision<br>3. More than three years: 50% provision<br>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.<br>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 to be 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.<br><br>The policy regarding asset classification mentioned above is also applicable to restructured assets. |

In addition to the provisions required by the RBI guidelines, we also make additional provisions for NPAs such as float provisions. As of March 31, 2004, out of our total provision for NPAs of Rs. 10,071.40 million we have Rs. 1,613.80 million in excess of the required provision against the NPA of Rs. 15,899.20 million. As of March 31, 2005, out of our total provision for NPAs of Rs. 9,637.79 million we have Rs. 1,703.10 million in excess of the required provision against the NPA of Rs. 14,327.83 million. These provisions account for a coverage ratio for gross NPAs of 67.27% as of March 31, 2005 and 63.35% as of March 31, 2004. 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** | **Fiscal** | | |
|---|---|---|---|
| | **2003** | **2004** | **2005** |
| **Opening Balance** | **6,095.40** | **7,095.10** | **10,071.40** |
| Add: Provisions made during the year (including float provisions) | 1000.70 | 3,046.60 | 1,332.20‘ |
| Less: Write-off/write-back during the year. | 1.00 | 70.30 | 1,765.81 |
| **Closing Balance** | **7,095.10** | **10,071.40** | **9,637.79** |

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.

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)

| | **As on March 31,** | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2001** | | | **2002** | | | **2003** | | | **2004** | | | **2005** | | |
| **Particulars** | **Gross advances** | **NPAs** | **% of NPAs** | **Gross adva-nces** | **NPAs** | **% of NPAs** | **Gross advan-ces** | **NPAs** | **% of NPAs** | **Gross advan-ces** | **NPAs** | **% of NPAs** | **Gross advan-ces** | **NPAs** | **% of NPAs** |
| Agricultural | 17,456 | 1,568 | 14.63 | 19,450 | 1,953 | 10.04 | 21,756 | 2,202 | 10.12 | 27,244 | 2,238 | 8.22 | 41,381 | 1,582 | 11.04 |
| SSI | 10,799 | 2,454 | 22.90 | 10,950 | 2,928 | 26.74 | 10,873 | 2,786 | 25.63 | 12,293 | 3,049 | 24.80 | 15,914 | 2,598 | 18.14 |
| Other priority sector | 17,842 | 1,590 | 14.84 | 19,900 | 1,930 | 9.70 | 23,890 | 2,071 | 8.67 | 34,202 | 2,754 | 8.05 | 48,589 | 3,302 | 23.05 |
| Total priority sector | 46,097 | 5,612 | 52.38 | 50,300 | 6,811 | 13.54 | 56,519 | 7,059 | 12.49 | 73,739 | 8,041 | 10.90 | 105,885 | 7,474 | 52.17 |
| Total non-priority sector | 66,457 | 5,103 | 47.62 | 104,800 | 6,180 | 5.90 | 113,737 | 7,142 | 6.28 | 143,307 | 7,858 | 5.48 | 171,475 | 6,853 | 47.83 |
| **Total gross advances** | **112,554** | **10,715** | **100.00** | **155,100** | **12,991** | **8.37** | **170,256** | **14,201** | **8.34** | **217,046** | **15,899** | **7.33** | **277,360** | **14,327** | **100.00** |

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)

| | As on March 31, | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | | | 2002 | | | 2003 | | | 2004 | | | 2005 | | |
| Industry | NPAs | % NPAs to advances | Provision | NPAs | % NPAs to advances | Provision | NPAs | % NPAs to advances | Provision | NPAs | % NPAs to advances | Provision | NPAs | % NPAs to advances | Provision |
| Coal & Mining | 87 | 19.07 | 34 | 73 | 26.16 | 38 | 74 | 11.51 | 42 | 41 | 8.99 | 31 | 31 | 13.96 | 29 |
| Iron & Steel | 238 | 7.66 | 166 | 582 | 22.74 | 277 | 515 | 43.35 | 302 | 391 | 18.37 | 321 | 350 | 11.72 | 319 |
| Other Metal & Metal Products | 379 | 44.28 | 256 | 453 | 53.80 | 265 | 759 | 58.07 | 590 | 875 | 32.93 | 724 | 1,090 | 34.49 | 883 |
| All Engineering | 563 | 18.13 | 452 | 720 | 21.92 | 471 | 630 | 21.77 | 469 | 649 | 16.15 | 453 | 516 | 10.87 | 426 |
| Infrastructure | 250 | 30.12 | 213 | 471 | 12.23 | 262 | 237 | 12.98 | 27 | 317 | 3.77 | 215 | 547 | 4.40 | 341 |
| Textiles | 637 | 26.81 | 343 | 800 | 25.04 | 341 | 809 | 22.89 | 360 | 1083 | 25.04 | 638 | 1,096 | 19.14 | 759 |
| Sugar, Tea, Food Processing & Veg Oils | 441 | 31.74 | 253 | 561 | 34.82 | 285 | 500 | 35.77 | 266 | 663 | 37.16 | 378 | 612 | 26.47 | 442 |
| Tobacco & Tobacco Products | 49 | 14.21 | 24 | 46 | 67.65 | 23 | 40 | 50.00 | 19 | 70 | 58.33 | 57 | Nil | 0.00 | Nil |
| Paper & Paper Products | 86 | 17.48 | 45 | 244 | 45.95 | 172 | 340 | 75.39 | 278 | 301 | 32.47 | 241 | 326 | 17.64 | 293 |
| Rubber & Leather | 71 | 33.65 | 56 | 134 | 12.87 | 108 | 110 | 15.49 | 86 | 173 | 11.61 | 101 | 164 | 10.20 | 115 |
| Chemical, Dyes, Paints, Drugs & Pharmaceuticals, Fertilizers and Petrochemicals | 331 | 7.82 | 210 | 549 | 12.79 | 196 | 411 | 10.09 | 224 | 850 | 23.46 | 511 | 844 | 20.53 | 565 |
| Cement | 256 | 72.11 | 135 | 289 | 38.84 | 164 | 294 | 71.36 | 156 | 347 | 80.51 | 273 | 214 | 56.49 | 174 |
| Construction | 231 | 34.22 | 149 | 254 | 29.26 | 49 | 172 | 51.04 | 55 | 299 | 21.60 | 129 | 189 | 7.21 | 94 |
| Automobiles (including Trucks) | 24 | 1.91 | 17 | 47 | 6.43 | 29 | 27 | 6.37 | 18 | 24 | 6.78 | 19 | 5 | 3.68 | 3 |
| Gems & Jewellery | 17 | 1.33 | 13 | 28 | 2.40 | 18 | 47 | 3.19 | 25 | 57 | 1.78 | 35 | 27 | 0.67 | 12 |
| Computer Software | 56 | 19.79 | 25 | 103 | 25.62 | 73 | 162 | 40.70 | 141 | 40 | 9.64 | 24 | 67 | 7.97 | 53 |
| Electricity | 85 | 4.76 | 77 | 73 | 4.26 | 68 | 71 | 2.16 | 69 | 13 | 0.58 | 7 | 74 | 2.56 | 71 |

The following table sets forth our 10 largest gross non-performing assets as of March 31, 2005. Together, these borrowers constitute 13.39% of our gross NPAs as of March 31, 2005.

| Name of the Borrower | Industry | Gross NPA | Derecognized income | Provision | DICGC/ ECGC | Net NPA | Realizable Value of Collateral |
|---|---|---|---|---|---|---|---|
| 1 | Fertilizers and Petrochemicals | 362.49 | Nil | 144.00 | Nil | 218.49 | 345.00 |
| 2 | Finance | 284.57 | Nil | 28.46 | Nil | 256.11 | 266.00 |
| 3 | Infrastructure | 200.04 | Nil | 200.04 | Nil | Nil | 240.00 |
| 4 | Internet Services | 174.50 | Nil | 17.45 | Nil | 157.05 | 998.00 |
| 5 | Iron & Steel | 162.94 | Nil | 16.29 | Nil | 46.65 | 1,315.00 |
| 6 | Iron & Steel | 146.67 | Nil | 134.38 | Nil | 12.29 | 31.00 |
| 7 | Automobiles | 86.10 | Nil | 8.61 | Nil | 77.49 | 212.00 |
| 8 | Cement | 78.31 | Nil | 55.00 | Nil | 23.31 | 84.00 |
| 9 | Iron & Steel | 70.15 | Nil | 45.73 | Nil | 24.68 | 617.00 |
| 10 | Textiles | 64.04 | Nil | 38.40 | Nil | 25.64 | 94.0 |

***Interest in Suspense***

Interest in suspense 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.

(Rs. in million)

| | Fiscal | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| Interest in suspense | 35,270.30 | 44,315.10 | 50,949.10 | 57,568.00 | 61,665.30 |

# 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 page 137, which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page xii, 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.*

**Introduction**

*Overview*

We are one of the leading public sector banks in India with over 16 million customers and 1,798 branches in India and one branch in London. We started our operations in 1925 as a regional bank in Udupi and now offer banking products and services to corporate and commercial, retail and agricultural customers across India. Our Bank has grown rapidly in recent years. Between fiscals 2003 and 2005, our total income grew at a compounded annual rate of 13.24% and our total assets, total deposits and total advances grew at compounded annual rates of 23.04%, 22.88% and 28.03%, respectively.

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. Our treasury operations also include a range of products and services for corporate and commercial customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services.

*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 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 our other investments. We also earn interest income from inter-bank loans 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 debentures and bonds issued by PSUs and other corporations, 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 and gains or losses on foreign exchange transactions 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 our 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.

*Financial Performance Indicators*

We use a variety of indicators to measure our performance.

| ***Financial Performance Indicators*** | ***Definitions*** |
|---|---|
| Average Working Fund | Average of total fund utilized for the business as on the last Friday of every month |
| Average Interest Earning Asset | Average of total interest earning assets as on the last reporting Friday of every fortnight. |
| Yield on Funds | Ratio of interest income on funds deployed to Average Interest Earning Asset |
| Spread | Difference between the Yield on Funds and the average cost of funds. |
| Net Interest Margin | Ratio of net interest income to the Average Working Fund. |
| Average Yield on Advances | Ratio of interest on advances to the average of advances as on the last day of every fortnight |
| Average Cost of Deposits | Ratio of interest on deposits to the average of deposits as on the last day of every fortnight. |
| Cost of Funds | Ratio of total interest paid to the Average Working Fund. |

For the purposes of these averages and ratios only, the interest cost of the unsecured subordinated bonds that we issue for Tier II capital adequacy purposes ("Tier II bonds") is included in our cost of interest bearing liabilities. In our financial statements, these bonds are accounted for as "other liabilities and provisions" and their interest cost is accounted for under other interest expenses.

*The Indian Economy*

Our financial condition and results of operations are affected in large measure by general economic conditions prevailing in India. The Indian economy has grown steadily over the past three years. GDP growth was 5.8% in fiscal 2002, 4.0% in fiscal 2003 and 8.5% in fiscal 2004. GDP growth in fiscal 2003 was adversely affected by insufficient rainfall, which contributed to a decrease in agricultural production. GDP growth picked up in fiscal 2004 due to, among other things, agricultural production recovery, resurgence of the industrial sector and continued growth in the services sector. The mid-term Review of RBI's Annual Policy Statement released on October 26, 2004 had placed the real GDP growth for fiscal 2005 in the range of 6.0-6.5%, lower than 6.5-7.0% anticipated earlier in the Annual Policy Statement. The downward revision was prompted by the combined downside risk of high and uncertain oil prices and deficient monsoon rainfall on GDP growth. The advance estimate of GDP released by the Central Statistical Organisation (CSO) in February 2005 has placed the GDP growth at 6.9% during fiscal 2005, which is higher than the expectations of the mid-term Review but consistent with the projections of the Annual Policy Statement. Industrial growth was 3.5% in fiscal 2002, 6.2% in fiscal 2003 and 6.6% in fiscal 2004. As per RBI's Annual Policy Statement for 2005-06, the industrial growth in fiscal 2005 has been estimated at 8.3%. The agriculture sector grew by 6.5% in fiscal 2002, increased by 5.2% in fiscal 2003 and grew by 9.6% in fiscal 2004. As per RBI's Annual Policy Statement for 2005-06, the agricultural sector growth in fiscal 2005 has been estimated at 1.1%, inspite of a deficient monsoon. We have significant exposure to the industrial and agricultural sectors and adverse developments in either or both of these sectors could impact our results.

The annual rate of inflation measured by the Wholesale Price Index was 1.6% in fiscal 2002, 6.5% in fiscal 2003, 4.6% in fiscal 2004 and 5% in fiscal 2005.

The average exchange rate of the Indian Rupee to one US Dollar was Rs. 47.53 in fiscal 2002, Rs. 48.27 in fiscal 2003, Rs. 45.83 in fiscal 2004 and Rs. 44.89 in fiscal 2005. On March 31, 2005, the exchange rate was Rs. 43.62. Foreign exchange reserves were US$ 141,204 million as of April 1, 2005. In the last three fiscal years, there was a general downward movement in interest rates in India, reflecting global economic conditions and policies of the RBI. Banks have generally followed the direction of interest rates set by the RBI and have adjusted both their deposit rates and lending rates downwards.

The RBI has maintained a policy of assuring adequate liquidity in the banking system and has generally lowered the rate at which it would lend to Indian banks to ensure that borrowers have access to funding at competitive rates. The RBI's primary motive has been to realign interest rates with the market to facilitate a smooth transition from a Government-controlled regime in the early 1990s, when interest rates were heavily regulated, to a more market-oriented interest rate regime.

The following table sets forth the annual bank rate, reverse repo rate, and the deposit rates and prime lending rates of public sector banks as of the dates indicated.

(in percentage)

| As of | Bank rate | Reverse Repo rate | Term Deposit rate for deposits over 1 year for public sector banks | Benchmark Prime Lending Rate for public sector banks |
|---|---|---|---|---|
| March 31, 2003 | 6.25 | 5.00 | 5.25-7.00 | 10.00-12.25 |
| March 31, 2004 | 6.00 | 4.50 | 5.00-6.00 | 10.25-11.50 |
| March 31, 2005 | 6.00 | 4.75 | 4.75-7.00 | 10.25-11.25 |

*Source: Reserve Bank of India Annual Policy Statements.*

Seasonal trends in the Indian economy affect the banking industry and therefore our business. The period from October to March is the busy period in India for economic activity, and accordingly, we generally experience high volumes of business during this period. Economic activity in the period from April to September is lower than in the busy period; accordingly, our business volumes are generally lower during this period.

*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 137 of this Red Herring Prospectus.

Commissions, interest on overdue bills, 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 March 31, 2005, we had a NPA provision coverage ratio of 67.27% for our non-performing assets of Rs. 14,327.83 million and as of March 31, 2004, we had a NPA provision coverage ratio of 63.35% for our non-performing assets of Rs. 15,889.20 million. Our provisioning policies are discussed in further detail in the section titled "Selected Statistical Information" on page 137 of this Red Herring Prospectus.

**Results of Operations**

***Fiscal Year Ended March 31, 2005 Compared with the Fiscal Year Ended March 31, 2004***

Our total income increased by 11.91% from Rs. 38,617.37 million in fiscal 2004 to Rs. 43,215.90 million in fiscal 2005 and our total expenditure increased by 15.93% from Rs. 28,440.57 million in fiscal 2004 to Rs. 32,975.65 million in fiscal 2005. Our operating profit increased slightly from Rs. 10,171.80 million in fiscal 2004 to Rs. 10,240.25 million in fiscal 2005. Our net profit also decreased slightly from Rs. 4,328.03 million in fiscal 2004 to Rs. 4,304.08 million in fiscal 2005.

Net Interest Income

Our net interest income increased by 18.43% from Rs. 14,297.08 million in fiscal 2004 to Rs. 16,932.41 million in fiscal 2005. The following table sets forth the components of our net interest income:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | 2004 | 2005 |
| Interest income | 30,853.38 | 37,570.36 |
| Interest expense | 16,556.30 | 20,637.95 |
| **Net interest income** | **14,297.08** | **16,932.41** |

The increase in net interest income was due primarily to a 21.77% increase in total interest income from Rs. 30,853.38 million in fiscal 2004 to Rs. 37,570.36 in fiscal 2005. This increase in advances demonstrated the strength of our core business activity. The corresponding increase in our total interest expense also reflected the growth in our deposits.

Our average interest earning assets increased by 31.95% from Rs. 366,388.89 million in fiscal 2004 to Rs. 483,432.79 million in fiscal 2005. Our net interest margin decreased from 3.90% in fiscal 2004 to 3.50% in fiscal 2005 and our spread decreased from 3.34% in fiscal 2004 to 3.10% in fiscal 2005.

Interest Income

The following table sets forth the components of our interest income:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | 2004 | 2005 |
| Interest and discount on advances and bills | 15,920.88 | 20,415.15 |
| Income from investments | 13,688.10 | 15,689.27 |
| Interest on balances with the RBI and other inter-bank funds | 1,020.06 | 1,444.39 |
| Interest on income tax | 223.19 | 17.79 |
| Other interest income | 1.15 | 3.76 |
| **Total interest income** | **30,853.38** | **37,570.36** |

Interest and discount on advances and bills increased by 28.23% from Rs. 15,920.88 million in fiscal 2004 to Rs. 20,415.15 million in fiscal 2005, reflecting an increase in the average volume of advances as a result of the organic growth of our business.

Our average advances increased by 34.93% from Rs. 175,152.90 million in fiscal 2004 to Rs. 236,331.29 million in fiscal 2005. Our total average advances in India increased by 17.06% from Rs. 150,702.93 million in fiscal 2004 to Rs. 203,070.29 million in fiscal 2005. This included average priority sector advances, which increased by 39.61% from Rs. 63,231.00 million in fiscal 2004 to Rs. 88,279.00 million in fiscal 2005, mainly due to higher credit off-take.

Our average advances outside India increased by 36.06% from Rs. 24,444.90 million in fiscal 2004 to Rs. 33,261.00 million in fiscal 2005. This increase was due to a positive economic environment and a concerted marketing effort outside India. Average advances outside India amounted to 14.07% of our total average advances.

Interest on income tax decreased by 92.03% from Rs. 223.19 million in fiscal 2004 to Rs. 17.79 million in fiscal 2005. In fiscal 2004, disputes concerning the payment of income tax were resolved in our favour, which resulted in additional arrears interest on income tax being paid to us in that fiscal year.

Yields on our advances decreased from an average of 9.09% in fiscal 2004 to 8.64% in fiscal 2005. This decrease was due to the general decrease in interest rates and increased competition in the banking industry.

Income from investments increased by 14.62% from Rs. 13,688.10 million in fiscal 2004 to Rs. 15,689.27 million in fiscal 2005. Our average volume of investments increased by 33.03% from Rs. 169,069.60 million in fiscal 2004 to Rs. 224,918.58 million in fiscal 2005. This increase was positively influenced by the portfolio mix we adopted in order to maximize the yield on total funds. The main component of our investment income during fiscal 2005 was interest on government and other approved securities, which reflects our internal investment policy and RBI guidelines. Our total investment in these government and other approved securities was

Rs. 188,316.28 in fiscal 2005, up 15.79% on Rs. 162,629.52 in fiscal 2004. Average yields from these investments decreased from 8.10% in fiscal 2004 to 6.98% in fiscal 2005, reflecting a declining interest rate environment, which caused a general decline interest yield in market rate of interest.

Interest on balances with the RBI and other inter-bank lending increased from Rs. 1,020.06 million in fiscal 2004 to Rs. 1,444.39 million in fiscal 2005. This increase was due to an increase in inter-bank lending and an increase in our deposits that required us to maintain higher CRR balances with RBI.

Interest Expense

Our interest expense increased by 24.65% from Rs. 16,556.30 million in fiscal 2004 to Rs. 20,637.96 million in fiscal 2005, due to the increased volume of business.

Our total average deposits increased by 35.48% from Rs. 318,583.80 million in fiscal 2004 to Rs. 431,618.96 million in fiscal 2005. This increase was also due to the increased volume of business. Our average cost of deposits declined from 5.08% in fiscal 2004 to 4.64% in fiscal 2005, reflecting the general decline in interest rates.

Average cost of funds decreased from 5.08% in fiscal 2004 to 4.67% in fiscal 2005 mainly due to the increase in low-cost deposits and the general decline in interest rates.

Our other interest expense, which consists mainly of interest paid on Tier II bond, increased from Rs. 261.06 million in fiscal 2004 and Rs. 559.27 million in fiscal 2005. Our average cost of borrowings (including Tier II bonds) increased from 5.27% in fiscal 2004 to 6.27% in fiscal 2005. These increases were mainly due to the issuance of Rs. 3,000 million in new Tier II bonds in fiscal 2005.

Other Income

Our other income decreased by Rs. 2,118.45 million, or 27.29%, from Rs. 7,763.99 million in fiscal 2004 to Rs. 5,645.54 million in fiscal 2005. The following table sets forth the components of our other income:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | **2004** | **2005** |
| Commission, exchange and brokerage | 1,262.32 | 1,543.13 |
| Profit on sale of investments (net) | 4,944.32 | 2,199.38 |
| Profit on sale of land, buildings and other assets | (0.54) | 12.92 |
| Profit on exchange transactions (net) | 355.61 | 344.43 |
| Miscellaneous income | 1,202.28 | 1,545.68 |
| **Total other income** | **7,763.99** | **5,645.54** |

Income from commissions, exchange and brokerage increased by 22.25% from Rs. 1,262.32 million in fiscal 2004 to Rs. 1,543.13 million in fiscal 2005. This increase was result of our focus on earning fee-based income to improve profitability.

Net profit on the sale of investments decreased by 55.52% from Rs. 4,944.32 million in fiscal 2004 to Rs. 2,199.38 million in fiscal 2005. Our net profit on the sale of investments was adversely affected by an increase in the market interest rate during the second half of fiscal 2005. The declining trend in the profit of sale of securities was partially offset by the increase in fee-based income and miscellaneous income.

Net profit from foreign exchange transactions decreased slightly from Rs. 355.61 million in fiscal 2004 to Rs. 344.43 million in fiscal 2005, mainly due to the reduced placement of funds in the overseas market by the international division of the Bank. Net profit from foreign exchange transactions amounted to 6.10% of our other income.

Our miscellaneous income, which includes incidental income from services charges, minimum balance charges, up front-fees and other account keeping fees increased by 28.56% from Rs. 1,202.28 million in fiscal 2004 to Rs. 1,545.68 million in fiscal 2005. This was due to the commencement of our tie-up with life and non-life insurance companies and the impact of commissions totalling Rs. 68.66 million received by us for the sale of these third-party insurance policies.

Operating Expenses

Total operating expenses increased from Rs. 11,889.27 million in fiscal 2004 to Rs. 12,337.70 million in fiscal 2005. As a percentage of our total income, operating expenses decreased to 28.55% in fiscal 2005 compared with 30.71% in fiscal 2004. Set forth below are the details of our total operating expenses for fiscal 2004 and fiscal 2005.

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | 2004 | 2005 |
| Payment and provision for employees & wages | 9,232.90 | 9,321.60 |
| Rent, taxes and lighting | 634.97 | 648.56 |
| Insurance | 157.24 | 332.78 |
| Printing and stationery | 113.80 | 103.09 |
| Advertising and publicity | 39.12 | 57.30 |
| Postage, telegram, telephones, etc. | 144.49 | 151.30 |
| Repairs and maintenance | 135.57 | 173.58 |
| Software expenses | 128.97 | 35.75 |
| Law charges | 39.55 | 34.57 |
| Directors' fees, allowance & expenses | 3.85 | 3.57 |
| Auditors' fees and expenses | 97.32 | 105.75 |
| Other expenditure | 896.26 | 994.08 |
| Depreciation on Bank's properties | 265.23 | 375.77 |
| **Total Operating Expenses** | **11,889.27** | **12,337.70** |

The primary component of our operating expenses was payments to and provision for employees, which increased from Rs. 9,232.90 million in fiscal 2004 to Rs. 9,321.60 million in fiscal 2005. In addition, this item includes provisions made in the year ended March 31, 2004 in respect of the anticipated wage settlement.

The present industry wage and salary settlement covering employees in public and private sector banks in the industry was signed on June 2, 2005 covering the period 2002-2007 and the Bank is taking steps to implement the same. The Bank has been making provisions in its financial statements in respect of the anticipated wage settlement for the periods from November 2002 to March 2005. We initially made a provision of Rs. 350 million for the year ended March 31, 2004 and made further provisions of Rs. 9,200 million in the year ended March 31, 2005 as a final wage settlement was not yet reached. In respect of arrears for prior years, the modalities are yet to be finalized. The amount of our provisions is an estimate based on our past experience and the broad understanding between the IBA and the banking industry employees.

As a percentage of total income, payments to and provision for employees decreased to 21.57% in fiscal 2005 from 23.90% in fiscal 2004. The decrease was due to a series of measures implemented by us to reduce employee cost. We had 26,395 employees as of March 31, 2005 and 26,745 employees as of March 31, 2004.

Our expenses for rent, taxes and lighting for our premises increased slightly from Rs. 634.97 million in fiscal 2004 to Rs. 648.56 million in fiscal 2005. These costs amounted to 1.5% of our total income.

Depreciation expenses on our property (i.e., our fixed assets, including furniture, fixtures and computers) increased by 41.68% from Rs. 265.23 million in fiscal 2004 to Rs. 375.77 million in fiscal 2005. Depreciation expenses were primarily affected by the addition of new ATMs, although there was no change in our depreciation policies during this period.

Other expenditure increased by 10.91% from Rs. 896.26 million in fiscal 2004 to Rs. 994.08 million in fiscal 2005. The major components of this expenditure were contingencies, travelling expenses, halting allowance and commission to agents.

Operating Profit

Operating profit before provisions and contingencies increased slightly from Rs. 10,171.80 million in fiscal 2004 to Rs. 10,240.25 million in fiscal 2005, this increase was due to an increase in income from our core banking activities and fee based income. As a percentage of total income, our operating profit decreased from 26.34% in fiscal 2004 to 23.70% in fiscal 2005.

Provisions and Contingencies

Provisions and contingencies made in fiscal 2005 decreased marginally to Rs. 5,936.17 million compared with Rs. 5,843.77 million in fiscal 2004. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

| | Fiscal | |
| --- | --- | --- |
| | 2004 | 2005 |
| Provision for non-performing assets | 3,046.60 | 1,332.15 |
| Depreciation on investments | (97.10) | 3,832.18 |
| Provision for income tax, wealth tax and interest tax | 2,697.98 | 328.48 |
| Provision for standard advances | 112.90 | 154.70 |
| Others | (243.33) | 288.66 |
| **Total provisions and contingencies** | **5,843.77** | **5,936.17** |

Our provisioning in respect of non-performing assets decreased by 56.27% from Rs. 3,046.6 million in fiscal 2004 to Rs. 1,332.15 million in fiscal 2005. This was due to improved recovery of NPAs and a reduction in the level of new NPAs during fiscal 2005.

Our provisioning for depreciation on investments was Rs. 3,832.18 million in fiscal 2005. This amount equated to 64.55% of our total provisions and contingencies. This was mainly due to the transferral of certain government securities from the "Available for Sale" category to the "Held to Maturity" category as permitted by the RBI. This transfer of securities was required so as to protect our investments from further depreciation in light of the rise in market interest rates.

Our provision for income, wealth and interest tax decreased by 87.82% from Rs. 2,697.98 million in fiscal 2004 to Rs. 328.48 million in fiscal 2005. In fiscal 2005 we benefited from the application of certain tax concessions relating to prudential write-off and depreciation in investments, which were not utilised in fiscal 2004.

Our other provisions were Rs. 288.66 million in the year ended March 31, 2005, which were slightly lower compared with Rs. 301.29 million in the year ended March 31, 2004. This was largely due to the recognition of deferred tax assets of Rs. 380.80 million, which resulted in a reduction in provisions.

<u>Net Profit</u>

As a result of the foregoing factors, our net profit decreased slightly from Rs. 4,328.03 million in fiscal 2004 to Rs. 4,304.08 million in fiscal 2005. As a percentage of total income, our net profit decreased from 11.21% in fiscal 2004 to 9.76% in fiscal 2005. Our earnings per Equity Share decreased by 0.55% from Rs. 9.17 per Equity Share in fiscal 2004 to Rs. 9.12 per Equity Share in fiscal 2005.

***Fiscal Year Ended March 31, 2004 Compared with the Fiscal Year Ended March 31, 2003***

Our total income increased by 14.58% from Rs. 33,702.77 million in fiscal 2003 to Rs. 38,617.37 million in fiscal 2004 and our total expenditure increased slightly from Rs. 27,520.14 million in fiscal 2003 to Rs. 28,445.57 million in fiscal 2004. Our operating profit increased by 64.52% from Rs. 6,182.63 million in fiscal 2003 to Rs. 10,171.80 million in fiscal 2004. Our net profit increased by 25.89% from Rs. 3,437.99 million in fiscal 2003 to Rs. 4,328.03 million in fiscal 2004.

<u>Net Interest Income</u>

Our net interest income increased by 18.13% from Rs. 12,097.52 million in fiscal 2003 to Rs. 14,297.08 million in fiscal 2004. The following table sets forth the components of our net interest income:

(Rs. in million)

| | Fiscal | |
| --- | --- | --- |
| | 2003 | 2004 |
| Interest income | 28,751.99 | 30,853.38 |
| Interest expense | 16,654.47 | 16,556.30 |
| **Net interest income** | **12,097.52** | **14,297.08** |

The increase in net interest income was due primarily to a small increase in total interest income from Rs. 28,751.99 million in fiscal 2003 to Rs. 30,853.38 in fiscal 2004 and a decrease in interest expense. This reflected increase in advances supported by a stable lending rate and a decrease in interest rates.

Our average interest earning assets increased by 20.51% from Rs. 304,033.99 million in fiscal 2003 to Rs. 366,388.89 million in fiscal 2004. Our net interest margin decreased from 3.98% in fiscal 2003 to 3.90% in fiscal 2004 and our spread decreased from 3.40% in fiscal 2003 to 3.34% in fiscal 2004.

Interest Income

The following table sets forth the components of our interest income:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | **2003** | **2004** |
| Interest and discount on advances and bills | 15,337.04 | 15,920.88 |
| Income from investments | 12,789.44 | 13,688.10 |
| Interest on balances with the RBI and other inter-bank funds | 594.40 | 1,020.06 |
| Interest on income tax | 26.09 | 223.19 |
| Other interest income | 5.02 | 1.15 |
| **Total interest income** | **28,751.99** | **30,853.38** |

Interest and discount on advances and bills increased marginally from Rs. 15,337.04 million in fiscal 2003 to Rs. 15,920.88 million in fiscal 2004, reflecting a general growth in business offset by a decline in yield.

Our average advances increased by 12.36% from Rs. 155,887.00 million in fiscal 2003 to Rs. 175,152.90 million in fiscal 2004. Our total average advances in India increased by 14.23% from Rs. 131,923.69 million in fiscal 2003 to Rs. 150,702.93 million in fiscal 2004. This included average priority sector advances, which increased by 25.01% from Rs. 50,581 million in fiscal 2003 to Rs. 63,231 million in fiscal 2004.

Our average advances outside India decreased by 6.24% from Rs. 26,076.22 million in fiscal 2003 to Rs. 24,449.90 million in fiscal 2004. This decrease was due to reduction in inter-bank placements. Average advances outside India amounted to 15.98% of our total average advances.

Interest on income tax increased by 755.46% from Rs. 26.09 million in fiscal 2003 to Rs. 223.19 million in fiscal 2004. This significant increase was due to the receipt of arrears interest on advance income tax paid for previous years.

Yields on our advances decreased from an average of 9.84% in fiscal 2003 to 9.09% in fiscal 2004. This decrease was due to the general decrease in interest rates and increased competition in the banking industry.

Income from investments increased by 7.03% from Rs. 12,789.44 million in fiscal 2003 to Rs. 13,688.10 million in fiscal 2004. Our average volume of investments increased by 29.91% from Rs. 130,138.20 million in fiscal 2003 to Rs. 169,069.60 million in fiscal 2004. This increase was due to the significant increase in our deposits, which provided us with an increased amount of funds to invest. We chose to invest these funds in government and other approved securities, increasing our total investment by 44.84% from Rs. 122,288.58 million in fiscal 2003 to Rs. 162,629.5 million in fiscal 2004. Yields from these investments decreased from 9.82% in fiscal 2003 to 8.10% in fiscal 2004, reflecting a decline in market rate of interest.

Interest on balances with the RBI and other inter-bank lending increased significantly from Rs. 594.40 million in fiscal 2003 to Rs. 1,020.06 million in fiscal 2004. This increase was due to an increase in deposits as well as inter-bank lending activity.

Interest Expense

Our interest expense decreased slightly from Rs. 16,654.47 million in fiscal 2003 to Rs. 16,556.30 million in fiscal 2004, mainly due to the declining market interest rates.

Our total average deposits increased by 18.55% from Rs. 268,728.92 million in fiscal 2003 to Rs. 318,583.80 million in fiscal 2004. This increase was due to the decline in interest rates offset in part by the increase in volume of deposits. Our average cost of deposits declined from 6.07% in fiscal 2003 to 5.08% in fiscal 2004.

Average cost of funds decreased from 6.06% in fiscal 2003 to 5.08% in fiscal 2004 also due to the decline in interest rates.

Our other interest expense remained stable at Rs. 327.66 million in fiscal 2003 and Rs. 334.86 million in fiscal 2004 mainly due to the fact that there was no major change in borrowing pattern, either long-term or short-term during these periods. Our average cost of borrowings (including our Tier II bonds) decreased from 5.63% in fiscal 2003 to 5.27% in fiscal 2004 due to declining interest rates.

Other Income

Our other income increased by 56.81% from Rs. 4,950.78 million in fiscal 2003 to Rs. 7,763.99 million in fiscal 2004. The following table sets forth the components of our other income:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | **2004** | **2005** |
| Commission, exchange and brokerage | 1,097.47 | 1,262.32 |
| Profit on sale of investments (net) | 2,631.22 | 4,944.32 |
| Profit on sale of land, buildings and other assets | (0.94) | (0.54) |
| Profit on exchange transactions (net) | 314.71 | 355.61 |
| Miscellaneous income | 908.32 | 1,202.28 |
| **Total other income** | **4,950.78** | **7,763.99** |

Income from commissions, exchange and brokerage increased by 15.02% from Rs. 1,097.47 million in fiscal 2003 to Rs. 1,262.32 million in fiscal 2004. This increase was mainly due to an increased focus on earning fee-based income.

Net profit on the sale of investments increased by 87.91% from Rs. 2,631.22 million in fiscal 2003 to Rs. 4,944.32 million in fiscal 2004. This was due to gains from the higher volume of fixed interest securities sold in order to take advantage of the fall in interest rates.

Net profit from foreign exchange transactions increased by 13.00% from Rs. 314.71 million in fiscal 2003 to Rs. 355.61 million in fiscal 2004, due to a higher volume of foreign exchange trading activities.

Miscellaneous income increased by 32.36% from Rs. 908.32 million in fiscal 2003 to Rs. 1,202.28 million in fiscal 2004. This was due to an increase in other incidental income such as service charges, minimum balance charges, up front-fees and other account keeping fees.

Operating Expenses

Total operating expenses increased from Rs. 10,865.67 million in fiscal 2003 to Rs. 11,889.27 million in fiscal 2004. As a percentage of our total income, operating expenses decreased to 30.79% in fiscal 2004 compared with 32.24% in fiscal 2003. Set forth below are the details of our total operating expenses for fiscal 2003 and fiscal 2004.

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | **2003** | **2004** |
| Payment and provision for employees & wages | 8,490.58 | 9,232.90 |
| Rent, taxes and lighting | 643.14 | 634.97 |
| Insurance | 136.41 | 157.24 |
| Printing and stationery | 90.28 | 113.80 |
| Advertising and publicity | 34.73 | 39.12 |
| Postage, telegram, telephones, etc. | 129.33 | 144.49 |
| Repairs and maintenance | 120.41 | 135.57 |
| Software expenses | 91.68 | 128.97 |
| Law charges | 7.75 | 39.55 |
| Directors' fees, allowance & expenses | 2.21 | 3.85 |
| Auditors' fees and expenses | 67.67 | 97.32 |
| Other expenditure | 779.84 | 896.26 |
| Depreciation on Bank's properties | 271.64 | 265.23 |
| **Total Operating Expenses** | **10,865.67** | **11,889.27** |

The primary component of our operating expenses was payments to and provision for employees, which increased from Rs. 8,490.58 million in fiscal 2003 to Rs. 9,232.90 million in fiscal 2004. In addition, this increase reflects our provisioning in respect of the anticipated wage settlements under negotiations with the IBA.

As a percentage of total income, payments to and provision for employees decreased to 23.90% in fiscal 2004 from 25.19% in fiscal 2003. The decrease was due to a series of measures implemented by us to reduce employee cost such as the introduction of sabbatical leave. We had 26,746 employees as of March 31, 2004 and 27,105 employees as of March 31, 2003.

Other expenditure increased by 14.93% from Rs. 779.84 million in fiscal 2003 to Rs. 896.26 million in fiscal 2004. This was due to increases in certain incidental expenditures such as contingencies, travelling expenses and commission to agents. However, as a percentage of total, income other expenditure remained almost the same in fiscal 2004 compared with fiscal 2003.

Operating Profit

Operating profit before provisions and contingencies increased by 64.77% from Rs. 6,182.63 million in fiscal 2003 to Rs. 10,171.80 million in fiscal 2004 mainly due to an increase in both interest on investment as well as profit from the sale of investments. As a percentage of total income, our operating profit increased from 18.34% in fiscal 2003 to 26.34% in fiscal 2004.

Provisions and Contingencies

Provisions and contingencies made in fiscal 2004 increased by 112.92% to Rs. 5,843.77 million compared with Rs. 2,744.64 million in fiscal 2003. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

| | Fiscal | |
|---|---|---|
| | **2003** | **2004** |
| Provision for non-performing assets | 1,131.30 | 3,046.60 |
| Provision for income tax, wealth tax and interest tax | 1,123.07 | 2,697.98 |
| Provision for standard accounts | 34.77 | 112.90 |
| Others | 455.50 | (13.71) |
| **Total provisions and contingencies** | **2,744.64** | **5,843.77** |

Our provisioning in respect of non-performing assets increased by 169.30% from Rs. 1,131.30 million in fiscal 2003 to Rs. 3,046.6 million in fiscal 2004. This was due to the change in the delinquency norms for recognizing NPAs from 180 days in fiscal 2003 to 90 days in fiscal 2004.

Our provision for income, wealth and interest tax increased by 140.23% from Rs. 1,123.07 million in fiscal 2003 to Rs. 2,697.98 million in fiscal 2004, which was due primarily to an increase in our income.

Our other provisions were Rs. (13.71) million in the year ended March 31, 2004 compared with Rs. 455.50 million in the year ended March 31, 2003. This decrease was due to the regrouping of wage settlement provisions in fiscal 2004 from provisions and contingencies to operating expenses.

Net Profit

As a result of the foregoing factors, our net profit increased by 25.89% from Rs. 3,437.99 million in fiscal 2003 to Rs. 4,328.03 million in fiscal 2004. As a percentage of total income, our net profit increased from 10.20% in fiscal 2003 to 11.21% in fiscal 2004. Our earnings per Equity Share increased by 25.96% from Rs. 7.28 per Equity Share in fiscal 2003 to Rs. 9.17 per Equity Share in fiscal 2004.

**Liquidity and Capital Resources**

Our growth over the last three fiscal years has been financed by a combination of cash generated from operations, increases in our customer deposits and borrowings, including the Tier II bonds we issued in fiscal 2005.

Cash Flows from Operations

Our net cash from operating activities reflects interest received during the year from advances and investments and other income and non-cash charges such as depreciation and provisions (mainly for non-performing and standard assets) made during the period, as well as adjustments for cash charges consisting primarily of interest on our Tier II bonds (which is included in financing activity). In addition, our net cash from operating activities reflects changes in operating assets and liabilities, including investments, advances, deposits and borrowings, as well as other assets and liabilities. Change in borrowings reflects only short-term borrowings and not Tier II bonds, which are included in financing activity. Our cash profit generated from operations remained positive throughout the last five years. However, our net cash from operating activities fluctuated significantly in the periods shown and was negative in fiscal 2003 as well as fiscal 2005. This was principally because of changes in our operating assets and liabilities, which is net of adjustments. Our cash flow from operations in fiscal 2005 was adversely affected by the higher interest cost and depreciation adjustments. The positive increase in deposits was offset by growth in advances and investment, which affected the net cash flow from operating activities.

Cash Flows from Investing Activities

Our net cash used in investing activities was Rs. 245.19 million, Rs. 478.92 million and Rs. (23.19) million in fiscal 2003, 2004 and 2005, respectively. Our net cash used in investing activities reflects investments consisting of the purchase of fixed assets. The net cash used in investing activities in fiscal 2005 allowed us to maintain a consistent level of growth in investment in fixed assets.

Cash Flows from Financing Activities

Our net cash from financing activities was Rs. (1,144.36) million, Rs. (1,661.43) million and Rs. (792.63) million, in fiscal 2003, 2004 and 2005, respectively. Our net cash from financing activities fluctuated primarily due to the higher interest cost on Tier II capital as well as increases in dividend payments.

**Capital**

We are subject to the capital adequacy requirements of the RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements in 1988. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula of 9.0%, at least half of which must be Tier I capital.

Our regulatory capital and capital adequacy ratios based on our restated financial statements are as follows:

(Rs. in million, except percentages)

| | **As on March 31,** | | |
|---|---|---|---|
| | **2003** | **2004** | **2005** |
| Tier I capital | 11,283.70 | 12,509.00 | 15,255.20 |
| Tier II capital | 4,897.30 | 8,780.60 | 11,524.5 |
| **Total capital** | **16,181.00** | **21,289.60** | **26,779.70** |
| Total risk-weighted assets and contingents | 146,736.20 | 185,225.50 | 250,316.80 |
| Capital adequacy ratios: | | | |
| Tier I | 7.63% | 6.75% | 6.10% |
| Tier II | 3.34% | 4.74% | 4.60% |
| **Total capital ratio** | **10.97%** | **11.49%** | **10.70%** |
| Minimum capital ratios required by the RBI: | | | |
| Tier I | 4.5% | 4.5% | 4.5% |
| Total capital ratio | 9.0% | 9.0% | 9.0% |

As shown above, our total capital ratio was 10.97% as of March 31, 2003, 11.49% as of March 31, 2004 and 10.70% as of March 31, 2005. We have been able to maintain the required capital adequacy ratio prescribed by RBI. The primary reason for the increase in the ratio in the year ending March 31, 2004 is the accretion of retained profits earned during that period and the optimisation of our asset portfolio mix. The ratio as of March 31, 2005 has declined due to a 29.46% increase in advances during fiscal 2005 compared with fiscal 2004, which increased our risk weighted assets. We are consistently reviewing our portfolio mix to maximize return as well as to maintain the required capital adequacy ratio.

RBI has also initiated the phased implementation of Basel II norms. Implementation of market risk will be completed within two years from the year ended March 31, 2005 and the credit risk and operational risk with effect from March 31, 2007.

**Financial Condition**

Our net assets, which we define as our total assets less our total liabilities, increased by 20.77% from Rs. 15,618.85 million as of March 31, 2003 to Rs. 18,862.42 million as of March 31, 2004, and further increased by 17.00% to Rs. 22,069.85 million as of March 31, 2005.

Assets

The following table sets forth the principal components of our assets as of March 31, 2003, March 31, 2004 and March 31, 2005, as restated:

(Rs. in million)

| | As on March 31, | | |
|---|---|---|---|
| | **2003** | **2004** | **2005** |
| Cash in hand (including foreign currency notes) | 1,475.91 | 1,529.22 | 1,721.85 |
| Balance with the RBI | 15,023.89 | 43,542.72 | 25,178.19 |
| Balance with banks in India | 4,423.67 | 5,315.12 | 1,555.91 |
| Balance with banks outside India | 266.63 | 11,437.97 | 739.62 |
| Money at call and short notice | 4,000.00 | 3,950.00 | 1,500.20 |
| Investments (Net) | 138,232.45 | 179,165.97 | 203,707.33 |
| Total advances | 163,053.49 | 206,469.19 | 267,292.03 |
| Fixed Assets (net of revaluation reserve) | 3,299.90 | 3,636.87 | 3,812.70 |
| Other Assets | 14,446.50 | 17,184.76 | 15,586.42 |
| **Total Assets** | **344,222.44** | **472,231.83** | **521,094.25** |

Our total assets increased by 37.19% from Rs. 344,222.44 million as of March 31, 2003 to Rs. 472,231.83 million as of March 31, 2004, and further increased by 10.35% to Rs. 521,094.25 million as of March 31, 2005. The most significant elements of these increases were in advances and investment due to increases in the level of business.

Our net investments increased by 29.61% from Rs. 138,232.45 million as of March 31, 2003 to Rs. 179,165.97 million as of March 31, 2004, and further increased by 13.70% to Rs. 203,707.33 million as of March 31, 2005. These increases were due primarily to increases in our investment in government securities to optimise the return on investments and to comply with our investment policy.

Our advances increased by 26.63% from Rs. 163,053.49 million as of March 31, 2003, to Rs. 206,469.19 million as of March 31, 2004, and further increased by 29.46% to Rs. 267,292.03 million as of March 31, 2005. The reason for the increases in our advances is our increased focus on our core banking activities, which in turn maximizes the yield on funds.

Other assets, which included net inter-office adjustments, interest accrued, tax paid in advance/tax deducted at source net of provisions and stationery increased by 18.95% from Rs. 14,446.50 million as of March 31, 2003 to Rs. 17,184.76 million as of March 31, 2004, and decreased by 9.30% to Rs. 15,586.42 million as of March 31, 2005. These variations were due mainly to fluctuations in inter-bank activity levels.

Our gross non-performing assets increased from Rs. 14,201.7 million as of March 31, 2003, to Rs. 15,899.20 million as of March 31, 2004, and decreased to Rs. 14,327.80 million as of March 31, 2005, or, as a percentage of gross advances varied from 8.34% to 7.32% to 5.17%, respectively. The decrease as of March 31, 2005, was mainly due to prudential write-offs of NPAs of Rs. 1,728.00 million, improved recovery of NPAs and a reduction in the level of new NPAs during fiscal 2005.

Our net NPAs to net advances ratio decreased from 4.29% as of March 31, 2003 to 2.58% as of March 31, 2004 and further decreased to 1.59% as of March 31, 2005. We had provisions for NPAs of Rs. 1,332.15 million during fiscal 2005 compared to Rs. 3,046.60 million during fiscal 2004 and Rs. 1,131.30 million during fiscal 2003. Recovery/upgradation of NPAs decreased slightly from Rs. 2,659.10 million as of March 31, 2003 to Rs. 2,587.10 million as of March 31, 2004 and increased to Rs. 5,582.20 million as of March 31, 2005.

See the section titled “Selected Statistical Information” on page 137 of this Red Herring Prospectus for a further discussion of our non-performing assets.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2003, March 31, 2004 and March 31, 2005:

(Rs. in million)

| | As on March 31, | | |
|---|---|---|---|
| | **2003** | **2004** | **2005** |
| Demand deposits from banks | 1,459.61 | 1,358.25 | 1,444.61 |
| Demand deposits from others | 32,901.27 | 39,164.10 | 48,369.20 |
| Savings deposits | 86,427.51 | 103,857.33 | 121,711.27 |
| Term deposits from banks | 15,452.01 | 26,409.98 | 24,138.05 |
| Term deposits from others | 170,365.04 | 255,058.50 | 267,282.49 |
| **Total deposits** | **306,605.45** | **425,848.17** | **462,945.62** |
| Borrowings | 787.71 | 2,224.52 | 3,220.09 |
| Other liabilities and provisions | 18,622.54 | 20,458.81 | 25,620.79 |
| Subordinate debts | 2,587.90 | 4,837.90 | 7,237.90 |
| **Total liabilities** | **328,603.59** | **453,369.40** | **499,024.40** |

Our total liabilities increased by 37.97% to Rs. 453,369.40 million as of March 31, 2004 from Rs. 328,603.59 million as of March 31, 2003 and increased by 10.07% to Rs. 499,024.40 million as of March 31, 2005. These increases were mainly due to a significant increase in savings deposits and term deposits from others. This growth was due to acquiring new customers as we expanded our branch network and greater penetration of our customer base achieved through cross sales of our products. The improved level of marketing, introduction of incentive scheme for employees and application of newly acquired technology, such as multi-city cheques, also contributed to this growth.

Other liabilities and provisions include bills payable, interest accrued on deposits and borrowings, inter-office adjustments, our Tier II bonds and provisions in respect of non-performing assets. The main reason for the increase as of March 31, 2004, compared with March 31, 2003 was an increase in inter-bank activities and increases in provisions for standard advances. The main reasons for the increase in other liabilities as of March 31, 2005 compared with March 31, 2004 was the issuance of Rs. 3,000 million Tier II bonds in fiscal 2005.

**Off-Balance Sheet Arrangements and Financial Instruments**

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2003, March 31, 2004 and March 31, 2005:

(Rs. in million)

| | As on March 31, | | |
|---|---|---|---|
| | **2003** | **2004** | **2005** |
| Claims against the Bank not acknowledged as debt | 645.20 | 759.35 | 688.74 |
| Disputed tax demand under appeal | 2,434.09 | 1,314.80 | 2,779.75 |
| Liability for partly paid investments | 1.02 | 305.52 | 302.75 |
| Liability on account of outstanding forward exchange contracts | 204,425.12 | 262,071.84 | 307,275.32 |
| Guarantees given on behalf of constituents in India and outside India | 11,542.55 | 13,940.07 | 19,025.61 |
| Acceptances, endorsements and other obligations | 6,031.42 | 15,437.12 | 20,808.64 |
| Other items for which the Bank is contingently liable | 2,227.93 | 2,261.75 | 13,599.15 |
| **Total Contingent Liabilities** | **227,307.33** | **296,090.45** | **364,479.96** |

Contingent liabilities increased by 30.26% from Rs. 227,307.33 million as of March 31, 2003, to Rs. 296,090.45 million as of March 31, 2004 and further increased by 23.10% to Rs. 364,479.96 million as of March 31, 2005. These increases were due primarily to the increase in forward exchange contracts. In addition, we are making a concerted effort to increase our fee-based income principally through undertaking letter of credit and guarantees, which can be seen in the increases in our acceptances, endorsements and other obligations as of March 31, 2004 compared with March 31, 2003 and the further increases as of March 31, 2005.

Foreign Exchange and Derivative Transactions

We enter into foreign exchange and derivative transactions for our customers and for our own account. Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counterparties. Our derivative contracts include interest rate swaps for corporate customers and for our own hedging activities. We earn profit on inter-bank and customer transactions by way of a spread between the purchase rate and the sale rate. Income from foreign exchange transactions is recorded as income from exchange transactions and income from derivatives transactions is recorded as interest income under the head investment income. We use ISDA master agreements for our derivatives transactions.

The aggregate notional principal amount of our forward foreign exchange contracts was Rs. 204,425.12 million as of March 31, 2003, Rs. 262,071.84 million as of March 31, 2004 and Rs. 307,275.32 million as of March 31, 2005. Since these contracts are marked to market, their fair value as of those dates was the same as their notional value.

Our notional principal amount of our single currency interest rate swap agreements, cross currency swap agreements and forward rate agreements was Rs. 2,097.60 million as of March 31, 2003, Rs. 3,752.82 million as of March 31, 2004 and Rs. 11,359.53 million as of March 31, 2005.

Our hedging activities are carried out in the inter-bank market, which is a non-exchange informal market. However, these markets generally do not provide price discovery or sufficient data to reliably estimate the fair values of financial instruments.

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Red Herring Prospectus have been prepared in accordance with the requirements of SEBI (Disclosure and Investor protection) Guidelines 2000 the Companies Act, 1956 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S.GAAP").

The following table summarizes significant measurement differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Red Herring Prospectus.

Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Red Herring Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

| Particulars | Indian GAAP | U.S.GAAP |
|---|---|---|
| Format and content of financial statements. | Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information.<br>Format for presentation of financial statements is as prescribed by the relevant statute | All entities are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosure in the notes to financial statements generally is far more extensive than under Indian GAAP.<br>No specific format is mandated, generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function. |
| Allowance for credit losses | Allowance for credit losses are based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows.<br>The allowances are made in accordance with prudential norms prescribed by the Reserve Bank of India (RBI). | Loans are identified as non-performing and placed on non-accrual basis, where management estimates that payment of interest or principal is doubtful of collection. Non-performing loans are reported after considering the impact of impairment. The impairment is measured by comparing the<br>Carrying amount of the loan to the present value of expected future cash flows or the fair value of the collateral (discounted at the loan's effective rate). |
| Investments in securities | Securities are classified as held to maturity, available for sale and held for trading as per RBI guidelines. Held to maturity are valued at cost unless more than face value in which case the premium is amortised over the remaining period / years of maturity. Held for trading securities are valued scrip-wise and net depreciation is accounted for. Available for sale are valued scrip-wise and net depreciation under each category is provided for while net appreciation is ignored.<br>Amortisation of purchase premium is required in respect of 'Held to Maturity' category. | Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. Trading securities are marked to fair value, with the resulting unrealized gain or loss recognized in the income statement.<br>Available-for-sale (AFS) securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity called 'Other Comprehensive Income' until |

| Particulars | Indian GAAP | U.S.GAAP |
|---|---|---|
| | | realized, at which time the gain or loss is reported in income. Held-to-maturity (HTM) debt securities are carried at amortized cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realized losses.<br>Amortisation of purchase premium and discount is required for all the categories of debt securities. |
| Loan origination fees / costs | Loan origination fees and costs are taken to the income statement in the year in which they are accrued/ incurred | Loan origination fees (net of loan origination - costs) are deferred and recognized as adjustment to yield over the life of the loan. |
| Consolidation and investments in subsidiaries | In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group.<br>Accordingly, there is no legal requirement to prepare consolidated financial statements. In stand alone financial statements, investments in subsidiaries, if classified as long-term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value.<br>Accounting Standard (AS21) on “Consolidated Financial Statements”, does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent.<br>For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered.<br>Unlisted entities with subsidiaries will continue to have the option of not presenting consolidated financial statements. | Under U.S. GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of<br>the parent.<br>Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented.<br>Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of the entity. In such cases, the equity method of accounting applies.<br>Entities where the minority shareholder has protective rights only are consolidated.<br>For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP, which may be treated as equity affiliates under Indian GAAP.<br>In January 2003, the FASB issued Interpretation No.46, “ Consolidation of Variable Interest Entities” an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet. |

| Particulars | Indian GAAP | U.S.GAAP |
| --- | --- | --- |
| Investments in associates or affiliates. | The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the stand alone financial statements of the parent and the same are accounted for in the same manner as other investments in the stand alone financial statements of a parent.<br><br>Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investments as before. | Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method.<br><br>The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account.<br><br>This method is also followed for unconsolidated subsidiaries. |
| Business combination | Business combinations are accounted for either as pooling of interests or as acquisitions. Accounting for business combinations as pooling of interests is permitted only on fulfilment of certain conditions. Non fulfillment of one or more conditions results in the combination being accounted for as an acquisition using the 'purchase method' of accounting.<br><br>Under the pooling of interest method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts after making changes for uniformity of accounting policies.<br><br>Under the purchase method, assets and liabilities are recorded either at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities on the basis of their fair values at the date of acquisition. | The Purchase method of accounting is required for all business combinations. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged.<br><br>Under APB Opinion No. 16, the pooling of interest method is required in respect of combination of entities under common control in a manner similar to Indian GAAP.<br><br>Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the next assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired. |
| Acquired Goodwill | Goodwill arising on amalgamation is amortised to income on systematic basis over its useful life, not exceeding five years unless a longer period can be justified (AS14). The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve.<br><br>Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment.<br><br>For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized.<br><br>Additionally, goodwill needs to be tested for impairment on annual basis, as required by AS 28 "Impairment of Assets". | Under SFAS No. 142, effective for fiscal years beginning after December 15, 2001, goodwill arising on new acquisitions and any unamortized balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level. |

| Particulars | Indian GAAP | U.S.GAAP |
|---|---|---|
| Impairment of assets | Applicable for accounting periods beginning from April 1, 2004 onwards.<br>The standard requires companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the assets. If the recoverable amount of an asset is less than its carrying amount, that carrying amount of the asset should be reduced to its recoverable amount. The reduction is reported as an impairment loss. | SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues.<br>SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell.<br>The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows. |
| Property, Plant and equipment | Fixed assets are recorded at historical costs or valued amounts.<br>On revaluation, an entire class of assets is revalued for selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets. | Revaluations are not permitted |
| Issuance and redemption costs for borrowings | Debt issuance costs may be amortized/ charged as an expense or charged to the Securities Premium Account.<br>Redemption premiums payable on the redemption of debt may be accrued over the life of the debt. | Debt issuance costs are treated as a deferred charge and amortized using the effective interest rate method over the life of the debt.<br>Redemption premiums are accrued as a yield adjustment over the life of the debt. |
| Foreign exchange | AS11 "The Effects of Changes in Foreign Exchanges Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalized.<br>With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement. | Under US GAAP gains or losses arising from foreign currency transaction are included in determining net income. Foreign exchange gains or losses are not included in interest cost.<br>For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. |

| Particulars | Indian GAAP | U.S.GAAP |
|---|---|---|
| Deferred taxation | Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates.<br>Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.<br>Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. | Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book basis of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment.<br>A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. |
| Proposed dividend | Proposed dividends are recognized in the financial statements in the period to which they relate, even if they are subject to shareholders' approval. | Dividends are recorded in the year of declaration |
| Vacation accrual | Vacation accrual, or leave encashment, is viewed as retirement entitlement and is generally reported at the actuarially determined present value of future benefits. | Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate. |
| Retirement benefits | The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used.<br>Expenditure incurred on voluntary retirement scheme may be deferred. | The liability for defined benefit retirement plans is reported at the present value of future benefits using the project unit credit method, with a stipulated method to determine assumptions.<br>Expenditure incurred on voluntary retirement scheme should be expensed in the period in which it is incurred. |
| Depreciation | Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter. | Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets. |
| Derivative financial instruments and hedging | The Guidance note on 'Accounting for Equity Index Options and Equity Stock Options' and the Guidance Note on 'Accounting for Equity Index Futures' are the pronouncements, which address the accounting for derivatives.<br>RBI Guidelines on Forward Rate Agreements /Interest Rate Swaps requires the transactions to be classified in to hedging and trading. The swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated | All, derivatives are required to be recognised as assets or liabilities in the balance sheet and measured at fair value. The accounting for changes in the fair value of a derivative (that is gain or losses) depends on the intended use of the derivative and the resulting designation. Derivatives based on the intended use are broadly classified into three classes' viz. Fair value hedge, Cash flow hedge and Foreign currency hedge. Gains and losses |

| Particulars | Indian GAAP | U.S.GAAP |
|---|---|---|
| | with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognised over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability.<br>Trading swaps should be marked to market with changes recorded in the income statement. Income and expenses relating to these swaps should be recognised on the settlement date. Gains or losses on the termination of trading swaps should be recorded as immediate expense or income. | on fair value hedges, for both the hedging instrument and the item being hedged, are recognised in the income statement.<br>Gains and losses on effective portion of cash flow hedges is initially reported as a component of other comprehensive and subsequently reclassified in to earnings when the forecasted transaction affects earnings. In case of hedging the foreign currency exposure of a net investment in a foreign operation, the same accounting treatment is given as in the case of Cash flow hedge.<br>The gains or losses on the ineffective portion of any hedge are written off as income or expense. Derivatives that are not designated as a hedging instrument, the gain or losses is recognised in earnings in the period of change. |
| Off-balance sheet items | There is no specific guidance on the accounting and reporting for off-balance sheet items. Commitments and contingencies are required to be disclosed. | SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed. |
| Fair values of financial instruments | There is no requirement to disclose the fair value of financial instruments. | Extensive disclosures are required of the fair values of financial instruments and the methodologies of determining fair values. |
| Segment Reporting | Requirement is to report Primary and Secondary (business and geographic) segments based on risk and returns and internal reporting structure. | Requirement is to report segments based as classes of business and geographical areas. |

# 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 March 31, 2005.

(Rs. in million)

| Particulars | As on March 31, 2005 |
|---|---|
| Claims against the Bank not acknowledged as debts | 688.74 |
| Disputed Income Tax demands under Appeal/Reference etc. | 2,779.75 |
| Liability for partly paid investments | 302.75 |
| Liability on account of outstanding forward exchange contracts | 307,275.32 |
| Guarantees given on behalf of Constituents | 19,025.61 |
| Acceptances, endorsements and other obligations | 20,808.64 |
| Other items for which the Bank is contingently liable | 13,599.15 |
| **Total** | **364,479.96** |

***Cases Against The Bank***

*Criminal Cases*

1. The Delhi Development Authority (DDA) filed a criminal complaint (CC No.441/1994) in the Court of Metropolitan Magistrate on June 23, 1994 against B.L. Chadha, the then Chairman and Managing Director of the Bank, Deputy General Manager and the Chief Manager alleging that they had put to use the building at E-355, Nirman Vihar, Delhi to a non-conforming use by operating a branch of the Bank in a residential area thereby committing an offence under the Delhi Development Act, 1957. The Bank has filed an application (No. CRL.MISC.MAIN No.3306 of 1994) before the Delhi High Court praying for quashing the complaint. The Bank has also prayed that, in the light of the Supreme Court direction in CA No.107/1991 whereunder the DDA proceeded against the Punjab National Bank on a similar ground and wherein the Supreme Court ordered the Government of Delhi to constitute an appropriate committee to look into the non-conforming use. Based on such direction, the Supreme Court also stayed the prosecution initiated by the DDA against Allahabad Bank on the same grounds. The matter is pending before the Delhi High Court.

2. One M. Sivadasan filed a criminal complaint (CC No.2/1996) before the Ist Class Judicial Magistrate, Kozhikhode against the Manager of the Calicut Branch of the Bank on October 14, 1994. The complainant was the lessee of a locker at the said Branch of the Bank and on October 13, 1993 when he tried to operate the said locker, the same could not be opened even after the Bank tried to get the locker opened by a mechanic. Thereafter, the complainant filed a complaint and the Ist Class Judicial Magistrate, Kozhikhode ordered the police to break open the locker. Upon doing the same, the locker was found empty and the complainant filed a complaint with the Ist Class Judicial Magistrate alleging misconduct and malafide action in relation to the ornaments worth Rs. 100,000 which were purportedly kept inside the locker. The Magistrate quashed this complaint through an order dated August 4, 2000. Against this, the complainant preferred a criminal revision petition (CRP 1040/2000) in the High Court of Kerala which is waiting to be listed.

3. A criminal complaint (CC 77/98) has been filed by K. C. Chowdappa against the Branch Manager, Cudappah Branch, Divisional Manager, Cudappah and the then Chairman and Managing Director, Dr. N.K. Thingalaya in the Court of Ist Additional Munsif Magistrate Cudappah on May 19, 1997. The complainant is a director of Rayalseema Roller Flour Mills Private Limited (Rayalseema Roller). The third accused was also the Chairman of the District Level Inter Institutional Committee (DLIIC) which is constituted by the RBI to rehabilitate sick small-scale industries in the Cudappah district. The Bank is the lead bank for the Cudappah region under the Lead Bank Scheme promulgated by the RBI whereunder the Banks duty includes rehabilitation of sick units in the region. Rayalseema Roller was a sick unit and the Bank was the banker to the complainant. The complainant contended that by failing to recognize it as a sick unit, the Bank has caused loss of benefits to Rayalseema Roller thereby committing an offence under Sections 427, 418 and 420 of the Indian Penal Code, 1860 (IPC). Against this, the accused filed a revision petition (CRLP 4341/1998) dated June 6, 2002 wherein the High Court of Andhra Pradesh squashed the criminal proceedings against the Branch Manager, Cudappah Branch and the Chairman and Managing Director but not the Divisional Manager, Cudappah. Against this, a

special leave petition (SLP CRL. No.4632/2002) was preferred before the Supreme Court which stayed the proceedings ordered by the High Court by its order dated July 25, 2003. Pursuant to a settlement with the Bank, the complainant has filed an affidavit with the Supreme Court in the said special leave petition on February 14, 2005 indicating that he would not be interested in pursuing the matter further. However, no final orders have been issued by the Supreme Court in the said matter.

4. A criminal complaint (Crime No.722/92) has been filed by Rukmini Devi against the Manager of the Agra Branch alleging offences under Section 354 IPC and under the Scheduled Castes and the Scheduled Tribes Prevention of Atrocities Act, 1989 on September 26, 1992. Based on the complaint, the police registered a case (Case No. 722/92) with the Additional District and Sessions Judge, Agra and filed the chargesheet. Prior to the filing of the said chargesheet, the accused approached the Allahabad High Court through a writ petition (WP 37036/92) for preventing arrest and a petition (Crl. Misc. Petition No.843/1993) praying for quashing the proceedings. The proceedings were stayed and final orders are pending. The accused Manager has taken voluntary retirement in 2001 and is no longer an employee of Bank.

5. A criminal complaint has been filed by one Sanjay Jain, the Trustee of Rai Bahadur Makhanlal Dharmashala with the Police Station at Rewari, Haryana on November 24, 1997 against the Manager, Rewari Branch (as on May 29, 1996), the present Manager of the Rewari Branch, the Chief Manager of the Bank, Assistant General Manager of the Bank and one Parjan Kumar Jain. The allegation is that the aforenamed employees of the Bank have, inspite of knowing that a forged trust deed was presented to them, entered into a lease of certain trust property and continued to enjoy the said property despite legal notice for vacation of the same by the complainant. The complainant also alleges that the funds in the account of the Trust, which account was maintained with the Bank, were mishandled and that the said employees were guilty of abetting breach of trust committed by other conspirator, being ex-trustees of the Trust. He has alleged offences under Sections 120B, 409, 420 of the IPC. The matter has been taken up by First Class Judicial Magistrate, Rewari and summons were issued on August 7, 1998. The matter is still pending.

6. A criminal complaint (CC 80/98) has been filed by Pratap Mishra in the Court of Judicial Magistrate, Darbhanga on January 23, 1998 against the Manager, Darbhanga Branch and the Cashier, Darbhanga Branch for not accepting smaller denomination and for the use of force for removing the complainant from the branch premises by abusing him. He has filed the complaint under Sections 323, 341,342, 501 and 504 IPC and Section 36 AD (1) (c) of the Banking Regulation Act, 1949. The matter is posted to be heard on May 15, 2005.

7. Biswanath Mukhopadyay, an ex-employee has filed a criminal complaint (CC 4683/2002) against Michael Bastian, the then CMD of the Bank and other officers in the Court of Metropolitan Magistrate, 4th Court, Calcutta on November 8, 2002. The complainant had applied for retirement under the Voluntary Retirement Scheme of the Bank. This request was rejected but he was allowed by an order of the Calcutta High Court dated March 3, 2002 to avail of VRS. Subsequently, he has filed a criminal complaint stating that Michael P. Bastian and the others be charged under Sections 193 and 209 of the IPC for filing a false affidavit on oath and therefore depriving him of his legal rights. Subsequently, the concerned officers have filed a revision petition (CRP No.1696/03) before the Calcutta High Court stating that the Metropolitan Magistrate should not have taken cognizance of the complaint due to violation of Section 195 (b) (i) of the Criminal Procedure Code (CrPC) as the complainant ought to have taken leave under Section 340 of the CrPC from the Calcutta High court. The officers have prayed that the High Court show cause the Chief Metropolitan Magistrate as also the complainant as to why the criminal complaint should not be quashed. In his reply, the complainant has stated that the permission was not required of the High Court since the officers are not public officers/servants. In its interim order dated November 4, 2003, the High Court has granted an interim stay on the proceedings before the Metropolitan Magistrate. However, no final orders have been passed in this case.

8. A criminal miscellaneous petition (CMP No.2324/2003) has been filed by Shankaranarayana Bhat against A Sathyanarayana Bhat, Manager, Badiadka branch, before the Chief Judicial Magistrate, Kasargod, Kerala on March 19, 2003 alleging offences under Sections 405, 406 and 409 of IPC. The accused was authorized to collect the complainant’s pension. The complainant, who held a savings bank account had authorized the accused to adjust the pension amount towards loan number 3/2000 till it got closed on December 3, 2002. The complainant alleged that even after closure, the accused dishonestly deducted Rs. 710 each on January 1, 2003, February 3, 2003 and on March 3, 2003. The complainant contended that although the accused rectified the reduction made on March 3, 2003, he did not do so for the other reductions and that the said reductions were made towards payment of another loan FL 64/97. The Judge, vide order dated June 29, 2004, dismissed the complaint, stating that the complainant admitted having taken another loan. Therefore, there was no dishonest misappropriation and criminal breach of trust. Also, the complainant did not produce a copy of the authorization letter stating that the pension amount was to be adjusted only towards one loan. The complainant has filed an appeal against the same.

9. A criminal case has been filed by V. Muthulakshmi against A. Vanniaperumal, Assistant General Manager and others in the Court of the 7th Metropolitan Magistrate Court, George Town, Chennai on November 29, 2004 for return of title deeds that had been deposited as collateral for repayment of a loan taken by M Balasubramaniam, husband of the complainant. The complainant alleged that the title deeds have not been returned inspite of settlement of the dues. The case is still pending.

10. Chirag Uttamchand Jain has filed a complaint (Case No.1727/Misc of 2001) against the then Branch Manager of Kalbadevi Branch, Mumbai and others under Sections 405 and 409 read with Section 120B of the IPC in the Court of the Metropolitan Magistrate, 28th Court, Esplanade, Mumbai on December 24, 2001. The complaint was in respect of a Vikash Cash Certificate held jointly in the name of Indrakumar Shah, also an accused, and the complainant with the branch. There was a dispute among the depositors and the Branch Manager favoured Shah and the proceeds on maturity were paid to Shah. The complainant has challenged the payment and has alleged that the Manager acted in collusion with Indrakumar Shah. In its reply, the Bank said that it addressed a letter upon maturity of the deposit stating that they would refund the maturity proceeds to either the complainant or Shah on producing a deposit receipt. The complainant has prayed that process be issued against accused. The matter came up for hearing on April 2, 2005 and it has been adjourned to May 16, 2005.

11. T. Satyanarayana has filed a criminal complaint (CFR 5670/2001in Cr.No.199/01 of Pattabhipuram) against R.S.R.Prasad, the then Branch Manager, Brodipet, and others for offences under Sections 406, 409, 420 and 426 of the IPC in the Court of 7th Additional Munsif Magistrate, Guntur, Andhra Pradesh on October 19, 2001. The complainant had taken a loan of Rs. 1,500,000 on November 14, 1994. As he could not repay, the Bank raised a demand of Rs. 1,542,257.25, which was repaid by the complainant on September 19, 2001. However, the title deeds, deposited as security on obtaining the loan, were not returned as the Bank said they were not traceable. The court said there was no criminal breach of trust as there was no dishonest intention on part of the Bank officials and that the accused have not intentionally misplaced the documents. The court dismissed the case. The complainant has filed a criminal revision petition (No. 1058/2002) against the same and the same is yet to be listed for hearing.

12. A criminal complaint (C.C. No.259/2002) has been filed by Lajpat D Lakhani against S. Shivaraman, then Branch Manager of the Ulhasnagar Branch and Lalit Shah in the Court of Judicial Magistrate First Class, Ulhasnagar on March 17, 2002. The complainant alleged that he was fraudulently induced by accused to take a loan of Rs. 43,600 for purchase of consumer durables. He contended that Lalit Shah did not supply the durables to him. The High Court, vide order dated August 13, 2002 (in Criminal Application. No.2569/2002) granted anticipatory bail to Shivaraman. The matter is still pending in the Magistrate's Court.

*Civil Cases*

1. One Sreegopal Modi has filed a title suit (Title Suit 45/2002) in the Court of Civil Judge, Senior Division at Alipore against the Circus Avenue Branch of the Bank at Calcutta on July 18, 2002. The plaintiff carried on the business of export of fabrics under a sole proprietorship in the name of Exim Trade Corporation and maintained a current account at the said branch. The plaintiff requested the Bank for the grant of packing credit facilities and post-shipment credit for an aggregate amount of Rs. 18,500,000 which were to be secured by fixed deposits of the plaintiff for an amount of Rs. 3,695,960. The plaintiff has filed the present suit challenging the interest imposed on the loans by the Bank as the same was allegedly more than what was agreed to. Further, in October, 1999, the Bank debited an amount of Rs. 580,512.90 p. from the plaintiff's account and thereafter, froze the account of the plaintiff. The plaintiff has prayed that the court issue orders declaring that no dues are payable by the plaintiff after enforcement of securities by the Bank and that the Bank is liable to pay an amount of Rs. 20,580,512.90 p. towards losses suffered by the plaintiff on account of freezing of its account. The matter is still pending.

2. Spectral Services Private Limited has filed a suit in the Delhi High Court (Suit No.1795/2000) against one Jeet Singh wherein it has impleaded the Khan Market Branch of the Bank on April 6, 2000. The facts are that Jeet Singh was employed with the plaintiff as an accountant and was in-charge of depositing its cheques in the account of the plaintiff with the Bank. The employee unauthorisedly withdrew amounts by way of forged cheques for an aggregate amount of Rs. 2,851,309 and fabricated the accounts of the plaintiff. The Bank has been alleged with collusion or negligence for clearing the forged cheques as a result of which the Bank is jointly and severally liable to pay the said amount with interest of Rs. 1,300,691 aggregating to Rs. 4,152,000. The matter stands adjourned to July 4, 2005.

3. Punjab and Sind Bank filed a suit (Suit No.243 of 1981) on March 30, 1981 in the Calcutta High Court against RBI, the Bank, Vinodh Kumar and Company, Purushottamdas Bhiwaniwala, Dubrajpur Rice Mills (P) Limited and Central Manbhum Coal Company (P) Limited. The plaintiff was the holder in due course of 21/2% Bihar Zamindari Abolition Compensation Bonds of the total face value of Rs. 14,860,000 issued by the State of Bihar on April 1973 which bonds were repayable in 40 annual instalments on April 1 of each year. Out of the said bonds, bonds worth Rs. 9,632,000 were held by Dubrajpur Rice Mills (P) Limited and the remaining bonds worth Rs. 5,228,000 were held by Central Manbhum Coal Company (P) Limited. The said bonds, which were issued by the RBI, were purchased by the plaintiff from the Bank who was an approved broker of the RBI and were delivered through Purushottamdas Bhiwaniwala, a correspondent of Vinodh Kumar and Company through the Bank's Gariahat Branch at Kolkatta. The plaintiff alleged that by such sale, the Bank represented that Dubrajpur Rice Mills (P) Limited (D5) and Central Manbhum Coal Company (P) Limited were entitled to sell the said bonds and that the plaintiff would enjoy quiet possession of the same. Four instalments were received and the plaintiff thereafter lodged the said bonds with the RBI for enfacement in its favour and payment of the fifth instalment. The RBI thereafter, as per the contentions of the plaintiff failed to provide payment on the said bonds from 1978–1980 and refused to return the bonds. The plaintiff has therefore filed this suit praying for

- declaration that it is entitled to the enfacement of the bonds in its favour;
- mandatory injunctions for such enfacement against the RBI;
- decree for Rs. 2,799,630.50p towards the fifth, sixth and seventh installments of the Bonds; and
- Injunction refraining the Bank, Dubrajpur Rice Mills (P) Limited and Central Manbhum Coal Company (P) Limited to make any dealings in the accounts of Dubrajpur Rice Mills (P) Limited and Central Manbhum Coal Company (P) Limited with the Bank except where the same are towards payments to the plaintiff.

The Bank filed its written statement in December 1981 refuting that it endorsed the sale of the bonds in any manner and that it did not represent to the plaintiff in relation to the bonds and denied that the plaintiff had any claims against it. The Bank also contended that the suit was bad for the misjoinder of parties. The plaintiff filed another suit before the same court (Suit No.409/81) on June 1, 1981 in which the averments made were the same as the earlier suit but the only difference was that State of Bihar was impleaded as a defendant. In response, the Bank filed its written statement on December 15, 1981 on the same grounds. Both the matters have still not been listed for hearing and are still pending.

4. Al Mustaneer Establishment for Trade, a company incorporated under the laws of Saudi Arabia filed a suit (Suit No. 688/81) against Varuna Overseas (P) Limited, four of it's directors, one of its officers, Kupal Material and Metal (P) Limited, eight of its directors, Amphora Marine Consultants (P) Limited, one of it's officers and the Delhi Branch at Connaught Place, Delhi and the Registered Office of the Bank in the High Court of Delhi on May 30, 1981. The facts are that the plaintiff placed two orders for the purchase of 2000 M.T of M.S Round Bars with Varuna Overseas on the terms that payments would be made through letters of credit which would be valid till March 13, 1979. However, based on negotiations between the plaintiff and Varuna Overseas, the validity period of the letters of credit was extended to May 25, 1979 and the said letters of credit were transferred in favour of Kupal Material. One of the conditions for such extension as requested by the plaintiff was that a 10% performance guarantee for Rs. 207,000 performance guarantee was to be provided by the Delhi Branch at C.P. The letters of credit were presented through the Delhi Branch and payment was credited to Kupal Material's account. However, the order was never realised by the plaintiff while the payment on letters of credit had already been made. Aggrieved by the same, the plaintiff filed this suit alleging fabrication of documents by Varuna Overseas and Kupal Materials and it's officers for realising the letters of credit. The Bank was implicated as a party based on the plaintiff's allegation that the Bank had failed to scrutinize the documents and had rejected to make inquiries about the genuineness of the documents presented and had thereby colluded with the other defendants. The Delhi High Court through its order dated February 13, 1998 ordered all the defendants including the Bank to jointly and severally pay Rs. 3,157,322.57 to the plaintiff. Further, the Bank was also ordered to pay Rs. 308,440 with interest at 18% per annum towards the guarantee. Against this order, the Bank appealed (RPA 87/98) to the Division Bench of the Delhi High Court on March 23, 1998 for setting aside the said decree and also moved an application for the stay of the decree. The court by an order dated October 8, 1998 stayed the decree against the Bank for the payment of Rs. 3,157,322.57p but ordered the Bank to deposit the amount of Rs. 308,440. The appeal is awaiting hearing on arguments.

5. The Exim Bank filed an application (OA No.476/2000) against the Bank in the Bombay High Court for an amount of Rs. 125,519,507 plus interest on February 4, 2000. The facts of the case are that the Bank provided a project finance facility to Maker Development Services Limited (MDS) for construction of housing units in Iraq. MDS was granted a dollar loan facility pursuant to a consortium between the plaintiff, Canara Bank and the London Branch of the Bank against overseas borrowing guarantees provided by the Nariman Point Branch of the Bank in which guarantees EXIM had assumed a risk participation of 36.81%. As MDS was not in a position to service the interest on the loans owing to the US embargo on Iraq at that point of time which prevented it from accessing its accounts in Iraq, it was decided by the working group comprising RBI, ECGC, the Bank and the plaintiff to remit interest from India. Towards this non-wage loans were granted by Bank to MDS and in these loans, risk participation of the plaintiff was 36.81%. The loans were repayable on April 1, 1996. The plaintiff also granted a 100% refinance for the said loans to the Bank which would be repayable by the Bank to the plaintiff on April 1, 1996. Owing to the US embargo and the delay in payments faced by the bankers to MDS, the RBI stepped into the picture and issued bonds to the Bank in lieu of the moneys due to it by MDS. The Bank was issued bonds to the extent of Rs. 710.1 million. When the Bank was making the repayment to the plaintiff of its refinance facility, it deducted the risk participation amount of the plaintiff. Aggrieved, the plaintiff filed the present suit claiming the deducted amount with interest. The Bank refuted the claims of the plaintiff through its written statement. The matter is still pending and no orders have been passed.

6. The State Bank of India filed a suit for recovery (SPC Suit No. 78/2002) before the Civil Judge at Jamnagar against G. Swaminathan Nair, sole proprietor of Industrial Sales Corporation, Pravin Balakrishna, sole proprietor of Mecotee Engineers and Contractors and the Bank on April 9, 2002. Pravin Balakrishna introduced G. Swaminathan Nair to the Bank who opened a current account with the Bank based on such introduction. G. Swaminathan Nair then deposited twenty eight demand drafts with the Bank amounting to Rs. 4,057,800 in the plaintiff's name against which the Bank made the payment. The plaintiff based on information received by it from its Patna Branch came to know that the said demand drafts were stolen and thereafter, it instituted the present

suit for recovery of money aggregating to Rs. 5,919,939 from the defendants jointly and severally. The plaintiff impleaded the Bank alleging collusion or negligence in collecting amounts against the said demand drafts. The Bank in its written statement dated January 16, 2003 contending that it had complied with relevant banking practice and as all due care was taken by it, the said suit against it be dismissed. The matter is still pending.

7. The Allahabad Bank filed a petition (TA 300/1997-DRT-I) before the Debt Recovery Tribunal (DRT), Chennai against the Bank, Mangalore Chemicals and Fertilizers Limited (Mangalore Chemicals) and Dhanalakshmi Consolidated Industries Limited (Dhanalakshmi Consolidated) on September 29, 1993. The facts of the case are that the Bank had guaranteed payment by Dhanalakshmi Consolidated of monies owed by the latter to Mangalore Chemicals for an amount Rs. 37.5 million. The said guarantee was assigned by Dhanalakshmi Consolidated to the plaintiff. Upon a default by Mangalore Chemicals, the plaintiff filed the present suit in the Chennai High Court which was transferred to the DRT. The DRT through an interim order (IA 524/1997 in TA 300/1997) dated February 18, 2003 ordered the Bank to deposit Rs. 37.5 million with interest. The Bank appealed to the Debt Recovery Appellate Tribunal (MA 67/2003) and the Debt Recovery Appellate Tribunal on September 10, 2003 rejected the appeal. The Recovery Officer through its letter DRC 120/2003 dated September 16, 2003 directed the RBI to deduct a sum of Rs. 314.7 million from the credit balance available with it and debit the same to the plaintiff's account. Against this order, the Bank filed a writ petition (WP 27126/2003) before the Chennai High Court which set aside the interim decree and ordered the Bank to deposit Rs. 50 million. The Bank filed a petition (WPMP 29159 in WP 27126/2003) requesting the Chennai High Court to stay the proceedings in the TA 300/1997-DRT-I as the said matter was referred to the Committee of Disputes constituted by the MoF and the said prayer was granted. The order by the Committee of Disputes is awaited.

8. Pan Pipes Resplendents Limited has filed a suit (Special Civil Suit No.65/2001) in the Court of Civil Judge (Senior Division), Vadodara on January 22, 2001 wherein it has sought a decree for Rs. 43,400,000 against the Bank. The plaintiff was sanctioned credit facilities by the State Bank of Saurashtra (SBS) and the Bank. Earlier, it had credit facilities at Oriental Bank of Commerce (OBC) and IDBI. SBS vide letter dated March 10, 1998 sanctioned a working capital of Rs. 37.00 million. However, the plaintiff alleges that the funds were not released till March 1999. The funds that were eventually released were used to partly pay off OBC to the extent of Rs. 23.00 million. However, the plaintiff contended that due to the delay in release of funds, it lost business and suffered increased interest burden. The plaintiff has alleged that SBS also agreed to be a consortium lender having 60% share with the Bank having the balance 40%. The main allegation against the Bank is non-release of funds. The Bank, in its written statement, has said that it could only release the funds after the consent letter from the SBS was received to form the consortium. It also stated that the plaintiff has not executed any individual documents. Further, the Bank has stated that there was no debtor creditor relationship between the plaintiff and the Bank. The matter is pending before the court and it is posted for hearing.

9. Utpal D. Patel has filed a civil suit (Civil Suit No.784/2001) before the Civil Judge, Vadodara on October 6, 2001, seeking a decree of Rs. 2,988,787.20 along with interest at 18% per annum and also seeking to restrain the Bank or any of its employees from terminating the lease. The plaintiff and the Bank entered into a lease agreement dated September 8, 1989 for ten years. The plaintiff alleged that since the Bank did not give 3 months notice for terminating the lease before the expiry of the lease period, the lease automatically stood renewed for ten years. He has alleged that the Bank continued to occupy the premises without giving any notice. Therefore, the plaintiff has claimed the aforesaid amount as rent for the unexpired period. The matter is still pending in the court.

10. Aqua Bakers have filed an appeal (First Appeal No.52 of 1997) before the High Court of Mumbai at Panaji, against the judgement and decree of the Court of Civil Judge, Senior Division at Vasco Da Gama (in Special Civil Suit No.4/90) dated December 30, 1996. Aqua Bakers had a bread plant and requested the Bank for a working capital facility of Rs. 100,000 which was sanctioned. When the appellant made a proposal for increasing the limit up to Rs. 300,000, it was refused. It was given working capital finance to the tune of Rs. 525,000 by Canara Bank subject to the Bank giving a No Objection Certificate. This was however, not provided by the Bank. Therefore, the plant shut down. Later, the Bank agreed to a proposal to provide fresh working capital from which it later withdrew. Aggrieved by the same, the appellant filed a suit against the Bank and its officers praying that the Bank be directed to prepare a scheme of rehabilitation and not recover any amounts. Also in the event rehabilitation was not ordered, the Bank should pay Rs. 4,292,000 as damages with interest at 18% p.a ( since the Bank is responsible for closure of the plant as it did not provide the no-objection certificate). The trial court answered all these questions in the negative and Aqua Traders has filed an appeal against the same. The appellant has filed an application dated July 9, 2004, requesting the court to record the compromise settlement between the parties and seeking permission to withdraw the case.

11. Rastriya Banijya Bank has filed seven suits against the Bank and others in the High Court of Mumbai (O.S No. 2263/88, 2664/88, 2665/88, 2777/88, 2778/88, 2779/88 and 2180/88) with the claim amounts being Rs. 1,445,378.74, Rs. 455,490.77, Rs. 229,502.52, Rs. 1,633,344.08, Rs. 357,778.43, Rs. 394,976.49 and Rs. 266,913.52 respectively on May 9, 1988. The plaintiff opened a letter of credit No.KTM/IND/22/157 dated May 11, 1987 in favour of the other defendants for Rs. 1,500,000. The Bank was the banker to one of such letters of credit and it has been accused of wrongfully recovering the amount from the plaintiff even though the documents negotiated under the said letter of credit were rejected by the plaintiff due to discrepancies. The plaintiff has sought to

recover the above – mentioned amounts. The Bank has filed its claiming that that the plaintiff has already recovered the amount paid under the letter of credit from the other defendants. The Bank has also stated that there was no discrepancy in the documents. The suit is still pending before the High Court of Mumbai.

12. Orissa State Civil Supplies Corporation has filed money suits (M.S. No.67/2001 and 68/2001) against the Branch Manager, Vanivihar Branch, Bhubaneshwar in the Court of the Civil Judge (Senior Division), Bhubaneshwar on March 30, 2001 alleging that a total sum of Rs. 23,297,000 credited to him was kept as a 'call deposit' instead of being put in his current account and he has claimed interest available on call deposits at 17% per annum, i.e., amounting to Rs. 7,591,189 out of which the Bank has paid Rs. 2,524,499. The plaintiff is demanding the balance Rs. 5,066,691. In the other money suit (M.S. No.68/2001), the plaintiff has claimed that amounts credited to various branches of the Bank were not credited to the plaintiff's Vanivihar Branch at Bhubaneshwar within stipulated time. As a result, the plaintiff has alleged that the essential food grains and other commodities that the plaintiff buys could only be released after the plaintiff got funds from other sources. Therefore, the plaintiff has claimed interest at 18% per annum for that delayed period of payment amounting to Rs. 5,004,521.73. The Bank has denied all the allegations made by the plaintiff. The cases are posted for hearing before the Court and the plaintiff has sought adjournment for combining the two suits and filing a fresh consolidated plaint.

13. K P C Limited has filed a suit (OS No.8993/1997) against the Bank in the Court of the City Civil Judge, Bangalore on December 5, 1997. As per the plaintiff, it entered into a 'weight on coal' arrangement with the Railways whereby the Railways would supply coal to the plaintiff which would pay the amount to the Railways within ten days of the bill being raised, failing which, a surcharge of 10% would be levied. The plaintiff has contended that the Bank consented to act on behalf of the plaintiff to make such payments. However, the plaintiff alleges that on three instances, the defendant did not make the payment on time leading to surcharge being levied. Therefore, the plaintiff has prayed that the Court direct the defendant to pay Rs. 18,083,197 (i.e., surcharge with penal interest of 8% on delay in payment of surcharge with interest of 18% per annum). In its written statement, the Bank has stated that it has not seen any contract/arrangement between the Railways and the plaintiff. It further states that it merely acted as a facilitator for payment of the bills and was not aware of its obligation to pay the Bill within ten days. Therefore, the Bank claimed that it was not liable to pay any surcharge. The Bank has said that liability for any delayed payment should fall upon the plaintiff in terms of the 'weight on coal' arrangement. The matter is still pending before the court.

14. Nucleus Securities Limited has filed a suit (Summary Suit no.1219 of 1997) against the Bank in the High Court of Bombay on February 21, 1997. The plaintiff is a full-fledged money changer which issued travellers' cheques to eight passengers, in consideration of eight pay orders of Rs. 634,000 each aggregating to Rs. 5,072,000. The pay orders were returned unpaid due to directions of Directorate of Revenue Intelligence (DRI). The plaintiff has alleged that the liability of the Bank to honour the pay orders was absolute and unconditional and not affected by any oral instruction from the DRI. Therefore, the plaintiffs have demanded that the Bank pay Rs. 5,072,000 along with interest at the rate of 18% per annum. The Bank in its written statement has stated that the contention of the plaintiffs that the Bank cannot stop payment on the instructions of the DRI is contrary to the provisions of Sections 110(1) and 110(3) of the Customs Act, 1962. The matter is still pending in the High Court of Bombay.

15. India Exports Corporation Limited and others have filed a civil suit (S No.1971 of 2003) against the Bank in the High Court of Delhi on November 15, 2003. The plaintiffs were granted an overdraft facility of Rs. 950,000 for their rice business for one year till August 31, 2001. The facility could be extended further on fulfilment of certain terms and conditions. The plaintiffs have alleged that the Bank stopped cash withdrawals as part of the over draft facility thereby causing huge financial loss to the plaintiffs as they could not pay for the rice. Further, the plaintiffs have alleged that even though they had fulfilled all the terms and conditions, the over draft facility was not renewed. Therefore, the plaintiff have prayed that the Court grant a decree of Rs. 2.50 million in its favour and restrain the Bank from recovering Rs. 120,000 taken as part of the over draft facility and/or sell the plaintiffs property mortgaged as collateral for the over draft facility. The matter is still pending in the High Court of Delhi.

16. Jeevanlal (1929) Limited has instituted a suit (C.S. No. 241 of 2000) in the High Court of Calcutta against the Bank on March 1, 2000. The plaintiff has alleged that the Bank was its tenant and in possession of all four floors at "Crown Aluminium House, Biplabi Trailokya Maharaj Sarani, Calcutta – 700001" since April 1985. The plaintiff has contended that vide notice dated November 2, 1999, the Bank renewed tenancy for ground and first floor but gave up occupation of second and third floors. However, the plaintiff alleged that the Bank has not given up occupation of the aforesaid floors yet. Further, the plaintiff has alleged that the Bank has not paid (i) rent on the exact plinth area; (ii) common expenses for maintenance of the Building; (iii) mesne profits since June 2000; and (iv) its liability towards 20.25% of the municipal corporation tax payable to the Calcutta Municipal Corporation. Therefore, the plaintiff has prayed for possession of the aforesaid premises and eviction of the Bank along with mesne profits at the rate of Rs. 29,000 per diem from June 1, 2000, a decree for Rs. 16,883,439 towards payment of rent and common expenses, Rs. 27,137,893.25 towards payment of municipal corporation tax. In its reply, the Bank has stated that no document was executed for the arrangement stipulating tenancy. Therefore, it is not bound to pay any outgoings towards municipal taxes, etc. Further, the Bank has stated that the parties had decided to undertake joint measurement of the property and until then, the area of the property would be considered as 10,000 sq. feet. The Bank has further claimed that the actual area of the property was 9,370.40 sq. feet and that this measurement was accepted by the plaintiff. The matter is still pending before the High Court.

*Employment Matters*

1. T. M. Babu Rajendran, who was the Assistant Manager of the Kayamkulam Branch, Kerala has filed a writ petition (O.P. No.13183 of 1992) before the Kerala High Court on February 25, 1992. The petitioner was also the Joint-Custodian of Safes at the said branch and during his tenure the Bank charged him with violation of relevant regulations of the Bank Officer Employees' (Conduct) Regulations, 1976 as he had fraudulently removed security that he had pledged for obtaining jewel loans without remitting the underlying loan. His removal was pursuant to a formal inquiry by the Bank. Aggrieved by the said enquiry, he approached the High Court by the present writ praying for quashing of the enquiry proceedings and reinstatement with consequential benefit. The High Court through its order dated July 20, 1998 dismissed the said petition. Against the order of the High Court, the petitioner filed a writ appeal before the Division Bench on August 26, 1998 praying that the said order of the High Court be set aside. The said appeal has not been listed for hearing yet.

2. C. K. Ambikasuthan was employed with the Bank as the Branch Manager, Mayyil between November 14, 1982 and March 26, 1987. During his tenure, the Special Judge, SPE/CBI–II convicted him for fraudulently utilizing the Bank's fund for repayment of his personal debt. The order by the Special Judge was appealed against by the petitioner in the High Court of Kerala which rejected his appeal and reaffirmed the punishment of one year imprisonment and a fine of Rs. 30,000 imposed by the Special Judge. Thereafter, he was dismissed by the Bank on June 26, 1990 against which he appealed to the appellate authorities and finally on May 7, 1997, the Bank reaffirmed the dismissal of service of the petitioner. The petitioner, aggrieved by this order, filed a writ petition (OP No.17222 of 1997) in the High Court of Kerala on August 16, 1997 praying that the order of dismissal be quashed and for the relief of reinstatement with consequential benefits. The Bank filed a counter to the same on December 26, 1997 praying for dismissal of the applicant's petition. The matter is still pending and has not been listed for hearing.

3. Karan Singh Kardam filed a writ petition (C.W.No.948 of 1991) against the Bank and others including the Union of India in the High Court of Delhi on March 20, 1991. The petitioner was employed with the Bank but on July 4, 1989, pursuant to an enquiry carried out by the Personnel Manager, the Assistant General Manager (AGM) dismissed him from service. The charges against him related to wrong credit to his personal bank accounts. The petitioner filed the writ petition challenging this order. The petitioner has alleged that the AGM did not pass a reasoned order and that copies of the documents on the basis of which he was dismissed were not provided to him. He has also contended that he was not allowed to properly present his case before the AGM. This, he alleged was a violation of the Bank Officers Employee (Conduct) Regulations 1976. He alleged that he was not given a copy of the chargesheet and the supporting documents. The Bank denied all the aforementioned charges of the petitioner. The petitioner has prayed that his services be reinstated along with all back wages. The matter is pending before the High Court of Delhi for hearing.

4. Narendra Kumar Parwanda filed a writ petition (Writ Petition (Civil) No.766 of 1996) against the Union of India and the then CMD of the Bank in the High Court of Delhi on February 9, 1996 seeking directions to quash letters of the Bank dated September 25, 1995 and January 15, 1996. The petitioner has also prayed that the Court declare that the petitioner is deemed to have retired from service voluntarily on medical grounds with effect from September 25, 1995 and grant pension and pay all retirement and other benefits after treating the period between April 11, 1993 and September 25, 1995 as extra-ordinary leave on medical grounds. The petitioner contended that he submitted his resignation on June 18, 1993 on medical grounds, which was not accepted. Therefore, vide letter dated January 6, 1994, he sought voluntary retirement on medical grounds. He alleges that vide letter dated August 31, 1994 from the Bank however, the petitioner was asked to join service immediately. Further, he contends that he was informed on November 8, 1994 by the Chief Manager, Hauz Khas Branch that he can opt for voluntary retirement on medical grounds. However, the petitioner alleges that he was informed on September 25, 1995 that he ceased to be an employee of the Bank, retrospectively with effect from April 10, 1993. The Bank, in its reply has stated that the petitioner ceased to be employee with effect from July 10, 1993, i.e., on expiry of three months after his resignation letter dated April 10, 1993. Therefore, the petitioner has no legal right. The Bank has also stated that they have never rejected the petitioner's resignation. The matter is listed for hearing.

*Suits for Eviction*

1. An eviction suit (O.S. No.791/1996) has been filed by Kumar Daryanani alias Kumar Chellara on April 1, 1996 praying for the eviction of the Bank from ground floor of the premises No.8-2-461 to 464, Road No.4, Banjara Hills, Hyderabad which were owned by the plaintiff. The Bank was the plaintiff's tenant for ten years which tenancy as per the plaintiff came to an end on January 31, 1996 whereafter despite notice, the Bank did not vacate the said premises. Aggrieved, the plaintiff filed the present suit before the IV Senior Civil Judge, City Civil Court at Hyderabad praying for the reliefs of vacation of the premises by the Bank and payment of Rs. 70,000 as damages and mesne profits and Rs. 35,000 per month from date of suit to date of delivery of premises as future mesne profits. During the pendency of the said proceedings, the plaintiff sold the premises in question to B. Girija Pathi Reddy, I. Sudhakar Reddy and B. Umapathy Reddy on May 22, 2002. It was agreed by the plaintiff that the said buyers would be entitled to the benefits of the present suit. The Court through its order dated April 4, 2003 ordered the Bank to vacate the said premises within three months and the Bank challenged the same by a petition (CCA No. 210 of 2003) before the Andhra Pradesh High

Court. The Bank simultaneously moved a petition (CMP 13851 of 2003) requesting that the eviction as ordered by the Court be extended for a period of three years which was granted by the Andhra Pradesh High Court by an order dated July 1, 2003. On August 29, 2003, I. Sudhakar Reddy moved an application (IA 1541 of 2003) before the Andhra Pradesh High Court for mesne profits of Rs. 13,824,000. The next hearing in the matter has been proposed to be held on June 10, 2005. The Bank has vacated the premises since January 27, 2004.

2. Ritu Traders has filed a suit (T.E and R Suit No.520/547 of 2001) against the Bank in the Court of Small Causes, Mumbai on October 5, 2001 in relation to the lease of premises taken by the Bank for a branch at Block No. 12, Ground Floor, Moti Mahal Building, Churchgate, Mumbai. The said lease allegedly came to an end on April 30, 2001 and the Bank was asked to vacate the premises by a letter of termination of tenancy dated July 18, 2001. However, as the branch of the Bank continued in possession, the plaintiff filed the present suit for eviction and for mesne profit at the rate of Rs. 567,750 per month from September 1, 2001. The last hearing on the matter was held on December 2004. The matter is still pending.

3. Ashok Chopra has filed suit (Suit No.2195/00) against the Bank before the High Court of Delhi on August 28, 2000 seeking a decree for recovery of Rs. 5,304,329 along with interest. He has alleged that he entered into a lease agreement with the Bank, which expired on March 31, 1994. However, he contended that the Bank continued to occupy the premises till March 7, 2000 and that during this interim period, the Bank continued paying lease rent at the old rates, i.e., Rs. 8.40 /sq. feet. However, in the suit, the plaintiff has demanded payment at the enhanced rate, i.e., Rs. 27/sq. feet during the interregnum period saying that since the lease had expired, therefore the Bank should pay at market rates. The suit is pending before the High Court of Delhi.

4. Kewal Krishan Chopra filed a suit (O.S. No. 1531/1994) before the High Court of Delhi on May 26, 1994 seeking damages amounting to Rs. 723,803.50 along with interest, and possession of 3rd Floor, 66, G.B. Road, Delhi. The plaintiff and the Bank entered into a lease deed, which was to expire on August 31, 1987. However, the plaintiff alleges that the bank continued its possession beyond August 31, 1987 but did not execute a fresh lease deed. Further, the plaintiff alleges that the Bank did not pay rent for September 1991 – March 1992 on the ground that it had to pay the house tax dues to the Municipal Corporation of Delhi. However, the plaintiff alleges that no such dues were paid to Municipal Corporation of Delhi. On September 7, 1992, the plaintiff terminated the tenancy of the defendant. However, the Bank failed to hand over possession. In its written statement dated August 19, 1995, the Bank has stated that it occupied the premises since December 6, 1989 for ten years. The Bank also denied receiving any notice of termination of lease. Further, the Bank has stated that even in the absence of a lease deed, it is still a tenant as it has been making regular rent payments. The case is pending before the High Court of Delhi.

*Consumer Cases*

1. The Government Servants Co-operative House Building Society filed a complaint (No. C-81 of 2003) on April 9, 2003 against the Vasant Vihar Branch of the Bank at New Delhi in relation to the accounts of the Society which were maintained by the Bank. The former accountant of the Society withdrew an amount aggregating to Rs. 3,320,833 from these accounts which amounts were not reflected in the books of the Society. A police complaint was filed against the accountant and he was arrested. He admitted to forging the cheques based on which the Society contended negligence on Bank's part in issuing money against such forged cheques and prayed that the State Commission direct the Bank to pay back Rs. 2,797,384 which were withdrawn by way of the forged cheques with interest. Against the same, the Bank filed a written statement praying for the dismissal of the complaint in May 2004. No final orders have been issued yet and matter is pending. The matter was last posted for January 18, 2005 and adjourned thereafter.

2. A complaint (OP No.110 of 1998) has been filed by Vincy Cherian on May 25, 1998 against the Ernakulam Branch of the Branch. The facts are that the complainant, along with his family, applied to NABARD for farm loan facility whereunder the NABARD would refinance and guarantee the bank which sanctioned a loan to the complainant. The petitioner applied to the Bank in March 12, 1998 for a loan of Rs. 1.7 million for cardamom replantation of which Rs. 1.07 million were sanctioned. After obtaining the properties of the complainant as security, the Bank released Rs. 643,980 as the first instalment. Further instalments were refused by the Bank as complainant owed Rs. 24,066 plus interest to the Shoolay branch of the Bank at Bangalore by way of a decretal amount. The Bank recalled the initial instalment and filed a recovery suit. Aggrieved by this the complainant prayed to the National Commission for damages of Rs. 3,303,000 from the bank with 18% interest. In response, the Bank filed its response praying for dismissal of the complaint. The matter is still pending and no final orders have been issued yet.

3. H.O. Modi, sole proprietor of Eastern Export Enterprises has filed a complaint (Case No.246/99) against the Bank before the Monopolies and Restrictive Trade Practices Commission (MRTP) on August 14, 1999. The subject matter of the present complaint is three fixed deposit receipts aggregating to Rs. 250,000 which were provided as security by the plaintiff towards the letters of credit provided by the Bank for an import consignment of the complainant. The amount covered by the letters of credit was debited from the Bank which in turn refused to release the receipts upon their maturity. The complainant requested the Bank to adjust the three fixed deposit receipts against an import loan obtained by the complainant whereafter Bank refused the said proposal on the grounds that the FDRs could not be so adjusted as they were security for the letters of credit. The present complaint was filed

praying the MRTP to order payment of compensation Rs. 5 million and payment of Rs. 5 million towards the three fixed deposit receipts with interest. The Bank filed its reply on March 30, 2001 praying that the suit be dismissed. The matter has been posted for hearing on May 2, 2005.

4. V. V. Prasad and others have filed a total of ten consumer dispute claims against M/s Vijay Bharat Builder Private Limited (Vijay Bharat) and the Bank on November 28, 2003 wherein the aggregate of all claims is Rs. 3,175,360.00. These claims (C.D. No.1/2004 to C.D. No.10/2004) were filed before the District Consumer Forum, Hyderabad. The grounds in all the cases are the same. The complainants agreed to buy flats from Vijay Bharat and it agreed to arrange a bank loan with the Bank. Therefore, the Bank released the first instalment of the housing loan on May 13, 2002. The complainants have alleged that as per the agreement between Vijay Bharat and the complainants, the flats were to be given within three months of the agreement. The complainants allege that however, Vijay Bharat refused to do so saying it had not received the first instalment from the Bank. The Bank also refused to furnish details of loan released to the builder. Therefore, the complainants have filed the complaint. The Bank has stated in its reply that it released the funds only after the Builder furnished the completion certificate. Further, it has stated that the loan instalments were released only as per the mandate of the complainants. The Bank has claimed that the complainants are liable to repay the loan along with the interest. The matter is pending.

*Tax Cases*

1. The Income Tax Department (ITD) has in its assessment orders for assessment year(s) (AY) through 1976-77 to 1982-83 rejected the following deductions claimed by the Bank:

   (a) Interest on Export Credit as frequent to the Export Credit Subsidy Scheme;

   (b) Interest received by the Bank from State Governments and other cancans floating national saving certificate and other certificates; and

   (c) Rediscounting charges paid to RBI and the Industrial Development Bank of India (IDBI) for rediscounting as the bills originally discounted by the Bank are discounted with RBI and IDBI.

   Further, the Bank also objected to the inclusion of interest accrued on defaulting accounts as the Bank does not charge any interest on defaulting accounts against whom court proceedings are initiated. Against the said assessment orders, the Bank filed appeals (No.5/Bang/90, No.5/Bang/90, No.6/Bang/90, No.7/Bang/90, No.8/Bang/90, No.9/Bang/90, No.10/Bang/90 and No.11/Bang/90) appealing against the said assessment orders on January 8, 1990. The appeals are still pending and the total disputed amount in question is Rs. 111,600,000.

2. The ITD for the AY 1999-2000 and 2000-2001 disallowed the deduction claimed by the Bank in relation to interest recovered from its customers. Against the same, the Bank appealed to the Commissioner of Income Tax (Appeals) (CIT(A)), Davangere who upheld the Bank's claims and through its orders (ITA No. 11/UDP/DVG/CIT(A)/02-03 and 22/UDP/DVG/CIT(A)/02-03) dated March 9, 2004 ordered that for the said AY 1999-2000 and 2000-2001, the deduction be allowed. Against this order, the Commissioner of Income Tax (CIT) preferred an appeal (Appeal No.9/Bang) on May 25, 2004 before the Income Tax Appellate Tribunal (ITAT) challenging the allowance of such deduction. The amount in dispute is Rs. 338,600,000.

3. For the A.Y 1998-1999, the Assessing Officer (AO) included in the income from interest of the Bank, the interest that was recovered from its customers by the Bank. Against this the Bank appealed (Appeal No. Int.Tax/SR.MNG/CIT(A) MNG/2001-02) to the CIT(A), Mangalore who upheld the claim of the Bank and through it's order dated February 22, 2002 directed the AO to modify its order. Against the same, the ITD filed an appeal (Int./Appeal No.13/B/2002) on May 27, 2002 before the ITAT praying for the setting aside of the order of the CIT(A). The amount involved is Rs. 104,100,000.

4. For the A.Y 1992-93, the AO included in the chargeable interest of the Bank, the income from interest that was recovered from it's customers by the Bank. Against this the Bank appealed (ITA No.3/ MNG/CIT(A)III/96-97) to the CIT(A), Bangalore who upheld the claim of the Bank and directed the AO to modify its order. Against the same, the ITD filed an appeal (Int./Appeal No. 33/Bang/97) before the ITAT on March 5, 1997 praying for the setting aside of the order of the CIT(A). The amount involved is Rs. 62,800,000.

5. For the AY 1994-95, the AO included in the chargeable interest of the Bank, the income from interest that was recovered from its customers by the Bank. Against this the Bank appealed (INT.Tax4/MNG/CIT(A)–III–1996-97) to the Deputy CIT, Mangalore who upheld the claim of the Bank and directed the AO to modify its order. Further, even for the AY 1995-96, the AO included in the chargeable interest of the Bank, the income from interest that was recovered from its customers by the Bank. Against this the Bank appealed (INT.Tax4/MNG/CIT(A)–III–1995-96) to the Deputy CIT, Mangalore who upheld the claim of the Bank and directed the AO to modify its order. Against the same, the ITD filed appeals (Int./Appeal No. 35/Bang/97 and Int./Appeal No. 36/Bang/97) before the ITAT on March 5, 1997 praying for the setting aside of the order of the CIT (A). The amounts involved are Rs. 109.8 million and Rs. 102.1 million respectively.

6. For the AY 1975-76, the AO rejected the claim of the Bank pertaining to a deduction of Rs. 30,456 by way of development rebate on lockers. Further, the Bank also requested that an amount of Rs. 53,691 be allowed as entertainment expenses as the same were incurred by the Bank in organizing conferences for its officers. The said assessment order further stipulated that an amount of Rs. 480,049 being underwriting and brokerage commission earned by the Bank from dealing in government securities be assessed as income. The AO further disallowed Rs. 22,642,752 as depreciation arising from valuation of written-off investments. Against the same, the Bank preferred an appeal (ITA/117/MNG/77-78) before the CIT(A), Bangalore on February 22, 1978 who allowed the above but in relation to the entertainment expense ascertained the same at Rs. 20,000. Against this, the ITD preferred an appeal (ITA 564/Bang/80) before the ITAT in relation to the underwriting and brokerage commission and the depreciation arising from valuation of written-off investments and the same was rejected. Against the same, the ITD made a reference (RA 113/B/1983 and 114/B/1983) on June 9, 1983 to the Karnataka High Court. The High Court declined the references and ordered that the matters be re-constructed and cross-reference be filed. The matter is still pending with the ITAT for reconstruction.

7. For the AY 1989-90, the AO assessed the interest on suits aggregating to Rs. 510,457,818 as income. Also, penal interest of Rs. 17,543,106 paid to the RBI and provisions for doubtful debts of the rural branches aggregating to Rs. 89,632,840 claimed by the Bank as deductions were rejected. Further, brokerage charges aggregating to Rs. 1,208,658 were assessed as income. The Bank appealed (ITA 80/MNG/CITA (IV)/91-92) on May 11, 1992 against this to the CIT (A) which upheld the Bank's claims. Against the order of the CIT(A), the Bank appealed to the ITAT (Appeal No. 1175/B/92). The ITAT by its order dated March 26, 2002 rejected the appeal as relevant permission from the Committee of Disputes was not taken by the ITD. The Committee of Disputes granted its sanction on January 9, 2003 and the ITD is yet to file an application for restoration.

8. The ITAT in its order dated February 27, 1997 has rejected the ITD contention in respect of addition of interest on sticky loans given by the Bank and said that for interest tax purposes, interest on sticky loans need not be added. The AY in question were from 1983-84 to 1986-87. Against the said order, at the instance of ITD, the ITAT has through the reference applications RA.No.154, 155, 156, 157/B/97, arising out of ITA. 29, 30, 31, 32/B/90 respectively, referred the same to the High Court of Karnataka on June 4, 1999. The reference is still pending and the disputed amounts for the various years are Rs. 90.6 million, Rs. 95.5 million, Rs. 116.9 million and Rs. 155.7 million.

9. The ITAT in its order dated September 24, 1997 has stated that the interest on securities received by the Bank for the AY 1992-93 to 1995-96 was not chargeable to interest tax. Against the said order, the ITAT has referred cases ITRC Nos. 596 to 599/1998 for reference to the High Court of Karnataka at the instance of the ITD on March 28, 1998. The references have been made vide reference applications R.A.No.27, 28, 29, 30/Bang/98 dated July 30, 1998, on the ground that questions of law arise out of the order of the Tribunal. The disputed amounts are Rs. 1259.7 million, Rs. 2746.2 million, Rs. 3603.4 million and Rs. 4915.8 million.

10. The ITD has filed Appeal No.34/Bang/97 before the ITAT, Bangalore on March 3, 1997 against the order of the CIT (A) dated December 17, 1996. The CIT (A) in his order held that (i) gross interest collected from customers by the Bank is not chargeable to interest tax; and (ii) interest income on discounted demand bills and cheques issued by the Bank shall be chargeable to interest tax. However, 5% of such income was to be apportioned towards administrative cost and therefore, not taxable. The ITD has appealed against the 5% relief given towards administrative charges (iii) interest on refinance was not taxable and therefore, rightly claimed as a deduction. The AY in question was 1993-94. In the appeal filed on March 5, 1997, the ITD has stated that the commissioner erred in his decisions. The amount in question is Rs. 348.6 million. The appeal is pending before the ITAT.

11. The ITD has filed appeal ITA. No. 120 of 2000 in the High Court of Karnataka on March 30, 2001 against the order of the ITAT dated June 23, 2000 in ITA No. 1247/Bang/1991. The matter relates to whether deduction under Section 36 (1) (viia) of the Income Tax Act ("IT Act") is allowed with respect to bad and doubtful debts in case of rural branches of the Bank. For the AY 1987-88, the ITD had denied the deduction with respect to advances made from rural branches on the ground that no specific provision for the same had been made. The ITAT rejected the ITD's contention saying that a mere provision for bad and doubtful debts is sufficient for availing deduction and no specific provision for advances from rural branches needs to be made. The disputed amount in question is Rs. 80.80 million.

12. The ITD has filed Appeal No. 1306/Bang/90 in the ITAT, Bangalore on June 4, 1990 against the order of the CIT (A) – IV, Bangalore dated March 9, 1990. The CIT in its order had allowed the deduction from the Bank's total income of (i) underwriting commission and brokerage on investments sold during the year; and (ii) interest on sticky loans. The CIT had also deleted the excess disallowance made by the ITD under Section 40A (5) of the IT Act to the extent of Rs. 7,214,126. It also allowed deduction of penal interest paid to RBI, and the profit made from the sale of assets. The order related to the AY 1988-89 and the amount in question is Rs. 631.00 million.

13. The ITD has filed appeal ITA No. 173 of 2001 on January 1, 2001 before the High Court of Karnataka against the order of the ITAT, Bangalore in ITA No. 1053/Bang/1992. The ITAT in its order has stated that the Bank is entitled to deductions with respect to bad and doubtful debts in relation to rural branches, under Section 36 (1) (viia) of the IT Act, even though the Bank had not made any specific provision for such rural branches. The assessment year in question is 1987-88 and the disputed amount is Rs. 32.5 million.

14. The ITD has filed Appeal No. 1177/Bang/94 on October 4, 1994 in the ITAT, Bangalore against the order of the CIT (A) –III, Bangalore dated August 3, 1994 in ITA 5/MNG/CIT (A) – III/94-95. The CIT had allowed the Bank to deduct from its total income the brokerage and underwriting commission on investment. The CIT had also allowed the Bank to deduct penal interest paid to RBI and in respect of bad debts. The AY in question is 1991-92 and the disputed amount is Rs. 104.00 million.

15. The ITD has filed Appeal No.993/Bang/95 before the ITAT, Bangalore on November 30, 1995 against the order of the CIT (A), Bangalore dated September 27, 1995 in ITA 212/MNG/CIT (A) – III/94-95. The CIT had allowed the Bank to deduct the penal interest paid to the RBI from its total income. Further, it had also allowed the Bank to deduct from its total income the brokerage and underwriting commission on investment. The assessment year in question is 1992-93 and the disputed amount is Rs. 14.90 million.

16. For the AY 1996-97, the AO included a sum of Rs. 192,182,064 being interest paid on refinancing as a component of interest income. Against the same, the Bank appealed to the CIT(A) (Appeal Int.Tax.No.5/SR.MNG) CIT(A)-I/99-2000 on June 19, 1999and the appeal was upheld. Against the same, the ITD has appealed to the ITAT, Bangalore and the same is still pending. The amount involved in the said matter is Rs. 5,765,464.

***Litigation against our RRBs:***

*Rayalaseema Gramina Bank*

1. Contingent Liabilities not provided for as of March 31, 2005:NIL.

2. Litigation against as of March 31, 2005 are as follows:

   A demand for Rs. 700,344 was made for Employee Provident Fund (“EPF”) contribution towards casual labour. The Rayalaseema Gramina Bank in an appeal before the EPF Tribunal has contested it by depositing Rs. 525,258. Further, in relation to income tax, the Rayalaseema Gramina Bank has filed three appeals against the orders of the assessing officer. The AY in question are 1995-96, 1997-98 and 1998-99 and the total tax liability, if it arises shall be Rs. 10,217,626; Rs. 8,183,630 and Rs. 30,236,750 respectively.

*Malaprabha Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: Rs. 91,298,323 on account of demands raised by the Assistant Commissioner of Income Tax, Circle -2(1), Hubli, Karnataka by his order dated March 4, 2005 for the AY 2002-2003 treating the non-SLR investments of Malaprabha Grameena Bank as taxable income not eligible for exemption under the IT Act. The Malaprabha Grameena Bank filed an appeal against such order with the CIT (A), Hubli.

2. Litigation against as of March 31, 2005 are as follows:

   <u>Litigation/Disputes involving Securities Related Offences:</u>

   Uttar Pradesh Co-operative Spinning Mills Federation Limited, Kanpur has filed a suit before the DRT, Bangalore seeking Rs. 20 million along with interest on account of default in payment of the aforesaid amount by the Malaprabha Grameena Bank.

   <u>Other Cases:</u>

   There are three cases relating to employment/service and taxation matters pending before various forums, at various stages of hearing and disposal. The aggregate of the claims in these cases is Rs. 8,397,500.

*North Malabar Gramin Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: NIL.

2. Litigation against as of March 31, 2005: NIL

*Varada Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: Rs. 82,500 towards payment of profession tax claimed by Profession Tax Officer treating each branch of the Varada Grameena Bank as a person for payment of tax. The Varada Grameena Bank has challenged the claim before the High Court of Karnataka and has obtained a stay order.

2. Litigation against as of March 31, 2005: NIL

*Bijapur Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: Rs. 11.56 million.

2. Litigation against as of March 31, 2005 are as follows:

   Litigation/Disputes involving Taxation matters:

   There are two cases relating to taxation matters pending before various forums, at various stages of hearing and disposal. The aggregate of the claims in these cases is Rs. 42,224,401and the AY in question is 2000-01 and 1992-93. The ITD has also filed five Special Leave Petitions before the Supreme Court of India vide SLP (civil) Nos. 3449, 6581, 6584, 9761 and 5976 against the orders of the High Court of Karnataka for the AY 1995-96 to 1998-99.

   Litigation involving employees:

   There are 18 cases filed by the Employees and Employee Unions that are pending before various forums.

*Sree Anantha Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: NIL.
2. Litigation against as of March 31, 2005: NIL

*Prathama Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: NIL.
2. Litigation against as of March 31, 2005: NIL

*Gurgaon Gramin Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: Rs. 2.20 million.
2. Litigation against as of March 31, 2005 are as follows:

   There are 35 consumer cases filed before various forums that are at different stages of hearing and disposal. Further, there are 42 civil suits filed by customers before various forums that are at various stages of disposal and hearing. There are also 57 cases filed by employees before various forums.

*Pinakini Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: Rs. 12.83 million
2. Litigation against as of March 31, 2005: NIL

*Netravati Grameena Bank*

1. Contingent Liabilities not provided for as of March 31, 2005: 0.58 million
2. Litigation against as of March 31, 2005:

   A civil suit (O.S.No. 308/2001 ) has been filed by Subramanya Bhat in the Court of Civil Judge (Senior Division) at Mangalore against the Mangalore Stock Exchange and the Netravati Grameen Bank. Subramanya Bhat who was a member of the Mangalore Stock Exchange held a fixed deposit of Rs. 50,000 jointly with the Mangalore Stock Exchange in Netravati Grameena Bank. The plaintiff has prayed that the fixed deposit of Rs. 50,000 should not be paid to the Mangalore Stock Exchange as the amount was taken illegally towards fulfilment of capital adequacy norms.

***Litigations against our Directors***

*Against Ranjana S. Salgaocar*

1. An application (JM-1/TNC/DECL/02/2004) claiming agricultural tenancy was filed by one Hamzad Khan in the Court of the Joint Mamlatdar-I of Quepem Taluka Quepem, Goa in respect of property surveyed under No. 47/3 of village Sirvoi at Quepem Taluka. The said land was inherited by Ranjana S. Salgaocar's husband from his father and she was impleaded as a defendant in the said matter. The said matter is pending trial.
2. Laxmikant Shantaram Sinai Surlekar and nine others have instituted a suit (Reg. Civil Suit 65/96/B) in the Court of the Civil Judge, Junior Division at Bicholim, Goa in respect of the property situated at 28/90, village Surla, Goa purchased by the father-in-law of Ranjana S. Salgaocar. Whilst the said suit has been filed against the sellers from whom the property was purchased, Ranjana S. Salgaocar has been impleaded in the matter by virtue of her being the spouse of the legal heir to the impugned property. The matter is still pending.

## LICENSES AND APPROVALS

On the basis of the indicative list of approvals provided below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority/RBI is required to continue these activities. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

***Approvals for the Issue***

1. Letter no. F.No.11/18/2004-BOA dated December 3, 2004, from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), granting its approval for the present Issue.
2. Letter no. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005, from RBI permitting the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million.
3. Letter No. F.No. 11/18/2004-BOA dated April 13, 2005 from the MoF, GoI conveying the approval of the Central Government for the lock-in of the post- Issue share capital of the Bank for three years from date of allotment and lock-in of the pre-Issue share capital of the Bank for one year from date of allotment.

***Approvals for our Business***

*Licences and Approvals from the GoI*

Appointment of Directors

1. Letter No.F.No.9/23/2003-BOI dated January 19, 2005 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing N. Kantha Kumar, executive director, Canara Bank as the Chairman and Managing Director of the Bank up to March 31,2006 or until further orders, whichever is earlier.
2. Letter No. F.No.9/11/2004-BOI [i] dated September 24, 2004 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing M Deena Dayalan, Joint Secretary and Financial Advisor, MoF, GoI as director with immediate effect until further orders.
3. Letter No. F.No.15/8/2001-IR dated May 7, 2002 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing Jai Perkash Sharma, Clerk, Syndicate Bank, Super Bazar Branch, New Delhi as Workmen Employee Director for a period of 3 years with effect from May 7, 2002.
4. Letter No. F.No.9/2/2004-BOI dated August 26, 2004 issued by the Department of Economic Affairs (Banking Division), MoF, GoI nominating K.R. Das, Vice Principal, Reserve Bank Staff College as Director until further orders.
5. Letter No.F.No.26.2.2000-BOI dated January 15, 2004 issued by the Department of Economic Affairs (Banking Division), MoF, GoI stating that the sitting fees payable to nominated directors of the board of directors is Rs.5,000 per meeting and for attending committee meetings is Rs.2,500 per meeting.
6. Letter No.457272/36 dated February 22, 1999 from the Deputy Commissioner of Income Tax, Bangalore allotting PAN AACC 54699E to the Bank.
7. Letter dated February 27, 2003 from the Deputy Commissioner of Income Tax, Mangalore allotting BLRS 088201B as TAN to the Bank at its Head Office.
8. Certificate of Registration dated September 21, 2004 granted by the Superintendent of Central Excise to the Bank for the payment of service tax on banking and other financial services and business ancillary services. The registration number is 6103010963 and the said license has been granted only for the Registered Office. However, vide letter dated C.No.IV/6/64/2004ST/3899 dated October 6, 2004 from the Assistant Commissioner, Service Tax, Mangalore, the Bank has been granted permission to pay service tax in respect of all branches on centralized basis and single registration at the Registered Office.
9. Notification F.No.11/18/2004-BOA dated December 3, 2004, from the GoI, MoF granting an exemption to us from the provisions of sections 13 and 15(1) of the Banking Regulations Act for a period of five years.

*Licences and Approvals from the RBI*

1. Licence No. BOM.15 dated July 29,1953 from the RBI authorising the Bank to carry on banking business in India.
2. Letter No. DBOD No. FSC 56/24.01.018/2003-04 dated July 21, 2003 from RBI granting ‘in principle’ approval to the Bank for acting as a corporate agent to undertake distribution of insurance products on agency basis without any risk participation.

3. Letter No. DBS (MRO) No. BOW/BL dated May 25, 2004 from the Deputy General Manager, RBI allowing the Bank to combine its Mumbai Regional Office I and II into one Regional/General Managers' Office.

4. Letter No. DBOD (MRO) No. BL dated March 19, 2003 from the Deputy General Manager, RBI allowing the Bank to open its Mumbai Regional Office I and Regional Office II.

5. Letter No. DBS (BG) No. 2359/02.02.03/2003-04 dated May 28, 2004 from the Deputy General Manager, RBI allowing the Bank to combine its Bangalore Regional Office I and II into one General Managers' Office.

6. Letter No. DBOD (BG) No. 2359/02.02.03/2003-04 dated December 19, 2002 from the Deputy General Manager, RBI allowing the Bank to open two Regional Offices in Bangalore for "administrative work" only.

7. Letter No. DBOD FSC 596/24.01.001/2004-2005 dated May 3, 2005 from the RBI granting permission to the Bank to form the Rural Development Venture Capital Fund (RDVCF) as a venture capital fund subject to the Bank contributing Rs. 10,000 towards the initial settlement of the trust to form the RDVCF and a further contribution of Rs. 5 crore to the Rural Development Venture Capital Fund, subject to the following conditions being met: (a) RDVCF would have to be registered under and comply with the SEBI (Venture Capital Funds) Regulations, 1996; (b) the Bank's contribution to the corpus of RDVCF should be limited to the 15% prudential exposure ceiling as applicable to a single borrower; (c) any other contributor to the RDVCF should be with the RBI's approval; (d) RDVCF would have to be managed by an asset management company, for whose formation, approval of the RBI would need to be taken; and (e) RDVCF should be governed by a separate board of trustees and all decisions in relation to RDVCF would have to be taken by such board.

*Approvals granted by the SEBI*

1. Certificate of Registration dated May 30, 2002 granted by SEBI to the Bank for carrying on the activities of a debenture trustee with the registration code IND000000025. The license is valid till July 15, 2005.

2. Certificate of Registration dated November 12, 2003 granted by SEBI to the Bank for carrying on the activities of a banker to an issue with the registration code INBI00000035. The license is valid till November 30, 2006.

3. Certificate of Registration dated November 22, 2002 granted by SEBI to the Bank for acting as manager of any issue, investment advisor, manager/consultant/advisor to any issue, consultant with the registration code INM000003705. The license is valid till December 31, 2005.

*Approvals granted by the Insurance Regulatory and Development Authority*

1. Licence No.1411923 in Form IRDA–Corporate Agents–L-1 dated June 8,2004 issued by the IRDA authorizing the Bank to act as a corporate agent for procuring/soliciting life and general insurance business for three years from September 29, 2003. Attached thereto is a card that authorizes the Bank to sell insurance products of United India Insurance Company Limited up to September 28, 2006.

2. License No. 1411923 in Form IRDA Corporate Agents–L–1 dated September 29, 2003 issued by IRDA authorizing Bank to act as a corporate agent for three years from September 29, 2003 for procuring/soliciting insurance business of one life insurer. Attached thereto is a card that authorizes the bank to sell insurance products of Allianz Bajaj Life Insurance Company Limited up to September 2006.

*Intimations by the Bank to the RBI*

1. Letter No.201/63/2914/INRC dated February 25, 2003 from the Bank to the Department of Economic Affairs (Banking Division), MoF, GoI stating that at the EGM held on February 25, 2003, Anil Kumar Khanna, Chandrakanth Nayak P., Fabian K.P. and Ranjana S. Salgaocar were appointed as shareholder directors. The said Directors would hold office for three years from February 26, 2003 as per the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 read with the Syndicate Bank General Regulations, 1998. The said letter states that the said appointments are in full compliance to the Banking Companies Act, Banking Regulation Act, the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and Syndicate Bank General Regulations, 1998.

*Approvals for Setting up Branch Offices*

We require prior approval from the RBI for opening a new place of business in India or abroad or for otherwise than within the same city, town or village, the location of the existing place of business. Except as stated above, we have obtained the necessary approvals from the appropriate statutory and regulatory authorities for carrying out our business and operations through our branches and representative offices and no further approvals are required from any government authority/ RBI to continue our business and operations.

There are no approvals which have expired, or which have been applied for and have not been granted to the branches of the Bank. We are not required to apply for any other approvals for the purposes of running our business and operations.

*Approvals applied for and pending approval*

1. Letter No.477/BES/2928 P & D/CO/SE/2005 dated March 28, 2005 from the Bank to RBI requesting permission to promote a fully owned subsidiary which would undertake BPO activities with proposed authorised capital of Rs. 100 million.
2. Letter No.008/EDS/2930/2005 dated January 12, 2005 from the Bank to RBI requesting permission to promote a venture capital fund.
3. Letter No. ID/OOD/PS/385 dated August 3, 2004 to RBI seeking approval for opening a representative office in U.A.E.
4. Letter No. ID/OOD/PS/102 dated February 16, 2005 to RBI seeking approval for opening a representative office in South Africa.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

***Authority for the Issue***

Our Board of Directors has authorised a fresh issue of up to 50,000,000 Equity Shares of Rs. 10 each pursuant to a resolution passed at its meeting held on May 6, 2004. Our shareholders subsequently authorised the fresh issue of up to 50,000,000 Equity Shares of Rs. 10 each, by a resolution passed unanimously at the AGM of our Bank held on June 14, 2004, subject to the approval of the GoI, the RBI, SEBI and other applicable authorities.

Our Bank applied to the GoI for its consent to a fresh issue of up to 50,000,000 Equity Shares by its letter bearing number 519/71/2914/CO/BNG dated July 1, 2004. The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) has given its approval for the present Issue, vide letter no. F.No.11/18/2004-BOA dated December 3, 2004, inter alia on the conditions that the holding of GoI shall not fall below 51% at any point of time and allotment to Non-Residents, if any, will be subject to the prior approval of the Exchange Control Department of RBI and should be within the ceiling of 20% of the paid-up capital or any lower ceiling that may be notified by the Government of India under sub-section (2D) of the Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.

Our Bank has applied to the Chief General Manager, Exchange Department (Foreign Investment Division) by applications dated April 6, 2005 and April 19, 2005 seeking approval of the RBI to issue Equity Shares under this Issue to the public including NRIs and FIIs with repatriation benefits. RBI vide their letter no. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005, permitted the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million. The permission is subject to ensuring that the post-Issue non-resident equity holding in the Bank shall not exceed 20% of the paid up capital. The permission is further subject to conditions laid down by the Government of India in their approval 519/71/2914/CO/BNG dated December 3, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

***Prohibition by SEBI***

Neither we, nor our Directors or the Promoter Group Companies, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

***Eligibility for the Issue***

As a corresponding new bank set up under the Bank Acquisition Act, 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 Guidelines 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;

(ii) a corresponding new bank set up under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970, Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980, State Bank of India Act, 1955 and State Bank of India (Subsidiary Banks) Act, 1959 (hereinafter referred to as "public sector banks")."

Clause 2.2 referred in the clause above relates to unlisted companies and Clause 2.3 relates to listed companies. The clauses are reproduced below:

"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 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 corresponding 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 RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE 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 RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, JM MORGAN STANLEY PRIVATE LIMITED AND SSKI CORPORATE FINANCE PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES 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 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, SBI CAPITAL MARKETS LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, JM MORGAN STANLEY PRIVATE LIMITED AND SSKI CORPORATE FINANCE PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 21, 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 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 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 RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A <u>WELL-INFORMED DECISION</u> AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**

   - **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE 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 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. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE 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 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 RED HERRING PROSPECTUS.**

**Note:**

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this 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.syndicatebank.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 April 19, 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 Red Herring 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 Red Herring 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 Manipal, 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 this 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 Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring 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. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

***Disclaimer Clause of the BSE***

As required, a copy of this Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter no. DCS\sg\sm\ps\2005 dated April 26, 2005, permission to the Bank to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this 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 this Red Herring Prospectus; or
2. Warrant that this Company'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 Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this 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 this Red Herring Prospectus has been submitted to NSE. NSE has given in its letter no. NSE/LIST/12562-W dated April 22, 2005 permission to us to use NSE's name in this 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 including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised this 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 this 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 this 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 Company, its promoters, its management or any scheme or project of this Company.

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 Bangalore Stock Exchange***

As required, a copy of this Red Herring Prospectus has been submitted to BgSE. BgSE has given vide its letter dated April 28, 2005, permission to the Bank to use BgSE's name in this Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BgSE has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BgSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BgSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BgSE. 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 BgSE 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.

***Filing***

A copy of the Draft 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 this Red Herring Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange located at Mumbai and a copy of the Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange.

***Listing***

Our existing Equity Shares are listed on the BSE, NSE and the BgSE. Pursuant to our initial public offering in 1999 our Equity Shares were also listed on the Mangalore Stock Exchange. However, SEBI by notification dated August 31, 2004 refused to grant renewal of recognition to the Mangalore Stock Exchange, and hence it ceased to be a recognized stock exchange. Consequently our Equity Shares are not traded on the Mangalore Stock Exchange.

Applications have been made to the NSE, BSE and the BgSE for permission for further listing of our Equity Shares. The National Stock Exchange 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 Red Herring 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 shall be filed along with a copy of the Red Herring Prospectus with the Designated Stock Exchange and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Designated Stock Exchange.

M/s Sankaran & Krishnan, M/s Tej Raj & Pal, M/s V.K.Mehta & Co., M/s Sri Ramamurthy & Co., M/s Nandy Halder and Ganguli and M/s V.Soundararajan & Co., 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 Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for filing with the Designated Stock Exchange.

***Expert Opinion***

Except as stated elsewhere in this Red Herring 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** | **Expense** | | |
|---|---|---|---|
| | **(Rs. in million)** | **(% of total Issue expenses)** | **(% of total Issue size)** |
| Lead management, underwriting commission* | [●] | [●] | 1.35% |
| Advertising and Marketing expenses | 27.50 | [●] | [●] |
| Printing and stationery | 15.00 | [●] | [●] |
| Registrars fee, legal fee, etc. | 24.00 | [●] | [●] |
| Others | 3.00 | [●] | [●] |
| **Total estimated Issue expenses** | **[●]** | **[●]** | **[●]** |

* *Will be incorporated after finalisation of Issue Price*

***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 April 19, 2005 a 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 January 15, 2005, 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 OPENS ON** | **Thursday,** | **July 7,** | **2005** |
| **BID/ISSUE CLOSES ON** | **Wednesday,** | **July 13,** | **2005** |

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 Red Herring 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:

- Allotment shall be made only in dematerialised form within fifteen days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- 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.

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 October 1999, the details of which are as under:

## SYNDICATE BANK

*Public Issue of Equity Shares (October 1999)*

Public Issue in which 125,000,000 Equity Shares of Rs. 10 each for cash at par aggregating Rs. 1250 million were allotted to public.

| | |
|---|---|
| Opening Date | October 25, 1999 |
| Closing Date | November 4, 1999 |
| Date of Allotment | November 17, 1999 |
| Date of Refunds | December 16, 1999 |
| Date of Listing on Stock Exchanges | BSE on December 27, 1999 |
| | NSE on December 27, 1999 |
| | BgSE on January 4, 2000 |
| | Mangalore Stock Exchange on December 27, 1999* |

* SEBI by its notification dated August 31, 2004 refused to grant renewal of recognition to the Mangalore Stock Exchange, and hence it ceased to be a recognized stock exchange. Consequently our Equity Shares are not traded on the Mangalore Stock Exchange.

*Promise vs. Performance*

Whilst our business has proceeded along the lines as disclosed in the offer document of the public issue in October, 1999 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 intial public offer in October 1999 and the actuals for the same period.

(Rs. in million)

| | Fiscal 2000 | | |
|---|---|---|---|
| | **Projected** | **Actuals** | **Shortfall** |
| Total Income | 28,580 | 27,434.50 | 1,138.90 |
| Interest Income | 25,460 | 24,369.72 | 1,083.70 |
| Other Income | 3,120 | 3,064.80 | 55.20 |
| Total Expenditure | 25,130 | 24,672.16 | 494.60 |
| Interest Expenditure | 16,920 | 16,123.33 | 796.70 |
| Operating Expenditure | 8,210 | 8,548.83 | (302.00) |
| Profit before Provisions and Contingencies | 3,450 | 2,762.34 | 644.30 |
| Provisions and Contingencies | 1,090 | 644.23 | 440.80 |
| Net Profit | 2,360 | 2,118.11 | 203.50 |

The other objectives of the initial public offer of Equity Shares of our Bank as stated in the offer document, namely,

a) To augment the capital base of the Bank to meet its future capital adequacy requirements. Capital Adequacy Ratio increased from 9.57% as on March 31, 1999 to 11.41% as on March 31, 2000;

b) To augment the long-term resources of the Bank; and

c) To list the shares of the Bank on the various stock exchanges. Accordingly the stock has been listed at the NSE, BSE, BgSE and Mangalore Stock Exchange.

***Issue of Bonds***

| Issue Name; Date of Closure | Deemed date of allotment | Amount allotted (Rs. in million) | Description | Allotment Date | Date of Redemption | Credit Rating Agency | Rating at the time of the issue |
|---|---|---|---|---|---|---|---|
| Tier II, Series V<br><br>March 23, 2004 | March 26, 2004 | 1,250 | Private placement of unsecured, redeemable, non convertible, subordinated bonds aggregating to Rs. 1,250 million (including a green shoe option of Rs. 250 million) | March 26, 2004 | 120 months from the deemed date of allotment. | CRISIL | AA (Stable) |
| Tier II, Series VI<br><br>September 29, 2004 | September 29, 2004 | 2,000 | Private placement of unsecured, redeemable, non convertible, subordinated bonds aggregating to Rs. 2,000 million (including a green shoe option of Rs.500 million) | September 29, 2004 | Bullet redemption at par at the end of 116 months from the deemed date of allotment. | CARE | AA+ |
| Tier II, Series VII<br><br>December 18, 2004 | December 18, 2004 | 1,000 | Private placement of unsecured, redeemable, non-convertible, subordinated bonds aggregating to Rs. 1,000 million. | December 20, 2004 | 120 months from the deemed date of allotment. | CRISIL | AA+/Stable |
| Tier II, Series VIII *<br><br>June 20, 2005 | June 15, 2005 | 5,000 | Private placement of unsecured, redeemable, non convertible, subordinated bonds aggregating to Rs. 5,000 million (including a green shoe option of Rs. 2,000 million) | June 20, 2005 | 118 months from the deemed date of allotment. | CRISIL | AA+/Stable |

** The issue opened and closed for subscription on June 15, 2005.*

***Commissions and Brokerages paid on previous issues by us***

| Name of the Issue | Month and Year | Commission and Brokerage (Rs. in million) |
|---|---|---|
| Public issue of Equity Shares | October 1999 | 8.50 |
| Private Placement of Tier II Bonds, Series I | March 1998 | NIL |
| Private Placement of Tier II Bonds, Series II | February 1999 | NIL |
| Private Placement of Tier II Bonds, Series III | March 2000 | NIL |
| Private Placement of Tier II Bonds, Series IV | September 2003 | NIL |
| Private Placement of Tier II Bonds, Series V | March 2004 | NIL |
| Private Placement of Tier II Bonds, Series VI | September 2004 | NIL |
| Private Placement of Tier II Bonds, Series VII | December 2004 | NIL |
| Private Placement of Tier II Bonds, Series VIII * | June 2005 | NIL |

** The issue opened and closed for subscription on June 15, 2005.*

***Issues otherwise than for cash***

We have not issued any Equity Shares for consideration otherwise than for cash since nationalization, except as stated in the section titled "Capital Structure - Notes to Capital Structure - Note 2" on page 16 of this Red Herring Prospectus.

***Remuneration Payable to the Directors***

Please refer to the section titled "Our Management - Remuneration of Directors" on page 91 of this Red Herring Prospectus.

***Purchase of Property***

Except as stated in the section titled "Objects of the Issue" and elsewhere in this Red Herring 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 Red Herring 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 Red Herring Prospectus.

Except as stated in the section titled "Related Party Transactions" on page 107 of this Red Herring Prospectus, we have not purchased any property in which any Directors have any direct or indirect interest in any payment made thereof.

***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 the BgSE.

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE and the NSE, for a period of three years, for the periods indicated

**(In Rs.)**

| **Period** | **BSE** | | | **NSE** | | |
|---|---|---|---|---|---|---|
| | **High** | **Low** | **Average** | **High** | **Low** | **Average** |
| 2002-2003 | 19.10 | 10.25 | 14.57 | 19.05 | 10.30 | 14.60 |
| 2003-2004 | 44.80 | 17.00 | 29.71 | 44.65 | 16.95 | 29.83 |
| 2004-2005 | 65.40 | 29.95 | 44.05 | 65.45 | 30.00 | 44.23 |

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 BSE and the NSE, in the past three years, on the dates indicated:

| **Period** | **BSE** | | | | **NSE** | | | |
|---|---|---|---|---|---|---|---|---|
| | **High** | | **Low** | | **High** | | **Low** | |
| | **Date** | **Number of shares traded** | **Date** | **Number of shares traded** | **Date** | **Number of shares traded** | **Date** | **Number of shares traded** |
| 2002-2003 | January 21, 2003 | 1,178,569 | May 21, 2002 | 97,432 | January, 21, 2003 | 3,438,459 | May 21, 2002 | 173,692 |
| 2003-2004 | January 14, 2004 | 444,594 | April 1, 2003 | 142,989 | January, 14, 2004 | 1,569,441 | April 1, 2003 | 380,890 |
| 2004-2005 | January 4, 2005 | 355,926 | May 17, 2004 | 1,107,411 | January, 4, 2005 | 1,968,881 | May 17, 2004 | 3,481,814 |

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE and the NSE and the number of shares traded, in the last six months, for the periods indicated:

(in Rs. except volume)

| Period | BSE | | | | NSE | | | |
|---|---|---|---|---|---|---|---|---|
| | High | Low | Average* | Volume | High | Low | Average* | Volume |
| December 2004 | 63.35 | 46.30 | 51.86 | 15,996,613 | 63.45 | 46.40 | 51.89 | 69,014,486 |
| January 2005 | 65.40 | 48.55 | 56.20 | 9,719,882 | 65.45 | 48.45 | 56.25 | 52,158,312 |
| February 2005 | 58.00 | 53.60 | 56.13 | 6,612,515 | 58.05 | 53.60 | 56.17 | 31,813,392 |
| March 2005 | 63.75 | 53.20 | 59.19 | 9,469,815 | 63.85 | 53.20 | 59.24 | 46,390,356 |
| April 2005 | 56.15 | 47.95 | 53.99 | 2,302,334 | 56.05 | 48.00 | 53.95 | 16,685,807 |
| May 2005 | 59.00 | 46.00 | 54.15 | 5,043,561 | 58.40 | 46.05 | 54.23 | 26,009,157 |

* *Average of the daily closing share price*

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 BSE and the NSE, in the past six months, on the dates indicated:

| Period | BSE | | | | NSE | | | |
|---|---|---|---|---|---|---|---|---|
| | High | | Low | | High | | Low | |
| | Date | Number of shares traded | Date | Number of shares traded | Date | Number of shares traded | Date | Number of shares traded |
| Dec. 2004 | December 31, 2004 | 503,765 | December 1, 2004 | 936,117 | December 31, 2004 | 2,977,716 | Dec. 1, 2004 | 3,748,163 |
| Jan. 2005 | January 4, 2005 | 355,926 | January 27, 2005 | 747,182 | January 4, 2005 | 1,968,881 | Jan. 27, 2005 | 3,963,531 |
| Feb. 2005 | February 28, 2005 | 386,426 | February 1, 2005 | 483,828 | February 28, 2005 | 1,953,789 | Feb. 1, 2005 | 1,849,532 |
| Mar. 2005 | March 8, 2005 | 485,693 | March 29, 2005 | 104,205 | March 8, 2005 | 2,942,894 | March 29, 2005 | 634,895 |
| April 2005 | April 4, 2005 | 232,195 | April 29, 2005 | 254,321 | April 4, 2005 | 1,059,224 | April 29, 2005 | 1,315,610 |
| May 2005 | May 13, 2005 | 78,981 | May 2, 2005 | 330,385 | May 10, 2005 | 3,185,988 | May 2, 2005 | 1,244,327 |

As on May 7, 2004, the day after our Board approved this Issue, the closing market price of our Equity Shares on the BSE was Rs. 53.30 and the NSE was Rs. 53.30.

***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, Karvy Computershare Private 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 on December 31, 2004 | Received up to March 31, 2005 | Processed during March 2005 | Pending on April 1, 2005 |
|---|---|---|---|---|
| Equity Shares | Nil | 4,133 | 4,133 | Nil |

We have appointed Sunil Y. Barve, 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:

**Sunil Y. Barve**
Company Secretary
Syndicate Bank, Investor Relations Centre
Corporate Office, Gandhinagar,
Bangalore 560 009
Tel No.: (91 80) 2228 3030
Fax: (91 80) 2226 6495
E-mail: inrc@syndicatebank.net

***Changes in Auditors***

Our auditors are appointed by the RBI from time to time and his/their remuneration, rights and duties are regulated by the Bank Acquisition Act.

There have been no changes in our auditors in the last three years, except as detailed below:

| Sl. No. | Year of appointment/cessation | Name | Reason for appointment/cessation |
|---|---|---|---|
| 1. | 2002-2003 | M/s M. Hingorani & Co. | Retirement |
| 2. | 2002-2003 | M/s APS Associates | Retirement |
| 3. | 2002-2003 | M/s Patro & Co. | Retirement |
| 4. | 2002-2003 | M/s Karra & Co. | Retirement |
| 5. | 2002-2003 | M/s B. Gupta & Co. | Appointment by RBI |
| 6. | 2002-2003 | M/s Tej Raj & Pal | Appointment by RBI |
| 7. | 2002-2003 | M/s V.K. Mehta & Co. | Appointment by RBI |
| 8. | 2002-2003 | M/s Jagannathan & Sarabeswaran | Appointment by RBI |
| 9. | 2003-2004 | M/s Prem Gupta & Co. | Completion of term |
| 10. | 2003-2004 | M/s Sri Ramamurthy & Co. | Appointment by RBI |
| 11. | 2004-2005 | M/s B. Gupta & Co. | Completion of term |
| 12. | 2004-2005 | M/s Jagannathan & Sarabeswaran | Completion of term |
| 13. | 2004-2005 | M/s Nandy Halder & Ganguli | Appointment by RBI |
| 14. | 2004-2005 | M/s V. Soundararajan & Co. | Appointment by RBI |

***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. 717.77 million. As per the Bank's policy, depreciation is provided to the extent of revaluation, which is then set off against the revaluation reserve account. As on March 31, 2005, the revaluation reserve account stood at Rs. 1,986.55 million. Apart from this, there has been no other revaluation of assets in the past five years.

## FINANCIAL INDEBTEDNESS

***Details of Tier II Capital of the Bank***

(Rs. in million)

| Issue Series | Date of Issue | Amount Outstanding as of March 31, 2005 | Date of Repayment | Coupon (%) | Security | Servicing Behaviour |
|---|---|---|---|---|---|---|
| GoI Subordinate Debt | March 27, 1995 | 887.90 | March 27, 2007 | 50 bps over the 364 T-Bill during the previous quarter | Unsecured | On time |
| Tier II Series II | February 24, 1999 | 500.00 | May 24, 2006 | 14.00 | Unsecured | On time |
| Tier II Series III* | March 30, 2000 | 600.00 | June 30, 2007 | 11.50 | Unsecured | On time |
| Tier II Series IV | September 1, 2003 | 1,000.00 | July 1, 2010 | 6.10 | Unsecured | On time |
| Tier II Series V | March 26, 2004 | 1,250.00 | March 6, 2014 | 6.00 | Unsecured | On time |
| Tier II Series VI | September 29, 2004 | 2,000.00 | May 29, 2014 | 6.90 | Unsecured | Not due as of date |
| Tier II Series VII | December 20, 2004 | 1,000.00 | December 20, 2014 | 7.50 | Unsecured | Not due as of date |
| **Total** | | **7,237.90** | | | | |

* The following RRBs have invested in the Tier II Series III Bonds as on March 31, 2005:

| Particulars | Amount (Rs. in million) |
|---|---|
| Pinakini Grameena Bank | 5.00 |
| Rayalaseema Gramina Bank | 20.00 |
| Nethravathi Grameena Bank | 2.00 |
| North Malabar Gramin Bank | 10.00 |

The Bank on June 15, 2005 further issued Series VIII Bonds as privately placed unsecured, redeemable, non convertible, subordinated bonds towards its Tier II capital aggregating to Rs. 5,000 million (including a green shoe option of Rs. 2,000 million). The deemed date of allotment for the said bonds is June 20, 2005 and the date of repayment is 118 months from the deemed date of allotment, i.e., April 20, 2015. These bonds carry an interest of 7.40% p.a. and have been rated as AA+/Stable by CRISIL.

The following RRBs have invested in the above Tier II Series VIII Bonds:

| Particulars | Amount (Rs. in million) |
|---|---|
| Prathama Bank | 130.00 |
| Malaprabha Grameena Bank | 100.00 |
| Bijapur Grameena Bank | 40.00 |
| North Malabar Gramin Bank | 65.00 |
| Gurgaon Gramin Bank | 70.00 |
| Rayalseema Grameena Bank | 50.00 |

None of the Directors have given any personal guarantees towards securing any of the above loans.

***Details of Unsecured Liabilities***

Set forth below is a brief summary of our aggregate unsecured borrowings of Rs. 473,403.61 million as on March 31, 2005

(Rs. in million)

| Particulars | As on March 31, 2005 |
|---|---|
| Demand Deposits from Banks | 1,444.61 |
| Demand Deposits from Others | 48,369.20 |
| Savings Bank Deposits | 121,711.27 |
| Term Deposits from Banks | 24,138.05 |
| Term Deposits from Others | 267,282.49 |
| Subordinated Debts including Subordinated Bonds Tier II Series II to VII | 7,237.90 |
| Borrowings from other Institutions and Agencies | 183.17 |
| Miscellaneous including Borrowings outside India | 3,036.92 |
| **Total** | **473,403.61** |

***Borrowings within India***

Borrowings within India comprise of term deposits and demand deposits from banks, savings bank deposits, borrowings from other financial institutions, etc. These borrowings are in the nature of short-term financial assistance against the Bank's outstanding portfolio of loans and advances (including term loans and working capital advances) and no financial support has been availed of by the Bank in any form from any other financial institution or bank in relation to the same. In addition the Bank also has certain borrowings in foreign exchange.

***Borrowings in Foreign Exchange***

RBI has opened avenues for authorized banks (including the Bank) to generate foreign currency resources by way of bilateral borrowings from overseas correspondent banks for the purposes of export financing. In order to cater to the foreign currency demand, the Bank has borrowed foreign currency from overseas correspondent banks including Standard Chartered Bank, Dresdner Bank AG and Hongkong and Shanghai Banking Corporation. These borrowings are of short-term nature (maturity period of about six months) and are undertaken as privately negotiated spot transactions and are being used by the Bank for export finance purposes.

We have borrowed US $ 25,000,000 under a syndicated term loan facility with Standard Chartered Bank, Dresdner Bank AG, Hongkong and Shanghai Banking Corporation and certain other financial institutions. The Syndicated Facility Agreement dated May 21, 2004 stipulates that the repayment of the loans obtained from various institutions has to be made within 360 days of the Bank utilizing the same.

Additionally, under a separate Syndicated Facility Agreement dated May 21, 2004, we have also borrowed US $ 25,000,000 under a syndicated term loan facility with the same borrowers and on the same terms as the above for our London branch.

There are no restrictive covenants in the documents concerning our financial indebtedness as detailed above that prevent us from undertaking the Issue.

## TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus, Prospectus, 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, RBI, 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 our Constitutional Documents and shall rank pari passu in all respects with the existing Equity Shares of the Bank including rights in respect of dividend. The Persons in receipt of Allotment will be entitled to dividend or other benefits, if any, declared by our Bank after the date of Allotment.

***Face Value and Issue Price***

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at a total price of Rs. [●] 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 Floor Price is [●] times of the face value and the Cap Price is [●] 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. However the declaration of dividend of the Bank is subject to certain restrictions. Please refer to the restrictions on the payment of dividend in the section titled "Regulation and Policies - Restrictions on Payment of Dividends" on page 79 of this Red Herring Prospectus;
- Right to attend general meetings and exercise voting powers, unless prohibited by law. The Bank Acquisition Act states that no shareholder of the Bank, other than the Central Government shall be entitled to exercise voting rights in respect of the shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank. However the power of shareholders to exercise voting rights is subject to certain restrictions. For information on restrictions on the power of shareholders to exercise voting rights, please refer to the section titled "Regulation and Policies - Restriction on Share Capital and Voting Rights" on page 80 of this Red Herring Prospectus;
- Right to vote on a poll either in person or by proxy;
- Subject to the provisions of Clause 3(2D) of the Bank Acquisition Act and Regulations 17 and 19 of the Bank Regulations, the right of free transferability. However the right of free transferability is subject to certain restrictions. For information on these restrictions please refer to section titled "Main Provisions of Constitutional Documents" on page 224 of this Red Herring Prospectus; and
- Such other rights, as may be available to a shareholder of a listed corresponding new bank under the Banking Regulation Act and our Constitutional Documents and under the listing agreements with the Stock Exchanges. However, please note that all rights available to shareholders of a company are not available to shareholders of a new corresponding bank. For information on these restrictions please refer to section titled "Regulation and Policies - Comparative Table of Rights of Shareholders of Companies Act, 1956 and under Regulations applicable to Corresponding New Banks" on page 56 of this Red Herring Prospectus.

For a detailed description of the main provisions of our Constitutional Documents dealing, among other things, with voting rights, dividend, forfeiture and lien, transfer and transmission, see the section titled "Main Provisions of Constitutional Documents" on page 224 of this Red Herring Prospectus.

***Market Lot and Trading Lot***

In terms of existing SEBI Guidelines, the trading in the 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. The Equity Shares of the Bank shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] 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, 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 be entitled to the same advantages 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 Manipal, India.

***Subscription by Non-Residents, NRI, FIIs***

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.

For public sector banks RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring RBI has fixed cut off points lower than the actual ceilings which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points further acquisition of equity shares by FIIs/NRIs/PIOs require approval of the RBI. However, the foreign shareholding cannot exceed 20% of the paid up capital of the bank in terms of Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. Further Bank Regulations also provide for the manner of transfer of shares consolidation and sub-division of the shares of the Bank. For further details, please refer to the section on “Main Provisions of Our Constitutional Documents” on page 224 of this Red Herring Prospectus.

Our Bank has applied to the Chief General Manager, Exchange Department (Foreign Investment Division) by applications dated April 6, 2005 and April 19, 2005 seeking approval of the RBI to issue Equity Shares under this Issue to the public including NRIs and FIIs with repatriation benefits. RBI vide their letter no. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005, permitted the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million. The permission is subject to ensuring that the post-Issue non-resident equity holding in the Bank shall not exceed 20% of the paid up capital. The permission is further subject to conditions laid down by the Government of India in their approval F.No.11/18/2004-B0A dated December 3, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

**As per RBI regulations, OCBs cannot participate in the Issue**

***Application in Issue***

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

***Withdrawal of the Issue***

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, without assigning any reason thereof.

**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. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.**

## ISSUE STRUCTURE

The present Issue of 50,000,000 Equity Shares of Rs. 10 each, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process.

| Particulars | Eligible Employees | QIBs | Non-Institutional Bidders | Retail Individual Bidders |
|---|---|---|---|---|
| Number of Equity Shares available for allocation | Up to 5,000,000 Equity Shares | Up to 22,500,000 Equity Shares or Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders* | At least 6,750,000 Equity Shares or Issue size less allocation to QIB Bidders and Retail Individual Bidders* | At least 15,750,000 Equity Shares or Issue size less allocation to QIB Bidders and Non-Institutional Bidders* |
| Percentage of Issue Size available for allocation | Up to 10% of Issue** | Up to 50% of Issue or Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders | At least 15% of Issue or Issue size less allocation to QIB Bidders and Retail Individual Bidders | At least 35% of Issue or Issue Size less allocation to QIB Bidders and Non-Institutional Bidders |
| Basis of Allocation if respective category is oversubscribed | Proportionate | Discretionary | Proportionate | Proportionate |
| Minimum Bid # | [●] Equity Shares and in multiples of [●] Equity Shares thereafter | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter | [●] Equity Shares and in multiples of [●] Equity Shares thereafter |
| Maximum Bid | Such number of Equity Shares whereby the total Bid size does not exceed a Bid for 2,500 Equity Shares | Such number of Equity Shares not exceeding the Issue, subject to applicable limits | Such number of Equity Shares not exceeding the Issue subject to applicable limits | Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000 |
| Mode of allotment | Compulsorily in dematerialised form | Compulsorily in dematerialised form | Compulsorily in dematerialised form | Compulsorily in dematerialised form |
| Trading Lot | One Equity Share | One Equity Share | One Equity Share | One Equity Share |
| Who can Apply | 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 Designated Stock Exchange up to the Bid Closing Date / Issue Closing Date | Public financial institutions, as specified 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 (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law. | NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts. | Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value. |

| Particulars | Eligible Employees | QIBs | Non-Institutional Bidders | Retail Individual Bidders |
|---|---|---|---|---|
| Terms of Payment | Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. | Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members. |
| Margin Amount | Full Bid Amount on Bidding | Nil | 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 category, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with the BRLMs.

** In the Net Issue to the Public, in case of oversubscription in all categories, up to 50% of the Net Issue to the Public shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, at least 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any undersubscription in the Employee Reservation Portion would be included in the Net Issue to the Public and distributed equally between the Retail Portion and the Non-Institutional Portion. In the case of an oversubscription in the Retail Portion or the Non-Institutional Portion, such oversubscription shall be allocated to that portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion. However, our Bank in consultation with the BRLMs retains the discretion to decide the final allocation of Equity Shares arising from such undersubscription, subject to applicable laws and in accordance with the section titled "Issue Procedure - Basis of Allotment" on page 220 of this Red Herring Prospectus.

# The minimum number of Equity Shares for which Bids can be made by Bidders and the multiples of Equity Shares in which the Bids can be made, shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date, in Financial Express, an English language newspaper, in Jansatta, a Hindi language newspaper and in Kannada Prabha, a Kannada newspaper, all with wide circulation; and also on the websites of the BRLMs and the Bank, as appearing on the cover page.

## ISSUE PROCEDURE

***Book Building Procedure***

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the Public shall be available for allocation on a discretionary basis to QIB Bidders. Further not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue to the Public 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. Our Bank in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment 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 Red Herring 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 Designated Stock Exchange, 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 Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the Designated Stock Exchange and as would be required by Designated Stock Exchange 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 including resident QIBs, Non-Institutional Bidders and Retail Individual Bidders | White |
| NRIs and FIIs | Blue |
| Eligible Employees | Pink |

***Who can Bid?***

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- Hindu Undivided Families or 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares;
- NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;

- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares (subject to applicable law);
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

**Note:** The BRLMs, the Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions, insurance companies and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible in the QIB Portion. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

**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.**

***Application by Mutual Funds***

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 the 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 share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in Equity Shares of our Bank.

***Application by NRIs***

Bid cum Application Forms have been made available for NRIs at the Registered Office of the Bank.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the forms meant for reserved category.

***Application by FIIs***

As per the current regulations, the following restrictions are applicable for investments by FIIs:

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to our Bank. Under Section 3(2D) of the Bank Acquisition Act, foreign investment in a corresponding new bank is subject to an overall statutory limit of 20% of the paid up capital of the corresponding new bank. For corresponding new banks, the RBI monitors the ceilings on Non Resident investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceiling which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off point further acquisition of equity shares by Non Residents require approval of the RBI till the limit is reached till 20% beyond which Non Residents cannot acquire further shares.

The above information is given for the benefit of the Bidders. Our Bank and 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 Red Herring 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.

***Maximum and Minimum Bid Size***

(a) For Retail Individual Bidders: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure 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 cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The cut-off option 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.

(b) 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 [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue to the Public. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/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 allowed to Bid at 'cut-off'.

(c) For Bidders in the Employee Reservation Portion: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in the Employee Reservation Portion cannot exceed 2,500 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.100,000 may bid at Cut-off Price.

***Information for the Bidders***

(a) We have filed the Red Herring Prospectus with the Designated Stock Exchange at least three days before the Bid Opening Date/Issue Opening Date.

(b) The Price Band shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language newspaper with wide circulation. With regard to the Price Band, the Bidders can be guided by the secondary market prices of the Equity Shares.

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares according to the terms of this Red Hearing Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Head 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 the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

***Method and Process of Bidding***

(a) Our Bank and the BRLMs shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language newspaper with wide circulation and also on the websites of the BRLMs and the Bank, as appearing on the cover page. This advertisement shall contain the salient features of the Red Herring 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 for the 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 not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language newspaper with wide circulation, and also on the websites of the BRLMs and the Bank, as appearing on the cover page, and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure - Bids at Different Price Levels" on page 209 of this Red Herring Prospectus) 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" on page 211 of this Red Herring 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 section titled "Issue Procedure - Terms of Payment and Payment into the Escrow Accounts" on page 210 of this Red Herring Prospectus.

***Bids at Different Price Levels***

1. The Price Band shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada newspaper all with wide circulation and also on the websites of the BRLMs and the Bank, as appearing on the cover page. Bidders are advised to be guided by the price of our listed Equity Shares in the secondary market for the purposes of making a decision to invest in the Equity Shares offered as part of this Issue. The Bidders can bid at any price within the Price Band, in multiples of [●] Equity Shares.

2. In accordance with 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 disclosed in the Red Herring Prospectus.

3. 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 10 working 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 public notice in Financial Express, an English language newspaper with wide circulation, Jansatta, a Hindi language newspaper with wide circulation and Kannada Prabha, a Kannada language newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and the Bank and at the terminals of the members of the Syndicate.

4. Our Bank, 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.

5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non-Institutional Bidders shall be rejected.**

6. Retail Individual Bidders and Eligible Employees who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount, i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (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 Red Herring 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 the 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.

8. In case of a downward revision in the Price Band, announced as above, 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 respective Escrow Accounts/refund account(s).

9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] 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.

***Escrow Mechanism***

We shall open Escrow Accounts 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 full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts 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 Bank shall transfer the monies from the Escrow Accounts 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 Accounts/refund account(s) as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of 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, who is required to pay Margin Amount greater than 0% shall, 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 (for details see the section titled “Issue Procedure - Payment Instructions” on page 216 of this Red Herring Prospectus) 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 Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/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, Retail Individual Bidders and Eligible Employees 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” on page 204 of this Red Herring Prospectus. 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-Period, 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 appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. 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 allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we and 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 NSE and BSE. 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) NSE and BSE 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 Period/Issue Period. 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 regular basis. On the Bid Closing Date/ 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 NSE and BSE will be downloaded on an half-hourly basis and consolidated. A graphical representation of the consolidated demand and price would be made available on the websites of the NSE (www.nseindia.com) and the BSE (www.bseindia.com) during the Bidding Period/Issue 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, FII, NRI 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; and**
- **Depository Participant identification number and client identification number of the demat 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 the Bank.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE 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 us or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Bank, our Promoter, our management or any scheme or project of our Bank.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

***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 NSE or BSE mainframe on a half hourly basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.

(c) During the Bidding 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 unchanged. 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 Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement 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) In case of discrepancy of data between NSE or BSE 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.

***Price Discovery and Allocation***

(a) After the Bid Closing Date/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Bank, in consultation with the BRLMs, shall finalise the “Issue Price”, the number of Equity Shares to be allotted in each portion and the allocation to successful QIB Bidders. The allocation will be decided based inter alia, on the quality of the Bidder, and the size, price and time of the Bid.

(c) The allocation for QIB Bidders for up to 50% of the Net Issue would be discretionary. The allocation to Non-Institutional Bidders of not less than 15% of the Net Issue and to Retail Individual Bidders of not less than 35% of the Net Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) In the Net Issue to the Public, in case of oversubscription in all categories, up to 50% of the Net Issue to the Public shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, at least 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Any undersubscription in the Employee Reservation Portion would be included in the Net Issue to the Public and distributed equally between the Retail Portion and the Non-Institutional Portion. In the case of an oversubscription in the Retail Portion or the Non-Institutional Portion, such oversubscription shall be allocated to that portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion. However, our Bank in consultation with the BRLMs retains the discretion to decide the final allocation of Equity Shares arising from such undersubscription, subject to applicable laws and in accordance with the section titled “Issue Procedure - Basis of Allotment” on page 220 of this Red Herring Prospectus.

(e) Allocation to Non Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by RBI vide its Letter No. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005 permitting the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million while granting permission for allotment of Equity Shares to them.

(f) 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.

(g) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.

(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.

***Signing of Underwriting Agreement and Filing with the Designated Stock Exchange***

(a) Our Bank, 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 Red Herring Prospectus with the Designated Stock Exchange, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements 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 Designated Stock Exchange. 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 Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

***Issuance of CAN***

(a) The BRLMs or 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.

(b) The BRLMs or 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 Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period 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 Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.**

***General Instructions***

***Do's:***

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or Eligible Employee Bid cum Application For (pink in colour) as the case may be;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application;
- Ensure that the Demographic Details (as provided in section titled "Issue Procedure - Bidders' Depository Account Detail" on page 215 herein) are updated, true and correct in all respects; and
- If you are a body corporate making an application in this Issue, ensure that you provide your UIN. If you have made an application for such number before December 31, 2004 but the number has not been allotted, or where an appeal has been filed but not disposed off, ensure that you provide such information in the Bid cum application form. See section titled "Issue Procedure – Unique Identification Number" on page 218 of this Red Herring Prospectus.

***Don'ts:***

- Do not Bid for lower than the minimum Bid size;
- 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;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, and Eligible Employees for whom the Bid Amount exceeds Rs. 100,000);

- Do not fill up the Bid cum Application Form such that the Equity Shares Bid 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;
- Do not submit Bid accompanied with Stockinvest.
- Do not provide your GIR number instead of PAN.

***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:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, pink colour for Eligible Employees, blue colour for NRIs and FIIs applying on repatriation basis).
- 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.
- The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- For Eligible Employees, the Bid must be for a minimum of [●] Equity Shares and shall be in multiples of [●] Equity Shares thereafter. The maximum Bid Amount in the Employee Reservation Portion is 2,500 Equity Shares.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

***Bidder's Bank Details***

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-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 the Bidders bank account details. **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.

***Bids by Eligible Employees***

For the sake of clarity, the term 'Eligible Employees' 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 Designated Stock Exchanges up to the Bid/Issue Closing Date.

(a) Bids by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e., pink colour form).

(b) Eligible Employees should mention their provident fund number at the relevant place in the Bid cum Application Form.

(c) The sole/First Bidder should be an Eligible 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.

(d) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on a competitive basis.

(e) 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 Employee Reservation Portion.

(f) The maximum Bid in the Employee Reservation Portion can be for 2,500 Equity Shares.

(g) If the aggregate demand in this category is less than or equal to 5,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Any undersubscription in the Employees Reservation Portion would be included in the Net Issue to the Public and first be distributed equally between the Retail Portion and the Non-Institutional Portion in accordance with the section titled "Issue Procedure - Basis of Allocation" on page 220 of this Red Herring Prospectus. In the event that the demand in either of the Retail Portion or the Non-Institutional Portion has been met, the Equity Shares shall be allocated to the portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion in accordance with the description in section titled "Issue Procedure-Basis of Allocation" on page [·] of this Red Herring Prospectus.

(h) If the aggregate demand in the Employee Reservation Portion is greater than 5,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [●] Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Issue Procedure - Basis of Allotment" on page 220 of this Red Herring Prospectus.

(i) Bidding at Cut-off is allowed only for Eligible Employees whose Bid Amount is less than or equal to Rs. 100,000.

***Bidder's Depository Account Details***

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR 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, Depository Participant-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 Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

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, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/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 we 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's identity, 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

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 and 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***

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. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

***Bids by NRIs and FIIs on a repatriation basis***

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- By FIIs for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 207 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs but not in the names of minors, firms or partnerships, foreign nationals (including NRIs) or their nominees, foreign venture capital investors.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or speed post or if the Bidders so desire, will be credited to their 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 NRIs and FIIs. All NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

***Payment Instructions***

We shall open Escrow Accounts with the Escrow Collection Bank 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***

- The Bidders for whom the applicable Margin Amount 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.
- 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.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of Resident Bidders: **"Escrow Account - Syndicate Bank - FPO"**
  - In case of Non Resident Bidders: **"Escrow Account - Syndicate Bank FPO - NR"**
  - In case of Eligible Employees: **"Escrow Account - Syndicate Bank FPO - Eligible Employees"**
- In case of Bids by NRIs applying on a repatriation basis, the payments must be made through 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 the NRE Accounts or the Foreign Currency Non-Resident 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 the 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 the NRE Account or the Foreign Currency Non-Resident Account.
- The payment instruments for payment into the Escrow Account should be drawn in favour of: 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 Special Rupee Account.
- 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 Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Collection Bank shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also 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 bankers' 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/money orders/postal orders will not be accepted.**

***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 Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre 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 the case of Individuals*

Bids may be made in single or joint names (not more than three). In the 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 communications 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.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

***Permanent Account Number ('PAN')***

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 Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid cum 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 to 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), 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), 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, or (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 vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, MoF. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

***Unique Identification Number ("UIN")***

Under the SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time **("MAPIN Regulations")**, and SEBI notifications dated November 25, 2003, July 30, 2004 and August 17, 2004, and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed on any recognized stock exchange unless such specified investor and its promoters and directors have been allotted unique identification numbers or UINs, except (i) those promoters or directors who are persons resident outside India (such promoters or directors are required to obtain their UINs by December 31, 2005) and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until disposal of its application, or where it has filed an appeal, until disposal of the appeal, as the case may be.

The SEBI press release dated December 31, 2004, further clarified that wherever the President of India/Central Government/State Government is a promoter, it is exempted from the requirement of obtaining a UIN under Regulation 6(2) of the MAPIN Regulations.

Previously SEBI required that all resident investors not being bodies corporate who enter into any securities market transaction (including any transaction in units of mutual funds or collective investment schemes) of the value of Rs. 100,000 or more would be required to obtain a UIN by March 31, 2005. Subsequently, by a press release dated February 24, 2005, SEBI has announced that the date for obtaining the UIN has been extended from March 31, 2005, to December 31, 2005, for such specified investors.

In terms of the above, it shall be compulsory for an investor being a body corporate making an application in this Issue to provide its UIN. In cases where a body corporate has made an application for such a number before December 31, 2004, but the number has not been allotted, or where an appeal has been filed but not disposed off, the investor shall provide such information in the Bid cum Application Form. A Bid cum Application Form from a specified investor being a body corporate that does not provide a UIN or UIN application status (in cases where an application for a UIN has been made before December 31, 2004) is liable to be rejected.

***Our right to Reject Bids***

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, we have a right to reject Bids 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, among others, the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- PAN photocopy/ PAN Communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- UIN Number not given for Body Corporates;
- Submission of GIR number instead of the PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders, QIB Bidders, and Eligible Employees for whom the Bid Amount exceeds Rs. 100,000;
- Bids for number of Equity Shares, which are not in multiples of [●] Equity Shares;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and/or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
- 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's identity;
- 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" at page 209 of this Red Herring Prospectus;
- Bids by OCBs; and
- Bids by U.S Persons including "qualified institutional buyers" as defined in Rule 144A under the Securities Act.

***Basis of Allotment***

*For Eligible Employees*

- Bids received from Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the Eligible Employees Bidders will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to Eligible Employees to the extent of their demand.
- In case the aggregate demand in this category is greater than 5,000,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

*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 portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment 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 portion is less than or equal to [●] 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 15,750,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

*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 portion. 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 [●] 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 6,750,000 Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

*For QIB Bidders*

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLMs and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than 22,500,000 Equity Shares.

***Method of proportionate basis of allocation in the Retail and Non-Institutional Portions***

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 portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the oversubscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the oversubscription ratio.

(c) If the proportionate allotment to a Bidder is a number that is more than [●] 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. Allotment to all Bidders in such categories would be arrived at after such rounding off.

(d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be Allotted a minimum of [●] Equity Shares;
- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be Allotted a minimum of [●] Equity Shares.

(e) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

***Equity Shares in Dematerialised Form with NSDL or CDSL***

The allotment of Equity Shares in this Issue shall be 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 the Registrar to the Issue:

- a tripartite agreement dated September 16, 1999 with NSDL, us and the Registrar to the Issue; and
- a tripartite agreement dated September 16, 1999 with CDSL, us and Registrar to the Issue.

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 Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- 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.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- 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.
- 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.
- 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.
- The trading of the Equity Shares of the Bank would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

***Communications***

All future communications 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 form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

***Undertakings by the 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 allocation;
- 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 successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, undersubscription etc.

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.

***Utilisation of Issue Proceeds***

Our Bank 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.

***Disposal of Applications and Applications Money and Interest in Case of Delay in Despatch of Allotment Letters/Refund Orders***

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 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 only at the sole or First Bidder's sole risk and adequate funds for the purpose shall be made available to the Registrar by us.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;
- Dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; 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 and refund orders are not dispatched and/or demat credits are not made to investors within the 15 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 Bank 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.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in corresponding new banks is regulated by the provisions of the Bank Acquisition Act. Under Section 3(2D) of these statutes, foreign investment in corresponding new banks is subject to an overall statutory limit of 20% of the paid up capital of the bank.

***Section 3(2D) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 states as follows:***

"(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India of any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.

Explanation— For the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals."

Hence, Section 3(2D) of the Bank Acquisition Act prescribed that foreign investment in the aggregate is permitted in the correspondent new bank, like our Bank only till 20% under the automatic route. For public sector banks the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. Once the aggregate net purchase of equity shares reaches the cut off points further acquisition of equity shares by FIIs/NRIs/PIOs requires approval of the RBI.

## MAIN PROVISIONS OF CONSTITUTIONAL DOCUMENTS

We were constituted as a "corresponding new bank" in 1970 under the provisions of the Bank Acquisition Act. We are not required to have memorandum and articles of association. Since we were constituted under the Bank Acquisition Act we have provided the salient terms thereof. Further since the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the Bank Regulations deal with the management of corporate affairs in our Company, which are matters typically finding a place in the constitutional documents of a company incorporated under the Companies Act, the same have been profiled in this chapter.

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 was made by S.O. 3793 dated November 16, 1970 by the Central Government in consultation with the Reserve Bank of India in exercise of the powers conferred by Section 9 of the Bank Acquisition Act.

The Bank Regulations were formulated under Section 19 of the Bank Acquisition Act by our Board of Directors in consultation with the Reserve Bank of India, and with the previous sanction of the central government.

The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 amended Section 34A, 36AD and Section 51 of the Banking Regulation Act, 1949 and made these sections applicable to corresponding new banks constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. For details of the applicability of the Banking Regulation Act to correspondent new bank like our Bank see the section titled "Regulations and Policies" on page 56 of this Red Herring Prospectus.

For more details, investors are advised to refer to the complete text of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, Banking Regulation Act, 1949, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the Syndicate Bank (Shares & Meetings) Regulations, 1998.

Shareholders and investors in the Bank may note that the rights available to shareholders of a corresponding new bank are more restricted than the rights available to the shareholders of a company incorporated under the Companies Act, 1956. For further details on the restrictions and their potential impact on shareholders of our Bank please refer to the section titled "Risk Factors – External Risk Factors" on page xix of this Red Herring Prospectus.

The salient features of the same are as below.

***Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970***

*3. Establishment of corresponding new banks and business thereof.*

(1) On the commencement of this Act, there shall be constituted such corresponding new banks as are specified in the First Schedule.

(2) The paid-up capital of every corresponding new bank constituted under sub-section (1) shall, until any provision is made in this behalf in any scheme made under section 9, be equal to paid-up capital of the existing bank in relation to which it is the corresponding new bank.

(2A) Subject to the provisions of this Act, the authorised capital of every corresponding new bank shall be one thousand five hundred crores of rupees divided into one hundred fifty crores fully paid-up shares of ten rupees each.

Provided that the Central Government may, after consultation with the Reserve Bank and by notification in the Official Gazette, increase or reduce the authorised capital as it thinks fit, so however that after such increase or reduction, the authorised capital shall not exceed three thousand crores or be less than one thousand five hundred crores, of rupees.

(2B) Notwithstanding anything contained in sub-section (2), the paid-up capital of every corresponding new bank constituted under sub-section (1) may from time to time be increased by:

(a) such amounts as the board of directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, transfer from the reserve fund established by such bank to such paid-up capital;

(b) such amounts as the Central Government may, after consultation with the Reserve Bank, contribute to such paid-up capital;

(c) such amounts as the board of directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise by public issue of shares in such manner as may be prescribed, so however that the Central Government shall, at all times, hold not less than fifty-one per cent of the paid-up capital of each corresponding new bank.

(2BB) Notwithstanding anything contained in sub-section (2), the paid-up capital of a corresponding new bank constituted under sub-section (1) may, from time to time and before any paid-up capital is raised by public issue under clause (c) of sub-section (2B), be reduced by-

(a) the Central Government, after consultation with the Reserve Bank, by canceling any paid-up capital which is lost, or is unrepresented by available assets;

(b) the board of directors, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by paying off any paid-up capital which is in excess of the wants of the corresponding new bank.

Provided that in a case where such capital is lost, or is unrepresented by available assets because of amalgamation of another corresponding new bank or a corresponding new bank as defined in clause (d) of Section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act. 1970 (5 of 1970) with the corresponding new bank, such reduction may be done, either prospectively or retrospectively, but not from a date earlier than the date of such amalgamation.

(2BBA)(a) A corresponding new bank may from time to time and after any paid-up capital has been raised by public issue under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way.

(b) without prejudice to the generality of the foregoing power the paid-up capital may be reduced by:—

(i) extinguishing or reducing the liability on any of its shares in respect of share capital not paid-up;

(ii) either with or without extinguishing or reducing liability on any of its paid-up shares, canceling any paid-up capital which is lost, or is unrepresented by available assets; or

(iii) either with or without extinguishing or reducing liability on any of its paid-up shares, paying off any paid share capital which is in excess of the wants of the corresponding new bank.

(2BBB) Notwithstanding anything contained in sub-section (2BB) or sub-section (2BBA), the paid-up capital of a corresponding new bank shall not be reduced at any time so as to render it below twenty-five per cent of the paid-up capital of that bank as on the date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995."

(2C) The entire paid-up capital of a corresponding new bank, except the paid-up capital raised by public issue under clause (c) of sub-section (2B), shall stand vested in and allotted to the Central Government.

(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.

Explanation— For the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals.

(2E) No shareholder of the corresponding new bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank.

(2F) Every corresponding new bank shall keep at its head office a register in one or more books, of the shareholders (in this Act referred to is the register) and shall enter therein the following particulars

(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(ii) the date on which each Person is so entered as a shareholder;

(iii) the date on which any Person ceases to be a shareholder; and

(iv) such other particulars as may be prescribed.

(2G) Notwithstanding anything contained in sub-section (2F), it shall be lawful for every corresponding new bank to keep the register in computer floppies or diskettes subject to such safeguards as may be prescribed.

(3) Notwithstanding anything contained in the Indian Evidence Act, 1872 (1 of 1872) a copy of, or extract from, the register, certified to be a true copy under the hand of an officer of the corresponding new bank authorised in this behalf by it, shall, in all legal proceedings, be admissible in evidence.

(4) Every corresponding new bank shall be a body corporate with perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, and to contract, and may sue and be sued in its name.

(5) Every corresponding new bank shall carry on and transact the business banking as defined in clause (b) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949), and may engage in (one or more of the other forms of business] specified in sub-section (1) of Section 6 of that Act.

(6) Every corresponding new bank shall establish a reserve fund to which shall be transferred to share premiums and the balance, if any, standing to the credit of the reserve fund of the existing bank in relation to which it is the corresponding new bank, and such further sums, if any, as may be transferred in accordance with the provisions of Section 17 of the Banking Regulation Act, 1949 (10 of 1949).

(7) (i) The corresponding new bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch, for

(a) paying, receiving, collecting and remitting money, bullion, any securities on behalf of any Government in India; and

(b) undertaking and transacting any other business which the Reserve Bank may from time to time entrust to it.

(ii) The terms and conditions on which any such agency business shall be carried on by the corresponding new bank on behalf of the Reserve Bank shall be such as may be agreed upon.

(iii) If no agreement can be reached on any matter referred to in clause (ii), or if a dispute arises between the corresponding new bank and the Reserve Bank as to the interpretation of any agreement - between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

(iv) The corresponding new bank may transact any business or perform any functions entrusted to it under clause (a), by itself or through any agent approved by the Reserve Bank.)

7. *Head office and management*

(1) The head office of each corresponding new bank shall be at such place as the Central Government may, by notification in the Official Gazette, specify in this behalf, and, until any such place is so specified, shall be at such place at which the head office of the existing bank, in relation to which it is the corresponding new bank, is on the commencement of this Act, located.

(2) The general superintendence, direction and management of the affairs and business of a corresponding new bank shall vest in a board of directors which shall be entitled to exercise all such powers and do all such acts and things as the corresponding new bank is authorised to exercise and do.

(3) (a) As soon as may be after the appointed day, the Central Government shall, in consultation with the Reserve Bank, constitute the first board of directors of a corresponding new bank, consisting of not more than seven Persons, to be appointed by the Central Government, and every Director so appointed shall hold office until the board of directors of such corresponding new bank is constituted in accordance with the scheme made under Section 9:

Provided that the Central Government may, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, remove a Person from the Membership of the first board of directors and appoint any other Person in this place.

(b) Every Member of the first board of directors (not being an officer of the Central Government or of the Reserve Bank) shall receive such remuneration as is equal to the remuneration which a Member of the board of directors of the existing bank was entitled to receive immediately before the commencement of this Act.

(4) Until the first board of directors is appointed by the Central Government under sub-section (3), the general superintendence, direction and management of the affairs and business of a corresponding new hank shall vest in a Custodian, who shall be the Chief Executive Officer of that bank and may exercise all powers and do all acts things as may be exercised or done by that bank.

(5) The Chairman of an existing bank holding office as such immediately before the commencement of this Act, shall be the Custodian of the corresponding new bank and shall receive the same emolument as he was receiving immediately before such commencement:

Provided that the Central Government may, if the Chairman of an existing bank declines to become, or to continue to function as, a Custodian of the corresponding new bank, or, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, appoint any other Person as the Custodian of a corresponding new bank and the Custodian so appointed shall receive such emoluments as the Central Government may specify in this behalf.

(6) The Custodian shall hold office during the pleasure of the Central Government.

*8. Corresponding new banks to be guided by the Directions of the Central Government*

Every corresponding new bank shall, in the discharge of its functions, be guided by such directions in regard to matters of policy involving public interest as the Central Government may, after consultation with the Governor of the Reserve Bank, give.

*9. Power of Central Government to make scheme*

(1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:

(a) the capital structure of the corresponding new bank;

(b) the constitution of the board of directors, by whatever name called, of the corresponding new bank and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;

(c) the reconstitution of any corresponding new bank into two or more corporations, the amalgamation of any corresponding new bank with any other corresponding new bank or with another banking institution, the transfer of the whole or any part of the undertaking of a corresponding new bank to any other corresponding new bank or banking institution or the transfer of the whole or any part of the undertaking of any other banking institution to a corresponding new bank;

(d) such incidental, consequential and supplemental matters as may be necessary to carry out the provisions of this Act.

(3) Every board of director of a corresponding new bank constituted under any scheme made under sub-section (1), shall include —

(a) not more than two whole-time Directors to be appointed by the Central Government after consultation with the Reserve Bank;

(b) one Director who is an official of the Central Government to be nominated by the Central Government:

Provided that no such Director shall be a Director of any other corresponding new bank.

Explanation — For the purposes of this clause, the expression ‘corresponding new bank” shall include a corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980);

(c) one Director who is an Officer of the Reserve Bank to be nominated by the Central Government on the recommendation of the Reserve Bank.

Explanation — For the purpose of this clause, “an Officer of the Reserve Bank” includes an officer of the Reserve Bank who is deputed by that Bank under Section 54AA of the Reserve Bank of India Act, 1934 (2 of 1934) to any institution referred to therein:

(d) not more than two Directors to be nominated by the Central Government from amongst the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange hoard of India Act, 1992 (15 of 1992), the National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981), public financial institutions as specified in sub-section (1), or notified from time to time under sub-section (2) of Section 4A of the Companies Act, 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act, 1956 and having not less than fifty one per cent of the paid-up share capital held or controlled by the Central Government;

(e) one Director, from among such of the employees of the corresponding new bank who are workmen under clause (s) of Section 2 of the Industrial Disputes Act, 1947 (14 of 1947) to be nominated by the Central Government in such manner as may be specified in a scheme made under this section;

(f) one Director, from among the employees of the corresponding new bank who are not workmen under clause (s) of Section 2 of the Industrial Disputes Act, 1947, (14 of 1947) to be nominated by the Central Government after consultation with the Reserve Bank;

(g) one Director who has been a Chartered Accountant for not less than fifteen years to be nominated by the Central Government after consultation with the Reserve Bank;

(h) subject to the provisions of clause (i), not more than six Directors to be nominated by the Central Government;

(i) where the capital issued under clause (c) of sub-section (2B) of Section (3) is

(I) not more than twenty per cent of the total paid-up capital, not more than two Directors.

(II) more than twenty per cent but not more than forty per cent of the total paid-up capital, not more than four Directors,

(III) more than forty per cent of the total paid-up capital, not more than six Directors,

to be elected by the shareholders, other than the Central Government from amongst themselves:

Provided that on the assumption of charge after election of any such Directors under this clause, equal number of Directors nominated under clause (h) shall retire in such manner as may be specified in the scheme.

(3A) The Directors to be nominated under clause (h) or to be elected under clause (1) of sub-section (3) shall

(A) have special knowledge or practical experience in respect of one or more of the following matters namely :

(i) agricultural and rural economy,

(ii) banking,

(iii) economics,

(iv) co-operation,

(v) finance,

(vi) law,

(vii) small-scale industry,

(viii) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, he useful to the corresponding new bank;

(B) represent the interests of depositors; or

(C) represent the interests of farmers, workers and artisans.

(3B) Where the Reserve Bank is of the opinion that any Director of a corresponding new bank elected under clause (1) of sub-section (3) does not fulfill the requirements of sub-section (3A), it may, after giving to such Director and the bank a reasonable opportunity of being heard, by order, remove such Director and on such removal, the board of directors shall co-opt any other person fulfilling the requirements of sub-section (3A) as a Director in place of the person so removed till a Director is duly elected by the shareholders of the corresponding new bank in the next annual general meeting and the person so, co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new bank as a Director.

(4) The Central Government may, alter consultation with the Reserve Bank, make a scheme to amend or vary any scheme made under sub-section (1).

(5) On and from the date of coming into operation of a scheme made under this section with respect to any of the matters referred to in clause (c) of sub-section (2) or any matters incidental, consequential and supplemental thereto,

(a) the scheme shall be binding on the corresponding new bank or corporations or banking institutions, and also on the Members, if any, the depositors, and other creditors and employees of each of them and on any other persons having any right or liability in relation to any of them including the trustees or other persons, managing or in any other manner connected with any provident fund or other fund maintained by any of them;

(b) the properties and assets of the corresponding new bank, or as the case may be, of the banking institution shall, by virtue of and to the extent provided in the scheme, stand transferred to, and vested in, and the liabilities of the corresponding new bank, or, as the case may be, of the banking institution shall, by virtue of, and to the extent provided in the scheme, stand transferred to, and become the liabilities of, the corporation or corporations brought into existence by reconstitution of the banking institution or the corresponding new bank, as the case may be.

Explanation I— In this section, "banking institution" means 'a banking company and includes the State Bank of India or a subsidiary bank.

Explanation II— For the purposes of this section, the expression "corresponding new bank" shall include a corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980).

*10. Closure of accounts and disposal of profits*

(1) Every corresponding new bank shall cause its books to be closed and balanced on the 31st day of December or such other date in each year as the Central Government may, by notification In the Official Gazette, specify and shall appoint, with the previous approval of the Reserve Bank, Auditors for the audit of the audit of its accounts:

Provided that with a view to facilitating the transition from one period of accounting to another period of accounting tinder this sub-section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the closing and balancing of. or for other matters relating to, the books in respect of the concerned years.

(2) Every Auditor of a corresponding new bank shall be a person who is qualified to -act as an Auditor of a company under Section 226 of the Companies Act, 1956 (1 of 1956) and shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) Every Auditor shall be supplied with a copy of the annual balance sheet and profit and loss account and a list of all books kept by the corresponding new bank, and it shall be the duty of the Auditor to examine the balance-sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the Auditor—

(a) shall have, at all reasonable times, access to the books, accounts and other documents of the corresponding new bank,

(b) may, at the expense of the corresponding new bank, employ accountants or other persons to-assist him in investigating such accounts, and

(c) may, in relation to such accounts, examine the Custodian or any Officer or Employee of the corresponding new bank.

(4) Every Auditor of a corresponding new bank shall make a report to the Central Government upon the annual balance sheet and accounts and in every such report shall state:

(a) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the corresponding new bank, and in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of the corresponding new bank, which have come to his notice, have been within the powers of that bank;

(c) whether or not the returns received from the offices and branches of the corresponding new bank have been found adequate for the purpose of his audit;

(d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

(e) any other matter which he considers should be brought to the notice of the Central Government.

Explanation I: For the purposes of this Act

(i) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the corresponding new bank, and

(ii) the profit and lose account shall not be treated as not showing a true balance of profit or loss for the period covered by such account, merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which arc by the provisions of the Banking Regulation Act 1949 (10 of 1949), read with the relevant provisions of this Act or any other Act, not required to be disclosed.

Explanation II—For the purposes of this Act the accounts of the corresponding new bank shall not be deemed as having not been properly drawn up on the ground merely that they do not disclose certain matters if:

(i) those matters are such as the corresponding new bank is, by virtue of any provision contained in the Banking Regulation Act, 1949 (1 of 1949), read with the relevant provisions of this Act, or any other Act, not required to disclose; and

(ii) the provisions referred to in clause (i) are specified in the balance sheet and profit and loss account of the corresponding new bank or in the Auditor's report.

(5) The report of the Auditor shall be verified, signed and transmitted to the Central Government.

(6) The Auditor shall also forward a copy of the audit report to the corresponding new bank and to the Reserve Bank.

(7) After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies, a corresponding new bank may out of its net profits declare dividend and retain the surplus if any.

(7A) Every corresponding new bank shall furnish to the Central Government and the Reserve Bank the annual balance sheet, the profit and loss account, and the Auditor's report and a report by its board of directors or the working and activities of the bank during the period covered by the accounts.

(8) The Central Government shall cause every Auditors report and report on the working and activities of each corresponding new bank to be laid as soon as may be after they are received before each House of Parliament.

(9) Without prejudice to the foregoing provisions, the Central Government may, at any time, appoint such number of Auditors as it thinks fit to examine and report on the accounts of a corresponding new bank and the Auditors so appointed shall have all the rights, privileges and authority it relation to the audit of the accounts of the corresponding new bank which an Auditor appointed by the corresponding new bank has under this section.

*10A. Annual general meeting*

(1) A general meeting (in this Act referred to as an annual general meeting) of every corresponding new bank which has issued capital under clause (c) of sub-section (2B) of Section 3 shall be held at the place of the head office of the bank in each year at such time as shall from time to time be specified by the board of directors:

Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance sheet, together with the profit and loss account and Auditor's report is under sub-section (7A) of Section 10, forwarded to the Central Government or to the Reserve Bank whichever date is earlier.

(2) The shareholders present at an annual general meeting shall be entitled to discuss the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new bank for the period covered by the accounts and the Auditor's report on the balance-sheet and accounts.

*11. Corresponding new bank deemed to be an Indian company*

For the purposes of the Income-tax Act, 1961 (43 of 1961), every corresponding new bank shall be deemed to be an Indian company and a company in which the public are substantially interested.

*15. Certain defects not to invalidate acts of proceedings*

(a) All acts done by the Custodian, acting in good faith, shall, notwithstanding any defect in his appointment or in the procedure, be valid.

(b) No act or proceeding of any Board of Directors or a local Board or Committee of a corresponding new bank shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, such Board or the Committee, as the case may be.

(c) All acts done by a person acting in good faith as a Director or Member of a local Board or Committee of a corresponding new bank shall be valid notwithstanding that it may afterwards be discovered that his appointment was not invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained In any law for the time being in force:

Provided that nothing in this section shall be deemed to give validity to any act by a Director or Member of a local Board or Committee of a corresponding new bank after his appointment has been shown to the corresponding new bank to be invalid or to have terminated.

17. *Indemnity*

(1) Every custodian of a corresponding new bank and every Officer of the Central Government or of the Reserve Bank and every Officer or other employee of a corresponding new bank, shall be indemnified by such bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as have been caused by his own willful act or default.

(2) A Director or Member of a local Board or Committee of a corresponding new bank shall not be responsible for any loss or expense caused to such bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the corresponding new bank, or by the insolvency or wrongful act of any customer or debtor, or by anything done in or in relation to the execution of the duties of his office, unless such loss, expense, insufficiency or deficiency was due to any willful act or default on the part of such Director or Member.

*16A. Arrangement with corresponding new bank on appointment of Directors to prevail*

(1) Where any arrangement entered into by a corresponding new bank with a company provides for the appointment by the corresponding new bank of one or more Directors of such Company, such appointment of Directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the Company, and any provision regarding share qualification, age limit, number of Directorship, removal from office of Directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any Director appointed by the corresponding new bank in pursuance of the arrangement as aforesaid.

(2) Any Director appointed as aforesaid shall—

(a) hold office during the pleasure of the corresponding new bank and may be removed or substituted by any person by order in writing of the corresponding new bank;

(b) and incur any obligation or liability by reason only of his being a Director or for anything done or omitted to be done in good faith in the discharge of his duties as a Director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of Directors liable to such retirement.

(d) Power to make regulations.

(3) The Board of Directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by notification in the Official Gazette make regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is of a expedient for the purpose of giving effect to the provisions of this Act.

(4) Until any regulation is made under sub-section (1), the articles of association of the existing bank and every regulation, rule, bye-law or order made by the existing bank shall, if in force at the commencement of this Act, be deemed to be the regulations made under sub-section (1) and shall have effect accordingly and any reference therein to any authority of the existing bank shall be deemed to be a reference to the corresponding authority of the corresponding new bank and until any such corresponding authority is constituted under this Act, shall be deemed to refer to the Custodian.

(5) Every regulation shall, as soon as may be after it is made under this Act by the board of directors of a corresponding new bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

***Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970***

*3. Constitution of the Board*

(2)(i) The director referred to in Clause (e) of sub-section (3) of Section 9 of the Act, shall be nominated by the Central Government from out of a panel of three such employees furnished to it by the representative union, within a date to be specified by the Central Government, which date shall not be more than six weeks from the date of communication made by the Central Government, requiring the representative union to furnish the panel of names:

Provided that where the Central Government is of the opinion that owing to the delay which is likely to occur in the verification and certification of any union or federation as a representative union it is necessary in the interest of the Nationalised Bank so to do, it may nominate any employee of the Nationalised Bank, who is a workman, to be a director of that bank.

(ii) (a) Where there is no representative union, to represent the workman of a Nationalised Bank, or

(b) where such representative union being in existence omits or fails to furnish any panel of names within the specified date, or

(c) where all the persons specified in the panel furnished by the representative union are disqualified whether under item (iii) of this sub-clause or under Clause 10, the Central Government may, at its discretion appoint such workman of the Nationalised Bank, as it may think fit, to be a director of such bank.

(iii) A workman of a Nationalised Bank shall be disqualified for being nominated as a director unless

(a) he is, and has been serving for a continuous period of not less than five years in the Nationalised Bank; and

(d) he is of such age that there is no likelihood of his attaining the age of superannuation during his terms of office as director.

*4. Manner of retirement of nominee directors*

The director referred to in Clause (h) of sub-section (3) of Section 9 of the Act shall retire by rotation, when the elected directors assume charge, in such manner that the directors who have been longest in office since the last nomination, shall retire first and as between persons, who became directors on the same day, those who are to retire, shall, in default of or subject to any agreement among themselves, be decided by the Central Government.

*5. Chairman*

(1) The Central Government shall, after consultation with the Reserve Bank, appoint one of the Directors to be the Chairman of the Board.

(2) The Chairman shall preside over the meetings of the Board.

*6. Managing Director*

The Central Government shall, after consultation with the Reserve Bank, appoint one of the directors referred to in Clause (a) of sub-section (3) of Section 9 of the Act to be the Managing Director, who shall be the Chief Executive Officer of the Nationalised Bank and shall exercise the powers and discharge such duties as may be delegated to him by the Board.

*7. Same person may hold office as Chairman and Managing Director*

The Central Government may, after consultation with the Reserve Bank appoint the same person to hold, at the same time, both the office of the Chairman and the Managing Director.

*8. Term of office and remuneration of a wholetime Director including Managing Director*

(1) A wholetime Director, including the Managing Director shall devote his whole time to the affairs of the Nationalised Bank and shall hold office for such terms not exceeding five years as the Central Government may, after consultation with the Reserve Bank, specify and shall be eligible for re-appointment.

(1-A) Notwithstanding anything contained in sub-clause (1), the Central Government shall have the right to terminate the term of office of a whole-time Director, including the Managing Director, at any time before the expiry of the term specified under that sub-clause by giving to him a notice of not less than three months, in writing or three months salary and allowances in lieu of notice; and the whole-time Director, including the Managing Director, shall also have the right to relinquish his office at any time before the expiry of the term specified under that sub-clause by giving to the Central Government notice of not less than three months in writing.

(1-B) Any reference to a whole-time Director, including the Managing Director, in sub-clause (1-A) shall be construed as including a reference to the person holding office as such at the commencement of the Nationalised Banks (Management and Miscellaneous Provision (Second Amendment) Scheme, 1976.

(2) A whole-time Director, including the Managing director shall receive from the Nationalised Bank such salary, allowance, fees and perquisites and be governed by such terms and conditions as the Central Government may determine, after consultation with the Reserve Bank.

(3) If a whole-time Director including the Managing Director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, after consultation with the Reserve Bank, appoint another person to act in his place during his absence.

(4) The Central Government may, if it is satisfied that it is expedient in the interests of the nationalized bank so to do, remove a whole-time Director including the Managing Director from office:

Provided that no such removal shall be made except after

(a) consultation with the Board, and

(b) giving a reasonable opportunity to the whole-time Director including the Managing director, of showing cause against the proposed action.

*9. Term of office of other directors*

(1) A director other than a director referred to in Clause (a) and Clause (i) of sub-section (3) of Section 9 of the Act shall hold office during the pleasure of the Central Government.

(2) Subject to the provisions of sub-clause (1), a director referred to in Clause (e), Clause (f), Clause (g) and Clause (h) of sub-section (3) of Section 9 of the Act shall hold office for such term not exceeding three years as the Central Government may specify at the time of his nomination and thereafter until his successor has been nominated and shall be eligible for re-nomination:

Provided that no such director shall hold office continuously for a period exceeding six years.

(3) Without prejudice to the provisions of sub-clauses (1) and (2), a director referred to in Clause (b) of sub-section (3) of Section 9 of the Act shall retire in the manner specified in Clause 4.

(4) An elected director shall hold office for three years and thereafter until his successor shall have been duly elected and shall be eligible for re-election:

Provided that no such director shall hold office continuously for a period exceeding six years.

*10. Disqualification of Directors*

A person shall be disqualified for being appointed as, and for being, a director

(a) if he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or

(b) if he has been found to be of unsound mind and stands so declared by a competent Court; or

(c) if he has been convicted by a Criminal Court of an offence which involves moral turpitude.

*11. Vacation of office of Directors, etc.*

(1) If a director becomes subject to any of the disqualifications specified in Clause 10 or is absent without leave of the Board for more than three consecutive meetings thereof he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.

(2) The Chairman or whole-time director including the Managing Director or a director referred to in Clause (b) or Clause (c) or Clause (d) of sub-section (3) of Section 9 of the Act may resign his office by giving notice thereof in writing to the Central Government and on such resignation being accepted by that Government shall be deemed to have vacated his office; any other director may resign his office by giving notice thereof in writing to the Central Government and such resignation shall take effect on the receipt of the communication of the resignation by the Central Government.

(3) Without prejudice to the provisions of the foregoing sub-clause, the office of a director referred to in Clause (e) or Clause (f) of sub-section (3) of Section 9 of the Act shall become vacant as soon as the director ceases to be a workman or an employee, other than a workman of the nationalized bank of which he is a director.

(4) Where any vacancy occurs in the office of a director, other than an elected director, it shall be filled in accordance with sub-section (3) of Section 9 of the Act.

*11-A. Removal from office of an elected director*

The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected under Clause (i) of sub-section (3) of Section 9 and elect in his stead another person to fill the vacancy.

*11-B. Filling of vacancy in the office of an elected director*

(1) Where any vacancy occurs before the expiry of the term of office of an elected director, the vacancy shall be filled in by election:

Provided that where the duration of vacancy is likely to be less than six months, the vacancy may be filled in by the remaining directors.

(2) A person elected or cooperated, as the case may be, under sub-clause (1) shall hold office for the unexpired portion of the term of his predecessor.

*12. Meetings of the Board*

(1) Meetings of the Board shall ordinarily be held at least six times in a year and at least once in each quarter.

(2) A meeting of the Board shall be held at the head office of the nationalised bank or such other place as the Board may decide.

(3) Ordinarily, not less than fifteen days' notice shall be given of any meeting of the Board and such notice shall be sent to every director at the address specified by him in this behalf.

(4) No business, other than that for which the meeting was convened shall be transacted at a meeting of the Board except with the consent of the Chairman of the meeting and a majority of the directors present, unless one week's notice of such business has been given in writing to the Chairman.

(5) The quorum of a meeting of the Board shall be one-third of the number of directors holding office as such directors of the Board on the day of the meeting, subject to a minimum of three directors, two of whom shall be directors referred to in Clause (b) or Clause (c) or Clause (d) or Clause (h) of sub-section (3) of Section 9 of the Act.

(6) If, for any reason, the Chairman is unable to attend a meeting of the Board, the Managing Director shall preside over that meeting and in the absence of the Managing Director or in the event of the Chairman and the Managing Director being the same person, any other director elected by the directors present at the meeting from among themselves shall preside at the meeting.

(7) All questions at the meeting shall be decided by a majority of the votes of the directors present and voting and in the case of equality of votes, the person presiding shall have a second or a casting vote.

(8) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the nationalized bank shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest to the Board and shall not be present at the meeting of the Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information and no director so required to be present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-clause shall apply to such director by reason only of his being

(i) a shareholder (other than a director) holding not more than two per cent of the paid-up capital in any public company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the Nationalised Bank has entered into or made or proposed to enter into or make a contract, loan, arrangement or proposal, or

(ii) an officer or other employee of the nationalized bank, if he is a director referred to in Clause (e) or Clause (f) of sub-section (3) of Section 9 of the Act.

(9) A copy of the proceedings of each meeting of the Board shall be circulated as soon as possible after the meeting for other information of the directors and shall be signed by the Chairman of that or the next succeeding meeting.

(10) No act or proceeding of the Board shall be invalid on the ground merely of the existence of any vacancy in or any defect in the constitution of the Board.

*13. Management Committee*

(1) There shall be a Management Committee of the Board.

(2) The Management Committee shall consist of

(a) The Chairman

(b) The Managing Director

(c) The Executive Directors

(d) The Directors referred to in Clauses (b), (c) and (g) of sub-section (3) of Section 9 of the Act.

(e) One Director nominated by the Board from amongst, the directors referred to in Clause (d) of sub-section (3) of Section 9 of the Act;

(f) One Director nominated by the Board from amongst the Directors referred to in Clauses (e), (f), (h) and (i) of sub-section (3) of Section 9 of the Act:

Provided that the Directors nominated by the Board shall hold office for not more than six months at a time.

(3) The Management Committee shall exercise such powers of the Board including the powers with regard to credit proposals, as may be delegated to it by the Board with the approval of the Central Government and such approval shall be given by the Central Government after consultation with the Reserve Bank of India.

(4) The meetings of the Management Committee may be called by the Chairman of the Management Committee as often as he feels necessary.

(5) Four members shall be the quorum for a meeting of the Management Committee.

(6) The minutes of a meeting of the Management Committee shall be laid before the Board as soon as possible after the meeting.

(7) Save as otherwise provided in sub-clauses (4), (5) and (6) the meetings and proceedings of the Management Committee shall be governed by the provisions contained in this Scheme for regulating the meetings and proceedings of the Board so far as the same are applicable thereto.

(8) Where the Chairman of the Management Committee is of opinion that in view of urgency in any matter, it should be dealt with expeditiously, he may circulate a resolution to that effect to the members of the Management Committee, and such resolution shall be deemed to be the resolution passed by the Management Committee when it is approved by a majority of the Members but shall have effect from the date it is signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Management Committee:

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Management Committee, the resolution shall not be deemed to be valid and effectual as aforesaid unless the same is passed at such meeting.

Explanation— For the purpose of sub-clause (2), “Executive Director” means the whole-time Director, not being the Managing Director, appointed under sub-clause (a) of Clause 3 and designated as such.

*18. Resolution without meeting of the Board valid*

A resolution in writing signed by the majority of the members of the Board shall be valid and effectual and shall be deemed to be the resolution passed by the Board on the date it was signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Board.

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Board, the resolution shall not be deemed valid and effectual as aforesaid unless the same is passed at such meeting.

*20. Increase of paid-up capital*

The paid-up capital of a Nationalised Bank may be increased from time to time as in sub-clause (a) or sub-clause (b) or sub-clause (c) below or in combination with any of them:

(a) the board of directors of a Nationalised Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government transfer to its capital a specified amount from the reserve fund establishment by such bank under sub-section (6) of Section 3 of the Act;

(b) the Central Government may, in consultation with the Reserve Bank, make contribution of any specified amount to the paid-up capital of a Nationalised Bank;

(c) the Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise the paid-up capital by public issue of shares in such manner as may be prescribed; so however, that the Central Government shall at all times hold not less than fifty-one per cent of the paid-up capital of each Nationalised Bank.

***Syndicate Bank (Shares & Meetings) Regulations, 1998***

3. Nature of shares

The shares of Syndicate Bank shall be movable property, transferable in the manner provided under these regulations

4. Kinds of share capital

(i) Preference Share Capital means that part of share capital of SyndicateBank which fulfils both the following conditions:

A) as respects dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may be either free of or subject to income tax and

B) as respect capital, it carries or will carry, on winding up repayment of capital, a preferential right to be repaid the amount of the capital paid up or deemed to have been paid up, whether or not there is preferential right to the payment of either or both of the following amounts namely,

(a) any money remaining unpaid in respect of the amounts specified in clause (A) up to the date of winding up or repayment of capital, and

(b) any fixed premium or premium on any fixed scale, specified by the Board with previous consent of the Central Government.

(ii) “Equity Share Capital” means all share capital, which is not preference share capital.

(iii) The expressions “Preference Share” and “Equity Share” shall be construed accordingly.

5. PARTICULARS TO BE ENTERED IN THE REGISTER:

a) A share register shall be kept, maintained and updated in accordance with Sub-section 2(F) of Section 3 of the Act.

b) In addition to the particulars specified in Sub-Section 2(F) of Section 3 of the Act, such other particulars as the Board may specify shall be entered in the register.

c) In the case of joint holders of any share, their names and other particulars required by sub-regulations (i) shall be grouped under the name of the first of such joint holders.

d) Subject to the proviso of sub-section 2(D) of Section 3 of the Act, a shareholder resident outside India may furnish to the Bank an address in India, and any such address shall be entered in the register and be deemed to be his registered address for the purposes o the Act and these regulations.

5A. (i) The Bank shall, unless the register is in such form as in itself to constitute an index, keep an index, which may be in form of a card index of the names of shareholders and shall, within fourteen days after the date on which any alteration is made in the register of shareholders, make the necessary alteration in the index.

(ii) The index shall be kept with the register of shareholders

6. CONTROL OVER SHARES AND REGISTERS:

Subject to the provisions of the Act and these regulations, and such directions as the Board may issue from time to time, the register shall be kept and maintained at the Head Office of Syndicate Bank and be under the Control of the Board and the decision of the Board as to whether or not a person is entitled to be registered as a shareholder in respect of any share shall be final.

7. PARTIES WHO MAY NOT BE REGISTERED AS SHAREHOLDERS:

a) Except as otherwise provided by these regulations, all persons who are not competent to contract shall not be entitled to be registered as a shareholder and the decision of the Bank in this regard shall be conclusive and final.

b) In case of partnership firms, shares may be registered in the names of the individual partners and no firm, as such, shall be entitled to be registered as a shareholder.

8. MAINTENANCE OF SHARE REGISTER IN COMPUTER SYSTEM, ETC.

a) The Particulars required to be entered in the share register under Sub-section 2(F) of Section 3 of the Act, read with those mentioned in Regulation 5, shall be maintained under Sub-section 2 (G) of Section 3 of the Act, in the form of data stored in magnetic/ optical/ magneto – optical media by way of diskettes, floppies, cartridges or otherwise (hereinafter referred to as the 'media') in computers to be maintained at the Head Office and the back up at such location as may be decided from time to time by the Chairman and Managing Director or any other official not below the rank of the General Manager designated in this behalf by the Chairman and Managing Director (hereinafter referred to as 'the designated official'.)

b) Particulars required to be entered in the share register under Section 3(B) of the Act read with Section 11 of the Depositories Act, 1996 shall be maintained in the electronic form in the manner and in the form as prescribed therein.

(c) The register in electronic form shall be maintained subject to such safeguards as stipulated for securing electronic records under the Information Technology Act, 2000 (21 of 2000).

9. SAFEGUARDS FOR PROTECTION OF COMPUTER SYSTEM:

a) The access to the system set out in Regulation 8(i) in which data is stored shall be restricted to such persons including Registrars to an issue and/ or share transfer agents as may be authorized in this behalf by the Chairman and Managing Director or the designated official and the passwords if any, and the electronic security control systems shall be kept confidential under the custody of the said persons.

b) The access by the authorized persons shall be recorded in logs by the computer system and such logs shall be preserved with the officials/ persons designated in this behalf by the Chairman and Managing Director or the designated official.

c) Copies of the back-ups shall be taken on removable media at intervals as may be specified from time to time by the Chairman and Managing Director or the designated official, incorporating the changes made in the register of shareholders. Atleast one of these copies shall be stored in a location other than the premises in which processing is being done. This copy shall be stored in a fire-proof environment with locking arrangement and at the requisite temperature. The access to the Back-ups in both the locations shall be restricted to persons authorized in this behalf by the Chairman and Managing Director or the designated official. The persons so authorized shall record the access in a manual register kept at the location.

d) It shall be the duty of the authorized persons to compare the data on the back-ups with that on the computer system by using appropriate software to ensure correctness of the back-up. The result of this operation shall be recorded in the register maintained for the purpose.

e) It shall be competent for the Chairman and Managing Director, by special or general order, to add or modify the instructions, stipulations in regard to the safeguards to be observed in maintaining the register of the shareholders in the computer system with due regard to the advancement of technology, and/or in the exigencies of situation or for any other relevant consideration.

10. EXERCISE OF RIGHTS OF JOINT HOLDERS:

If any share stands in the names of two or more persons, the person first named in the register shall, as regards voting, receipt of dividends, service of notices and all or any other matters connected with Syndicate Bank except the transfer of shares, be deemed to be sole holder thereof.

11. INSPECTION OF REGISTER:

a) The register shall, except when closed under Regulation 12, be open to inspection of any shareholder, free of charge, at the place where it is maintained during business hours subject to such reasonable restrictions as the Board may impose, but so that not less than two hours in each working day shall be allowed for inspection.

b) Any shareholder may make extracts of any entry in the register or computer prints free of charge or if he requires a copy or computer prints of the register or any part thereof, the same will be supplied to him on pre-payment at the rate of Rs.5/- or at such rate as the Board may decide for every 1000 words or fractional part thereof required to be copied.

c) Not withstanding anything contained in sub-regulation (b), any duly authorized officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.

12. CLOSING OF THE REGISTER:

The Bank may, after ensuring compliance of the applicable guidelines and the listing agreement with the Stock Exchanges, and after giving not less than seven days previous notice by advertisement in at least two newspapers circulating in India, close the register of shareholders for any period or periods not exceeding in the aggregate forty- five days in each year, but not exceeding thirty days at any one time as may in its opinion, be necessary

13. SHARE CERTIFICATES:

i) Each share certificate shall bear share certificate number, a distinctive number, the number of shares in respect of which it is issued and the names of the shareholder to whom it is issued and it shall be in such form as may be specified by the Board.

ii) Every share certificate shall be issued under the common seal of the Bank in pursuance of a resolution of the Board and shall be signed by two directors and some other officer not below the rank of Scale II or the Company Secretary for the purpose.

Provided that the signature of the directors may be printed, engraved, lithographed or impressed by such other mechanical process as the Board may direct.

(iii) A signature so printed, engraved, lithographed or otherwise impressed shall be as valid as a signature in the proper handwriting of the signatory himself.

(iv) No share certificate shall be valid unless and until it is so signed. Share Certificates so signed shall be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorized to sign share certificates on behalf of the Bank.

14. ISSUE OF SHARE CERTIFICATES:

i) While issuing share certificates to any shareholder, it shall be competent for the Board to issue the certificates on the basis of one certificate for every hundred shares or multiples thereof registered in his name on any one occasion and one additional share certificate for the number of shares in excess thereof but which are less than hundred.

ii) If the number of shares to be registered is less than hundred, one certificate shall be issued for all the shares.

iii) In respect of any share or shares held jointly by several persons, the bank shall not be bound to issue more than one certificate, and delivery of certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

15. ISSUE OF NEW OR DUPLICATE SHARE CERTIFICATE:

i) If any share certificate is worn out or defaced, the Board or the Committee designated by it on production of such certificate may order the same to be cancelled and have a new certificate issued in lieu thereof.

ii) If any share certificate is alleged to be lost or destroyed, the Board or the Committee designated by it on such indemnity with or without surety as the Board or the Committee thinks fit, and on publication in two newspapers and on payment to Syndicate Bank of its costs, charges and expenses, a duplicate certificate in lieu thereof may be given to the person entitled to such lost or destroyed certificate.

16. CONSOLIDATION AND SUB-DIVISION OF SHARES:

On a written application made by the shareholder(s), the Board or the committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/ sub-division as the case may be and issue a new certificate(s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter.

17. TRANSFER OF SHARES:

i) Every transfer of the shares of the Bank shall be by an instrument of transfer in form ‘A’ annexed hereto or in such other form as may be approved by the Bank from time to time and shall be duly stamped, dated and executed by or on behalf of the transferor and the transferee alongwith the relative share certificate.

ii) The instrument of transfer alongwith the share certificate shall be submitted to the Bank at its Head Office and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the share register in respect thereof.

iii) Upon receipt by the Bank of an instrument of transfer along with a share certificate with a request to register the transfer, the Board or the Committee designated by the Board shall forward the said instrument of transfer along with share certificate to the Registrar or Share Transfer Agent for the purposes of verification that the technical requirements are complied with in their entirety. The Registrar or share Transfer Agent shall return the instrument of transfer along with the share certificate, if any, to the transferee for resubmission unless the instrument of transfer is presented to the bank, duly stamped and properly executed for registration and is accompanied by the certificate of the shares to which it relates and such other evidence as the Board may require to show the title of the transferor to make such transfer.

Explanation:- “Technical requirements” means

a) Transfer deed shall be duly stamped;

b) Certificate number or distinctive number mentioned in the transfer deed shall tally with the share certificate;

c) Transferor’s signature shall tally;

d) Transfer deed shall be witnessed.”

(iv) The Board or the Committee designated by the Board shall, unless it refuses to register the transfer under regulation 19 hereinafter, cause the transfer to be registered.

(v) Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days from the date of lodging of the instrument of transfer.

18. POWER TO SUSPEND TRANSFERS:

The Board or the Committee designated by the Board shall not register any transfer during any period in which the register is closed.

19. BOARD’S RIGHT TO REFUSE REGISTRATION OF TRANSFER OF SHARES:

i) The Board or Committee may refuse transfer of any shares in the name of transferee on any one or more of the following grounds, and on no other grounds:

a) The transfer of shares is in contravention of the provision of the Act or regulations made thereunder or any other Law or that any other requirement under the law relating to registration of such transfer has not been complied with;

b) The transfer of shares, in the opinion of the Board, is prejudicial to the interest of the Bank or to public interest;

c) The transfer of shares is prohibited by an order of Court, Tribunal or any other authority under any law for the time being in force.

d) An individual or company resident outside India or any company incorporated under any law not in force in India or any Branch of such company whether resident outside India or not will on the transfer being allowed hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% (twenty) of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette.

ii) The Board or Committee shall, after the instrument of transfer of shares of the Bank is lodged with it for the purpose of registration of such transfer from its opinion to whether such registration ought or ought not be refused on any of the grounds referred to in such regulation (i) -

a) If it has formed the opinion that such registration ought not to be so refused, effect such registration; and

b) If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub regulation (i) intimate the same to the Transferor and the Transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of transfer form or within such period as may be laid down in the Listing Agreement with the concerned Stock Exchange

20. TRANSMISSION OF SHARES IN THE EVENT OF DEATH, INSOLVENCY ETC.:

i) The executors or administrators of a deceased share holder in respect of a share, or the holder of letter of probate or letters of administration with or without the will annexed or succession certificate issued under Part X of the Indian Succession Act, 1925 or the holder of any legal representation or a person in whose favour a valid instrument of transfer was executed by the deceased sole holder during the latter's life time shall be the only person who may be recognized by Syndicate Bank as having any title to such share.

ii) In the case of shares registered in the name of two or more share holders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of letters of probate or letters of administration with or without will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the share or a person in whose favour a valid instrument of transfer of share was executed by such person and such last survivor during the latter' s life time, shall be the only person who may be recognized by Syndicate Bank as having any title to such share.

iii) Syndicate Bank shall not be bound to recognize such executors or administrators unless they shall have obtained probate or letters of administration of succession certificate, as the case may be, from a Court of competent jurisdiction.

Provided, however, that in a case where the Board in its discretion thinks fit, it shall be lawful for the Board to dispense with the production of letters of probate or letters of administration of succession certificate or such other legal representation, upon such terms as to indemnity or otherwise as it may think fit.

iv) Any such person becoming entitled to share in consequence of death of a share holder and any person becoming entitled to a share in consequence of the insolvency, Bankruptcy or liquidation of a share holder shall upon production of such evidence, as the Board may require, have the right –

a) to be registered as a shareholder in respect of such share

b) to make such transfer of such share as the person from whom he derives title could have made.

21. SHAREHOLDER CEASING TO BE QUALIFIED FOR REGISTRATION:

It shall be the duty of any person registered as a shareholder, whether solely or jointly with another or others forthwith upon ceasing to be qualified to be so registered in respect of any share to give intimation thereof to the Board of Directors in this regard.

Explanation- For the purposes of this regulation, a shareholder may cease to be qualified for registration:-

(a) If he is a guardian of minor, on the minor attaining the majority;

(b) If he is holding shares as a Karta, on his ceasing to be a Karta".

22. CALLS ON SHARES:

The Board may, from time to time, make such calls as it thinks fit upon the share holders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be payable by instalments.

23. CALLS TO DATE FROM RESOLUTION:

A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and may be made payable by the shareholders on the register on such date or at the discretion of the Board on such subsequent date as may be fixed by the Board.

24. NOTICE OF CALL:

A notice of not less than thirty days of every call shall be given specifying the time of payment provided that before the time for payment of such call the Board may by notice in writing to the shareholder revoke the same.

25. EXTENSION OF TIME FOR PAYMENT OF CALL:

The Board may, from time to time and at its discretion, extend the time fixed for the payment of any call to all or any of the shareholders having regard to distance of their residence or some other sufficient cause, but no shareholder shall be entitled to such extension as a matter of right.

26. LIABILITIES OF JOINT HOLDERS:

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

27. AMOUNT PAYABLE AT FIXED TIME OR BY INSTALMENTS AS CALLS:

If by the terms of issue of any share or otherwise any amount is payable at any fixed time or by instalments at fixed times, every such amount or instalment shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of the calls shall relate to such amount or instalment accordingly.

28. WHEN INTEREST ON CALL OR INSTALMENT PAYABLE:

If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made, or the instalment shall be due, shall pay interest on such sum at such rate as the Board may fix from time to time, from the day appointed for the payment thereof to the time of actual payment, but the Board may at its discretion waive payment of such interest wholly or in part.

29. NON-PAYMENT OF CALLS BY SHAREHOLDER:

No shareholder shall be entitled to receive any dividend or to exercise any right of a shareholder until he shall have paid all calls for the time being due and payable on every share held by him, whether singly or jointly with any person, together with interest and expenses, as may be levied or charged.

30. NOTICE ON NON-PAYMENT OF CALL OR INSTALMENT:

If any shareholder fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, Syndicate Bank may at any time thereafter during such time as the call or instalment or any part thereof or other monies remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such shareholder or on the person (if any) entitled to the share by transmission, requiring him to pay such call or instalment or such part thereof or other monies as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been paid or incurred by Syndicate Bank by reason of such non-payment.

31. NOTICE OF FORFEITURE:

The notice of forfeiture shall name a day not being less than fourteen days from the date of the notice and the place or places on and at which such call or instalment or such part or other monies and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the share in respect of which the call was made or instalment is payable will be liable to be forfeited.

32. SHARES TO BE FORFEITED ON DEFAULT:

If the requirements of any such notice as aforesaid are not complied with, any of the shares in respect of which such notice has been given may at any time thereafter for non-payment of all calls or instalments, interest and expenses or the money due in respect thereof, be forfeited by a resolution of the Board to that effect at its next meeting to be held after the expiry of the notice of forfeiture under regulation 31 to that effect. Such forfeiture shall include all dividends declared in respect of forfeited shares and not actually paid before the forfeiture.

33. ENTRY OF FORFEITURE IN THE REGISTER:

When any share has been forfeited under Regulation 32, any entry of the forfeiture with the date thereof shall be made in the register.

34. FORFEITED SHARES TO BE PROPERTY OF SYNDICATE BANK AND MAY BE SOLD:

Any share so forfeited shall be deemed to be the property of Syndicate Bank and may be sold, reallotted or otherwise disposed of to any person upon such terms and in such manner as the Board may decide.

35. POWER OF ANNUAL FORFEITURE:

The Board may, at any time, before any share so forfeited under Regulation 32 shall have been sold, reallotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it may think fit.

36. SHAREHOLDER LIABLE TO PAY MONEY OWING AT THE TIME OF FORFEITURE AND INTEREST:

Any shareholder whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to Syndicate Bank all calls, instalments, interest, expenses and other monies owing upon or in respect of such shares at the time of forfeiture with interest thereon from the time of forfeiture until payment at such rate as may be specified by the Board and the Board may enforce the payment of the whole or a portion thereof.

37. PARTIAL PAYMENT NOT TO PRECLUDE FORFEITURE:

Neither a judgement nor a decree in favour of Syndicate Bank for calls or other monies due in respect of any shares nor any payment or satisfaction thereunder nor a receipt by Syndicate Bank of a portion of any money which shall be due from any shareholder from time to time in respect of any shares either by way of principal or interest not any indulgence granted by Syndicate Bank in respect of payment of any money shall preclude the forfeiture of such shares under these regulations.

38. FORFEITURE OF SHARES EXTINGUISHES ALL CLAIMS AGAINST BANK:

The forfeiture of a share shall involve extension, at the time of forfeiture, of all interest in and all claims and demands against the Bank, in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents expressly waived.

39. ORIGINAL SHARES NULL AND VOID ON SALE, RE-ISSUE, RE-ALLOTMENT OR DISPOSAL ON BEING FORFEITED:

Upon any sale, reissue, reallotment or other disposal under the provisions of the preceding regulations, the certificate(s) originally issued in respect of the relative shares shall (unless the same shall on demand by the Bank have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, the Board shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

40. APPLICATION OF FORFEITURE PROVISIONS:

The provisions of these regulations as to the forfeiture shall apply in the case of non-payment of any sum which by terms of issue of a share become payable at a fixed time, whether on account of nominal value of the shares or by way of premium as if the same had been payable by virtue of a call duly made.

41. LIEN ON SHARES:

i) The Bank shall have a first and paramount lien

a) on every share (not being a fully paid share), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share;

b) on all shares (not being fully-paid shares) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Bank;

c) upon all the shares registered in the name of each person (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts; liabilities and engagements, solely or jointly with any other person to or with the Bank, whether the period for the payment, fulfilment, or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be recognized by the Bank over its lien.

Provided that the Board of Directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

ii) The Bank's lien, if any, on a share shall extend to all dividends payable thereon.

42. ENFORCING LIEN BY SALE OF SHARES:

i) The Bank may sell, in such manner as the Board thinks fit, any shares on which the company has a lien

a) if a sum in respect of which the lien exists is presently payable and

b) after the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

c) to give effect to any such sale, the Board may authorize some officer to transfer the shares sold to the purchaser thereof.

43. APPLICATION OF PROCEEDS OF SALE OF SHARES:

The net proceeds of any sale of shares under Regulation 42 after deduction of costs of such sale, shall be applied in or towards the satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable and the residue, if any, be paid to the shareholders or the person, if any, entitled by transmission to the shares so sold.

44. CERTIFICATE OF FORFEITURE:

A certificate in writing under the hands of any director, Company Secretary or any other Officer of the Bank not below the rank of Scale II duly authorized in this behalf, that the call in respect of a share was made and that the forfeiture of the share was made by a resolution of the Board to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such shares.

45. TITLE OF PURCHASER AND ALLOTTEE OF FORFEITED SHARE:

Syndicate Bank may receive the consideration, if any, given for the share on any sale, reallotment or other disposition thereof and the person to whom such share is sold, reallotted or disposed of may be registered as the holder of the share and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, reallotment or other disposal of the share and the remedy of any person aggrieved by the sale shall be in damages only and against Syndicate Bank exclusively.

46. SERVICE OF A NOTICE OR DOCUMENT TO SHAREHOLDERS:

i) The Bank may serve a notice or a document on any shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any within India supplied by him to the Bank for giving of notice to him.

ii) Where a document or notice is sent by post, the service of such document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice:

Provided that where a shareholder has intimated to the Bank in advance that documents should be sent to him under a certificate of posting or by registered post, with or without acknowledgement due or by courier service or in an electronic mode and has deposited with the Bank a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the shareholder. And such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration of forty eight hours after the letter containing the same is posted, and in any other case, at the time at which the letter would have been delivered in the ordinary course of post or electronic media, as the case may be.

iii) A notice or a document advertised in a newspaper widely circulated in India shall be deemed to be duly served on the day on which the advertisement appears on every shareholder of the Bank who has no registered address in India and has not supplied to the Bank an address within India for giving of notice to him.

iv) A notice or document may be served by the Bank on the joint holder of a share by effecting service on the joint holder named first in the register in respect of the share and notice so given shall be sufficient notice to all the holders of the said shares.

v) A notice or a document may be served by the Bank on the persons entitled to a share upon death or in consequence of the insolvency of a shareholder by sending it through post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons, claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.

vi) The signature to any notice to be given by the Syndicate Bank may be written or printed.

## CHAPTER III

## SECURITIES OF THE BANK HELD IN A DEPOSITORY

47. AGREEMENT BETWEEN A DEPOSITORY AND THE BANK:

The Bank may enter into an agreement with one or more depository as defined in section 2 (e) of the Depositories Act, 1996 to avail of its services in respect of securities issued by the Bank.

# CHAPTER IV

## MEETINGS OF SHAREHOLDERS

56. NOTICE CONVENING AN ANNUAL GENERAL MEETING:

i) A notice convening an Annual General Meeting of the shareholders signed by the Chairman & Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary of Syndicate Bank shall be published atleast twenty one clear days before the meeting in not less than two daily newspapers having wide circulation in India.

ii) Every such notice shall state the time, date and place of such meeting and also the business that shall be transacted at that meeting.

iii) The time and date of such meeting shall be as specified by the Board. The meeting shall be held at a place of Head Office of Syndicate Bank.

57. EXTRAORDINARY GENERAL MEETING:

i) The Chairman and Managing Director or in his absence the Executive Director of the Bank or in his absence any one of the Directors of the Bank may convene an Extra Ordinary General Meeting of shareholders if so directed by the Board, or on a requisition for such a meeting having been received either from the Central Government or from other shareholders holding shares, carrying, inn the aggregate, not less than ten percent of the total voting rights of all the shareholders.

ii) The requisition referred in sub-regulation (i) shall state the purpose for which the Extra Ordinary General Meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists.

iii) Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting, signed by one or some of them shall, for the purpose of this regulation have the same force and effect as if it had been signed by all of them.

iv) The time, date and place of the Extra Ordinary General Meeting shall be decided by the Board:

Provided that the Extra Ordinary General Meeting convened on the requisition by the Central Government or other shareholder shall be convened not later than 45 days of the receipt of the requisition.

v) If the Chairman and Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation (iv), the meeting may be called by the requisitionist themselves within three months from the date of the requisition;

Provided that nothing in this sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period.

vi) A meeting called under sub-regulation (v) by the requisitionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the Board.

58. QUORUM OF GENERAL MEETING:

i) No business shall be transacted at any meeting of the shareholders unless a quorum of atleast five shareholders entitled to vote at such meeting in person are present at the commencement of such business.

ii) If within half an hour after the time appointed for the holding of a meeting, a quorum is not present, in the case of a meeting called by a requisition of shareholders other than the Central Government, the meeting shall stand dissolved.

iii) In any other case if within half an hour after the time appointed for the holding of a meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and such other time and place as the Chairman may determine. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the shareholders who are present in person or by proxy or by duly authorized representative at such adjourned meeting shall be quorum and may transact the business for which the meeting was called:

Provided that no Annual General Meeting shall be adjourned to a date later than the date within which such Annual General Meeting shall be held in terms of Section 10A(1) of the Act and if adjournment of the meeting to the same day in the following week would have this effect, the Annual General Meeting shall not be adjourned but the business of the meeting shall be commenced within one hour from the time appointed for the meeting if the quorum is present or immediately after the expiry of one hour from that time and those shareholders who are present in person or by proxy or by duly authorized representative at such time shall form the quorum.

59. CHAIRMAN AT GENERAL MEETING:

i) The Chairman and Managing Director or in his absence, the Executive Director or in his absence such one of the Directors as may be generally or in relation to a particular meeting be authorized by the Chairman and Managing Director or in his absence, the Executive Director in this behalf, shall be the Chairman of the meeting and if the Chairman and Managing Director or the Executive Director or any other Director authorized in this behalf is not present, the meeting may elect any other Director present to be Chairman of the meeting.

ii) The Chairman of the General Meeting shall regulate the procedure at General Meetings and in particular shall have power to decide the order in which the shareholders may address the meeting to fix a time limit for speeches, to apply the closure, when in his opinion, any matter has been sufficiently discussed and to adjourn the meeting.

60. PERSONS ENTITLED TO ATTEND GENERAL MEETINGS:

i) All Directors and all shareholders of Syndicate Bank shall, subject to the provisions of Sub-Regulation (ii) be entitled to attend the General Meeting.

ii) A shareholder (not being the Central Government) or a Director, attending a General Meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman containing particulars relating to:

a) his full name and registered address,

b) the distinctive numbers of his shares,

c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorized representative.

61. VOTING AT GENERAL MEETINGS:

i) At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.

ii) Save as otherwise provided in the Act every matter submitted to a General Meeting shall be decided by a majority of votes.

iii) Unless a poll is demanded under Sub-Regulation (i), a declaration by the Chairman of the meeting that a resolution on show of hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings, shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour or, or against, such resolution.

iv) Before or on the declaration of the result of the voting or any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion, and shall be ordered to be taken by him on demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in Syndicate Bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution.

v) The demand for the poll may be withdrawn at any time by the person or persons who made the demand.

vi) The poll demanded on a question of adjournment or election of Chairman of the meeting shall be taken forthwith.

vii) A poll demanded on any other question shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman of the meeting may direct.

viii) The decision of the Chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final.

61A SCRUTINEERS AT POLL:

i) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him.

ii) The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutineer from the office and to fill the vacancy in the office of the scrutineers arising from such removal or from any other cause.

iii) Of the two scrutineers appointed under this regulation one shall always be a shareholder( not being an Officer or employee of the Bank) present at the meeting: provided that such a shareholder is available and willing to be appointed.

61B. MANNER OF TAKING POLL AND RESULT THEREOF:

i) The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

ii) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken"

62. MINUTES OF GENERAL MEETINGS:

i) Syndicate Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose.

ii) Any such minutes, if purporting to be signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.

iii) Until the contrary is proved, every General Meeting in respect of the proceedings hereof minutes have been so made shall be deemed to have been duly called and held, and all proceedings held thereat to have been duly held.

iv) On written request made by a shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the Bank shall allow the inspection or furnish the copy of the minute, as the case may be, to the shareholder

## CHAPTER V

## ELECTION OF DIRECTORS

63. DIRECTORS TO BE ELECTED AT GENERAL MEETING:

i) A Director under Clause (i) of Sub-Section (3) of Section 9 of the Act shall be elected by the Shareholders on the register, other than the Central Government, from amongst themselves in the General Meeting of Syndicate Bank.

ii) Where an election of a Director is to be held at any General Meeting, the notice thereof shall be included in the notice convening the meeting. Every such notice shall specify the number of Directors to be elected and the particulars of vacancies in respect of which the election is to be held.

64. LIST OF SHAREHOLDERS:

i) For the purpose of election of a Director under Sub-Regulation (i) of Regulation 63 of these regulations, a list shall be prepared of shareholders on the register by whom the Director is to be elected.

ii) The list shall contain the names of the shareholders, their registered addresses, the number and denoting numbers of shares held by them with the dates on which the shares were registered and the number of votes to which they will be entitled on the date fixed for the meeting at which the election will take place and copies of the list shall be available for purchases atleast three weeks before the date fixed for the meeting at a price to be fixed by the Board or the Management Committee, on application at the Head Office.

65. NOMINATION OF CANDIDATES FOR ELECTION:

i) 'No nomination of a candidate for election as a Director shall be valid unless,

a) he is a shareholder holding not less than 100 (one hundred) shares in Syndicate Bank

b) he is on the last date for receipt of nomination not disqualified to be a director under the Act or under the Scheme;

c) he has paid all calls in respect of the shares of the Bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;

d) the nomination is in writing signed by atleast one hundred shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a shareholder who is a company may be made by a resolution of the Directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be dispatched to the Head Office of Syndicate Bank and such copy shall be deemed to be a nomination on behalf of such company;

e) the nomination accompanies or contains a declaration signed by the candidate before a Judge, Magistrate, Registrar or Sub-registrar of Assurances or other Gazetted Officer or any officer of the Reserve Bank of India or any nationalized bank, that he accepts the nomination and is willing to stand for election, and that he is not disqualified either under the Act or the scheme or these regulations from being a Director.

ii) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of Syndicate Bank on a working day not less than fourteen days before the date fixed for the meeting.

66. SCRUTINY OF NOMINATIONS:

i) Nominations shall be scrutinized on a first working day following the date fixed for receipt of the nominations and in case any nomination is not found to be valid, the same shall be rejected after recording the reason therefore. If there is only one valid nomination for any particular vacancy to be filled by election, the candidate so nominated shall be deemed to be elected forthwith and his name and address shall be published as so elected. In such an event there shall not be any election at the meeting convened for the purpose and if the meeting had been called solely for the purpose of the aforesaid election, it shall stand cancelled.

ii) In the event of an election being held, if valid nominations are more than the number of directors to be elected, the candidate polling the majority of votes shall be deemed to have been elected.

iii) A director elected to fill an existing vacancy shall be deemed to have assumed office from the date following that on which he is, or is deemed to be elected.

67. ELECTION DISPUTES:

i) If any doubt or dispute shall arise as to the qualification or disqualification of a person deemed, or declared to be elected, or as to the validity of the election of a director, any person interested, being a candidate or shareholder entitled to vote at such election, may, within seven days of the date of the declaration of the result of such election, give intimation in writing thereof to the Chairman and Managing Director of Syndicate Bank and shall in the said intimation give full particulars of the grounds upon which he doubts or disputes the validity of the election.

ii) On receipt of an intimation under Sub-regulation (i), the Chairman and Managing Director or in his absence, the Executive Director of Syndicate Bank shall forthwith refer such doubt or dispute for the decision of a committee consisting of the Chairman and Managing Director or in his absence, the Executive Director and any two of the Directors nominated under Clause (b) and (c) of sub-section (3) of Section 9 of the Act.

iii) The committee referred to in Sub-Regulation (ii) shall make such enquiry as it deems necessary and if it finds that the election was a valid election, it shall confirm the declared result of the election or, if it finds that the election was not a valid election, it shall, within 30 days of the commencement of the enquiry, make such order and give such directions including the holding of a fresh election as shall in the circumstances appear just to the committee.

iv) An order and direction of such committee in pursuance of this regulation shall be conclusive.

## CHAPTER VI

## VOTING RIGHTS OF SHAREHOLDERS

68. DETERMINATION OF VOTING RIGHTS:

i) Subject to the provisions contained in Section 3(2E) of the Act, each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a General Meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him.

ii) Subject to the provisions contained in Section 3(2E) of the Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation (i)

Explanation – for this Chapter, " Company" means any body corporate.

iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting.

69. VOTING BY DULY AUTHORISED REPRESENTATIVE:

i) A shareholder, being the Central Government or a company, may by a resolution, as the case may be, authorize any of its officials or any other person to act as its representative at any General Meeting of the shareholders and the person so authorized (referred to as a 'duly authorized representative' in these regulations) shall be entitled to exercise the same powers on behalf of the Central Government or company which he represents, as if he were an individual shareholder of the Syndicate Bank. The authorization so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as a duly authorized representative of the Central Government/ Company.

ii) No person shall attend or vote at any meeting of the shareholders of Syndicate Bank as the duly authorized representative of a company unless a copy of the resolution appointing him a duly authorized representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Syndicate Bank not less than four days before the date fixed for the meeting.

70. PROXIES:

i) No instrument of proxy shall be valid unless, in the case of an individual shareholder, it is signed by him or by his attorney duly authorized in writing or in the case of joint holders, it is signed by the shareholder first named in the register or his attorney duly authorized in writing or in the case of the body corporate signed by its officer or an attorney duly authorized in writing;

Provided that an instrument of proxy shall be sufficiently signed by any shareholder, who is, for any reason, unable to write his name, if his mark is affixed thereto and attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Government Gazetted officer or an Officer of the Syndicate Bank.

ii) No proxy shall be valid unless it is duly stamped and a copy thereof deposited at the Head Office of Syndicate Bank not less than four days before the date fixed for the meeting, together with the power of attorney or other authority (if any) under which it is signed or a copy of that power of attorney or other authority certified as a true copy by a Notary Public or a Magistrate unless such a power of attorney or the other authority is previously deposited and registered with Syndicate Bank.

iii) No instrument of proxy shall be valid unless it is in Form 'B'.

iv) An instrument of proxy deposited with Syndicate Bank shall be irrevocable and final.

v) In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.

vi) The grantor of an instrument of proxy under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

vii) No person shall be appointed as duly authorized representative or a proxy who is an officer or any employee of Syndicate Bank.

# MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Bank. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Designated Stock Exchange for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Bank between 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

***Material Contracts***

1. Letters of appointment dated April 16, 2005 to SBI Capital Markets Limited, Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited and SSKI Corporate Finance Private Limited from our Bank appointing them as BRLMs.
2. Letter of appointment dated April 18, 2005 for the Registrar to the Issue.
3. Memorandum of Understanding amongst our Bank and the BRLMs dated April 19, 2005.
4. Memorandum of Understanding executed by our Bank and the Registrar to the Issue dated January 15, 2005.
5. Escrow Agreement dated June 16, 2005 between the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
6. Syndicate Agreement dated June 16, 2005 between the Bank, the BRLMs and the Syndicate Members.
7. Underwriting Agreement dated [●] between the Bank, the BRLMs and the Syndicate Members.

***Material Documents***

1. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.
2. Syndicate Bank (Shares & Meetings) Regulations, 1998, as amended from time to time.
3. Shareholders' resolution dated June 14, 2004 in relation to this Issue and other related matters.
4. Resolutions of the Board of Directors dated May 6, 2004 in relation to this Issue and other related matters.
5. Letter no. F.No.11/18/2004-B0A dated December 3, 2004 from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) granting its approval to the present Issue.
6. Letter no. FED.CO.FID/6988/10.02.40 (9106)/2004-05 dated April 19, 2005, from RBI permitting the Bank to issue shares to NRIs and FIIs with repatriation benefits out of the issue of Equity Shares of Rs. 10 each amounting to Rs. 500 million.
7. Letter No. F.No. 11/18/2004-BOA dated April 13, 2005 from the MoF, GoI conveying the approval of the Central Government for the lock-in of the post- Issue share capital of the Bank for three years from date of allotment and lock-in of the pre-Issue share capital of the Bank for one year from date of allotment.
8. Notification F.No.11/18/2004-BOA dated December 3, 2004, from the GoI, MoF granting an exemption to us from the provisions of sections 13 and 15(1) of the Banking Regulations Act for a period of five years.
9. Reports of the Auditors dated May 11, 2005 prepared as per Indian GAAP.
10. Copies of annual reports of our Bank for the last five financial years, and the RRBs for the past three years.
11. Consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
12. General Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
13. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank, Banker to the Issue, Domestic Legal Counsel to the Bank, International Legal Counsel to the Bank, Directors, Company Secretary, Compliance Officer and Co-Managers as referred to, in their respective capacities.
14. Listing applications dated April 19, 2005 to NSE, BSE and BgSE.
15. In-principle listing approvals dated April 22, 2005, April 26, 2005 and April 28, 2005 from NSE, BSE and BgSE, respectively.

16. Tripartite agreement between NSDL, our Bank and the Registrar to the Issue dated September 16, 1999.
17. Tripartite agreement between CDSL, our Bank and the Registrar to the Issue dated September 16, 1999.
18. Due diligence certificate dated April 19, 2005 to SEBI from SBI Capital Markets Limited, Enam Financial Consultants Private Limited, JM Morgan Stanley Private Limited and SSKI Corporate Finance Private Limited.
19. SEBI observation letter no. CFD/DIL/ISSUES/SM/40180/2005 dated May 9, 2005 and our reply to the same dated June 16, 2005.
20. Due Diligence Certificates dated April 19, 2005 and June 20, 2005 to SEBI from the BRLMs.
21. Letter No.F.No.9/23/2003-BO-I dated January 19, 2005 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing N. Kantha Kumar, executive director, Canara Bank as the Chairman and Managing Director of the Bank.
22. Letter No. F.No.9/11/2004-B.O.I [i] dated September 24, 2004 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing M Deena Dayalan, Joint Secretary and Financial Advisor, MoF, GoI as director.
23. Letter No. F.No.15/8/2001-IR dated May 7, 2002 issued by the Department of Economic Affairs (Banking Division), MoF, GoI appointing Jai Perkash Sharma, Clerk, Syndicate Bank, Super Bazar Branch, New Delhi as Workmen Employee Director.
24. Letter No. F.No.9/2/2004-BOI dated August 26, 2004 issued by the Department of Economic Affairs (Banking Division), MoF, GoI nominating K.R. Das, Vice Principal, Reserve Bank Staff College as Director.

*Any of the contracts or documents mentioned in this Red Herring 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

All the relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subsequent amendments made thereto, Syndicate Bank (Shares & Meetings) Regulations, 1998, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the guidelines issued by the Government of India or the guidelines issued by 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 Red Herring Prospectus is contrary to the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and subsequent amendments made thereto, Syndicate Bank (Shares & Meetings) Regulations, 1998, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. All legal requirements applicable till the filing of the Red Herring Prospectus with the Stock Exchanges have been complied with. We further certify that all statements and disclosures in this Red Herring Prospectus are true and fair.

**SIGNED BY ALL DIRECTORS**

**N. Kantha Kumar**

**M. Deena Dayalan**

**K. R. Das**

**Jai Perkash Sharma**

**Ranjana S. Salgaocar**

**Anil Kumar Khanna**

**P. C. Nayak**

**K. P. Fabian**

**SIGNED BY**
**GENERAL MANAGER, TREASURY & INTERNATIONAL BANKING DEPARTMENT**

**D. C. Pai**

Date : June 20, 2005
Place : Mumbai