

**DRAFT RED HERRING PROSPECTUS**

Dated March 11, 2005

*(The Draft Red Herring Prospectus will be updated upon filing with the Designated Stock Exchange)*

**100% Book Building Issue**



## **ORIENTAL BANK OF COMMERCE**

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Compliance Officer: .Rajiv Madhok, Website: [www.obcindia.com](http://www.obcindia.com)

(Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 as Oriental Bank of Commerce on April 15, 1980)

**PUBLIC ISSUE OF 58,000,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION (THE “ISSUE”) BY ORIENTAL BANK OF COMMERCE (“THE BANK” OR “THE ISSUER”) THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 46,400,000 EQUITY SHARES OF RS. 10 EACH (THE “NET ISSUE”), A RESERVATION FOR EMPLOYEES OF UP TO 5,800,000 EQUITY SHARES OF RS. 10 EACH AND A RESERVATION FOR EXISTING SHAREHOLDERS OF THE BANK OF UP TO 5,800,000 EQUITY SHARES OF RS. 10 EACH, AT THE ISSUE PRICE. THE ISSUE WOULD CONSTITUTE 23.15% 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 ISSUE PRICE IS [●] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

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 13 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 and the Stock Exchange, Mumbai, by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the Syndicate.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 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. Up to 5,800,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price and the maximum Bid in this portion is limited to Rs. [●] million. Up to 5,800,000 Equity Shares shall be available for allocation on a proportionate basis to the Existing Shareholders, subject to valid Bids being received at or above the Issue Price and the maximum Bid in this portion is limited to Rs. [●] million.

#### RISK IN RELATION TO THE ISSUE

The Issue Price (as determined by Oriental Bank of Commerce in consultation with the Book Running Lead Managers (“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 Oriental Bank of Commerce could affect the price discovery through book building and vice versa. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

#### GENERAL RISKS

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

#### ISSUER’S ABSOLUTE RESPONSIBILITY

The Bank having made all reasonable inquiries, accepts responsibility for and confirms that this Draft 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 Draft 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 Draft 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 ARRANGEMENT

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited and the Stock Exchange, Mumbai, where the existing Equity Shares of the Bank are listed. We have received in-principle approval from the National Stock Exchange of India Limited and the Stock Exchange, Mumbai for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively.

**BOOK RUNNING LEAD MANAGERS**

 <p><b>ICICI SECURITIES LIMITED</b>  ICICI Centre,  H.T.Parekh Marg,  Churchgate  Mumbai 400 020, India  Tel : (91 22) 2288 2460  Fax : (91 22) 2282 6580  E-mail :  obc_fpo@iseconline.com  Website : <a href="http://www.isecltd.com">www.isecltd.com</a></p>	 <p><b>DSP MERRILL LYNCH LIMITED</b>  Mafatlal Centre, 10th Floor,  Nariman Point,  Mumbai 400 021, India  Tel: (91 22) 226 21071  Fax:(91 22) 226 21187  E-mail:  obc_fpo@ml.com  Website:www.dspml.com</p>	 <p><b>KOTAK MAHINDRA CAPITAL COMPANY LIMITED</b>  Bakhtawar, 3<sup>rd</sup> Floor,  229, Nariman Point,  Mumbai 400 021, India  Tel. : (91 22) 5634 1100  Fax. : (91 22) 2284 0492  E-mail:  obc.fpo@kotak.com  Website :www.kotak.com</p>
 <p><b>CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED</b>  4th Floor, Bakhtawar,  Nariman Point, Mumbai 400 021, India  Tel. : (91 22) 5631 9999  Fax.: (91 22) 5631 9803E-mail:  obc.fpo@citigroup.com  Website: <a href="http://www.cgmipl.com">www.cgmipl.com</a></p>	 <p><b>BAJAJ CAPITAL LTD</b>  97,Bajaj House  Nehru Place  New Delhi-110019  ph:(011)26472632/264189 03-06  Fax:(011)5560888/264766 38  email:<a href="mailto:mbd@bajajcapital.com">mbd@bajajcapital.com</a>  website:<a href="http://www.bajajcapital.com">www.bajajcapital.com</a></p>	<p align="center"><b>REGISTRAR TO THE ISSUE</b></p> <p><b>MCS LIMITED</b>  Sri Padmavati Bhavan  Plot No. 93, Road No. 16,  MIDC Area  Andheri (East)  Mumbai 400092  Tel: (91 11) 2820 1785  Fax.: (91 11) 2820 1783  Email:obcfpo@mcsind.com  Website :www.mcsind.com</p>

ISSUE PROGRAMME	
<b>BID / ISSUE OPENS ON</b>	
<b>BID / ISSUE CLOSES ON</b>	

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## DEFINITIONS AND ABBREVIATIONS

### Definitions

Term	Description
“OBC” or “the Bank” or “our Bank” or “Oriental Bank of Commerce ”	Oriental Bank of Commerce, a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 having its Head Office at Harsha Bhawan, E Block, Connaught Place, New Delhi 110 001, India.
“we” or “us” or “our”	Refers to Oriental Bank of Commerce.

### A. CONVENTIONAL & GENERAL TERMS

Term	Description
Companies Act	The (Indian) Companies Act, 1956 as amended from time to time.
Crore	10 million
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.
Designated Stock Exchange	National Stock Exchange of India Limited
Eligible NRI	An NRI who is a resident of Bahrain, Kuwait or the United Arab Emirates.
Financial Year /fiscal year/ fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Government / GoI / Central Government	The Government of India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.

Lac/Lakh	0.1 million

NRI/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.
Non Residents	Is a Person resident outside India, as defined under FEMA
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 (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
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.
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.

SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
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.
Securatisation Act	Securatisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
Stock Exchanges	BSE and NSE.
U.S. GAAP	Generally accepted accounting principles in the United States of America.

## B. OFFERING RELATED TERMS

<b>Term</b>	<b>Description</b>
Allotment	Unless the context otherwise requires, the issue of Equity Shares, pursuant to this Issue.
Banker(s) to the Issue	Oriental Bank of Commerce.
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 and payable by the Bidder on submission of the Bid in the Issue.
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in [•], an English national newspaper and in [•], an Hindi national 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 Draft Red Herring Prospectus.
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 an English national newspaper and a Hindi national newspaper, with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the 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 ICICI Securities Limited, DSP Merrill Lynch Limited, Bajaj Capital Limited, Citigroup Global Markets India Private Limited and Kotak Mahindra Capital Company 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.



Constitutional Documents	The Bank Acquisition Act read with the Bank Regulations and the Bank Scheme.
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. 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 Allotment will be made to successful Bidders.
Draft Red Herring Prospectus	This Draft Red Herring Prospectus proposed to be filed with the SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue.
Employees Reservation Portion	The portion of the Issue being a maximum of 5,800,000 Equity Shares available for allocation to Employees as of February 1, 2005.
Equity Shares	Equity shares of the Bank of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	The account opened with the Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	The agreement entered into between, the Bank, the Registrar, the Escrow Collection Bank and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	Oriental Bank of Commerce
Existing Shareholders	Holders of Equity Shares of the Bank as of [●] and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of the closing price of the Equity Shares on the NSE on [●].

Existing Shareholders Reservation Portion	The portion of the Issue being a maximum of 5,800,000 Equity Shares available for allocation to Existing Shareholders.
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.
Government Consent	The approval letter received by the Bank from the Department of Economic Affairs, Ministry of Finance, GoI, bearing number F.No 11/1/2005-BOA dated February 17, 2005, granting permission for the Issue on the conditions stated therein.
Issue	The public issue of 58,000,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million by the Bank and comprising a Net Issue to the public of at least 46,400,000 Equity Shares, a reservation for Employees of up to 5,800,000 Equity Shares and a reservation for Existing Shareholders of up to 5,800,000 Equity Shares, 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 on the Designated Date.
Issue Price	The final price at which Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Bank in consultation with the BRLMs, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Net Issue/Net Issue to the public	The Issue less the allocation to the Employees and Existing Shareholders.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLMs and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000. For

	the sake of clarity NRIs, other than Eligible NRIs, foreign venture capital investors and Indian venture capital funds are not included within this definition.
Non-Institutional Portion	The portion of the Net Issue to the public and being a minimum of 6,960,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders.

Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
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 until the closure of the Pay-in Date, as 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 one day prior to the Bid Opening Date/Issue Opening Date, in [•]an English language newspaper of wide circulation and [•]a Hindi language newspaper of wide circulation, and including any revisions thereof.
Pricing Date	The date on which the Bank in consultation with the BRLMs finalises the Issue Price.
Prospectus	The Prospectus, filed with the Designated Stock Exchange containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Net Issue to public and up to 23,200,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million. For the sake of clarity, foreign venture capital funds and Indian venture capital funds are not included within this definition.
RHP or Red Herring	Means the document issued in accordance with the SEBI

Prospectus	Guidelines, which does not have complete particulars of the Price Band and/or the Issue Price and the size of the Issue. The Red Herring Prospectus which will be filed with the Designated Stock Exchange at least three days before the Bid Opening Date/Issue Opening Date and which will become a Prospectus after determination of Issue Price and upon filing with the Designated Stock Exchange after pricing and allocation.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being MCS Limited
Reservation Portion	The portion of the Issue being a maximum of 11,600,000 Equity Shares available for allocation to Employees and Existing Shareholders.
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. For the sake of clarity, NRIs other than Eligible NRIs cannot participate in this Issue and cannot bid for Equity Shares.
Retail Portion	The portion of the Net Issue to the public and being a minimum of 16,240,000 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).
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Bank and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	ICICI Brokerage Services Limited, DSP Merrill Lynch Limited, IL&FS; Citigroup Global Markets India Private Limited and Kotak Securities 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.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	Agreement among the members of the Syndicate and the Bank to be entered into on or after the Pricing Date.

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### C. COMPANY & INDUSTRY RELATED TERMS

Auditors	The statutory auditors of the Bank, who are M/s Bhasin Raghavan and Co., Chartered Accountants, M/s. K.M. Agarwal & Co. Chartered Accountants, M/s N.B. Shetty & Co. Chartered Accountants, M/s P S D & Associates, Chartered Accountants, M/s N. Sarkar & Co. Chartered Accountants and M/s Kalyaniwalla & Mistry, Chartered Accountants.
Bank Acquisition Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, as amended from time to time.
Bank Regulations	Oriental Bank of Commerce (Shares & Meetings) Regulations, 1998, as amended from time to time, which have been formulated 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 Government of India.
Bank Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 notified under Section 9 of the Bank Acquisition Act.
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.
Head Office	The head office of the Bank being Harsha Bhawan, E Block, Connaught Place, New Delhi, 110 001, India.
Global Trust Bank	Global Trust Bank., which was merged with OBC in fiscal 2004.
Director(s)	Director(s) of Oriental Bank of Commerce, unless otherwise specified.
Employee	All or any of the following: (a) a permanent employee of the Bank working in India as of February 1, 2005; (b) a director of the Bank, whether a whole time director, or otherwise as of February 1, 2005.

Promoter	The President of India acting through the MoF, GoI.
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.
Tier II Bonds or Subordinated Bonds	Unsecured subordinated bonds issued by OBC for Tier II capital adequacy purposes.

## ABBREVIATIONS

Abbreviation	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Bajaj	Bajaj Capital Limited
BIFR	The Board of Industrial and Financial Reconstruction
BSE	The Stock Exchange, Mumbai.
CAIIB	Certified Associate of Indian Institute of Bankers
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Citigroup	Citigroup Global Markets India Private Limited
CRR	Cash Reserve Ratio
DI	Derecognised Interest
DRT	Debt Recovery Tribunal
DSE	The Delhi Stock Exchange Association Limited.
DSPML	DSP Merrill Lynch Limited
EGM	Extraordinary General Meeting
EBDB	Erstwhile Bari Doab Bank
EGTB	Erstwhile Global Trust Bank
EPCB	Erstwhile Punjab Co-operative Bank Limited
EPS	Earnings per share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time

	to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
GTB	Global Trust Bank
HUF	Hindu Undivided Family
IL&FS	Infrastructure Leasing & Financial Services Investsmart Limited
IPO	Initial Public Offering
ISEC	ICICI Securities Limited
Kotak	Kotak Mahindra Capital Company Limited
LC	Letters of Credit
MoF	Ministry of Finance, Government of India
NAV	Net Asset Value
NPA	Non Performing Asset
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
RoNW	Return on Net Worth
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.
SI	Suspended Interest
SIA	Secretariat for Industrial Assistance
SLR	Statutory Liquidity Ratio
Supreme Court	Hon'ble Supreme Court of India
TRS	Transaction Registration Slip



## **RISK FACTORS**

### **Forward-Looking Statements and Market Data**

We have included statements in this Draft Red Herring Prospectus which 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 [●]. 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.

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. Unless stated otherwise, the statistical and operational data in this Draft Red Herring Prospectus is presented on an unconsolidated basis. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Draft 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 Draft Red Herring Prospectus should accordingly be limited. 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 Draft 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\$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

For additional definitions, please see the section titled "Definitions and Abbreviations" on page [●].

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

## **Risk Factors**

*An investment in equity shares involves a degree of risk. You should carefully consider all the Information in this Draft 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 the Draft 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 and financial condition were adversely affected by our acquisition of Erstwhile Global Trust Bank (“EGTB”) and may be further affected in the future, if there are any further weaknesses or additional non-performing assets and contingent liabilities from our EGTB acquisition.**

We acquired the assets and liabilities of EGTB on August 14, 2004 as part of a scheme of amalgamation formulated by the GoI. Although our merger with EGTB offered us strategic benefits, EGTB was a troubled bank on which the RBI had imposed a moratorium. EGTB suffered from an extremely high level of non-performing assets, inadequate capital for growth of its business, poor corporate governance with a lack of transparency, poor risk management systems and severe liquidity constraints. As of August 13, 2004, EGTB had Rs.13,167 million of gross non-performing assets and had net non-performing assets as a percentage of its net advances of 27.78%. In addition, as of August 13, 2004, EGTB had a negative net worth of Rs. 8,102 million, a negative capital adequacy ratio and a cumulative loss of Rs. 10,775 million. We have integrated the business of EGTB into our operations. We are actively addressing the EGTB’s weaknesses and are working to leverage the strategic benefits we have identified. However, as of December 31, 2004, our acquisition of EGTB has adversely affected our results of operations and financial condition by, among other things, increasing our non-performing assets, lowering our net interest margin, reducing our capital adequacy ratio and reducing our operating profit. In addition, as of December 31, 2004, EGTB had accumulated losses of Rs.12257 million which, if fully accounted for, would have reduced our net worth as of December 31, 2004 by that amount. See the risk factor below entitled, “Our financial statements for the nine months ended December 31, 2004 have been qualified”.

We expect that EGTB will adversely affect our results of operations and financial condition for the remainder of fiscal 2005. In addition, we may be further affected in the future, if there are any further weaknesses or additional non-performing assets and contingent liabilities from our EGTB acquisition. For further details, see the section

entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page [ ].

Since the amalgamation of EGTB, our management team has been actively identifying EGTB’s weaknesses and risks to our business as well as the strengths and opportunities it offers to us. In particular, we have been closely monitoring and managing EGTB’s outstanding advances including non-performing assets. As part of the scheme of amalgamation, we assumed all of EGTB’s outstanding liabilities, contingent liabilities and liability for litigation, and we have accounted for all known liabilities. Although we believe that we have identified the material issues with regard to EGTB’s business and have accounted for its liabilities and non-performing assets, if we encounter further problems or discover further non-performing assets, significant business weaknesses or liabilities, our results of operation and financial condition could be further affected.

In addition, we are working to integrate EGTB’s business with our Bank, in particular its retail product offering and advanced IT infrastructure and IT service offering. As integration proceeds, we could experience difficulty in combining operations and cultures and in realizing the anticipated synergies from the amalgamation of EGTB.

**Our financial statements for the nine months ended December 31, 2003 and 2004 (which, includes the assets and liabilities of EGTB from August 14, 2004) have not been audited.**

In terms of the guidelines issued by the RBI applicable to public sector banks and our listing agreements with the Stock Exchanges, our financial statements for the nine months ended December 31, 2003 and 2004 have been subjected to a limited review by our auditors, and their review report is included in this Draft Red Herring Prospectus. A limited review is not an audit and, therefore, our auditors have not expressed an opinion on our financial statements as of December 31, 2003 and 2004. A limited review provides for only limited procedures to be performed when testing our financial statements, a limited audit of 20 top branches rather than a full audit of all our branches and does not include testing of our internal controls and systems. A full audit was conducted under generally accepted Indian auditing standards for fiscal years ended March 31, 2004, 2003, 2002, 2001 and 2000 and our auditors’ report is included in this Draft Red Herring Prospectus on page [ ].

The assets and liabilities of EGTB have been consolidated in our financial statements since August 14, 2004. Although external auditors appointed by RBI audited EGTB’s financial statements on August 13, 2004, the auditors of our Bank have subjected it to a limited review as of Dec 31, 2004, which does not constitute full audited financial statements of our Bank since our amalgamation. The auditors of our Bank have subjected the assets and liabilities of EGTB to a limited review as set forth in their review report. The auditors of our Bank may discover further weaknesses in EGTB and its internal controls and systems or make further accounting adjustments to our financial statements as a result of a full audit.

**Our financial statements for the nine months ended December 31, 2004 have been qualified.**

Our auditors have expressed an opinion that our restated profit and loss account for the nine months ended December 31, 2004 and the balance sheet as on that date as included in this Draft Red Herring Prospectus comply in all material respects with the accounting requirements and principles generally accepted within the banking industry in India, and are in compliance with SEBI Guidelines and the prudential norms of banks issued by the Reserve Bank of India except for the non adjustment of shortfall of Rs. 12,257 million representing the excess of liabilities over assets taken over from the EGTB and the non provision of not readily realizable assets of Rs. 4,641 million of EGTB.

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

In the first nine months of fiscal 2005, net interest income represented 43.21% of our interest income and 38.38% 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 the RBI, we are required to maintain a minimum specified percentage, currently 25.0% (Statutory Liquidity Ratio), of our demand and time liabilities, in government or other approved securities with the RBI. As of December 31, 2004, 37.21% of our net demand and time liabilities and 79.78% 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 the RBI's monetary policies, 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 October 26, 2004, the reverse repo rate, (which is the rate at which commercial banks place funds with the RBI) was raised from 4.50% to 4.75%. Although our net interest income is increasing due to our prudent asset and liability management, 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 harm the retail and corporate sectors, which may adversely impact our business.

**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. 12,137 million representing 5.89% of our gross advances as of March 31, 2004 and Rs. 25,640 million representing 10.44% of our

gross advances as of December 31, 2004. Our net non-performing assets were nil as of March 31, 2004 and Rs. 3,836 million representing 1.71% of our net advances as of December 31, 2004. The level of non-performing assets as of December 31, 2004 rose sharply due to our amalgamation of EGTB on August 14, 2004.

Although we have been able to reduce our net non-performing assets (including those acquired from EGTB) through recoveries, upgrading the classification of assets into “performing” categories and additional provisioning, we may not be able to maintain this level of non-performing assets in the future and may not be able to reduce, or prevent an increase in, our gross or net non-performing assets. A number of factors that are not within our control could affect our ability to control and reduce non-performing assets, including increased competition arising from economic liberalization in India, variations in industrial and agricultural growth, declines in commodity and food grain prices, the high level of debt in the capital structure of Indian companies, fluctuations in interest and exchange rates, changes in regulations, including with respect to directed lending, and the high interest rates in the Indian economy during the period in which a large number of borrowers made their borrowings. In addition, the expansion of our business and our entry into new businesses may cause our non-performing loans to increase and the overall quality of our loan portfolio to deteriorate.

As of December 31, 2004, approximately 62.39% of our gross non-performing asset portfolio was concentrated in the following sectors: infrastructure, iron and steel, engineering, other textiles, computer software, gems and jewellery, chemicals and dyes and food processing. These sectors have been adversely affected by economic conditions in recent years in varying degrees. Although our loan portfolio contains loans to a wide variety of businesses, financial difficulties in these industries could increase our level of non-performing assets and adversely affect our business and financial condition.

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

Approximately 12.5% of our total income in fiscal 2004 and 4.4% of our total income in the nine month period ended December 31, 2004 was derived from our treasury operation. 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 due to volatility in income from these activities could adversely affect our business, if we cannot offset the same by increasing returns on our loan assets.

**Our yields on investments (other than profits on sale of investments) and our yields on loans and advances have been declining.**

The yields on our investments, other than profits on sale of investments, have declined from 10.5% in fiscal 2003 to 9.7% in fiscal 2004 and to 6.67% (not annualised) in the nine months ended December 31, 2004. During the same period,

the yield on our loans and advances declined from 10.6% in fiscal 2003 to 9.4% in fiscal 2004 and to 8.0%”(annualised) in the nine months ended December 31, 2004. Our yields on investments and yields on loans and advances reflect the declining interest rate environment in India as a result of intense competition. In addition, in the nine months ended December 31, 2004, our amalgamation of EGTB negatively impacted our yields.

**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 the 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 December 31, 2004, priority sector credit constituted 45.81% of our net bank credit, and loans to agricultural and small scale industry borrowers constituted 13.39% and 10.64%, respectively, of our net bank credit. As of December 31, 2004, the percentage of our priority sector gross non-performing assets to total priority sector advances was 9.04%. As of December 31, 2004, the percentage of our agricultural gross non-performing assets to total agricultural advances was 6.77% and the ratio of our small scale industry gross non-performing assets to total small scale industry advances was 21.12%, compared to our overall ratio of non-performing assets to total advances of 10.44%. 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, 2004, our average volume of retail advances grew at a compound annual growth rate of 20.17%. As of December 31, 2004, retail loans represented 22.39% of our total outstanding credit as compared to 21.94% and 17.73% of our total outstanding 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, we cannot assure you that our retail portfolio will continue to grow at the high rates we have recently experienced.

**Our success depends in large part upon our senior management. Our Chairman will retire at the end of April 2005**

We are dependent on the experience and the continued efforts of the senior members of our management team, many of whom have been with us for a significant part of their careers.

Our Chairman, who is recognized for his outstanding contributions to the Bank by the banking industry, is expected to retire on April 30, 2005 and his successor would be announced by the GOI.

**Many of our employees previously with EGTB have resigned or are expected to resign**

Following the Amalgamation, we have continued to pay employees previously with EGTB the same salary they received prior to the Amalgamation. We are permitted, however, under the Scheme to realign the remuneration of employees previously with EGTB and continuing with our Bank, with those employees of our Bank of corresponding rank or status. We referred to NIBM, an independent third party, to prepare a report on how best to effect this realignment. We expect that this realignment will take place no later than the end of 2005. As a result primarily of this expected realignment of salaries, 367 of our employees previously with EGTB have resigned and we are not certain about the continuity of the EGTB employees with the Bank in the coming months.

**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 December 31, 2004, our total outstanding exposure was Rs. 245.48 billion. Our total outstanding exposure includes funded exposure, non-funded exposure along with adjustments if any, whichever is higher. Our gross total advances to our ten largest borrowers in the aggregate accounted for approximately 24% and 26% of gross total advances exposure as of March 31, 2004 and December 31, 2004, respectively. Our exposure to our largest single borrower as of March 31, 2004 accounted for approximately 3.23 % of our gross total advances and 34.78% of our capital funds. Our exposure to our largest borrower group as of December 31, 2004 accounted for approximately 4.91% of our total outstanding exposure and 41.19% of our capital funds. Credit losses on these large borrowers and group exposures could adversely affect our business and financial condition.

We have framed our own internal policies to limit our credit exposure to any particular industry. These limits are in addition to limits imposed on us by RBI guidelines. See “Business—Risk Management” on page [] of this Draft Red Herring Prospectus. Notwithstanding these limits, our lending to particular industry segments could expose us from time to time to that industry’s vulnerabilities, and financial difficulties in these industries could affect our business and financial condition.

**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 liens on inventory, receivables and other current assets, and in some cases, charges on fixed assets and financial assets, such as marketable securities. As of December 31, 2004, over 75.56% of our advances were secured by tangible assets, such as real assets (including property, plant and equipment, liens on inventory, receivables and other current assets), fixed assets, the assets being financed or a charge or mortgage of agricultural land or immovable property. In India, foreclosure on collateral generally requires a petition to a court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. Delays can lead to deterioration in the physical condition and market value of the collateral. The precise mechanism for applying the recent Securitisation Act, which is intended to strengthen the rights of lenders, is still evolving. As a result of the foregoing factors, realisation of 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 December 31, 2004, 86.9% of our funding consisted of deposits of which 25.7 %consisted of demand deposits and savings deposits. A portion of our assets has long term maturities, creating a potential for funding mismatches. In our experience, a substantial portion of our customer deposits has been rolled over upon maturity and has 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 4.9 %( annualised) for the first nine months of 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.

**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 51.09% of our outstanding Equity Shares and will be able to appoint 9 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. Further, given the importance of the banking industry to the Indian economy, 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 public interest in India and not necessarily to maximize our profits.

**We face significant challenges in new products and services.**

We intend to diversify our products and services, particularly in retail banking. We have also recently begun selling third party insurance policies. Although we are currently not selling our own products in insurance and mutual fund and have no present plan to do so, we may do so in the future. Having our own products will require us to take balance sheet risk in these areas. The new products that we may develop and sell may not be profitable in the initial years of operation and are subject to start-up risks and as well as general risks and costs associated with the respective businesses.

**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. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. To mitigate these risks, we intend to continue to implement adequate security technologies and establish appropriate operational procedures. However, these may not be sufficient to prevent fraud, break-ins, damage and failures. 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 have a centralized backup system for our ATMs and the back-up systems for our branches are based locally. 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 significantly affect our operations and the quality of our customer service.

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

There has been no wage settlement in the banking industry since 1997, although one was due in 2002. The Indian Banks Association recently reached a broad understanding with banking industry employees that the maximum wage increase will be 13.25%. As described in the section titled "Management Discussion and Analysis of Financial

Condition and Results of Operations" on page [•] and "Recent Developments" on page [•], we have made provisions in our financial statements on account of the wage settlement for the period after October 31, 2002, which is when the previous wage settlement expired. The understanding reached with the banking industry employees is not final or binding, and the amount of our provisions is an estimate based on our past experience. The actual expenditure we will have to incur following the wage settlement may vary from the amounts we have provided for.

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

As of December 31, 2004, we had contingent liabilities (claims against the Bank not acknowledged as debts) other than income tax and interest tax not provided for amounting to Rs.2598 million. If these contingent liabilities materialize, fully or partly, our financial condition could be adversely affected.

***Some of our owned immovable properties have certain irregularities in title.***

Some of our immovable properties for our branches, offices and residences which are owned by us have one or more of the following irregularities in title:

- the conveyance deeds for transfer of property have not been executed in certain cases;
- the agreements to sell or conveyance deeds have not been registered in the land records maintained by the jurisdictional Sub-Registrar of Assurances; or
- the title deeds for some of our properties are not available and are subject to pending litigation

For details of disputes relating to our properties, see the section titled "Legal and Other Information - Outstanding Litigation and Material Developments" on page [ ].

**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 adopt the requirements of Basel II, 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, 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. While we are in the process of adopting the recommendations, failure in ensuring readiness for meeting Basel II standards, when implemented by RBI, 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.**

The RBI requires a minimum capital adequacy ratio of 9% 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 9.4% on December 31, 2004. 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 5.0% of our net demand and time liabilities in a current account with RBI. RBI recently increased the cash reserve ratio requirement from 4.75% to 5.0%. 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 3.0% out of 5% 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 25.0% of our demand and time liabilities needs to be invested in GoI securities and other approved securities. Increases in cash reserve ratio and liquidity ratio requirements could adversely affect our business and financial performance.

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

There are three criminal cases against us and another criminal complaint against our former Chairman and Managing Director Mr. Dalbir Singh and one of the Directors. There are four cases/ show cause notices against our Bank relating to alleged violations of foreign exchange regulations in India and the total amount claimed against our Bank amounts to Rs 7.5 million.

There are 41 cases filed against us for disputes in relation to forged signatures, non-tallying of signatures, breach of trust and fraudulent withdrawal of money by allegedly unauthorized persons (including our employees) in which the total amount claimed against us amounts to Rs. 86.02 million.

There are 74 cases filed against us relating to disputes on account of alleged non-deposit, non-realization or loss of cheques and alleged wrongful refusal to sanction certain

facilities and overdrafts by us or release of sums to certain persons or wrongful debits in a customer's account or refusal to honor bank guarantees, letters of credits, bills of lading and other such instruments including fixed deposit receipts maintained with us. The total amount claimed against us in these cases is Rs. 2306 million.

There are 84 consumer cases filed against us and the total amount claimed in such cases is Rs. 10.04 million. There are five cases pending against us wherein disputes have arisen in relation to the interest charged by us. The total amount claimed in these cases is Rs. 1.87 million.

A number of customers have filed counter claims and counter suits against recovery suits or other actions undertaken by us. There are 25 such cases pending against us and the total amount in dispute is Rs. 1315.6 million. 36 cases have been filed against us in relation to arrears or enhancement of the rent of the premises presently or formerly occupied by us. The total amount claimed in such cases is Rs. 43.06 million.

There are 38 cases where our Bank has been impleaded as a third party and the total amount claimed against us in such cases is Rs. 9.42 million.

There are 9 cases filed by employees/ex employees pending against us and the total amount claimed by the plaintiffs in these cases is approximately Rs. 3.17 million. There are 35 other cases pending against us and the total amount claimed in such cases is Rs. 236.61 million.

For details of these legal proceedings, please see the section titled "Legal and Other Information - Outstanding Litigation and Material Developments" on page [ ]

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

There are disputes relating to income tax assessments for the assessment years 1989-1990, 1993-1994 to 2002-2003 in which the aggregate amount claimed against us was Rs. 485.94 million as of December 31, 2004. We have already paid the entire amount claimed by the income tax department under protest except Rs. 17.47 million in respect of EGTB for the assessment year 2001-2002 for details please see page [ ].

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

There is a risk that we may be required to finance our growth through additional equity offerings. Any future issuance of our Equity Shares or sales of a large number of our Equity Shares by major shareholders could dilute the holdings of investors in our Bank and could adversely affect the market price of our Equity Shares.

**You will not receive the Equity Shares you purchase in this offering until several days after you pay for them, which will subject you to market risk.**

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately fifteen days from the Bid Closing Date. You can start trading your Equity Shares only after they have been credited to your demat account. Since the Equity Shares are already 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. 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, within the time period specified above. However, as stated on page [•], we will pay interest at 15% per annum if there is any delay for crediting the demat shares beyond the above-stated period. This risk factor is for the information of investors and it does not in any way dilute the right of investors and our obligations.

### **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. Some of these banks are smaller and may be more flexible and better positioned to take advantage of market opportunities than public sector banks. 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 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 the 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 the 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 the 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. The 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%, the 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 the 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. For information on these restrictions see section “About the Issuer - Key Industry- Regulation And Policies- Restrictions on Payments of Dividends” – on Page []
- Certain restrictions on opening a new place of business and transferring an existing place of business require the approval of RBI except in certain circumstances, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75% of our 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.

**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 our borrowers 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 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. During the first six months of fiscal 2005, GDP grew at 7.0% compared to 6.9% during the first six months of fiscal 2004. However, growth in industrial and agricultural production in India has been variable. Industrial growth was 6.6% in fiscal 2004 compared to 6.2% in fiscal 2003 and 3.5% in fiscal 2002. Industrial growth was 7.9% during the first six months of fiscal 2005. Agricultural production grew by 9.6% in fiscal 2004 compared to a 5.2% decline in fiscal 2003 and growth of 6.5% in fiscal 2002. Agricultural production grew by 1.5% in the first six months of fiscal 2005. In its mid-term review of annual policy published on October 26, 2004, the RBI reduced its GDP growth forecast for fiscal 2005 from 6.5-7% to 6.0-6.5% as a result of a decline in agricultural growth because of insufficient rainfall, and increased its inflation rate forecast from 5.0% to 6.5%. 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 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.

Based on reports to date, the tsunami that struck the eastern coast of India and other Asian countries on December 26, 2004 did not result in any fatalities or serious injuries to our staff nor any damage to our properties, and we do not believe we had significant aggregate loan or other exposure to persons directly affected by the disaster. However, the full effects of the tsunami, particularly its effects on economic conditions in India generally, are not yet known and therefore we cannot predict at this time whether it will have a significant effect on our business.

**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, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 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.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries. The governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between Indian 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. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. 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 up to 58,000,000 Equity Shares for cash at a price of Rs [•] per Equity Share aggregating Rs. [•] million. The Issue comprises Net Issue to the public of 46,400,000 Equity Shares, a reservation for Employees of up to 5,800,000 Equity Shares and a reservation for Existing Shareholders of up to 5,800,00 Equity Shares.
- The net worth of our Bank before the Issue (as of December 31, 2004) was Rs19504.4 million (on an unconsolidated basis).
- The average cost of acquisition of Equity Shares by the President of India, acting through the Ministry of Finance, our Promoter, is Rs. 10/- per Equity Share and the book value per Equity Share as of December 31, 2004 was Rs. 101.30 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 [•]. Our aggregate related party transactions with Directors are as follows:

S.No	Name	Designation	Remuneration (Amount in Rs. Million)	
			2003 - 04	April - Dec 04
1	Shri B.D.Narang	Chairman & Managing Director	0.50	0.40
2	Shri V.K.Chopra	Executive Director (Upto July 18, 2003)	0.11	Not Applicable
3	Ms. H. A.	Executive Director (From	Not Applicable	0.15

	Daruwalla	August 28, 2004)		
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*For the purposes of related party transactions of key managerial personnel, only data related to our whole-time Directors have been included. None of our Directors has, either directly or indirectly, undertaken transactions in our Equity Shares in the six months preceding the date of this Draft Red Herring Prospectus except as stated on page [•].*

- 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 [•].
- The 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 the RBI in their reports for prior periods. The 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, Employees, Existing Shareholders and Non-Institutional Bidders. Please refer to the section titled “Offering Information – Other Instructions - Basis of Allocation” on page [•].

# INTRODUCTION

## Summary

### SUMMARY OF THE INDUSTRY AND BUSINESS OF THE ISSUER

### OFFERING DETAILS IN BRIEF – THE ISSUE

Issue	58,000,000 Equity Shares
Of which:	
Reservation for Employees*	Up to 5,800,000 Equity Shares
Reservation for Existing Shareholders	Up to 5,800,000 Equity Shares
Net Issue to the Public	At least 46,400,000 Equity Shares
Of which:	
Qualified Institutional Buyers Portion	Up to 23,200,000 Equity Shares (allocation on a discretionary basis)
Non-Institutional Portion	At least 6,960,000 Equity Shares (allocation on a proportionate basis)
Retail Portion	At least 16,240,000 Equity Shares (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	192,539,700 Equity Shares
Equity Shares outstanding after the Issue	250,539,700 Equity Shares
Objects of the Issue	Please see the section titled “Introduction- Objects of the Issue” on page [●]

\* Employees of the Bank as on February 1, 2005

## SUMMARY FINANCIAL, OPERATING & OTHER DATA

The following table sets forth summary financial information derived from our unconsolidated financial statements. The financial information as of and for the fiscal years ended March 31, 2002, 2003 and 2004 and as of and for the nine months ended December 31, 2003 and 2004 is based on our restated financial statements for those periods, which are included in this Draft Red Herring Prospectus under the section titled “Financial Statements” on page F-1. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors’ report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Draft Red Herring Prospectus, the notes thereto and the sections titled “Selected Statistical Information” on page [], “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page [] and “Recent Developments” on page []. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see the section titled “Summary of Significant Differences between Indian GAAP and U.S. GAAP”, on page [].

### SUMMARY PROFIT AND LOSS INFORMATION:

				(In Rs million)	
	Fiscal Year			First Nine months of Fiscal Year	
	2002	2003	2004	2004	2005
INCOME					
Interest Earned	30490.30	33042.70	33005.40	24492.50	26285.20
Interest/discount on advance/bills	14158.80	15356.10	15911.80	11766.50	13161.70
Income on investments	15460.40	16126.20	16332.20	12107.40	12535.80
Interest on Balances with Reserve Bank of India and Inter-bank funds	808.40	884.30	709.80	589.70	524.80
Other Interest Income	62.70	676.10	51.60	28.90	62.90
Other Income	4653.50	5313.90	7217.10	5548.90	3308.10
Commission, Exchange & Brokerage	1018.70	1062.80	1136.00	796.00	1148.50
Profit (loss) on sale of investment (net)	3105.80	3721.30	5042.20	4023.40	1307.70
Profit (loss) on revaluation of investment (net)	(275.00)	(258.50)	(51.80)	(39.70)	(32.30)
Profit (loss) on sale of land building & other assets (net)	(0.10)	(0.10)	3.80	0.40	0.20
Profit on exchange Transactions (Net)	389.30	470.40	590.40	388.90	617.70
Miscellaneous Income	414.80	318.00	496.50	379.90	266.30
TOTAL INCOME	35143.80	38356.60	40222.50	30041.40	29593.30
EXPENDITURE					

Interest Expended	20684.00	20899.40	18447.40	13862.80	14927.90
Interest on Deposits	20302.80	20320.40	17860.40	13398.40	14330.50
Interest on Reserve Bank of India / Inter Bank Borrowings	95.70	32.20	59.30	44.90	262.80
Others	285.50	546.80	527.70	419.50	334.60
<b>Operating Expenses</b>	<b>5288.90</b>	<b>5826.60</b>	<b>6444.80</b>	<b>4709.00</b>	<b>5773.40</b>
Payment to and Provision for employees (including VRS amount)	2884.50	3475.90	3664.00	2774.50	3010.40
Other Expenditure	2404.40	2350.70	2780.80	1934.50	2763.00
Provisions and Contingencies	5965.40	7061.10	8469.60	6895.70	3660.90
<b>TOTAL EXPENDITURE</b>	<b>31938.30</b>	<b>33787.10</b>	<b>33361.80</b>	<b>25467.50</b>	<b>24362.20</b>
<b>PROFIT</b>					
Net profit for the year/ period ended	3205.50	4569.50	6860.70	4573.90	5231.10
Profit brought forward	5.90	6.60	2.70	2.70	7.30
Profit available for appropriation	3211.40	4576.10	6863.40	4576.60	5238.40

#### SUMMARY BALANCE SHEET INFORMATION

##### ASSETS

Investments .....	136983.6	147805.4	167941.2	172069.2	190640.6
Advances .....	141578.7	156772.4	196807.6	174419.4	223835.1
	23510.4	18959.0	26335.2	16123.6	33502.10
Balance with RBI.....	20296.6	16339.5	18981.6	16603.9	42617.7
Other assets.....	322369.3	339876.3	410065.6	379216.1	539209.8
<b>Total Assets (A) .....</b>					

##### LIABILITIES

Deposits .....	284883.9	298090.9	356735.0	329294.7	426097.9
	6173.8	7660.1	7005.0	4564.7	7702.1
Borrowings .....	15114.3	13031.9	19557.6	19689.4	24796.4
Other liabilities and provisions.....	327460.1	339474.9	409860.2	377802.9	491094.9
<b>Total liabilities (B) .....</b>					

<b>NET ASSETS (C=A-B) .....</b>	28226.4	25643.5	36209.1	24108.8	48114.9
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<b>Share capital (D).....</b>	1925.4	1925.4	1925.4	1925.4	1925.4
<b>Reserves and surplus (E) .....</b>	14271.9	19168.0	24842.6	23741.9	30073.7
<b>TOTAL (D+E).....</b>	16197.3	21093.4	26768.0	25667.3	31999.1

## General Information

### NAME & HEAD OFFICE OF OUR BANK

Oriental Bank of Commerce

Harsha Bhavan E Block

Connaught Place,

New Delhi 110 001

Tel: (+91 11) 23415318

Fax: (+91 11) 23415567

### BOARD OF DIRECTORS OF THE ISSUER.

The following table sets forth details regarding our Board of Directors:

	<b>Name, Designation, Occupation and Term</b>
1.	Mr. B.D.Narang, Chairman & Managing Director, Whole time Director, Tenure ends on April 30, 2005.
2.	Ms. H.A. Daruwalla, Executive Director, Whole time Director Tenure ends on December 31, 2008.
3.	Mr.Yogesh Chandra, GoI Nominee Director Tenure will end on further orders from MoF.
4.	Mr. Karunasagar R.B.I. Nominee Director Tenure will end on further orders from MoF

5.	Mr.Rattan Bansal , Non Executive C.A. Director, Tenure ends on April 23, 2005
6.	Mr. Vijay Maroo, Shareholder Independent Director, Tenure ends on August 17, 2005
7.	Mr. Dinesh Mehta, Shareholder Independent Director, Tenure ends on August 17, 2005
8.	Dr. Nirmal Jain, Shareholder Independent Director, Tenure ends on August 17, 2005
9.	Mr. T.K. Dutta, Workman Employee Director, Tenure ends on July 18, 2005
10.	Mr. Vinod Kumar Sharma, Officer Employee Director, Tenure ends on March 11, 2006
11.	Vaidya Devendra Triguna, Non Executive Independent Director, Tenure ends on September 2, 2006
12.	Mr. M.L. Mehta, Non Executive Independent Director, Tenure ends on February 4, 2007

Note: All Directors except for Mr. B.D. Narang and Ms. H.A Daruwalla are non-executive directors

## DETAILS OF CHAIRMAN & MANAGING DIRECTOR & WHOLE TIME DIRECTORS

**Mr. B D Narang**, aged 59 years, Chairman and Managing Director of the Bank, has a career spanning 37 years in the banking sector. He has a degree in M.Sc. (Agriculture Economics). He joined the Board of Directors in July 2000.

**Ms. H .A. Daruwalla**, aged 56 years, Executive Director, has a career spanning 30 years in the banking sector. She is a member of Institute of Chartered Accountants of India. She joined the Board of Directors in August 2004.

## LEGAL ADVISORS TO THE ISSUE

### Domestic Legal Counsel to the Bank



Dua Associates  
202-206 Tolstoy House,  
15 Tolstoy Marg,  
Connaught Place,  
New Delhi -110 001, India  
Tel: (+91 11) 23714408  
Fax: (+91 11) 23317746  
Email: [duadel@duaassociates.com](mailto:duadel@duaassociates.com)

**International Legal Counsel to the Bank**

(Advising on matters pertaining to the laws of the State of New York and the Federal law of the United States of America)

Coudert Brothers  
39<sup>th</sup> Floor, Gloucester Tower,  
The Landmark,  
11 Peddar Street,  
Central, Hong Kong,  
People's Republic of China  
Tel: (852) 2218 9100  
Fax: (852) 2218 9200

**Legal Counsel to the Underwriters**

AZB & Partners  
F-40, South Extension Part I  
New Delhi 110 049  
Tel: (+91 11) 24617697, 24618947  
Fax: (+91 11) 24625302

**BANKERS TO THE ISSUE**

Oriental Bank of Commerce  
Harsha Bhavan E Block  
Connaught Place,  
New Delhi 110 001  
Tel: (+91 11) 23415318  
Fax: (+91 11) 23415567

COMPLIANCE OFFICER  
Mr Rajiv Madhok  
Oriental Bank of Commerce  
Harsha Bhavan E Block  
Connaught Place,  
New Delhi 110 001  
Tel: (+91 11) 23415318  
Fax: (+91 11) 23415567  
Email: [rmadhok@obc.co.in](mailto:rmadhok@obc.co.in)

Investors can contact the Compliance Officer or the Registrar 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, refund orders etc.

#### **BOOK RUNNING LEAD MANAGERS**

##### **ICICI Securities Limited**

ICICI Centre,  
H.T. Parekh Marg, Churchgate,  
Mumbai, 400020.  
Tel : (91 22) 2288 2460  
Fax : (91 22) 2282 6580  
E-mail : [obc\\_fpo@isecltd.com](mailto:obc_fpo@isecltd.com)

##### **DSP Merrill Lynch Limited**

Mafatlal Centre, 10th Floor,  
Nariman Point,  
Mumbai 400 021.  
Tel: (91 22) 5632 8000  
Fax: (91 22) 2204 8518  
E-mail: [obc\\_fpo@ml.com](mailto:obc_fpo@ml.com)

##### **Kotak Mahindra Capital Company Limited**

Bakhtawar, 3<sup>rd</sup> Floor,  
229, Nariman Point,  
Mumbai 400 021.  
Tel. : (91 22) 5634 1100  
Fax. : (91 22) 2284 0492  
E-mail: [obc.fpo@kotak.com](mailto:obc.fpo@kotak.com)

##### **Citigroup Global Markets India Private Ltd**

4th Floor, Bakhtawar, Nariman Point,  
Mumbai – 400 021, India  
Tel. : (91 22) 5631 9999  
Fax.: (91 22) 5631 9803  
Email : [www.cgmipl.com](http://www.cgmipl.com)

##### **Bajaj Capital Limited**

97 Bajaj House,  
Nehru Place,  
New Delhi - 110019  
Tel. : (91 11) 26472632/ 26418903-06  
Fax.: (91 11) 55608888  
Email : [mbd@bajajcapital.com](mailto:mbd@bajajcapital.com)

## **REGISTRAR TO THE ISSUE**

### **MCS LIMITED**

Sri Padmavati Bhavan  
Plot No. 93, Road No. 16,  
MIDC Area  
Andheri (East)  
Mumbai 400092  
Tel: (91 11) 2820 1785  
Fax.: (91 11) 2820 1783  
Email:mcsfpo@mcsind.com  
Website :www.mcsind.com

### **BANKERS TO THE ISSUE**

Oriental Bank of Commerce  
Harsha Bhavan E Block  
Connaught Place,  
New Delhi 110 001  
Tel: (+91 11) 23415318  
Fax: (+91 11) 23415567

## **SYNDICATE MEMBERS**

### **ICICI Brokerage Services Limited**

ICICI Centre,  
H.T. Parekh Marg, Churchgate,  
Mumbai, 400020.  
Tel: (91 22) 2288 2460  
Fax: (91 22) 2282 6580  
Email:obc\_fpo@isecltd.com

### **DSP Merrill Lynch Limited**

Mafatlal Centre, 10th Floor,  
Nariman Point,  
Mumbai 400 021.  
Tel: (91 22) 5632 8000  
Fax: (91 22) 2204 8518  
Email:obc\_fpo@ml.com

### **Kotak Securities Limited**

Bakhtawar, 1<sup>st</sup> Floor, 229,  
Nariman Point,  
Mumbai- 400 021.  
Tel: (91 22) 5634 1100

Fax: (91 22) 5630 3927  
Email: obc.fpo@kotak.com

**Citigroup Global Markets India Private Ltd**

4th Floor, Bakhtawar, Nariman Point,  
Mumbai – 400 021, India  
Tel. : (91 22) 5631 9999  
Fax.: (91 22) 5631 9803  
Email: obc.fpo@citigroup.com

**IL&FS INVESTSMART Limited**

The IL&FS Financial Centre,  
Plot C-22, G Block,  
Bandra – Kurla Complex,  
Bandra (E),  
Mumbai – 400 0051.  
Tel: +91 - 22 - 2653 3333  
Fax: +91 - 22 - 26533075  
Email: obc.fpo@investsmartindia.com

**AUDITORS**

**M/s Bhasin Raghavan & Co**

Chartered Accountants  
F-48 Bhagat Singh Market,  
Near Gole Market,  
New Delhi – 110 001  
Tel: (+91 11) 23347845

**M/s K.M Agarwal & Co**

Chartered Accountants  
36, Netaji Subhash Marg,  
Daryaganj,  
New Delhi – 110 002  
Tel: (+91 11) 23273738

**M/s N.B Shetty & Co**

Chartered Accountants  
14/2 Western India House,  
Sir PM Road,  
Fort Mumbai – 400001  
Tel: (022) 22874140

**M/s PSD & Associates**

Chartered Accountants  
324 Ganpati Plaza

MI Road  
Jaipur – 302001  
Tel: (0141) 361889

**M/s N Sarkar & Co**  
Chartered Accountants  
21, Prafulla Sarkar Street  
Second Floor  
Kolkatta – 700072,  
West Bengal  
Tel: (033) 22365810

**M/s Kalyaniwalla & Mistry**  
Chartered Accountants  
Kalpatharu Heritage Building,  
127, Mahatma Gandhi Road,  
Mumbai - 400023  
Tel:

#### STATEMENT OF INTER SE ALLOCATION OF RESPONSIBILITIES FOR THE ISSUE

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

<b>Activities</b>	<b>Responsibility</b>	<b>Co-ordinator</b>
Capital structuring with the relative components and formalities such as type of instruments, etc.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	ISEC
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.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	ISEC
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	CITIGROUP

<b>Activities</b>	<b>Responsibility</b>	<b>Co-ordinator</b>
Appointment of other Intermediaries: (a) Printers; (b) Syndicate Members; (c) Registrar and advertising agency; and (d) Banker to the Issue.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	(a) Printers: ISEC (b) Syndicate : KOTAK (c) Registrar: DSPML (d) Advertising agency: CITIGROUP (e) Banker to the Issue: KOTAK
Domestic institutions/banks/mutual funds marketing strategy: ▪ Finalise the list and division of investors for one on one meetings, institutional allocation	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	DSPML
International institutional marketing strategy, roadshow marketing presentation: ▪ Finalise the list and division of investors for one on one meetings, institutional allocation	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	CITIGROUP
Retail/Non institutional marketing strategy which will cover, inter alia, ▪ Finalize media, marketing and public relation strategy, ▪ Finalize centers for holding conferences for brokers, etc. ▪ Finalize collection centers, ▪ Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	KOTAK
Managing the Book, Pre-Issue and during the Issue coordination with Stock Exchanges, pricing and allocation to QIB Bidders.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	DSPML
Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc.	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	DSPML
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	ISEC, DSPML, KOTAK, CITIGROUP and BAJAJ CAPITAL	DSPML

<b>Activities</b>	<b>Responsibility</b>	<b>Co-ordinator</b>
to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the issuer Bank.		

## CREDIT RATING

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

## TRUSTEES

As the Issue is of equity shares, the appointment of trustees is not required.

## BOOK BUILDING PROCESS

Book building refers to the process of collection of Bids, on the basis of the 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:

- (1) The Bank;
- (2) Book Running Lead Managers;
- (3) 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;
- (4) Escrow Collection Bank; and
- (5) Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue to the public shall be allocated on a discretionary basis to QIBs; (ii) not less than 25% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders; and (iii) not less than 25% 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. However, we have made an application to SEBI for allowing us to change the ratios of the Net Issue in the following proportion: upto 50% shall be allocated to QIBs, atleast 15% shall be allocated to Non-Institutional Bidder and atleast 35% shall be allocated to Retail Individual Bidders. We have also applied to SEBI to increase the threshold limit for Bids by Retail Individual Bidders to Rs 100,000 from Rs. 50,000.

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 please refer to the section titled “Offering Information - Terms of the Issue” on page [●].

The Bank shall comply with guidelines issued by SEBI for this Issue. In this regard, our Bank has appointed ICICI Securities Limited, DSP Merrill Lynch Limited, Kotak Mahindra Capital Company Limited and Citigroup Global Markets India Private Limited and Bajaj Capital Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process of book building prior to making a Bid 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 out of which one bidder has bid for 500 shares at Rs. 24 per share while another has bid for 1,500 shares at Rs. 22 per share. 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.

<b><u>Bid Quantity</u></b>	<b><u>Bid Price (Rs.)</u></b>	<b><u>Cumulative Quantity</u></b>	<b><u>Subscription</u></b>
500	24	500	27.77%
1000	23	1500	83.33%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

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:**

1. Check eligibility for bidding, please refer to the section titled “Offering Information - Issue Procedure - Who Can Bid?” on page [●];
2. Ensure that the Bidder has a demat account; and



3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and Bid cum Application Form
4. Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 of the Income Tax Rules, 1962, as may be applicable together with necessary documents providing proof of address. See page [•] for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number as the Bid is liable to be rejected.

## DETAILS OF UNDERWRITING

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. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations.

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

*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the Designated Stock Exchange)*

<u>Name and Address of the Underwriters</u>	<u>Indicative Number of Equity Shares to be Underwritten</u>	<u>Amount Underwritten (Rs. million)</u>
<b>ICICI Securities Limited</b> ICICI Centre, H.T.Parekh Marg, Churchgate, Mumbai, 400020	[•]	[•]
<b>DSP Merrill Lynch Limited</b> Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021	[•]	[•]
<b>Kotak Mahindra Capital Company Limited</b> Bakhtawar, 3 <sup>rd</sup> Floor, 229 Nariman Point, Mumbai 400 021, India .	[•]	[•]
<b>ICICI Brokerage Services Limited</b> ICICI Centre, H.T.Parekh Marg, Churchgate,	[•]	[•]

Mumbai, 400020, India.		
<b>Citigroup Global Markets India Private Limited</b> 4th Floor, Bakhtawar, Nariman Point, Mumbai – 400 021, India	[•]	[•]
<b>Bajaj Capital Limited</b> 97 Bajaj House, Nehru Place, New Delhi - 110019, India	[•]	[•]
<b>Kotak Securities Limited,</b> Bakhtawar, 1 <sup>st</sup> floor, 229, Nariman Point Mumbai- 400 021, India .	[•]	[•]

*The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].*

In the opinion of the Board of Directors acting through the Chairman and Managing Director or the Executive Director, based on certificates dated [•] given to them by the BRLMs and the Syndicate Members, the resources of the 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 SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors acting through the Chairman and Managing Director or the Executive Director of our Bank and our Bank has issued letters of acceptance to the Underwriters.

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

### CAPITAL STRUCTURE:

Share capital as of the date of filing of the Draft Red Herring Prospectus with SEBI (before and after the Issue) is set forth below:

(Rs.)

	<b>Aggregate nominal value</b>	<b>Aggregate Value at Issue Price</b>
<b>A. Authorised Capital</b> <sup>1</sup>		
1,500,000,000 Equity Shares of Rs. 10 each	15,000,000,000	
<b>B. Issued, Subscribed and Paid-Up Capital before the Issue</b>		
192,539,700 Equity Shares of Rs.10 each fully paid-up	1,925,397,000	
<b>C. Present Issue in terms of this Draft Red Herring Prospectus</b>		
Issue of 58,000,000 Equity Shares of Rs. 10 each fully paid-up	580,000,000	
<b>Out of which</b>		
(I) 5,800,000 Equity Shares reserved for Employees on a competitive basis	58,000,000	
(II) 5,800,000 Equity Shares reserved for Existing Shareholders on a competitive basis	58,000,000	
<b>(III) Net Issue to the public</b>		
46,400,000 Equity Shares of Rs. 10 each	464,000,000	[•]
<b>D. Equity Capital after the Issue</b>		
250,539,700 Equity Shares of Rs.10 each fully paid-up	2,505,397,000	[•]
<b>E. Share Premium Account</b>		
<b>Before the Issue</b>	<b>3,226,985,000</b>	
<b>After the Issue</b>	<b>[•]</b>	

<sup>1</sup> The authorized share capital of our Bank has remained 1,500,000,000 Equity Shares of Rs. 10 each since the nationalization of the Bank on 15<sup>th</sup> April, 1980.

- The President of India acting through the MoF, holds 66.48% of the issued and paid up equity capital of our Bank. After the Issue, the shareholding of the Promoter will be at least 51.09% of the fully diluted post Issue paid up equity share capital of our Bank.
- Our Board of Directors had authorised a fresh issue of 50,000,000 Equity Shares or as permitted by the Government pursuant to a resolution passed at its meeting held on December 28, 2004. Our shareholders subsequently authorised the fresh issue of 50,000,000 Equity Shares or as permitted by the Government, by a resolution passed unanimously at the general meeting of our Bank held on February 11, 2005, subject to the approval of the Government, the RBI, SEBI and other applicable authorities. The shareholder resolution gave the Board the authority and power to accept any modification in the proposal as may be required or imposed by such authorities and as agreed to by the Board.

Our Bank applied to the Government on December 31, 2004 for its sanction to a fresh issue of Equity Shares. By its letter bearing number F.No.11/1/2005-BOA dated February 17, 2005, pursuant to Section 3 (2B) (c) of the Bank Acquisition Act, the Department of Economic Affairs, MoF, GoI conveyed its approval on *inter alia*, the terms for the increased Issue size of 58,000,000 Equity Shares.

- We have received permission from the Foreign Exchange Department, RBI vide their letter no. \_\_\_\_\_ dated \_\_\_\_\_ permitting us to issue shares to NRIs / FIIs with repatriation benefits out of our public Issue of 58,000,000 Equity Shares. The RBI has imposed the condition that post Issue the non resident equity holding in our Bank should not exceed 20% of the paid up capital. The permission is further subject to the conditions laid down by the Government of India in their approval letter no. F.No 11/1/2005-BOA February 17, 2005, condition prescribed/stipulated by SEBI in this connection and the terms and conditions for issue of shares as stipulated in the Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 03, 2000.

## NOTES TO CAPITAL STRUCTURE

### 1. Share Capital History of our Bank since nationalisation on April 15, 1980:

Date/Year of Allotment	No. of Shares (in million)	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Share Premium	Cumulative Paid-up Share Capital (Rs. in million)
April 15, 1980	0.217	10	10	--	--	Nil	2.17
August 25, 1984	0.78	10	10	Other than cash	Transfer from Reserve	Nil	10.00
October 18, 1984	0.10	10	10	Cash	Contribution of Central Govt. to the share capital	Nil	11.00
November 28, 1985	6.90	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	80.00
December 26, 1986	6.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	140.00
March 28, 1988	5.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	190.00
March 29, 1989	9.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	280.00
March 31, 1992	20.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the	Nil	480.00

Date/Year of Allotment	No. of Shares (in million)	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment	Cumulative Share Premium	Cumulative Paid-up Share Capital (Rs. in million)
					share Capital (Investment in 7.75 % Special Bonds).		
March 31, 1993	30.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	780.00
December 30, 1993	50.00	10	10	Cash	Allotment of shares as contribution of Central Govt. to the share Capital (Investment in 7.75 % Special Bonds).	Nil	1280.00
December 15, 1994	64.54	10	10	Cash	Allotment of shares to the applicants under initial issue of capital	3226.99	1925.397

## 2. Promoter's contribution and lock-in

*The Equity Shares of our Bank are listed on the BSE and NSE for more than three years and we have a track record of dividend payment for at least three immediately preceding years. Further, our Promoter is not participating in this Issue; hence, there is no requirement for lock in of the Equity Shares.*

## 3. The shareholding of the Promoter and the public before and after the Issue is as follows:

The shareholding pattern of the Promoter and the public before the issue (as on December 31, 2004) and after the issue is given below:

	Pre-Issue		Post-Issue	
Category	No. of Shares Held	% Holding	No. of Shares Held	% Holding
<b>Promoter's Holding</b>				
Indian Promoters	128,000,000	66.48	128,000,000	51.09
<b>Sub Total</b>	128,000,000	66.48	128,000,000	
<b>Institutional Investors</b>				
Mutual Funds and UTI	5,795,250	3.01	122,539,700	48.91
Banks, FIs, Insurance Co.s, Central / State Govt. / Non-Govt. Institutions	16,977,329	8.82		
FII's	26,067,225	13.54		
<b>Sub Total</b>	48,839,804	25.37		

<b>Others</b>				
Private Corporate Bodies	2,581,903	1.34		
Indian Public	13,016,969	6.76		
NRI / OCBs	98,024	0.05		
Any Other	3,000	0.00		
<b>Sub Total</b>	15,699,896	8.15		
<b>GRAND TOTAL</b>	<b>192,539,700</b>	<b>100.00</b>	<b>250,539,700</b>	<b>100.00</b>

(c) The list of top ten shareholders of our Bank and the number of Equity Shares held by them is as under:

- i. Top ten shareholders of our Bank as on March 4, 2005 the date of filing of this Draft Red Herring Prospectus with Designated Stock Exchange are as follows:

<b>S.no.</b>	<b>Name of Shareholders</b>	<b>Number of Shares</b>	<b>% of Shareholding</b>
1	President of India	128000000	66.48%
2	LIC of India	13855443	7.20%
3	Goldman Sachs Investment (Mauritius) Ltd.	12712928	6.60%
4	HSBC Global Investment Funds A/C HSBC Global Investment Funds ( Mauritius) Ltd	1969923	1.02%
5	Merill Lynch Capital Market Espana S.A. SVB	1841605	0.96%
6	Arisaig Partners ( Asia ) PTE Ltd. A/C Arisaig India Fund Ltd.	1700000	0.88%
7	General Insurance Corporation of India	1390535	0.72%
8	Morgan Stanley and Co. International Ltd A/C Morgan Stanley Dean Ditter Mauritius	1340000	0.70%
9	Citigroup Global Market Mauritius Pvt. Ltd.	1064564	0.55%
10	HSBC Equity Fund	900000	0.47%

- ii. Top ten shareholders of our Bank as on February, 25, 2005, ten days before the date of filing of this Draft Red Herring Prospectus with Designated Stock Exchange are as follows:

<b>S.no.</b>	<b>Name of Shareholders</b>	<b>No of Shares</b>	<b>% of Shareholding</b>
1	President of India	128000000	66.48%
2	LIC of India	13855443	7.20%
3	Goldman Sachs Investment (Mauritius) Ltd.	12718536	6.61%

4	HSBC Global Investment Funds A/C HSBC Global Investment Funds ( Mauritius) Ltd	2127377	1.10%
5	Merill Lynch Capital Market Espana S.A. SVB	1838156	0.95%
6	Arisaig Partners ( Asia ) PTE Ltd. A/C Arisaig India Fund Ltd.	1700000	0.88%
7	General Insurance Corporation of India	1390535	0.72%
8	Morgan Stanley and Co. International Ltd A/C Morgan Stanley Dean Ditter Mauritius	1340000	0.70%
9	HSBC Equity Fund	950019	0.49%
10	CITI group Global Market Mauritius Pvt. Ltd.	814971	0.42%

- iii. Top ten shareholders as on March, 4, 2003, i.e., two years prior to date of filing of this Draft Red Herring Prospectus with Designated Stock Exchange is as follows:

S.no.	Name of Shareholders	No of Shares	% of Shareholding
1	President of India	128000000	66.48%
2	LIC of India	13484302	7.00%
3	Unit Trust of India- SUS 1999	4380457	2.28%
4	General insurance Corporation of India	2271429	1.18%
5	Arisaig partners (Asia ) PTE Ltd. A/C Arisaig India Fund Ltd.	1704300	0.89%
6	Arisaig partners ( Asia ) PTE Ltd. A/C Asian Small Companies Fund (Mauritius Limited).	1582250	0.82%
7	New India Assurance Co Limited	903910	0.47%
8	Templeton Mutual Fund Account – Franklin India Prima Fund	838016	0.44%
9	Small Industries Development Bank of India	679800	0.35%
10	Infraleasing Finance Services Limited	664258	0.34%

- iv. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
- v. Neither the Promoter, nor our Directors have purchased or sold any Equity Shares, directly or indirectly, during a period of six months preceding the

date on which this Draft Red Herring Prospectus is filed with SEBI except as stated on page [•]. Our Bank, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any Person.

- vi. In the Net Issue to the public, in case of over-subscription 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, a minimum of 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 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. Under-subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Bank in consultation with the BRLMs.
- vii. A total of up to 10% of the Issue size, i.e., up to 5,800,000 Equity Shares, has been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being 5,800,000 Equity Shares. Only Employees on the rolls of the Bank as on February 1, 2005 would be eligible to apply in this Issue under reservation for our Employees. Employees may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids. Employees shall be allotted a maximum of 500 shares. Any under subscription in the Equity Shares under the Employees Reservation Portion would be treated as part of the Net Issue to the public in the manner detailed in the section titled **“Offering Information - Issue Procedure” on page[ ]**.
- viii. A total of up to 10% of the Issue size, i.e., up to 5,800,000 Equity Shares, has been reserved for allocation to the Existing Shareholders on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Existing Shareholders as on [ ] would be eligible to apply in this Issue under reservation for our Existing Shareholders. Existing Shareholders may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Existing Shareholders Reservation Portion would be treated as part of the Net Issue to the public in the manner detailed in the section titled **“Offering Information - Issue Procedure” on page [ ]**.
- ix. 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. Further an investor applying in the category reserved for the Existing Shareholders or Employees cannot



make a Bid for more than the number of Equity Shares offered in the respective category.

- x. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed.
- xi. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to any employee stock option scheme or, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
- xii. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
- xiii. As on March 4, 2005 the total number of holders of Equity Shares is 1,11,122.
- xiv. The Bank has not raised any bridge loans against the proceeds of the Issue.
- xv. We have not issued any Equity Shares out of revaluation reserves, if any. We have also not issued any shares or debentures for consideration other than cash, within the two years preceding the date of this Draft Red Herring Prospectus.
- xvi. We have not entered into standby, buyback or similar arrangements for this Issue.
- xvii. We have not made any preferential allotments or bonus issues after listing pursuant to our IPO, but prior to filing of the Draft Red Herring Prospectus.

### **Objects of the Issue**

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. Our total capital adequacy ratio based on our audited restated financial statements was 14.04% and our Tier I capital adequacy ratio was 10.72% as of March 31, 2003, 14.47% and 9.87% as of March 31, 2004 and 9.43% and 5.70% as per the reviewed financial statement for nine

months ended December 31, 2004. 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 and other financial services, we are seeking to strengthen our capital base to support the future growth in our assets and comply with the capital adequacy requirements which would be applicable to us post the implementation of the Basel II norms. Other general corporate purposes would include development of infrastructure to support our business growth and service our customers.

#### UTILIZATION OF ISSUE PROCEEDS

The proceeds of the Issue will be utilized for the purposes described under “Objects of the Issue” above.

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.

#### FUND REQUIREMENT

<b>Requirement of Funds</b>	<b>(In Rs. million)</b>
Augment our capital base to meet our future capital adequacy requirements arising out of the proposed implementation of the Basel II standards, the general growth of our business and for other general corporate purposes.	[•]
Estimated Issue expenses	[•]
<b>Total</b>	<b>[•]</b>

#### FUNDING PLAN

<b>Sources of Funds</b>	<b>(In Rs. million)</b>
Proceeds of the Issue	[•]
<b>Total</b>	<b>[•]</b>

\* Will be updated in the Prospectus.

#### BASIC TERMS OF ISSUE.

The Equity Shares being offered are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of this Draft Red Herring Prospectus, the Red- Herring Prospectus, the 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.

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.

For further details on terms of the Issue, please refer to Section on “Offering Information- Terms of the Issue” on page [ ]

### BASIS FOR ISSUE PRICE.

#### Qualitative Factors

We are a leading public sector commercial bank in India, offering banking products and services to corporate and commercial, retail and agricultural customers.

1. We have a pan-India franchise with 1121 branches (excluding service branches), 167 extension counters and 396 ATMs in over 50 cities throughout India servicing 8 million customers.
2. We have a diversified loan portfolio of Rs. 196.81 billion with the corporate and commercial, retail and agriculture sectors constituting 65.76%, 21.3% and 12.93% of our total outstanding loans as on March 31, 2004.
3. We have provided for all our NPAs resulting in zero percent net NPA in fiscal 2004 compared to 1.44% in fiscal 2003.
4. In fiscal 2004 our interest free demand deposits and low interest savings bank deposits constituted 28.56% of our total deposits. These low-cost deposits led to an average cost of deposits of 5.69% and an average cost of funds of 5.0% in fiscal 2004.
5. Our deposits increased by 19.67 % to Rs. 356.74 billion at March 31, 2004 from Rs 298.09 billion as of March 31, 2003.
6. We have had a consistent profitability track record. Our unadjusted net profit in fiscal 2004 increased by 50.14% to Rs.6.86 billion as compared to Rs. 4.57 billion in fiscal 2003.
7. We have 259 electronically interconnected branches as of December 31, 2004 throughout the country.

#### Quantitative Factors

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

1. Weighted average earnings per share (EPS)\*

	EPS	Weight
Year ended March 31, 2002	16.65	1
Year ended March 31, 2003	23.73	2
Year ended March 31, 2004	35.63	3
Weighted Average	28.5	

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

a. Based on twelve months ended March 31, 2004 (annualised) is [●].

b. Industry P/E(1)

i)	Highest:	13.9
ii)	Lowest:	3.7
iii)	Average (composite):	7.0

(1) Source: "Capital Market" Volume XIX/ 22 dated January 3, 2005 to January 16, 2005 for the Category titled 'Banking – Public Sector'. The figures are in respect of fiscal 2004.

3. Weighted average return on average net worth <sup>(2)</sup>

Sr. No.	Year ended March 31,	Return on Average Net Worth (%)	Weight
1.	2002	29.56	1
2.	2003	24.50	2
3.	2004	28.66	3
	Weighted Average	27.42	

(2) Networth 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, 2004 is Rs. 139.02.

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 for year-end fiscal 2004

	<b>EPS</b>	<b>P/E</b>	<b>Return On Average Net Worth</b>	<b>Book Value Per Share</b>
Peer Group (public and private sector)				
Oriental Bank of Commerce	35.63	8.44	27.42	139.0
State Bank of India	68.5	8.2	19.7	384.4
Punjab National Bank	40.0	7.8	26.9	165.3
Bank of Baroda	31.8	7.0	20.3	173.4
Bank of India	20.5	5.8	28.0	78.5
Canara Bank	32.0	5.6	29.2	125.1
Union Bank	15.0	6.1	30.5	56.6
ICICI Bank	21.3	15.6	21.9	110.5
HDFC Bank	17.3	25.0	20.6	94.0
<b>Peer Group (Simple) Average</b>	<b>30.80</b>	<b>10.14</b>	<b>24.63</b>	<b>148.47</b>

Source: Our EPS, Return On Average Net Worth and Book Value Per Share have been calculated from our audited restated financial statements. Source for other information is “Capital Market” Volume XIX/ 22 dated January 3, 2005 to January 16, 2005..

The Issue Price of Rs [●] will be determined on the basis of the demand from investors through the Book-building Process and will be 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.

### STATEMENT OF TAX BENEFITS.

#### Income Tax

#### *A To the Bank*

- As per the provisions of Section 10(23G) of the Income Tax Act, 1961 (hereinafter called “the Act”), any income from dividend (other than dividends referred in Section 115(O)) interest or long term capital gains of the Bank arising from investment made on or after the 1<sup>st</sup> day of June, 1998 by way of shares or Long Term Finance in any enterprise or undertaking wholly engaged in the business of (i) developing or (ii) operating and maintaining or (iii) developing, operating and maintaining any infrastructure facility referred to in sub-section (4) of Section 80-IA or a housing project referred to in sub-section (10) of Section 80-IB or a hotel or hospital project as defined in section 10(23G) 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 exempt from tax.

Provided that Income by way of dividends, other than dividend referred to in Section 115-O, interest on long term capital gain of an infrastructure company, shall be taken into account in computing the book profit and income tax payable under section 115JB.

- Under section 10(34) read with section 115-O of the Act, income earned by way of dividends from another domestic company is exempt from tax in the hands of the Bank.

3. Under Section 10(35) of the Act, income received in respect of units of a mutual fund specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and / or specified company (as defined under Unit Trust of India (Transfer of Undertaking and Repeal Act, 2002)) are exempt from tax in the hands of the Bank.
4. Under Section 36(1)(viii) of the Act, in respect of any provision made for bad and doubtful debts, the Bank is entitled to deduction:
  - (i) Upto 7.5% of the total income (computed before making any deductions under the said clause and Chapter VIA), and
  - (ii) Upto 10% of the aggregate average advances made by the rural branches, if any, of the Bank computed in the prescribed manner.
5. Apart from the deduction available under Section 36(1)(viii) of the Act, the Bank is entitled to claim a deduction under Section 36(1)(vii) of the Act for the amount of bad debts written off in its books of account as irrecoverable and which represent money lent in the ordinary course of the business of banking. The deduction is limited to the amount of such debts or part thereof, which exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viii) subject to Compliance of Section 36(2)(v) which requires that such debt or part of debt should be debited to the provision for bad and doubtful debts account.
6. As per the provisions of Section 43D of the Act, interest income on certain categories of bad or doubtful debts as specified in Rule 6EA of the Income Tax Rules 1962 shall be chargeable to tax only in the year in which it is credited to the Profit and Loss account or actually received, whichever is earlier.
7. As per second proviso to Section 48 of the Act, the long term capital gains of the Bank arising on transfer of capital assets, other than bonds and debentures (not being capital indexed bonds), will be computed after indexing the cost of acquisition / improvement and as per Section 112 of the Act, the same would be chargeable to tax at a concessional rate of 20% plus applicable surcharge. In respect of long term capital gains arising from the transfer of listed securities or units, tax shall be chargeable at 10% of the amount of capital gains plus applicable surcharge before giving effect to the provisions of second proviso to Section 48 of the Act i.e., without indexing the cost of acquisition at the option of the Bank.
8. As per Section 54EC of the Act and subject to conditions specified therein, the Bank is eligible to claim exemption from tax on long term capital gains, [other than under Section 10(38) of the Act] arising on the transfer of long term capital assets, on investment of such capital gains in certain notified bonds for a lock in period of three years, within six months from the date of transfer of the capital asset. If only a portion of the capital gains is invested, then the exemption is proportionately available.
9. Under Section 54ED of the Act, long term capital gains [other than under Section 10(38) of the Act] arising from the transfer of investments held as long term capital asset, being listed securities or units is fully exempt from tax if the Bank invests, the whole of the capital gains in acquiring Equity Shares forming part of an eligible issue of capital as defined in clause (i) of the explanation to the above section for a lock in period of one year, within a period of six months from the date of such transfer. Where only a part of

the capital gains is so invested then the exemption is proportionately available. The exemption is available subject to other conditions specified in that Section.

10. As per the provisions of Section 80LA of the Act, where the gross total income of the Bank, in any previous year includes any income received in convertible foreign exchange as defined in the Section, from an offshore banking unit in a special economic zone or from the business referred to in Section 6(1) of the Banking Regulation Act, 1949 with an undertaking located in a special economic zone or any other undertaking which develops, or develops and operates, or operates and maintains a special economic zone, the Bank shall, subject to the fulfillment of the conditions specified in the said Section 80LA, be entitled to 100% deduction of such income for three consecutive assessment years beginning with the assessment year relevant to the previous year in which the Reserve Bank of India's permission to open the offshore unit was obtained and thereafter 50% deduction of such income for the next two consecutive assessment years.
11. By virtue of Section 10(38) inserted by Finance (No.2) Act, 2004, income arising from transfer of long-term capital asset being an equity share in a company or a unit of an equity oriented fund is exempt from tax, if the transaction of such sale has been entered into on or after 1<sup>st</sup> October 2004, and such transaction is chargeable to securities transaction tax under the Chapter VII of the Finance (No.2) Act, 2004.
12. By the virtue of Section 111 A inserted by Finance (No.2) Act 2004, short term capital gain on transfer of equity share of a Company or a unit of an equity oriented fund shall be chargeable to tax @ 10%, if the transaction of such sale has been entered into on or after 1<sup>st</sup> October 2004, and such transaction is chargeable to securities transaction tax under Chapter VII of the Finance (No.2) Act, 2004.

### ***B. To the Members of the Bank***

#### **B1 Under the Income Tax Act, 1961.**

##### **i. All Members**

1. By virtue of Section 10(38) inserted by Finance (No.2) Act, 2004, income arising from transfer of long-term capital asset, being an equity share in the company is exempt from tax, if the transaction of such sale has been entered into on or after 1.10.2004 and such transaction is chargeable to the securities transaction tax under that chapter.
2. By virtue of Section 111A inserted by Finance (No.2) Act 2004, short term capital gain on transfer of equity share in the Company shall be chargeable to tax @ 10%, if the transaction of such sale has been entered into on or after 1.10.2004 and such transaction is chargeable to securities transaction tax under that chapter. However, where the income includes any such short-term capital gain, it shall not be considered for deduction under chapter VIA and rebate under Section 88 of the Act.
3. By virtue of Section 10(34) of the Act, income earned by way of dividend income from a domestic company referred to in Section 115-O of the Act, are exempt from tax in the hands of the shareholders. Further, Section 94(7) of the Act provides that loss arising from the purchase and sale of shares purchased within a period of three months prior to the record date and sold within a period

of three months after such date, will be disallowed to the extent of dividends on such shares are claimed as tax exempt by the shareholder.

**ii. To Our Resident Shareholders.**

1. Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under section 10(38) of the Act) arising on the transfer of shares of the Bank will be exempt from capital gains tax if the capital gain are invested within a period of 6 months from the date of transfer in the bonds issued by
  - National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - National Highway Authority of India constituted under Section 3 of National Highway Authority of India Act, 1988.
  - Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956.
  - National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987.
  - Small Industries Development Bank of India established under Section 3(1) of The Small Industries Development Bank of India Act, 1989.If only part of the capital gain is so reinvested, the exemption shall be proportionately 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.
2. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10 (38) of the Act) arising on the transfer of shares of the Bank, will be exempt from capital gains tax if the capital gain is invested in equity shares of an Indian public company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only a part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

Where the cost of specified equity shares has been taken into account for the above purpose, a deduction from the amount of income tax with reference to such cost shall not be allowed under Section 88.
3. As per the provisions of Section 54F of the Act, long term capital gains arising (not covered under Section 10 (38) of the Act) in the hand of an individual or a HUF on transfer of shares of the Bank 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 after the date of transfer or construction of a residential house within a period of three years after the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in the section.
4. Long-term capital gains would accrue to resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:



- (i) Cost of acquisition / improvement of the shares as adjusted by the cost inflation index notified by the Central Government and
  - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.
5. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10(38) of the Act) arising on transfer of shares in the Company, 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 shareholder.

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

1. Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10 (38) of the Act) arising on the transfer of shares of the Bank will be exempt from capital gains tax if the capital gain are invested within a period of 6 months from the date of transfer in the bonds issued by
- i. National Bank for Agriculture and Rural Development established under Section 3 of the National Bank for Agriculture and Rural Development Act, 1981.
  - ii. National Highway Authority of India constituted under Section 3 of National Highway Authority of India Act, 1988.
  - iii. Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956.
  - iv. National Housing Bank established under Section 3(1) of the National Housing Bank Act, 1987.
  - v. Small Industries Development Bank of India, established under Section 3(1) of The Small Industries Development Bank of India Act, 1989.

If only part of the capital gain is so reinvested, the exemption shall be proportionately 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.

2. Under Section 54ED of the Act and subject to the conditions and to the extent specified therein, long term capital gains (not covered under Section 10 (38) of the Act) arising on the transfer of shares of the Bank, will be exempt from capital gains tax if the capital gain is invested in equity shares of an Indian Public Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer. If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within one year from the date of their acquisition.

Where the cost of specified equity shares has been taken into account for the above purpose, a deduction from the amount of income tax with reference to such cost shall not be allowed under Section 88.

3. As per the provisions of section 54F of the Act long term capital gains (not covered under Section 10 (38) of the Act), arising in the hand of an individual on transfer of shares of

the Bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years after the date of transfer or construction of a residential house within a period of three years after the date of transfer. The exemption is available proportionately if only a portion of the net consideration is invested as above. The exemption is subject to other conditions specified in the Section.

4. As per the provision of the first proviso to Section 48 of the Act, capital gains arising from transfer of equity shares acquired by 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 gain so computed in such foreign currency shall then be reconverted into Indian currency. Cost indexation benefits will not be available in such cases.
5. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (not covered under Section 10 (38) of the Act) arising on transfer of shares in the Company, 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 shareholder. (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 a person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Act, viz. “Special Provisions Relating to certain Incomes of Non-Residents.”
  - (i) Under Section 115E of the Act, where shares in the Company are subscribed to convertible Foreign Exchange by a Non Resident Indian, long term capital gains arising to the non-resident on 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.
  - (ii) Under provisions of Section 115F of the Act, long term capital gains (not covered under section 10 (38) of the Act) arising to a non resident Indian from the transfer of shares of the bank subscribed to 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 proportionately 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.
  - (iii) Under provisions of Section 115G of the Act, 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 or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from.
  - (iv) Under Section 115H of the Act, where a NRI becomes assessable as a resident in India, in respect of total income of any subsequent year, he may furnish to the Assessing Officer a declaration in writing alongwith his return of Income under

Section 139 of the Act to the effect that the provisions of the Chapter-XII-A shall continue to apply to him in relation to income derived from equity shares of the company for that year and subsequent years until such assets are converted into money.

- (v) Under Section 115-I of the Act, 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 Act declaring therein 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 instead the other provisions of the Act shall apply.
- 7. As per Section 115AD of the Act, long-term capital gains (other than under section 10 (38)) arising from 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 Act, no deduction of Tax at Source will be made in respect of Capital Gains arising from the transfer of the Equity Shares referred to in Section 115 AD from sales proceeds payable to the FIIs.

#### ***To Mutual Funds***

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

#### ***B2. Under the Wealth Tax Act, 1957***

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

#### ***B3. Under the Gift Tax Act, 1958***

Gifts of the shares of the company made on or after October 1, 1998 are not liable to Gift Tax.

Notes:

- i. All the above benefit are as per the current tax law as amended by the Finance Act, 2004, and Finance (No.2) Act 2004 and will be available only to the sole / first name holder in case joint holders hold the shares.
- ii. In respect of non-residence taxability of capital gains mentioned above shall be further subject to the provisions under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

- iii. In view of the individual nature of tax consequences, each investor is advised to consult his/her/their own tax advisor with respect to specific tax consequences of his/her/their participation in the Scheme.

## **ABOUT THE ISSUER**

### **Industry Overview**

#### **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 the RBI, and has not been prepared or independently verified by us or any of our advisors. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report, 2003-2004 and Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as of September 2004.*

#### **THE INDIAN BANKING SYSTEM**

##### **History**

The evolution of the modern commercial banking industry in India can be traced to 1786 with the establishment of 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 the 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**

The RBI is the central banking and monetary authority in India. The 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, the RBI undertakes certain developmental and promotional activities.

The RBI issues guidelines, notifications, 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. The RBI requires these institutions to furnish information relating to their businesses to the 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 September 2004, there were 291 scheduled commercial banks in the country, with a network of 67,221 branches. Scheduled commercial banks are banks that are listed in the second schedule to the Reserve Bank of India, Act, 1934, 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 Ltd. with effect from October, 2004 and is a scheduled commercial bank. Scheduled commercial banks have a presence throughout India, with nearly 70.1% 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'.

Oriental Bank of Commerce is a corresponding new bank, nationalised in 1980 under the Bank Acquisition Act. At the end of September 2004, public sector banks had 46,782 branches and accounted for 74.9% of the aggregate deposits and 70.5% 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 September 2004 with 14,430 branches, accounting for 3.6% of aggregate deposits and 3.0% 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, the 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.

### **Foreign Banks**

At the end of June 2004, there were around 32 foreign banks with 217 branches operating in India, accounting for 4.6% of aggregate deposits and 7.0% of outstanding gross bank credit of scheduled commercial banks. The Government of India permits foreign banks to operate through (i) branches; (ii) a wholly owned subsidiary or (iii) a subsidiary with aggregate foreign investment of up to 74% in a private bank. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a significant part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. The GoI in 2003 announced that wholly-owned subsidiaries of foreign banks would be permitted to incorporate wholly-owned subsidiaries in India. Subsidiaries of foreign banks will have to adhere to all banking regulations, including priority sector lending norms, applicable to domestic banks. In March 2004, the Ministry of Commerce and Industry, GoI announced that the foreign direct investment limit in private sector banks has been raised to 74% from the existing 49% under the automatic route including investment by FIIs. The announcement also stated that the aggregate of foreign investment in a private bank from all sources would be allowed up to a maximum of 74% of the paid up capital of the bank. The RBI notification increasing the limit to 74% is however still awaited.

### **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, the 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. The RBI is currently responsible for 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 the 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 Ltd., Infrastructure Development Finance Company Limited, Industrial Investment Bank of India and Industrial Credit Corporation of India Limited (prior to its amalgamation).

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 (Narasimhan 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, the 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, the 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 Ltd. 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.

## **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. They 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. The 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 the 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. The 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 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 NPAs like establishment of DRTs, Lok Adalats and the system of One-Time Settlement (OTS) of dues through mutual negotiation. A system of Corporate Debt Restructuring (CDR), based on the "London Approach" has been put in place as a voluntary process of corporate restructuring. For information on CDR please see section on "Corporate Debt Restructuring Forum" on page [•].

### **Proposed Structural Reforms**

#### ***Amendments to the Banking Regulation Act***

The GoI in its Budget 2005-06 has proposed to introduce 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 the international best practices in this regard;

### ***Amendments to the Reserve Bank of India Act***

Further, the Budget 2005-06 also proposes to introduce the following amendments to the Reserve Bank of India Act, 1934:-

- to remove the limits of the CRR to facilitate more flexible conduct of 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 the 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 setting up of asset reconstruction companies regulated by the 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. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the 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 speedy resolution of litigation and

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 the setting up of 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 Forum (CDR)***

To put in place an institutional mechanism for the restructuring of corporate debt, the 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 Corporate Debt Restructuring Forum.

The system put in place by the 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. The 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 are 14 FIs, 27 public sector banks and 19 private sector banks.

### **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”, which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. The RBI Annual Report for the year 2003-04 states that the use of automated teller machines (“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 end March 2004 as compared with 5,963 ATMs at the end of March 2003.

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

### **Corporate Governance**

Adoption of good corporate governance practices has been getting the attention of banks as well as the regulators and owners in India. Banks in India now 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 Bill 2005 has proposed insertion of a new Section 72AA to the I.T. Act, pursuant to which 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 the end of March 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, the RBI has also modified the NPA norms for agricultural advances (linking delinquency to the crop cycle).

## **NEW INITIATIVES IN THE BANKING SECTOR**

### **Risk Management & 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 the 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. The 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. The RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II.

### **RTGS Implementation in India**

With the commencement of operations of the Real Time Gross Settlement i.e. 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 the RBI, as participants. As on March 31, 2004, there are 71 direct participants in the RTGS system, including OUR BANK. 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 (PKI) based inscription for safe and secure message transmission;
- There is a provision for intra-day collateralised 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.

## **ANNUAL POLICY STATEMENT**

The RBI has renamed its credit policy as the “Annual Policy” statement since it is more aimed at structural adjustments rather than controlling the credit flow in the economy. As per a circular issued by the RBI in September, 2004, the rate of CRR of scheduled commercial banks has been increased in two stages, i.e., to 4.75% from September 18, 2004 and 5% from October 2, 2004 of net demand and time liabilities as on the last Friday of the second preceding fortnight. The SLR, bank rate and Repo Rate have not been changed in the Annual Policy of the RBI for the year 2003-04. However, in its mid-term review of the annual policy which was published on October 26, 2004, the RBI increased the repo rate to 4.75% from 4.50%.

As part of its effort 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 mid term review of Annual Policy for the year 2004-05, RBI has stated that the overall stance of monetary policy for the second half of the year 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 in a calibrated manner, in response to evolving circumstances with a view to stabilising inflationary expectations.

In the monetary and credit policy for fiscal 2005 as amended by the mid term review of Annual Policy for the year 2004-05, the RBI has introduced the following measures, among others:

- There is no change in the bank rate, which remains at 6.0%. The seven-day repo rate has been increased by 25 basis points from 4.50% to 4.75% effective from October 27, 2004.
- Liquidity adjustment facility (“LAF”) scheme: The international usage of “repo” and “reverse repo” terms would be adopted from October 27, 2004. The LAF scheme would be 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 parlance) would stand discontinued from November 1, 2004.
- Changes in the interest rate policy relating to ceiling on interest rates on Non-Resident (External) Rupee Deposits, permission to banks to fix interest rates on FCNR(B) deposits on monthly basis for the following month based on the rates prevailing as on the last working day of previous month, reduction of tenor of domestic term deposits.
- Measures for the removal of bottlenecks in credit delivery mechanism. These measures include service area approach, priority sector lending (enhanced lending to agriculture and distribution of inputs, enhanced lending to small and marginal farmers, special agriculture credit plans, enhancement of composite loan limit to SSI Units, enhancement of ceiling of housing loans etc.), rural infrastructure development fund, corporate debt restructuring mechanism, liberalisation of bank finance to NBFCs, gold card scheme for exporters.
- Structural and developmental measures for deepening and widening the government securities market.
- Measures for simplifying the systems and procedures for offering better customer service and to continue with the liberalisation process for improvement of the foreign exchange market.



## **BUSINESS OVERVIEW**

### **DETAILS OF THE BUSINESS:**

We are a leading public sector bank in India with over 8 million customers and 1,121 branches (excluding service branches). We started our operations in 1944 as a regional bank in Northern India 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 fiscal 2002 and 2004, our total income grew at a compounded annual rate of 4.6 % and our total assets, total deposits and total advances grew at a compounded annual growth rate of 8.35%, 7.78% and 11.60%, respectively.

Our banking operations for corporate and commercial customers include a range of products and services for large corporate customers as well as for small and middle market 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 manage our balance sheet, including the maintenance of required regulatory reserves, and seek to maximize profits from our trading portfolio by taking advantage of market opportunities.

We acquired the assets and liabilities of EGTB with effect from August 14, 2004 as part of a scheme of amalgamation formulated by the GoI. We have integrated the business of EGTB into our operations. We are actively addressing the EGTB's weaknesses and are working to leverage the strategic benefits we have identified. For further information, see "Erstwhile Global Trust Bank" below.

Since 1980, when we became a public sector bank, we have managed to continue to grow our business while maintaining a strong balance sheet. As of December 31, 2004, our total deposits represented 86.90% of our total liabilities. On average, interest free demand deposits and low interest savings deposits represented 29.6% of these deposits in the first nine months of fiscal 2005. These low-cost deposits led to an average cost of funds excluding equity for the first nine months of fiscal 2005 of 3.4%. As of December 31, 2004, our gross and net non-performing assets constituted 10.44% and 1.71% of our gross and net advances, respectively. In fiscal 2004 our total income was Rs. 40.22 billion and our net profit was Rs. 6.86 billion before adjustment of our financial statements for this Issue. In the first nine months of fiscal 2005 our total income was Rs. 29.59 billion and our net profit was Rs. 5.23 billion.

We intend to maintain our position as a cost efficient and customer friendly institution that provides comprehensive financial and related services. We are committed to excellence in serving the public and also maintaining high standards of corporate responsibility.

The Government of India is our largest shareholder and will hold approximately 51.09% of our Equity Shares after the Offering. The Government has expressed its intention to maintain its ownership interest above 51%.

## **Business Strategy**

### **Strategy**

Our goal is to be considered one of India's "Best Banks" on all efficiency parameters. To that end, we seek to enhance shareholder value and our profitability by expanding our retail banking business, integrating and managing EGTB, improving our spreads, and improving our IT capabilities. We also are working to improve our overall customer service and product offering while at the same time maintaining a solid balance sheet. Our business strategy emphasizes the following elements:

#### ***Continue our focus on retail banking.***

We intend to continue our focus on growing our retail banking business. With the increase in household income levels in India and the consequent need for diversified financial services, the retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market. The key to our retail strategy is continuing to build our 'OBC' brand, developing new products and services like prepaid cards and debit cards, networking our branch locations, developing our distribution channels including our ATM and internet banking and striving to improve customer service. In addition, we aim to cross-sell a wide range of our banking services and credit and fee based products by leveraging our existing customer base.

#### ***Strengthen and expand our corporate and commercial products and services.***

We seek to build on our historical strength in the small and medium sized corporate and commercial sector by expanding our products and services. We seek to increase our customer base by offering innovative products and servicing the needs of these corporate and commercial customers through specialized branches, including those targeted at medium sized corporate customers and those targeted at small scale industries. Additionally, we seek to cross-sell our fee-based products and services to our current customer base and thereby increase our income from these products and services.

#### ***Maintain and enhance our product offerings in the agriculture sector.***

We intend to position ourselves as one of the prominent banks for agricultural lending in India. We have introduced innovative products such as 'Oriental Green card', Oriental Kisan Gold card' and OBC Grameen Project, which provide farmers with convenient financing for their production, investment and consumption activities. We have a nationwide franchise in the agriculture sector, with concentration in Northern India, one of the country's most fertile areas. We intend to further expand our agriculture lending activities in other areas in India.

***Integrating EGTB's banking business with ours and managing EGTB's non-performing assets.***

We acquired the assets and liabilities of EGTB with effect from August 14, 2004 as part of a scheme of amalgamation as formulated by the GOI. Our merger with EGTB offered us strategic benefits including a good network of 104 outlets, a large base of high net worth customers, particularly in Southern India, a strong centralized IT infrastructure, a young, well trained work force and a high level of non-interest income. Our management is determined to integrate EGTB's operations with our banking business and is working to leverage these benefits throughout the Bank.

Prior to the amalgamation, EGTB was a troubled bank, which had a high level of non-performing assets. Our team is now actively working to manage the non-performing assets pertaining to EGTB. In particular, we are focused on recovering and restructuring accounts, reaching settlements with borrowers and where necessary undertaking civil and criminal actions.

***Developing our technological capabilities to interconnect our branch network and improve our services.***

We believe that technology is a critical differentiator in the banking industry and over the past few years have committed substantial resources to upgrading our technology. Our strategy is to electronically interconnect all our branches through Centralised Banking Solution and as of December 31, 2004, we have interconnected over 259 of our branches. We also intend to expand the delivery channels of our services and have introduced Internet banking and set up over 396 ATMs in more than 50 cities. We aim to improve service by further using interconnectivity for better credit management, helpdesk services and data backup capabilities.

***Improving our spread.***

Our spread improved from 3.3% in fiscal 2002 to 3.9 % in fiscal 2004. During the nine months ended December 31, 2004, our spread decreased to 3.25% (annualised) as a result of the amalgamation with EGTB. We are working to improve our spread through improving yields on advances and investments and by reducing our cost of deposits.

- *Improving Yields on Advances and Investments.* Overall the yields on advances and investments have declined in the low interest rate environment in the Indian Banking Sector leading to a decline in our yields too. In addition, the acquisition of EGTB had also an impact on our yields. We are actively seeking to improve our yields on advances in this environment by improving our asset base and by further reducing our non-performing assets. In addition, we are actively seeking to cross sell our products as well introduce and strengthen new services like pre-paid cards and distributing third party insurance products. We have been working to improve yields on investments through churning our portfolio.

- *Reducing Costs of Funds.* We have achieved a low overall cost of funds through a large base of low cost deposits, with total deposits representing 92.92% of our funding as of December 31, 2004. Interest free demand deposits and low interest savings deposits constituted 8.69% and 18.78%, respectively, of our total deposits as of December 31, 2004. 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, even as our business grows.

### ***Maintain high asset quality standards through comprehensive risk management***

We have markedly improved our loan and investment portfolios by carefully targeting our customer base and implementing a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. We apply our credit risk rating process to our advances (except agricultural advances & staff loans) and to non-SLR investments. Additionally, we actively monitor our loans and reassess their credit ratings once a year or more frequently if they are at risk. We also apply aggressive remediation policies to recover non-performing loans. Our provisioning policies for non-performing assets indicate a higher provision vis-a-vis the RBI guidelines. This has resulted in us becoming the first public sector bank to attain a zero percent net NPA level. Our gross NPA coverage ratio was 102.99% as of March 31, 2004. However as of December 31, 2004 we had provisions of Rs. 21.59 billion which constitutes a gross NPA provision coverage ratio of 84.21%, the decline being mainly attributable to the acquisition of EGTB. Our net NPA level stands at 1.71% as on December 31, 2004.

### **Overview of Our Operations**

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

	March 31, 2003		March 31, 2004		December 31, 2003		December 31, 2004	
Sector	Loans	% of total	Loans	% of total	Loans	% of total	Loans	% of total
<b>(Rs. in billions, except for percentages)</b>								
Corporate and Commercial	105.53	67.32	128.19	65.77%	111.62	63.99%	145.56	64.99%
of which Small Scale Industries (SSIs)(1)	16.7	10.7%	17.92	9.1%	17.17	9.8%	23.32	10.41%
Housing & Retail	27.79	17.73%	43.17	21.30%	38.46	22.05%	49.06	21.90%
Agriculture(1)	23.45	14.95%	25.45	12.93%	24.34	13.95%	29.35	13.10%
Total outstanding loans	156.77	100%	196.81	100%	174.42	100%	223.97	100%

(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.

### ***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 other services such as cash management services and certain capital markets services. Most of our top twenty customers in terms of loan exposure are PSUs and government companies. The average size of rated standard accounts in the corporate and commercial sector is Rs. 130.25 billion as of December 31, 2004.

#### ***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, which amounted to 4.4% of our total portfolio as of December 31, 2004. Many of these loans are typically collateralized by way of property as well as by other assets of the borrower. Repayment is typically in installments over the life of the loan. We also provide short term loans with a maturity of three to twelve months for temporary cash flow 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 and may be unsecured.

##### ***Cash Credit and Other Working Capital Facilities***

Cash credit facilities are the most common form of working capital financing in India. These are revolving credit facilities secured by working capital assets, such as inventory and receivables. We sometimes take additional security in the form of charge on fixed assets, pledge of marketable securities and personal guarantees. Facilities are 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***

Bill discounting involves 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 Credit*

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.

### *Other Credit and Financing Products*

In addition to our other lending activities we provide a variety of products to meet the financing needs of our corporate and commercial customers. These include funded products like term loans and unfunded products like letters of credit and guarantees.

### *Letters of Credit*

We provide fee based letter of credit facilities based on the term of the facility and the amount. The facilities are partially or fully secured by assets including cash deposits, documents of credit, stocks and receivables. These facilities are generally 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 meet their 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.

### *Other Services for Corporate and Commercial Customers*

We also offer the following fee based services to our corporate and commercial customers:

### *Cash Management Services*

We offer our corporate and commercial clients, 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 central pooling of countrywide collections. Our customers pay us fees for these services based on the volume of the transaction, the location of the cheque collection center and the speed of delivery.

### *Capital Markets Products*

We act as bankers in relation to capital market transactions. These include offerings of equity and debt. The companies involved in these transactions are required to maintain the subscription monies with the bankers to the offering until the allotment and the refund of excess subscription is completed. This process generally takes about 15 to 30 days, resulting in short term deposits with us. We also act as bankers to corporate customers for their interest and dividend payouts, which result in interest-free float balances for us. We also offer IPO financing to our customers.

### *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 small scale industries. SSIs are also considered a priority sector for directed lending purposes. See the section titled “Business-Directed Lending” below. As of December 31, 2004, SSI loans constituted 10.41% of our net bank credit. As of December 31, 2004, we had an outstanding loan portfolio of Rs.23.32 billion in this segment compared to Rs 17.17 billion as of December 31, 2003, representing growth of approximately 35.81%.

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 limit based on the land holding of the respective farmers. 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. The average loan size for SSI loans is approximately Rs 1.28 million as on December 31, 2004.

## ***Products and Services for Retail Customers***

### ***General***

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 provide fee based products and services such as cash management and safe deposit lockers services, depository services and distribute products such as prepaid cards, debit cards, and e-rail services for booking railway tickets to the customers of our bank through internet at specific locations. We also distribute third party insurance products

### ***Retail Lending Activities***

Our total outstanding retail loans and advances to housing were Rs.49.06 billion as of December 31, 2004, representing 21.90% of our total outstanding loans. The following table classifies our outstanding retail loans by category of loan, as of March 31 and December 31, 2004:

	<b>March 31, 2004</b>			<b>December 31, 2004</b>		
	<b>Number of loans</b>	<b>Amount outstanding</b>	<b>% of total outstanding retail loans</b>	<b>Number of loans</b>	<b>Amount outstanding</b>	<b>% of total outstanding retail loans</b>
<b>(In Rs. Million)</b>						
Housing.....	54,839	33,721	78.1%	66,007	36794.70	75.00%
Trade.....	8,541	1,265	2.9%	10412	1654.20	3.37%
Automobile .....	11,235	1,031	2.4%	11654	1024.70	2.09%
Against Govt Sec / LIC .....	943	148	0.3%	4876	492.60	1.0%
Consumer.....	6,585	296	0.7%	5885	233.60	0.47%
Transport.....	1,691	172	0.4%	2154	231.50	0.47%
Education.....	10,503	1,542	3.6%	12621	2003.10	4.08%
Doctor & Other Professionals	1,102	155	0.4%	1381	215	0.44%
Loan to Govt / Other Employees ..	66,177	2,600	6.0%	71847	3050.7	6.21%
Women Entrepreneur	23,764	2,064	4.8%	28979	3072	6.26%
Defence Personal Loan.....	3,789	125	0.3%	3097	123.0	0.25%
Other(1) .....	922	57	0.1%	1437	158	0.32%



<b>Total outstanding retail loans .....</b>	190091	43,175.6	100.0%	221050	49053.10
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- (1) Includes advances against national savings certificates, mutual fund units and other financial instruments, which have been classified as retail loans from April 1, 2004.

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

#### *Housing Finance*

Our housing finance business involves giving long-term loans to customers to finance the purchase, construction, repairs and renovation of a home. Loans are permissible up to 40 to 60 times of monthly income of the applicant with a flexible repayment schedule. The rates of interest on housing loans depends on the repayment period and interest option (fixed or floating) exercised by the borrower. The maximum repayment period permissible is 20 years or up to 70 years of age of the borrower, whichever is earlier.

#### *Trade Finance*

Through our trade finance business we provide financing to individuals, firms, companies and co-op societies, typically in the form of revolving working capital facilities and term loans. These loans are typically collateralized by a charge over movable or immovable assets.

#### *Automobile Finance*

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 up to five years for used vehicles.

#### *Loans against Government Securities and LIC Policies*

For meeting personal expenses and business expenditure, we provide customers with an overdraft facility or demand loan. These loans are secured by Government Securities, PSU bonds, LIC policies and other transferable securities.

### *Consumer Loans*

We provide personal loans for various purposes up to a maximum of Rs. 200,000. 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, including employers.

### *Transport Loans*

We extend loans to transporters and other customers for financing purchase for vehicles which are secured against the assets acquired.

### *Education Loans*

We provide loans for higher education which are typically for a term of five to seven years, excluding the study period unsecured for up to Rs. 750,000 for domestic study and up to Rs. 1.5 million for study abroad.

### *Loans to Doctors and other professionals*

We provide term loans up to a maximum of Rs. 2.5 million to registered medical practitioners and up to Rs 1.5 million for other professionals like architects, accountants, management consultants and journalists. The loans are intended to assist professionals in acquiring equipments and furnishing or renovating offices or clinics.

### *Loan for Govt./P.S.U. Employees*

We provide loans to permanent employees of central and state Government departments and other institutions like universities, colleges and hospitals. We offer these loans up to a maximum of Rs.0.15 million.

### *Loans to Women Entrepreneurs (Oriental Mahila Vikas Yojna)*

We offer term loans or working capital finance to women entrepreneurs.

### *Loans for Defense Personnel*

We provide working and retired defense personnel with unsecured loans of up to Rs 100,000 for buying consumer durables, meeting household expenses such as home repairs, education marriage and medical expenses

### *Other Retail Products and Services*

#### *Debit Cards*

We have acquired the Proton Debit Card offering from EGTB and are in the process of distributing these cards to our customers.

#### *e Rail*

We provide online booking of rail tickets to our customers at all prime locations.

### *Depository Services*

We provide depository accounts and related services to individual retail customers in connection with the holding of debt and equity securities. We earn fees for maintaining the accounts as a depository participant of NSDL and CDSL .

### *Products and Services for Agriculture Customers*

#### *General*

Agriculture contributes 22% to India's GDP and supports approximately two-thirds of India's population. As of December 31, 2004, agricultural loans constituted 13.39% of our net bank credit.

Currently, our agricultural operations are spread across India with a concentration in northern India, in the fertile areas of Punjab, Haryana, Uttar Pradesh and Rajasthan & other Northern States. These states in the aggregate accounted for 71.1% of our total agricultural loans as of December 31, 2004. We intend to further increase our agricultural customer base in other areas in India. 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			December 2004		
Geographic Distribution	Number of accounts (in millions)	Amount outstanding (Rs. in billions)	% of total outstanding agricultural loans	Number of accounts (in millions)	Amount outstanding (Rs. in billions)	% of total outstanding agricultural loans
<b>Northern:</b> Punjab, Haryana, Rajasthan, Himachal Pradesh, Uttar Pradesh, Jammu and Kashmir, Uttranchal, Delhi	165706	21.76	85.50%	198148	23.32	79.45%
<b>Eastern:</b> West Bengal, Bihar, Jharkhand, Northeastern states, Orissa	1715	0.50	1.96%	2694	0.92	3.13%
<b>Central:</b> Madhya Pradesh, Chattisgarh	2948	0.87	3.42%	4155	0.75	2.55%
<b>Western:</b> Gujarat, Maharashtra	377	1.20	4.72%	860	1.30	4.43%
<b>Southern:</b> Tamil Nadu, Karnataka, Kerala, Andhra Pradesh, Pondicherry,	89	1.12	4.40%	537	3.06	10.43%
<b>Total agriculture portfolio</b>	170835	25.45	100%	206394	29.35	100%

The agriculture sector is also advantageous in terms of risk and credit management, with a comparatively high number of smaller loans. Our gross non-performing assets in the agriculture segment constituted 6.77% of total agricultural advances as of December 31,

2004 as compared to gross non-performing assets of 10.44 % as a percentage of gross advances. We have also been able to minimize our non performing assets through arrangements with different participants in the supply chain. For example, we enter into tripartite arrangements with sugar mills and groups of farmers in which the payments from the mill to the farmers are made through the farmers' accounts with us. Since the sale proceeds are deposited with us, the risk of nonpayment is reduced.

### *Agricultural Lending*

In the agriculture sector 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 and December 2004, classified by type:

	March 2004			December 2004		
	Number of accounts	Amount outstanding (Rs. in billions)	% of total outstanding agricultural loans	Number of accounts	Amount outstanding (Rs. in billions)	% of total outstanding agricultural loans
Direct financing:	165,598	13.09	51.4%	201,099	15.66	54.0%
Production financing	99807	9.32	36.6%	123781	13.37	46.0%
Investment financing	65791	3.77	14.8%	77318	2.29	8.0%
Indirect financing	5237	12.36	48.6%	5,296	13.69	46.0%
Total agriculture portfolio	170835	25.45	100.0%	206408	28.74	100.0%

### *Production Financing*

We provide loans to farmers under various agriculture credit schemes offering loans for consumption purpose to farmers, artisans. The details of the scheme are stated below:

*Oriental Green Card.* We issue our Oriental Green Cards to farmers/cultivators/artisans in farm and non-farm activities. This card provides for a working capital loan which can be used for crop production needs, family consumption needs, purchase of machinery. The Oriental Green Card also provides the holder with accident insurance of up to Rs. 50,000 per claim.

*Oriental Kissan Gold Card .* This product has been designed to meet the production and consumption needs of farmers. Like the Oriental Green Card this card provides farmers with a working capital facility ranging from Rs 50,000 to Rs 750,000.

*OBC Grameen Project.* OBC Grameen Project' is a unique project for economic and social emancipation of the poor. It adopts a group approach and provides credit at a reasonable cost.

### *Investment Financing*

We provide financing for agricultural investments such as farm mechanization, irrigation, transport vehicles, development of dairy, poultry and fishery facilities and wasteland

development. The term of such financing is typically five to seven years and is secured by charges on agricultural land or immovable property.

#### *Indirect Financing*

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

#### *Agriculture and Community Support Efforts*

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. We have established training centers for farmers to inform them of the latest technological developments in agriculture and related activities educate them about adopting better production and marketing practices and provide them with information about the financing options and services available to them.

#### **Directed Lending**

The RBI guidelines require banks to lend at least 40% of their net bank credit to certain specified sectors called priority sectors. Priority sectors include the agricultural sector, SSIs, food and agri-based industries (with 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%, banks are required to lend a minimum of 18% 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 the 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 the RBI on a quarterly basis. The loans reported are as of the last reporting Friday of the quarter. As of December 24, 2004, which was the last reporting Friday for the quarter ended December 31, 2004 our priority sector loans were Rs. 100.40 billion, constituting 45.67% of our net bank credit against the requirement of 40.0%. The agriculture sector constituted 29.23% of our priority sector credit and small scale industries (SSI) constituted approximately 23.22% of our priority sector credit as of 31<sup>st</sup> December, 2004.

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.

	March 2003		March 2004		December 2003		December 2004	
	Amount	% of net bank credit (1)	Amount	% of net bank credit (1)	Amount	% of net bank credit (1)	Amount	% of net bank credit (1)
	(In Rs. billion, except for percentages)							
Agriculture credit	23.45	14.96%	25.45	12.93%	24.34	14.20%	29.35	13.35%
SSI credit	16.7	10.65%	17.92	9.11%	17.17	10.01%	23.32	10.60%
Other priority sector credit	31.63	20.17%	43.47	22.09%	38.82	22.45%	47.73	21.72%
Priority sector credit	71.78	45.79%	86.84	44.13%	80.33	46.88%	100.40	45.67%
<b>Net bank credit</b>	<b>156.77</b>		<b>196.8</b>		<b>174.42</b>		<b>223.97</b>	

**(1) Net bank credit is gross bank credit less Foreign Currency Non-resident (Bank) deposits.**

Our priority sector lending includes the agricultural and SSI lending described above, as well as certain of our loans to individuals for education and other purposes. In addition, priority sector lending includes housing finance up to Rs. 1.5 million.

In addition to the foregoing, our priority sector activities also include micro credit. Our micro credit offerings provide financing to start-up businesses and other small-scale entrepreneurs. The credit is primarily disbursed to Self-Help Groups (SHGs), which are composed mainly of women.

## Deposits

Our deposit products include the following:

- demand deposits, which are non-interest bearing;
- 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
- term deposits (which have interest rates determined by banks) including:
  - recurring deposits, which are periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate; and
  - certificates of deposit.

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

	<b>March 31, 2003</b>		<b>March 31, 2004</b>		<b>December 31, 2004</b>	
	<b>Balance outstanding</b>	<b>% of total</b>	<b>Balance outstanding</b>	<b>% of total</b>	<b>Balance outstanding</b>	<b>% of total</b>
	<b>(Rs. in million, except for percentages)</b>					
Demand deposits..	27444.25	9.21%	31134.27	8.72%	39860.00	9.35%
Savings deposits...	57624.56	19.33%	70735.46	19.82%	86140.00	20.22%
Term deposits.....	213022.07	71.94%	254865.29	70.87%	300100.00	70.43%
<b>Total deposits.....</b>	<b>298090.9</b>	<b>100%</b>	<b>3567350.0</b>	<b>100%</b>	<b>426100.00</b>	<b>100%</b>

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 deliver our products and services through a network of 1121 branches (excluding 14 service branches), 167 extension counters and 396 ATMs in more than 50 cities throughout India, as of December 31, 2004.

Our branches are organized into regions that report directly to our head office. The table below shows our regional breakdown by branches and regions as of December 31, 2004.

	<b>Branches</b>	<b>CBS branch s<sup>(1)</sup></b>	<b>Region s</b>	<b>Deposits (In Rs. Billion)</b>	<b>Advances</b>
<b>Northern:</b> Punjab, Haryana, Delhi, Rajasthan, Himachal Pradesh, Jammu & Kashmir, Uttar Pradesh, Uttaranchal .....	764	116	18	264.41	120.3
<b>Eastern:</b> West Bengal, Bihar, Jharkhand, Northeastern states, Orissa .....	71	6	2	16.16	16.83
<b>Central:</b> Madhya Pradesh, Chattisgarh .....	47	5	1	11.98	5.40
<b>Western:</b> Maharashtra, Gujarat, Goa and Daman..	92	38	3	70.93	67.96
<b>Southern:</b> Andhra Pradesh, Kerala, Tamil Nadu and Pondichery .....	59	6	2	16.57	14.22

<b>SBU (Strategic Business Unit- EGTB Branches)</b>	<b>88</b>	<b>88</b>	<b>-</b>	46.05	20.77
<b>Total .....</b>	<b>1121</b>	<b>259</b>	<b>26</b>	426.10	245.48

(1) CBS Branches are those branches where we have implemented our Core Banking Solution, which interconnects our branches.

### ***Branches and Extension Counters***

We have 1121 branches spread across India. Our extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services.

We believe that our profits per employee are higher than many of our competitors, especially other larger public sector banks. We are modernizing our branch network with technology in order to continue to increase efficiency and increase profits per employee. Following is a table of our business (advances plus deposits) per employee and average gross profit per branch for the periods indicated.

	Fiscal Year			First nine months of fiscal year	
	2002	2003	2004	2004	2005
	(Rs. In million, except for employees per branch)				
Business per employee	31.4	33.7	40.70	36.92	47.50
Business per branch	441.0	459.9	546.4	501.2	572.63
Gross profit per branch	9.5	11.8	15.1	11.41	7.83
Employees per branch	14.05	13.66	13.43	13.57	12.06

We also have specialized branches targeting various segments of our customers. We have specialized corporate branches focused on the needs of small, medium and large sized corporations.

As a part of its branch licensing conditions, the RBI has stipulated that at least 25% of our branches must be located in semi-urban and rural areas. As of December 31, 2004, 527 or 47.01% of our branches were located in semi-urban and rural areas.

### ***Interconnectivity of Branches***

We are implementing our Core Banking Solution, by which we intend to inter-connect all our branches electronically. As of December 31, 2004 259 branches have been interconnected. We have a centralized server in Vashi (Navi Mumbai) & Secunderabad to connect these branches and a back-up server in Andheri (Mumbai). This allows customers to access their accounts and obtain services from any connected branch as if they were in their primary branch. This provides greater mobility and convenience for our customers and we believe will enhance customer loyalty to us. We believe that this will enable us to provide a greater range and volume of value added services to our customers.



### ***ATMs***

We offer our customers an extended network of ATMs with 396 ATMs in more than 50 cities as of December 31, 2004. We have recently entered into an ATM sharing arrangement called “MITR” with four other banks, UTI Bank, Indian Bank, Punjab National Bank and Karur Vyasa Bank. This arrangement allows our customers to access over 2,500 ATMs. Similarly, customers of these other banks can also access their bank accounts using our ATM network. We receive fees for this service. In view of the diversity of regional languages used in various parts of India, some of our ATMs offer bilingual screens.

### ***Internet***

We believe that Internet access and information is key to satisfying the needs of certain customer segments. We maintain a website at [www.obcindia.com](http://www.obcindia.com), offering general information on our products and services. Our Internet banking service allows customers to access all their account-related information and also enables them to transfer funds from one account to another account with us, using our website. This facility is available to both individual and corporate customers of our interconnected branches. We have also integrated the EGTB Internet Banking (I-bank) services into our existing internet services.

### ***Call Center***

We provide customer support services in respect of pre-paid cards through a call center. The call centre functions 24 hours a day, seven days a week, and offers a self-service option to customers for the same.

### ***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.

### ***General***

Under the RBI’s statutory liquidity ratio (SLR) requirement, we are required to maintain an amount equal to at least 25.0% of our demand and time liabilities in approved securities, such as Government of India securities, state government securities and other approved securities. As of December 31, 2004, 44.13% of our net demand and time liabilities consisted of Government and other approved securities. Under the 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 the RBI. As of December 31, 2004, 6.96% of our net demand and time liabilities were maintained with the RBI. The 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 “About the Issuer-Key Industry -Regulations and Policies - Legal Reserve Requirements” on page [•].

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 Board of Directors approves our investment and asset liability management policies.

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

<b>Securities</b>	<b>March 31, 2003</b>		<b>March 31, 2004</b>		<b>December 31, 2004</b>	
	<b>In Rs. Millions</b>	<b>%</b>	<b>In Rs. millions</b>	<b>%</b>	<b>In Rs. millions</b>	<b>%</b>
SLR						
Government and approved securities.....	105161	71.07	127834	76.07	153137	79.78
Non-SLR						
Bonds and debentures ...	37324	25.23	35459	21.10	31193	16.25
Shares .....	1335	0.90	1243	0.74	4141	2.16
Subsidiaries and joint ventures .....	0	0	0	0	0	0
Commercial papers, mutual funds and others.....	4145	2.80	3500	2.09	3484	1.81
<b>Total .....</b>	<b>147965</b>	<b>100</b>	<b>168036</b>	<b>100</b>	<b>191955</b>	<b>100</b>

The following table presents our investments as a percentage of our total assets and our investment income as a percentage of our total income as of or for the dates indicated.

	<b>March 31, 2003</b>	<b>March 31, 2004</b>	<b>December 31, 2003</b>	<b>December 31, 2004</b>
	<b>(Rs. in billions, except percentages)</b>			
Average total interest earning assets .....	318.14	354.16	352.31	421.42
of which, Average investments .....	153.57	168.57	168.86	187.88
Average investments as a percentage share of average total interest earning assets .....	48.27%	47.61%	47.93%	44.58%

	Fiscal year		First nine months of fiscal year	
	2003	2004	2004	2005
	(Rs. in billions, except percentages)			
Total income .....	38.36	40.22	30.04	29.59
Income from investments.....	16.13	16.33	12.11	12.54
Net profit from sale of investments .....	3.72	5.04	4.03	1.31
<b>Total treasury income* .....</b>	<b>19.85</b>	<b>21.37</b>	<b>16.14</b>	<b>13.85</b>
<b>Treasury income as a percentage of total income.....</b>	<b>51.75%</b>	<b>53.13%</b>	<b>53.73%</b>	<b>47%</b>

\* The above does not include this income earned on the following:

1. income earned from call money and short term investments;
2. income from derivatives; and
3. dividend earned on investments in subsidiaries and joint ventures.

### ***Foreign Exchange Activities***

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.

We commenced our derivative operations in fiscal 2003. We offer to our customers forward foreign currency products, single currency interest rate swaps and cross-currency interest rate swaps. We have hedged a part of our fixed liabilities with floating rate swaps. In fiscal 2004 and the nine months ended December 31, 2004, our net income (loss) from derivatives operations was Rs. 51.19 million and Rs. (25.47) million, respectively.

### **Erstwhile Global Trust Bank ('EGTB')**

Global Trust Bank was a private sector bank established in 1994. By 2003, it had become a troubled bank due to aggressive high risk lending. The RBI issued a moratorium on its operation in July 2004, and we acquired the assets and liabilities of EGTB with effect from August 14, 2004 as part of a scheme of amalgamation notified by the Government of India (the "Scheme").

Pursuant to the Scheme, we acquired all of EGTB's assets such as its advances (including non performing advances), properties, fixtures and customers. We also acquired all of its

liabilities such as deposits, external borrowings (including Tier II capital debt securities) and contingent liabilities, in each case as of August 13, 2004. We also assumed all of its liabilities for outstanding litigation in progress as on August 13, 2004. For further information on the Scheme, see 'Scheme of Amalgamation' on page [] of this Draft Red Herring Prospectus.

The business of EGTB that we acquired consisted of 104 outlets. As of August 13 2004, EGTB had approximately one million customers and had 1,209 employees.

At the time of the amalgamation, EGTB suffered from a high level of non-performing assets, inadequate capital for growth of its business, poor corporate governance with a lack of transparency, poor risk management systems and severe liquidity constraints. As of August 13, 2004, EGTB had Rs.13,167 million of gross non-performing assets and had net non-performing assets as a percentage of its net advances of 30.67%. In addition, as of August 13, 2004, EGTB had a negative net worth of Rs. 8,102 million, a negative capital adequacy ratio and a cumulative loss of Rs. 10,775 million. The acquisition of EGTB's liabilities had an adverse affect on our results of operations and financial condition as of December 31, 2004. For further information, see "Management's Discussion and Analysis of Results of Operation and Financial Condition" on page [] of this Draft Red Herring Prospectus.

### **Integrating EGTB into OBC**

Since Amalgamation, we have been actively managing EGTB to address its risks and weaknesses. Upon amalgamation of EGTB we initiated the following steps to address some of its immediate financial problems:

- Repayment of Rs. 9,000 million of high cost deposits to reduce the costs of its deposits;
- Sanction of Rs. 11,570 million of new advances at EGTB branches;
- Rationalization of premises owned and leased by EGTB.
- Valuation of assets of EGTB on marked to market basis;
- Management of EGTB's non-performing assets (discussed below); and
- Empowerment of EGTB branches to conduct all types of combined EGTB and OBC business and cross selling our entire product suite.

In addition, we took our customer service philosophy to all EGTB's existing customers and sought to determine their needs and meet them. EGTB benefits from many retail customers with a high net-worth, which we actively worked to keep. In many cases, EGTB customers required new or additional advances, which we met in accordance with OBC credit policies. As a result of our efforts, we believe we've been able to retain a substantial portion of EGTB's customers prior to Amalgamation. In addition, we have also been working to integrate EGTB products and branches with our bank. We have rebranded all EGTB products and branches, and they are now branded Oriental Bank of Commerce or OBC. In addition, EGTB has made additions to our product suite, which we will be integrating across the bank. These additions are

- I-Bank, internet banking services
- E-Rail, on line booking of rail tickets enabled at all prime locations;
- Cash management services through cash line;
- Proton, an internationally accepted debit card with over 400,000 customers;
- ATM Network, 24 hour banking through 396 interconnected ATMs.

EGTB is totally computerized and supported by a strong team of IT professionals. EGTB has two Data Centers in two different seismic zones, one at Secunderabad and another at Mumbai. EGTB's branches and offices are interconnected through a robust Wide Area Network. The network is monitored on 24/7 basis with near 100% uptime maintenance. We are working to integrate EGTB's network with our network. In addition, EGTB has implemented, Finacle, a product of Infosys, as its Centralised Core Banking Solution ("CBS"). This is the same software as we are implementing in our branches, and we are working to integrate the two CBS systems.

### **Managing EGTB's Non-Performing Assets**

We established a team led by our Chairman to review, manage and recover the non-performing assets of EGTB. In particular, we are focused on recovering and restructuring accounts, reaching settlements with borrowers and where necessary filing civil and criminal actions. We are also using our strong financial position to provide for EGTB's non-performing assets. As of August 13, 2004, it had net non-performing assets as a percentage of its net advances of 30.67%. As of December 31, 2004, we had managed to reduce EGTB's net non-performing assets as a percentage of its net advances to 27.78 %.

### **Employees**

Following the Amalgamation, we have continued to pay employees previously with EGTB the same salary they received prior to the Amalgamation. We are permitted, however, under the Scheme to realign the remuneration of employees previously with EGTB and continuing with OBC, with those employees of OBC of corresponding rank or status. We have referred to National Institute of Bank Management, an independent third party, to prepare a report on how best to effect this realignment. We expect that this realignment will take place no later than the end of 2005. As a result primarily of this expected realignment of salaries, 367 of our employees (including IT specialists) previously with EGTB have resigned.

### **Risk Management**

The Basel-II Capital Accord recognized the need to take into account the various risks faced by banks. These are broadly categorized as credit risk, market risk and operational risk.

Our integrated risk management policy has been framed keeping in view RBI guidelines on risk management issued from time to time and the covenants of the Basel-II Capital Accord.

#### *Organizational Structure for Risk Management*

Our Board of Directors has the overall responsibility for risk management. In order to successfully implement its functions and requirements relating to risk management, directions and supervision thereof, the Supervisory Committee of Directors for risk management has been constituted. The Supervisory Committee of Directors on risk management supervises the implementation of risk management policies and is assisted by four committees of our senior executives; the Executive Risk Management Committee, which is responsible for ensuring the proper implementation of the directions of the Supervisory Committee of Directors on risk management, the Credit Policy Committee, which oversees our credit risk management; the Asset-Liability Management Committee, which monitors our market risk; and the Operational Risk Management Committee, which is responsible for ensuring that we have a structured operational risk management process in place.

#### *Credit Risk*

Credit risk is the possibility of loss due to inability or failure of the borrower or counter party to meet the commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Credit risk rating to lending is addressed by our loan policy, recovery policy and credit risk management policy. Credit risk rating to trading and settlement is addressed through our investment policy. To monitor and manage credit risk, we have set up a Credit Policy Committee and Credit Risk Management Department, which is independent from our Credit Appraisal Department.

The operations and systems to establish pro-active credit risk management practices have been elaborated in the credit risk management policy. In addition, the loan policy clearly lays down various prudential limits and appropriate lending powers are delegated for the prudent selection of borrowers. The thrust areas and restricted areas of lending are clearly specified and exposure ceilings including industry-wise and sector-wise ceilings are laid down to avoid concentration risks.

#### *Credit Approval Process*

We have issued detailed guidelines for the credit approval process, which are updated every year through the loan policy. An appropriate credit approval process has been established over a period of time and the Appraisal Format is reviewed from time to time so as to capture the credit risk factors. We constantly review the documentation process and convey the changes to the branches wherever required.

We also update the documents whenever new products are introduced so that all legal issues are covered. We have developed credit risk rating models for large corporate borrowers (for loans of Rs. 50 million or more), small to medium – sized borrowers (for loans of less than Rs. 50 million), retail loan scheme borrowers and exposure to other banks.

The ratings for industry risks are constantly viewed and updated through external rating agencies who are specialists in this area. The risk rating models cover all the parameters required for such rating exercise.

There are seven rating categories, which are common to all our rating models. Set forth below is the distribution of our individually rated loans as of December 31, 2004:-

<b>Rating</b>	<b>Meaning</b>	<b>Amount Outstanding (Rs Million)</b>	<b>Percentage of total outstanding rated loans</b>
A++	Minimum Risk	5.29	5.6%
A+	Marginal Risk	23.17	24.6%
A	Moderate Risk	16.77	17.8%
B+	Average Risk	40.11	42.6%
B	Marginally above Average Risk	8.06	8.6%
C	Caution	0.51	0.5%
D	Special Mentioned Accounts	0.32	0.3%
<b>Total</b>		<b>94.23</b>	<b>100%</b>

Final credit approval is granted by a competent authority delegated with such discretionary powers, depending upon the size of credit after the appraisal of credit is done according to our policies.

#### *Prudential Limits*

We have set up prudential limits for exposure to individual industries and for borrowers as well as for groups of borrowers in order to ensure that there is no concentration of credit to a particular borrower or industry. By diversifying the exposure, the risk is reduced in tune with the RBI guidelines. Our exposure to an individual borrower should not exceed 15% of our capital funds and the exposure to group companies under the same management or control must not exceed 40% of our capital funds.

As permitted by RBI, we may exceed the exposure norms of 15% of our Capital Funds by an additional 5% with the approval of the Board of Directors. However, advances to group companies involved in infrastructure projects may exceed the ceiling up to a maximum of 50% with the approval of Board of Directors. Set forth below is our maximum exposure allowed to a particular industry as a percentage of total credit:-

Name of Industry	Proposed Cap of Exposure in % terms
Infrastructure (including 15% for Power) <sup>(1)</sup>	Not more than 50%
Fertilizers	Not more than 10%
Iron and Steel	Not more than 10%
Cement	Not more than 10%
Ship-breaking	Not more than 150 crores
Chemicals, Dyes and Paints	Not more than 10%
Drugs and Pharmaceuticals	Not more than 10%
Petrochemicals	Not more than 10%
Sugar	Not more than 10%
NBFCs (Hire purchase and Leasing)	Not more than 10%
IT and Software	Not more than 10%
Engineering	Not more than 10%
Food Processing	Not more than 10%
Hotels	Not more than 10%
Film Industry	Not more than 25 crore
Sensitive Sectors	Not more than 15%
- Real Estate	Not more than 10%
- Capital markets, including investments	Not more than 2%
- Commodity Sector	Not more than 3%
<i>(1) In addition to the power sector, infrastructure includes the following sectors: roads; housing, telecom, industrial parks, railways system, water, ports, irrigation, highways, bridges, airports, and sanitation and sewerage systems.</i>	

On December 31, 2004, our largest exposure to a single borrower was 20.04% of our capital funds, and our largest group exposure was 41.32% of our capital funds; all these borrowers are currently performing according to the terms of our contracts with them.

As per RBI guidelines, our policy with respect to term loans (i.e., loans repayable over three years or more) is that the overall term loan component of our credit portfolio (not including term loans for agriculture, SSI and export) shall not exceed 50% of our total advances.

### ***Risk Pricing***

As per the 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 for at least five to seven years based on the migration of rating. As such, we first need to build a historic database on the portfolio quality and the migration of rating, for which the required steps have been initiated. An interim risk pricing policy for large corporate loans based on the rating category has been finalised and approved for implementation with effect from April 1, 2005.



### ***Portfolio Management***

We monitor accounts having fund-based working capital limits of Rs. 10 million and above. We also appoint independent auditors to audit stocks for loans of Rs. 10 million and above so that any credit weakness can be identified well in advance.

### ***Loan Review Mechanism***

All loan accounts of Rs. 50 million and above and special mentioned accounts of Rs. 10 million are reviewed by our Loan Review/Audit Department, which is located at our head office. The Loan Review/Audit Department is independent from the credit sanctioning process.

### ***Loan Security and Recovery Policy***

A large number of our loans are also secured by collateral or supported by guarantees. Our trade and commercial loans are secured by a charge over inventory or receivables. Longer-term loans are usually secured by a charge over fixed assets. Our larger retail loans are secured by collaterals or guaranteed. Our retail loans are generally secured, made against delivery of post-dated cheques or debited to an account maintained with the bank in which the debtor's employer directly deposits their salary. In India, the bouncing of cheques is a criminal offence. In the case of most automobile loans as well as unsecured personal loans, we require that the borrower provide post-dated cheques for all payments on the loan at the time the loan is made. Automobile loans and consumer loans are both secured loans. Although we take collateral, we may sometimes not be able to realize its full value in a default situation. 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 [●].

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.

A committee of our senior executives, the Asset-Liability Management Committee, is responsible for managing liquidity and market risk. This committee meets every Monday to discuss various interest rate scenarios, formulate the interest rate structure for deposits

made with us in tune with asset-liability mismatches and market scenarios. The Asset-Liability Management Committee is assisted by the Asset-Liability Management Cell, a department group headed by a General Manager. In the case of market risk, our exposure under commodities, equities and foreign exchange is a small proportion of the total balance sheet and the impact of such risks is further minimized due to adherence to the RBI's stipulated norms relating to open positions and exposure ceilings.

#### *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. The funds mobilized are generally used to lend to eligible borrowers or purchase securities.

We measure our exposure to fluctuations in interest rates primarily by way of a gap analysis on a fortnightly 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. The result is analysed and action taken to reduce interest rate risk caused due to increase/decrease in the rate of interest received on assets and paid on liabilities

#### *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, 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.

The Asset-Liability Management 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 has advised 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 differential maturity buckets.

### *Price Risk*

Due to changes in the interest rate on account of various economic factors as well as the demand and supply position of money in the market, the prices of the securities change, which also affect the value of our investment portfolio. There are also fluctuations in the price of publicly traded equity shares, which directly affect the value of our investments. The currency rate fluctuation in the foreign exchange market also can have impact on the earnings of our foreign exchange operations. Since our investment in equity and foreign exchange operations are very small in comparison with the total size of the balance sheet, we consider the interest rate fluctuation risk as the major risk factor for price risk. The Board, therefore, closely monitors the impact of interest rate fluctuations on our net interest margin. As stipulated by RBI, we have maintained an Investment Fluctuation Reserve of Rs. 6250 million to cater for such price volatility.

The branches are regularly inspected by a team of internal auditors and their frequency of visits is determined by the risk category of the branches. Senior officers from our regional offices conduct visits of the branches under their control to report irregularities, if any, for immediate rectification.

Pursuant to the guidelines issued by the RBI, we are required to audit certain operations under concurrent audit. Those functions that are to be continuously audited under concurrent audit include foreign exchange derivatives, security transactions, treasury operations and inter-branch reconciliation. In addition, our large branches, numbering 172, are under risk-based supervision.

We also manage our interest rate 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.

### *Operational Risk*

The Basel Committee on Banking Supervision has defined operational risk as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We have established systems and procedures to reduce operational risk. Compliance with our guidelines is monitored through internal controls and a comprehensive audit system. Our risk profile format has been developed for preparing the overall operational risk profiles of our branches and to assess their level of risk.

The Regional Head is responsible to ensure that the systems and procedures are strictly followed by the branches.

We have put in place a risk-based internal audit system. A format for rating of all our branches under various categories such as very high risk, high risk, medium risk and low risk as per the RBI guidelines has been devised and duly vetted by NIBM, Pune. Based on this format, risk-based internal audits have been conducted in 170 branches. We have established a Risk-Based Supervision Cell at our Inspection and Control Department. The RBI has conducted an inspection of our Bank under risk-based supervision.

### ***Basel II Requirements***

The 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. We are regularly in contact with the RBI concerning the process of implementation of the Basel II guidelines.

### **Competition**

We face competition in all of our principal lines of business. 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. The large public sector banks have traditionally been the market leaders in commercial lending. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements including trade, transactional and foreign exchange services, while the large public sector banks have 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 in the case of retail loan products. The other public sector banks have large deposit bases and large branch networks. Private sector and foreign banks compete principally by offering a wider range of products as well as greater technological sophistication in some cases. Foreign banks, while having a small market penetration overall, have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans and credit cards.

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, which have large branch networks and are traditionally focused on these areas.

### **Employees**

As of December 31, 2004 we had 14,591 employees. Following is a table of our (unconsolidated) total number of employees as of the dates indicated:

	March 31 <sup>st</sup>			December 31 <sup>st</sup>	
	2002	2003	2004	2003	2004
Professional/technical employees ....	207	207	279	207	365
Other employees .....	13382	13300	13389	13435	14226
Total .....	<u>13589</u>	<u>13507</u>	<u>13678</u>	<u>13642</u>	<u>14591</u>

We do not have a stock incentive plan or discretionary bonus compensation. Bonus is paid in accordance with the Payment of Bonus Act for Employees. Most of our employees are represented by unions or officers' associations. We consider employee relations to be good. Negotiations to set salary and benefit standards for employees takes place at the industry level through the Indian Banks Association, which is an independent body. There is collective bargaining on the industry level. We have performance linked awards for the best branches across different categories. We also have a fast track promotion scheme for our meritorious officers based on a written test/ merit which enable us to promote our meritorious officers. The Bank has also initiated steps to reduce the average age profile of our employees across different categories by promoting employees on merit irrespective of their age and seniority.

The Bank attaches a lot of significance in providing training to its staff so as they become abreast with the latest changes and methodologies in the area of work. We have four training centers in India which conduct training programs to meet the changing skill requirements of employees in the core areas of treasury, risk management, retail based products and fee based products. One of these training centres is exclusively dedicated for imparting foreign exchange related expertise. We also have two IT training centers. Our training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. Our training centers regularly offer courses conducted by faculty, drawn from industry, academia and from our own employees. Training programs are also conducted for developing functional as well as managerial skills. We also send our employees to various specialized training programs

held in India and abroad. We have imparted training to 8093 employees during the financial year ended as on March 31, 2004.

**Properties**

Our head office is located at Harsha Bhawan, E Block, Connaught Place, New Delhi 110001, India.

We conduct our business through a total network of 1121 branches (excluding service branches), 167 extension counters as of December 31, 2004. 1101 of our branches are located in leased premises. Our head office and data centres are also situated in leased premises. We own 375 residential properties and 78 commercial properties.

## Key Industry Regulation and Policies

The main legislation governing commercial banks, the Banking Regulation Act, applies to public sector banks like Oriental Bank of Commerce 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 terms, Section 51 of the Banking Regulation Act certain other sections of the Banking Regulation Act are applicable to corresponding new banks.

Oriental Bank of Commerce, 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 for and 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 under the provisions of our Constitutional Documents. 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\*

COMPANY		CORRESPONDING NEW BANK	
Co. Act	Rights	Provision of Constitutional Documents	Important Rights
38	Not to be bound by an alteration made in the memorandum of	No corresponding provision.	

	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.		
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, 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. 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 as supplied by the shareholder.
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	No corresponding provision.	



	included in the prospectus.		
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 lost or damaged.	Regulations 14 and 15	Issue of Share Certificates. 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  Sections 3(2BBA)(a) and 3(2E)	Regulation 61: Voting at general meetings – Regulation 61, <i>interalia</i> provides as under: (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 (iv) a declaration by the Chairman of the meeting that a resolution by 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 or proportion of the votes cast in favour of, or

			<p>against, such resolution.</p> <p>(iv) 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 Oriental Bank of Commerce 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.</p> <p>Regulation 68: Determination of voting rights</p> <p>(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 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.</p> <p>(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</p>
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			<p>shall have one vote for each share held by him as stated hereinabove in sub-regulation (i)</p> <p>Explanation - For this Chapter, “Company” means any body corporate.</p> <p>(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.</p> <p>Section 3(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.</p> <p>Section 3(2E)  No shareholder of the corresponding new bank,</p>
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			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 The Board may from time to time, make such calls as it thinks fit upon the shareholders, 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.
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  Section 3(2D)	Regulation 3: Nature of Shares The shares of the bank shall be movable property, transferable in the manner provided in the bank Regulations which include a

			<p>detailed procedure for such transfer</p> <p>Section 3(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:</p> <p>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.</p>
110	To apply for the registration of transfer of shares.	Regulations 18 and 19	<p>Regulation 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.</p> <p>Regulation 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 the transferee on any one or more of the following grounds, and on no other</p>

			<p>grounds:</p> <p>a. the transfer of shares is in contravention of the provisions of the Bank Acquisition 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;</p> <p>b. the transfer of shares, in the opinion of the board, is prejudicial to the interests of the bank or to public interest;</p> <p>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;</p> <p>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.</p> <p>(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</p>
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			<p>such registration ought or ought not to be refused on any of the grounds referred to above:</p> <p>i. if it has formed the opinion that such registration ought not to be so refused, effect such registration; and</p> <p>ii. 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.</p>
111 , 111 A	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.	
112	To have the share transfer instrument certified by the company in the case of part transfer of the total holding.	Regulation 16	<p>Regulation 16: Consolidation and sub-division of shares</p> <p>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.</p>
113	To have the share certificate delivered within the time	Regulation 17(v)	<p>Regulation 17(v)</p> <p>Unless the transfer of shares</p>

	limit stipulated.		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.	
117 A	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.	



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	<p>Share register maintained under Regulation 5 and Section 3(2F)</p> <p>Regulation 11: Inspection of register 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 so that not less than two hours in each working day be allowed for inspection</p> <p>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.</p>
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 therefor.	No corresponding provision.	
165	To have accessible, a list of members with details,	No corresponding	

	during the continuation of the statutory meeting.	provision.	
169	To attend an extra-ordinary general meeting.	Regulations 60	<p>Regulation 60: Persons entitled to attend general meetings</p> <p>(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.</p> <p>(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:</p> <p>(a) his full name and registered address;</p> <p>(b) the distinctive number of his shares;</p> <p>(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.</p>
169	To requisition an extra-ordinary general meeting.	Regulation 57	<p>Regulation 57: Extraordinary General Meeting</p> <p>(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</p>

			<p>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.</p> <p>(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.</p> <p>(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.</p> <p>(iv) The time, date and place of the extra ordinary general meeting shall be decided by the board: 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.</p> <p>(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</p>
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			<p>(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.</p> <p>(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.</p>
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	As above
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	<p>Regulation 56: Notice convening an Annual General Meeting</p> <p>(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.</p>

			(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 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 are present at the commencement of such business.
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 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	No corresponding	

	resolution.	provision.	
184	To be appointed as a scrutineer at a poll.	Regulation 61A	Regulation 61A: Scrutineers at a Poll 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 - 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.
187 A	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
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 - (i) The bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose. (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.	
205 A, 205 B	To claim any unclaimed dividend.	No corresponding provision.	
206	To receive dividend declared.	No corresponding provision.	
206 A	To have the dividend transferred to the special account where the transfer of shares has not been registered by the company.	No corresponding provision.	
206	To have any rights shares or	No	

A	bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company.	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.	
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 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 than the retiring auditor or providing expressly that a retiring auditor shall not be re-appointed.	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.	<p>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.</p> <p>This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.</p>
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) Regulation 63	<p>Regulation 63: Directors to be elected at general meeting -</p> <p>(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.</p>
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	<p>Regulation 65: Nomination of candidates for election</p> <p>(i) No nomination of a candidate for election as a director shall be valid unless,</p> <p>a. he is a shareholder holding not less than 100 (one hundred) shares in the bank;</p> <p>b. he is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;</p> <p>c. he has paid all calls in</p>

			<p>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;</p> <p>d. nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act.</p> <p>(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.</p>
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 and Section 9(3B)	<p>Clause 11-A: Removal from office of an elected director</p> <p>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.</p>
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	No	

	terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested.	corresponding provision.	
304	To inspect the register of directors.	No corresponding provision.	
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	No corresponding provision.	

	(1) of this Section.		
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.	
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,	No corresponding provision.	

	and to receive compensation in case such interests or rights are reduced.		
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	No corresponding provision.	

	company, in a general meeting and convene a general meeting for this purpose.		
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.	
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, 1980, except where otherwise specified.
2. All references to **Regulations** are references to provisions of the Oriental Bank (Shares and Meetings) Regulations, 1998
3. All references to **Clauses** are references to provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980

#### ***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 Oriental Bank of Commerce does not require a licence in order to carry out banking activities.

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

Banks are required to obtain licenses 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 license 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***

The bank is subject to Capital Adequacy Requirements (CAR) 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 the banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (incl. 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%, 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. 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 reserves 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., undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55%), 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 are instruments that are able to support losses on an on going basis without triggering liquidation) and subordinated debt. Any subordinated debt (should be fully paid-up, unsecured, subordinated to the claims of other creditors) is subject to progressive discounts each year depending upon the remaining maturity of the instrument for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50% of Tier I capital. Subordinated debt will NOT include instruments with an initial maturity of less than 5 years or with a remaining maturity of 1 year as part of Tier II 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% of the bank's investment portfolio within a period of 5 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 also considered general provision for Tier II but the same is not to 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 exposure. Degrees of credit risk expressed as percentage weighting are assigned to various balance sheet 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. Banks are required to assign a 100% risk weight for all state government guaranteed securities issued by defaulting

entities. All foreign exchange and gold open position limits carry a 100% risk weight. A risk weight of 2.5% to cover market risk used to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. In July 2004, RBI made further changes to prudential norms on capital adequacy, keeping in view the ability of banks to identify and measure market risk. The banks are now required to maintain capital charge for market risks in a phased manner over a two year period, as detailed below:

- a) To maintain capital for market risks on securities included in the Held for Trading category, open gold position, open forex position, trading positions in derivatives and derivatives entered into for hedging trading book exposures by March 31, 2005. Consequently, the additional risk weight of 2.5% towards market risk maintained at present on the investment included under Held for Trading category would not be required;
- b) To maintain capital for market risks on securities included in the Available for Sale category also by March 31, 2006. Consequently, the additional risk weight of 2.5% towards market risks maintained at present on the investment included under Available for Sale and Held to Maturity categories would not be required with effect from the above date.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9%. 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%. On February 15, 2005, RBI released “Draft Guidelines” for implementation of Basel II norms in India, to be made effective from March 31, 2007, keeping in view its goal to have consistency and harmony with international standards. While implementing the revised framework, banks in India are required to adopt standardized approach to credit risk and basic indicator approach for Operational risk. With a view to ensuring smooth transition to the revised international framework and allowing banks to streamline their systems and strategies, banks in India are required to commence a parallel run of the revised framework with effect from April 1, 2006.

#### ***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 installment of 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.)
- 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 derecognized and further interest is not recognized 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 would be one, that has remained a 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 will be classified as doubtful if it remains in the sub-standard category for 12 months.
- *Loss Assets.* Assets on which losses have been identified by a bank or by the internal or external auditors or by 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 re-schedulement 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 that 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*: From the year ending March 31, 2000, the banks should make a general provision of a minimum of 0.25% on standard assets on global loan portfolio basis.
- *Sub-Standard Assets*. A general provision of 10% 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% provision/ write-off of the unsecured portion of advances that 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% to 100% provision is required to be made against the secured asset as follows:
  - Up to one year : 20% provision
  - One to three years : 30% provision
  - More than three years:
    1. In respect of outstanding stock of non performing assets as on March 31, 2004: 50% provision, which will become 60% with effect from March 31, 2005, 75% with effect from March 31, 2006 and 100% 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, the provision is to be 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, that are now in effect, are as follows:

- The RBI has prescribed norms for bank lending to non-banking financial companies and financing of public sector disinvestment.
- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial assistance 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 20(1) 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.

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 Securitization 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 arrangements, 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 arrangements agree to the sale. 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 realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized 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 102.50% 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% of net bank credit with agricultural advances required to be 18% of net bank credit and advances to weaker sections required to be 10% of net bank credit, and 1% 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 sectors are allocated amounts for contribution to the Rural Infrastructure Development Fund established by the 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% of a bank's net bank credit is required to be in the form of export credit. The banks can 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:

- **Effective April 1, 2002,** Credit exposure ceiling for a single borrower shall not exceed 15% of capital funds. Group exposure limit is 40% of capital funds. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5%, i.e., up to 20% of capital funds and the group exposure limit is extendable by another 10%, i.e. up to 50% of capital funds. Capital funds is 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.
- 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 calculated at 100% of the limit or outstandings, whichever is higher.

**RBI has directed banks to phase out by March 31, 2005, exposures in excess of single/group borrower limits not in conformity with the above, either by increasing capital funds or by reducing exposure.**

Credit exposure is the aggregate of:

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

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 from secondary market;
- investments in commercial papers issued by corporate bodies or public sector undertakings; and

- investments in debentures, bonds, security receipts and 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-by-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.

- A bank's aggregate exposure to the capital markets covering direct investment by a bank in equity shares, convertible bonds and debentures and units of equity oriented mutual funds; advances against shares to individuals for investment in equity shares (including IPOs/ESOPs), bonds and debentures, units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; bank finance for financing promoter's contribution towards equity capital of new companies; bridge loans to companies and secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; should not exceed 5% of their total outstanding advances (including Commercial Paper) as on March 31 of the previous year. This ceiling of 5% prescribed for investment in shares would apply to total exposure including both fund based and non-fund based to capital market in all forms. Within this overall ceiling, banks investment in shares, convertible bonds and debentures and units of equity oriented mutual funds should not exceed 20% of its net-worth. The banks are required to adhere to this ceiling on an ongoing basis.
- *Un-hedged Foreign Currency Exposure of Corporates* : To ensure a policy by each bank that explicitly recognizes and takes account of risks arising out of foreign exchange exposure of their clients, foreign currency loans above US \$ 10 million, or such lower limits as may be deemed appropriate vis-à-vis the banks' portfolios of such exposures, should be extended by banks only on the basis of a well laid out policy of their Boards with regard to hedging of such foreign currency loans. Further, the policy for hedging, to be framed by their boards, may consider, as appropriate for convenience, excluding the following:
  - Where forex loans are extended to finance exports, banks may not insist on hedging but assure themselves that such customers have uncovered receivables to cover the loan amount.
  - Where the forex loans are extended for meeting forex expenditure
- *Exposure to Real Estate* Banks are required to frame comprehensive prudential norms relating to the ceiling on the total amount of real estate loans, single/group exposure

limits for such loans, margins, security, repayment schedule and availability of supplementary finance and the policy should be approved by the bank's Board. Banks to ensure that the bank credit is used for productive construction activity and not for activity connected with speculation in real estate.

- *Exposure to Indian Joint Ventures/Wholly-owned Subsidiaries Abroad* Banks are allowed to extend credit/non-credit facilities (viz. letters of credit and guarantees) to Indian Joint Ventures/Wholly-owned Subsidiaries abroad. Banks are also permitted to provide at their discretion, buyer's credit/acceptance finance to overseas parties for facilitating export of goods & services from India.

The above exposure will, however, be subject to a limit of 10% of banks' unimpaired capital funds (Tier I and Tier II capital).

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% 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% 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 since 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. 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% of capital funds (20% of capital funds provided the additional exposure of up to 5% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40% of capital funds (50% of capital funds provided the additional exposure of up to 10% 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% 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% 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 of the banks (including SLR securities and non-SLR securities) should be classified under three categories viz. 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. Banks can decide the category of the investment at the time of acquisition and the decision need to be recorded on the investment proposals.
- The investments included under 'Held to Maturity' should not exceed 25% of the bank's total investments. The banks may include, at their discretion, under 'Held to Maturity' category securities less than 25% of total investment. The following investments will be classified under 'Held to Maturity' but will not be counted for the purpose of ceiling of 25% specified for this category:
  - a) Re-capitalisation bonds received from the Government of India towards their re-capitalisation requirement and held in their investment portfolio. This will NOT include re-capitalisation bonds of other banks acquired for investment purposes.
  - b) Investment in subsidiaries and joint ventures.
  - c) The investments in debentures/ bonds, which are deemed to be in the nature of an advance.
- 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.
- 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 category 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 category 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 category is generally not permitted but is in exceptional circumstances, permitted. Investments classified 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.

Investments classified under Held to Maturity category need not be marked to market and will be carried at acquisition cost unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity.

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 realized is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by securitization companies/asset reconstruction companies to 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 pledgee or mortgagee, exceeding the lower of 30% of the paid up share capital of that company and 30% 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% 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 0.50% per annum. Further, banks may only pay interest of 3.50% 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% over the interest payable on deposits from the public.

Domestic term deposits have a minimum maturity of 7 days 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. 1.50 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.

Interest Rate on deposit held in NRE Account:-

- *Savings account:* The interest rates on NRE savings deposits should not exceed the LIBOR/SWAP rate for six months maturity on US dollar deposits and may be fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar of six months maturity on the last working day of the preceding quarter.
- *Term Deposits:* (a) Interest rates on NRE deposits for one to three years contracted effective close of business in India on April 17, 2004 should not exceed the LIBOR/SWAP rates for US dollar of corresponding maturity. (b) The LIBOR/SWAP rates as on the last working day of the preceding month would form the base for fixing ceiling rates for the interest rates that would be offered effective from the following month.

At present, banks are free to accept FCNR(B) deposits for a maturity period of one to three years and to offer fixed or floating rate of interest on a weekly basis whereas the interest rates on NRE deposits are fixed on monthly basis. With a view to bringing consistency in the procedure of fixing the interest rates on NRE and FCNR(B) deposits, it has been decided that with effect from November 1, 2004, the banks may fix the interest rates on FCNR(B) deposits also on the basis of LIBOR/ SWAP rates as prevailing on the last working day of the preceding month. The ceiling on interest rates, however, will continue to be the LIBOR/ SWAP rate minus 25 basis points, as hitherto except in the case of Yen deposits, where banks have the freedom to set the FCNR(B) deposit rates which may be equal to or less than the LIBOR.

### ***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 corresponding new bank, 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% and a maximum of 20% 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%.

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% of the demand and time liabilities and pays interest on the eligible cash balances, currently at the rate of 3.50%. 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% of the required cash reserve ratio on any day of the fortnight.

### *Statutory Liquidity Ratio*

In addition to the cash reserve ratio, a corresponding new bank 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% and a maximum of 40% pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banking companies to maintain a liquidity ratio of 25%.

### ***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% of cash outflows in these time periods. This 20% 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 FEMA. As an authorised dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers, 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 FEMA. 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, 1980.

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 20% 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 capitalized 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.

Currently, we have an exemption from the applicability of these requirements granted to us by the Government vide its notification bearing number F. No. 11/1/2005 dated February 25, 2005 for a period of five years from the date of notification i.e. February 25, 2005. We require to secure exemptions from the MoF, GoI from the provisions of the Banking Regulation Act for payment of dividend. Prior approval of the RBI is required for a dividend payment above 25% of face value of a company's shares or for an interim dividend payment.

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

- Capital to risk asset ratio of at least 11% 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 3%.
- The dividend pay out ratio does not exceed 33.33%.
- The proposed dividend is payable out of the current year's ratio.
- 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, that have an adverse bearing on the profit during that year.

In the event that we fulfill 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 dividends 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 accounting period's profit without the prior approval of the RBI if they satisfy the minimum criteria above, and the cumulative interim dividends is within the prudential cap on dividend payout ratio (33.33%) 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 and the Bank Acquisition Act. 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***

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 our 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 our management team..

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 Chairman and Managing Director and Other Directors***

Directors on the Board of Directors are appointed by the Central Government in terms of Section 9 of the Bank Acquisition Act. Further, a specified number of Directors are appointed by the shareholders. The chairman and managing director & whole time directors are appointed by the Central Government in consultation with the RBI. The other directors appointed by the Central Government include an officer of the RBI appointed in consultation with the RBI and one officer and one workman director. The whole time directors to be appointed by the Central Government and the official of the Central Government who serves as the nominee director of the Central Government

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 “Description of Equity Shares and terms of the Constitutional Documents - Main Provisions of Constitutional Documents” on page [●].

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% 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 a 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 a 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. Our Bank was granted a license under Section 23, Banking Regulation Act to set up an offshore banking unit at SEEPZ++, Andheri (East), Mumbai. The said license prescribed that the offshore banking unit should be opened on or before July 30, 2004. Since our Bank could not open the offshore banking unit within the said prescribed time period, the RBI upon our application extended the prescribed time period for opening the offshore banking unit to January 30, 2005 failing which the licence was liable to be cancelled. Since our Bank has not been able to open the offshore banking unit within the extended period, we have again sought an extension of time period for opening the offshore banking unit from the RBI.

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.
- 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, merchant banker (category I) and depositary participant 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 corresponding new 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 ('BIFR'). 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 BIFR.

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/ Representative offices***

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.

We have applied to the RBI seeking permission for opening of a representative office in Dubai. We shall approach the Central Bank of U.A.E, subsequent to receipt of the said approval from the RBI.

*Overseas Joint Venture*

We do not have any overseas joint ventures.

*Overseas branches*

We do not have any branches outside India.

*Representative offices*

We do not have any representative offices outside India.

## Scheme of Amalgamation

The Global Trust Bank Limited (Amalgamation with Oriental Bank of Commerce) Scheme, 2004 (“**the Scheme**”) came into effect on August 14, 2004 (“**the Prescribed Date**”).

### *Assets and Liabilities*

#### *Assets*

The Scheme provides that all legal entitlements and assets of GTB were transferred to the Bank on and from the Prescribed Date. The assets of GTB at this date *inter alia* included property, rents and other income, office furniture, equipment, plant, investments in stocks, shares and securities, bills receivable, cash and cash equivalents, debts and guarantees. The following steps were prescribed to be undertaken under the Scheme:

- Closure and balancing of the books of GTB;
- Valuation of the assets and calculation of the liabilities of GTB by the Bank in conjunction with GTB, in accordance with the following values:

Asset	Appropriate Value as at August 13, 2004
Investments (other than Government securities)	<ul style="list-style-type: none"><li>○ market value; or</li><li>○ if affected by abnormal values, then the average market value over a reasonable period; or</li><li>○ if market value unascertainable, then the reasonable value given the financial position of the issuer and five-year dividends</li></ul>
Government Securities	<ul style="list-style-type: none"><li>○ RBI notification for the purposes of Section 24 of the Banking Regulation Act or</li><li>○ if market value does not reflect fair value, then reasonable value considering outstanding installments of principal and interest, period of payment, yield and maturity</li></ul>
Securities and certificates issued under the small savings scheme of the Central Government (e.g., Post Office Certificates and Treasury Savings Deposit Certificates)	Higher of the face value or encashable value
Fixed Assets	Market value

Furniture, fixtures, stationary	Written down value or the realizable value, as considered reasonable
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- Advances, book debts and assets required to be classified as either “good and readily realizable” or “not readily realizable or bad or doubtful of recovery”;
- Bank required to create an asset account (“**Asset Account**”) to be credited with the value of those advances, book debts and assets being “good and readily realizable”; and
- Bank required to take available steps to demand and enforce payment of those advances, book debts and assets being “not readily realizable or bad or doubtful of recovery” and could accept a compromise or arrangement, claim a write-off or realize any asset.

Any amount recovered, after expenses, to be appropriated towards any shortfall in the Asset Account, followed by the payment of contingent liabilities arising after the Prescribed Date. The remaining surplus (“**the Realizable Surplus**”), if any, must be distributed to shareholders, on a pro-rata basis in terms of the provisions of the Scheme.

The RBI has final discretion on any disagreement of value.

### ***Liabilities and Litigation***

All the liabilities, duties and obligations of EGTB have been transferred to the Bank and became the responsibility of that Bank with effect from the Prescribed Date. These liabilities included its deposits, borrowings (including Tier II capital securities) and contingent liabilities.

The Scheme permits any legal proceeding by or against EGTB that remained outstanding on the Prescribed Date to be prosecuted and enforced by or against the Bank. However, the Bank’s liability is restricted to civil claims. Any criminal liability outstanding against an employee/director of EGTB continues to have effect as if GTB existed today.

The Scheme also ensures that the Bank is not liable for any compensation for the non-payment of a deposit or the inability to draw funds from July 25, 2004 to the Prescribed Date. Unless permitted under the Scheme, the Bank is not liable to pay any demand made by a creditor or depositor of EGTB.

No legal proceedings can be maintained against the Central Government, the RBI, Bank or EGTB for anything done in good faith under the Scheme.

### ***Creditors***

The deposits by any employee of EGTB must be paid with interest, as accrued at the Prescribed Date.

In relation to all savings bank account, current account or all other deposit accounts of EGTB, the Scheme required that the Bank to create a similar account for each account holder and credit it with the corresponding amount, plus interest. From the Prescribed Date, in relation to any interest bearing accounts, the Bank is obliged to pay interest at a rate that it normally offers to its own depositors on similar accounts.

All other liabilities must be paid by the Bank as and when they fall due.

The Asset Account balance may be appropriated to meet such liabilities.

### ***Shareholder Entitlements***

On the Prescribed Date, the entire paid-up capital and reserves of EGTB was to be treated as a provision for bad and doubtful debt. The amount paid up as share capital prior to the Prescribed Date was to be recorded under a collection account (“**Collection Account**”) in the books of the Bank. Any amount paid following a call on unpaid share capital must also be maintained in the Collection Account.

The Scheme requires that any Realizable Surplus must be distributed, on a pro-rata basis, to EGTB shareholders, firstly to preference shareholders in full and then to the ordinary shareholders.

Subject to the provisions of the Scheme, any advance, book debts and assets not realized and appropriated towards a shortfall in the Asset Account by the twelfth anniversary of the Prescribed Date to be valued by the Bank in consultation with RBI and based on the valuation, such amount to be distributed, firstly to preference shareholders and then to the ordinary shareholders.

### ***Employees***

The employees of EGTB are deemed to continue as employees of the Bank at the remuneration and service conditions applicable prior to the Prescribed Date. The Scheme requires that the Bank provide such remuneration for a maximum period of up to three years after the Prescribed Date. Within this period, the Bank is required to align the remuneration of those employees previously with EGTB and continuing with the Bank with those employees of the Bank of corresponding rank or status.

Those employees of EGTB not wishing to continue as employees of the Bank were required to provide notice to the Bank within one month of the Prescribed Date and such employees were entitled to compensation and employee entitlements from the Bank as payable by EGTB prior to the Prescribed Date. The Scheme requires that the Bank assume the employee entitlement liabilities of those employees remaining with the Bank.

## **History and Certain Corporate Matters-**

### **HISTORY AND MAJOR EVENTS**

We were established in 1943 as the Oriental Bank of Commerce Limited at Lahore. In 1945, the Bank was acquired by the “Thapar Group”, a business group in the country at that time.

#### 1950

The registered office of the Bank was shifted to Delhi, in 1950

#### 1980

- We were nationalized on April 15, 1980 and became a public sector bank.
- The number of branches we operated grew from 517 at the time of nationalisation in 1980 to 1121 by December, 2004.

#### 1994

We were the first nationalised bank to tap the capital market with a public issue of six crore equity shares of Rs. 10 each at a premium of Rs. 50 per share aggregating Rs.360 crores.

### ***OTHER MERGERS & ACQUISITIONS***

#### 1997

Punjab Co-operative Bank Limited and Bari Doaba Bank Limited were amalgamated with the Bank with effect from April 8, 1997.

#### 2004

Global Trust bank, a private sector bank was amalgamated with the Bank as per the scheme formulated by the GoI, effective from August 14, 2004..

### **AWARDS AND RECOGNITIONS**

- 1999- Rated as “First” among the public sector banks on all working related parameters by Financial Express – BRIS Survey and the Economic Times – “CMIE Survey” released in December, 1999.
- 2000 - Selected under “Forbes – 2000 World’s leading companies”.



- 2002 - Bank has been rated “AAA” by a leading rating agency ICRA
- 2003- Rated as “Best Bank” for 2003 by Business India.
- 2003 - Declared as the “Best Under a Billion” by the FORBES GLOBAL 200 best small companies for 2003.
- 2004 – Mr. Narang, (CMD of the Bank) awarded “Banker of the Year – 2004” Business Standard.

## MAIN OBJECTS OF CONSTITUTIONAL DOCUMENTS OF THE BANK

Section 3(5) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 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.”

#### Changes in Memorandum and Articles 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.

### **SUBSIDIARIES OF THE ISSUER AND THEIR BUSINESSES**

We do not have any subsidiaries.

### **SHAREHOLDERS AGREEMENTS**

Our shareholders have not entered into any agreements to govern the manner of their shareholding in the Bank or their respective rights and privileges emanating from their shareholding in the Bank. Rights and privileges of the shareholders of the Bank are governed by Our Constitutional Documents.

### **STRATEGIC PARTNERS**

We do not have any strategic partners in connection with our business.

### **FINANCIAL PARTNERS**

We do not have any financial partners.

## **Our Management**

### **BOARD OF DIRECTORS**

Under our Constitutional Documents we can have a maximum of 13 Directors. We currently have 12 Directors on our Board.

The following table sets forth details regarding our Board of Directors:

<b>Name, Designation, Occupation and Term</b>	<b>Age</b>	<b>Address</b>	<b>Other Directorships</b>
Mr. B.D.Narang, Chairman & Managing Director. Whole time Director. Tenure ends on April 30, 2005.	59 years	C-64, Friends Colony (East) New Delhi	Nil
Ms H.A. Daruwalla, Executive Director. Whole time Director. Tenure ends on December 31, 2008.	56 years	K-29 1 <sup>st</sup> Floor, Green Park Main New Delhi	Nil
Mr.Yogesh Chandra, GoI Nominee Director. Tenure will end on further orders from the MoF.	59 years	D-1/73, Bharti Nagar Lodhi Road, New Delhi – 110 003	Nil.
Mr. Karunasagar R.B.I. Nominee. Director Tenure will end on further orders from MoF	53 years	Banker's Training College ,RBI, Veer Savarkar Marg, Near Kirti College, Dadar (West) Prabhadevi, Mumbai-400025	Nil.

Mr.Rattan Bansal, Non-Executive C.A. Director, Tenure ends on April 23, 2005	46 years	R.L.Bansal & Associates 377/17,Bhagat Singh Chowk Kaithal,Haryana	1. U P Hotel Ltd. 2. Canbank Computer Services Ltd. 3. Ginni Filaments Limited
Mr. Vijay Maroo, Shareholder Independent Director, Tenure ends on August 17, 2005	57 years	Managing Director, Ranchi Express Express Bhawan, 55, Baralal Street, Ranchi – 834 001	1.Ranchi Prakashan (P) Ltd. 2.Express Vision Pvt. Ltd. 3. Express Infotech Ltd.
Mr. Dinesh Mehta, Shareholder Independent Director, Tenure ends on August 17, 2005	64 years	M/s Dinesh Mehta & Co.21, Berri Lodge Dayanand Road Daryaganj New Delhi Pin- 110002.	1. Trindhi Finance Pvt. Ltd.
Dr. Nirmal Jain, Shareholder Independent Director, Tenure ends on August 17, 2005	59 years	Zoom Developers (P) Ltd., A-53,Road No.1, MIDC. Indl.Area Andheri (east), Mumbai Pin 400093	Nil
Mr. T.K. Dutta, Workman Employee Director, Tenure ends on July 18, 2005	59 years	House No.911, Sector-4 Panchkula Haryana	Nil
Mr. Vinod Kumar Sharma, Officer Employee Director, Tenure ends on March 11, 2006	46 years	515-A,New Bishan Nagar Street No.10 Patiala-Pin 147001	Nil
Vaidya Devendra Triguna, Non Executive Independent Director, Tenure ends on September 2, 2006	53 years	House No.30 Sukhdev Vihar New Delhi Pin 110065	Nil
Mr. M.L. Mehta, Non Executive Independent Director, Tenure ends on February 4, 2007	66 years	5,Keshav Vihar Gopalpura Road Jaipur Pin-302018	Vaibhav Jems Limited

Note: All Directors except for Mr. B.D. Narang and Ms. H.A. Daruwalla are non-executive directors.

## TERM OF OFFICE

The term of office of our Directors is as follows:

<b>Name, Status of Directors</b>	<b>Term</b>
Mr. B.D. Narang Chairman & Managing Director, Whole Time Director	Tenure ends on April 30, 2005.
Ms. H.A. Daruwala, Executive Director, Whole Time Director	Tenure ends on December 31, 2008.
Mr. Yogesh Chandra, GoI Nominee Director,	Tenure will end on further orders from MoF.
Mr. Karunasagar, R.B.I.Nominee, Director	Tenure will end on further orders from MoF.
Mr.Rattan Bansal, C.A. Director	Tenure ends on April 23, 2005.
Mr.Vijay Maroo, Shareholder's Independent Director	Tenure ends on August 17, 2005.
Mr. Dinesh Mehta, Shareholder's Independent Director	Tenure ends on August 17, 2005.
Dr. Nirmal Jain, Shareholder's Independent Director	Tenure ends on August 17, 2005
Mr T.K.Dutta, Workman Employee Director	Tenure ends on July 18, 2005
Mr.Vinod Kumar Sharma Officer Employee Director	Tenure ends on March 11, 2006
Vaidya Devendra Triguna Non Executive Independent Director	Tenure ends on September 2, 2006
Mr. M.L. Mehta Non Executive Independent Director	Tenure ends on February 4, 2007

## DETAILS OF DIRECTORS

**Mr. B D Narang**, aged 59 years, Chairman and Managing Director of the Bank, has a career spanning 37 years in the banking sector. He holds a degree in M.Sc. (Agriculture Economics). He joined the Board of Directors in July 2000.

**Ms. H .A. Daruwalla**, aged 56 years, Executive Director, has a career spanning 30 years in the banking sector. She is a member of Institute of Chartered Accountants of India. She joined the Board of Directors in August 2004.

**Shri Yogesh Chandra**, aged 59 years is a representative of MoF, GoI. He is working as a Senior Economic Advisor in GoI. He holds a Master Degree in Economics. He joined the Board of Directors in May, 2003

**Shri Karunasagar**, aged 53 years, Chief General Manager, RBI, is presently the Principal of Banker's Training College of RBI, Mumbai. He holds a post graduate degree in Sociology, post graduate diploma in bank management and is a certified member of Indian Institute of Bankers (CAIIB). He has served in various capacities in various departments of the RBI including the Department of Banking Operations and Development. He has joined the Board of Directors in January 2004.

**Shri Rattan Bansal**, aged 46 years is a Chartered Accountant by profession. He holds a Bachelors Degree in Commerce and completed the course of Computerised Accounting & Auditing technique course of ICAI. He has joined the Board of Directors in April 2002.

**Shri Vijay Maroo**, aged 57 years, Director, holds a Bachelors Degree in Engineering. He has vast experience in the field of press and publication. He joined the Board of Directors in August, 2002 as a Shareholder's nominee.

**Shri Dinesh Mehta**, aged 64 years, Director holds a Bachelors Degree in Commerce (Hons.) and a fellow member of Institute of Chartered Accountants of India. He is a practising Chartered Accountant. He joined the Board of Directors in August, 2002 as a Shareholder's nominee.

**Dr. Nirmal Jain**, aged 59 years, Director holds a Doctorate Degree in Electrical Engineering. Presently, he is the executive director of Zoom Developers (P) Ltd. He joined the Board of Directors in August, 1999 as a Shareholder's nominee.

**Shri T K Dutta**, aged 59 years, Director holds a Bachelors Degree in Arts. He has 33 years of experience as an employee of the Bank. He has joined the Board of Directors in January, 2003.

**Shri Vinod Kumar Sharma**, aged 46 years, Director has a Master Degree in Economics and Public Administration, Bachelor of Law, CAIIB, Diploma in Taxation Laws, Personnel Management and Industrial Relations. He has 25 years of banking experience. He joined the Board of Directors in March 2003

**Vaidya Devendra Triguna**, aged 53 years, Director is a practising medical doctor in Ayurvedic medicines. He holds a degree in BAMS. He joined the Board of Directors on September 03, 2003.

**Shri M L Mehta**, aged 66 years, Director is a retired I.A.S Officer. He was the Chief Secretary, Government of Rajasthan. He is a graduate from the National Defence College, holds a Master's degree in Physics and a PG Diploma in Urbanization from University of London. He joined the Board of Directors on February 2004.

## COMPENSATION OF MANAGING AND WHOLETEIME DIRECTORS

### 1. Mr.B.D. Narang, Chairman and Managing Director:

Mr. B.D. Narang was appointed as the Chairman and Managing Director of our Bank on July 17, 2000 for a term till April 30, 2005, by Central Government in consultation with the RBI under clause (a) of Sub-Section (3) of Section 9 of the Bank Acquisition Act.

The details of Mr. Narang's remuneration during the period April 1, 2003 to March 31, 2004 is as below:

(Rs.)	
Salary and allowances	495,819
Bank's contribution to	31,005



provident fund	
Medical expenses	Nil
Club fees	Nil
<b>Total</b>	<b>526,824</b>

*Other perquisites and benefits:* In addition to the above, Mr. Narang is entitled to medical benefits, leave travel assistance, entertainment allowance, city compensatory allowance, residential accommodation and conveyance.

2. Ms. H.A. Daruwalla, Executive Director:

Ms. Daruwalla was appointed as the Executive Director of our Bank on August 28, 2004 for a term till December 31, 2008, by the Government in consultation with the RBI under clause (a) of sub-section (3) of Section 9 of the Bank Acquisition Act

The details of Ms. Daruwalla's remuneration with effect from August 28, 2004 to December 31, 2004 is as follow:

	(Rs.)
Salary and Allowances	158,151
Bank's Contribution to Provident Fund	13,763
Medical expenses	Nil
Club fees	Nil
<b>Total</b>	<b>171,914</b>

*Other perquisites and benefits:* In addition to the above, Ms. Daruwalla is entitled to medical benefits, leave travel assistance, entertainment allowance, city compensatory allowance, residential accommodation and conveyance.

#### EXPENDITURE INCURRED BY THE DIRECTORS (EXCLUDING THE WHOLE TIME DIRECTORS)

The expenditure incurred on travelling, lodging and fees paid to the Directors for the period from April 1, 2003 to March 31, 2004 is Rs. 2.15 million.

#### COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS -

##### Corporate Governance

We had made a public issue of 64,539,700 equity shares in October 1994 and are currently listed on the NSE and the BSE. We had entered into listing agreements with these Stock Exchanges and we are in compliance with the provisions of the listing agreements with these 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 shareholding/investor grievance committee details of which are provided hereinbelow. We shall comply with the requirements of SEBI circular bearing number SEBI/CFD/DIL/CG/1/2004 dated October 29, 2004, which notifies revised corporate governance guidelines, by the required date, which is April 1, 2005 for listed entities like our Bank.

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

- (a) Audit Committee;
- (b) Share Transfer Committee
- (c) Shareholder/Investors Grievance Committee

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

(a) *Audit Committee*

The audit committee comprises one executive and three non-executive Directors, namely, Ms. H A Daruwalla, who is an executive Director, Shri Rattan Bansal, who is the practicing Chartered Accountant and Chairman of the Committee., Shri Karunasagar, nominee of the RBI, Shri. Yogesh Chandra, nominee of MoF, Shri Vijay Maroo, non executive independent Directors. The responsibilities of the audit committee *inter alia* include the following:

- Providing direction and overseeing operations of the total audit functions of the Bank including organisation, operationalization, quality control of the internal audit and inspection system and follow up on the statutory/external audit of the Bank and inspections of RBI.
- 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 long form audit report.
- To review the internal inspection/audit functions of the Bank namely the systems, its quality and effectiveness in terms of follow up.
- Review of inspection reports of specialized and extra large branches and all the branches with unsatisfactory rating.
- To act as per provisions of the listing agreements with the Stock Exchanges and in line with the RBI guidelines.

(b) *Share Transfer Committee*

This committee approves and monitors share transfers, issue of duplicate share certificates and matters relating thereto. It comprises of, Shri D G Saxena, Shri S. C. Gupta, Shri A Subramanian, all General Managers, Shri A K Jain, Shri A. K.

Popli Asstt. General Managers. The Committee meets as and when feels necessity but at least twice in a month.

(c) Shareholders/Investors Grievances Committee

This committee looks into the redressal of shareholders' grievances. It comprises of Mr. Vijay Maroo, a non-executive Director, who is also chairman of the committee, and Mr. T K Dutta, a workman Director, in terms of Clause 47 of the listing agreements with the Stock Exchanges.

**SHAREHOLDING OF OUR DIRECTORS IN OUR BANK INCLUDING DETAILS OF QUALIFICATION SHARES HELD BY THEM**

Our Constitutional Documents do not require our Directors, except the Directors appointed by shareholders (other than the President of India) to hold any Equity Shares. The shareholding of our Directors as on the date of this Draft Red Herring Prospectus is as follows.

<b>Name of the Director</b>	<b>Number of Equity Shares of Rs. 10 each</b>	<b>Percentage of Outstanding Equity Capital</b>
Dr. Nirmal Jain	100	Negligible
Mr. Vijay Maroo	100	Negligible
Mr. Dinesh Mehta	200	Negligible
Vaidya Devendra Triguna	100	Negligible
Mr. Rattan Bansal	100	Negligible

**DETAILS OF TRANSACTIONS BY DIRECTORS AND/OR THEIR REALTIVES AND ASSOCIATES IN OUR EQUITY SHARES DURING THE SIX MONTHS PRIOR TO THE DATE OF FILING OF THIS DRAFT RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE:**

<b>Name of the Director involved in the transaction directly/indirectly</b>	<b>Date of transaction</b>	<b>Nature of transaction</b>	<b>Number of Equity Shares</b>	<b>Price</b>
Mr. Vijay Maroo	December 3, 2004	Sale	100	Rs. 346.90
Mr. Rattan Bansal	September 9, 2004	Purchase	100	Rs. 238.20

**INTEREST OF DIRECTORS**

Other than the shareholding of the Directors in the Bank and the remuneration received by them as disclosed in this Draft Red Herring Prospectus, our Directors do not have any other interest in the Bank including in the promotion of the Bank or in any property

acquired by the Bank within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by it.

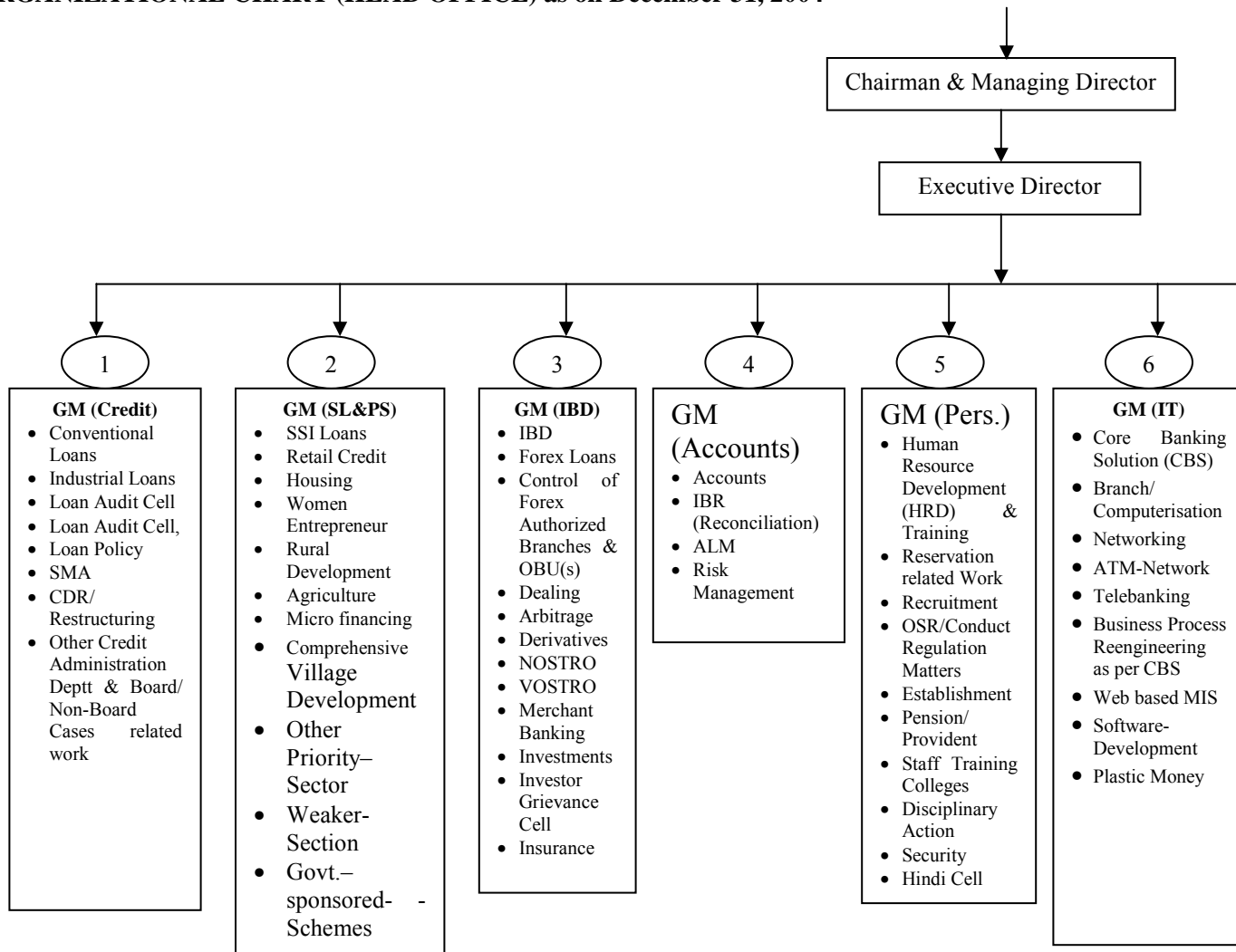
#### CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

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

<b>Name</b>	<b>Date Of Appointment</b>	<b>Date Of Cessation</b>	<b>Reason</b>
<b>B D NARANG</b>	July 17, 2000	Continuing	
<b>V. K. CHOPRA</b>	September 26, 2000	July 16, 2003	Ceased to be Director as was appointed as Chairman of SIDBI
<b>S.K. SAKUJA</b>	July 7, 2001	December 1, 2004	Resigned
<b>AJAY MAROO</b>	May 3, 2001	April 15, 2002	Resigned
<b>P BOLINA</b>	November 18, 1999	May 23, 2003	Expiry of term
<b>B. K. VASUDEV</b>	April 2, 2002	January 9, 2004	Expiry of term
<b>R.YAMDAGNI</b>	August 18, 1999	August 17, 2002	Expiry of term
<b>P. A MODY</b>	August 18, 1999	August 17, 2002	Expiry of term
<b>NIRMAL JAIN</b>	August 18, 1999	Continuing	
<b>RATTAN BANSAL</b>	April 24, 2002	Continuing	
<b>D. K. PAUDDAR</b>	December 14, 1998	March 11, 2003	Expiry of term
<b>DINESH MEHTA</b>	August 18, 2002	Continuing	
<b>VIJAY MAROO</b>	August 18, 2002	Continuing	
<b>T K DUTTA</b>	January 27, 2003	Continuing	
<b>VINOD KUMAR SHARMA</b>	March 12, 2003	Continuing	
<b>YOGESH CHANDRA</b>	May 23, 2003	Continuing	
<b>VAIDYA DEVENDER TRIGUNA</b>	September 3, 2003	Continuing	
<b>KARUNASAGAR</b>	January 9, 2004	Continuing	
<b>M L MEHTA</b>	February 5, 2004	Continuing	
<b>H.A. DARUWALLA</b>	August 28, 2004	Continuing	

## MANAGEMENT ORGANISATION STRUCTURE

### ORGANIZATIONAL CHART (HEAD OFFICE) as on December 31, 2004



## DETAILS OF OUR KEY MANAGERIAL PERSONNEL

**Shri Rajiv Madhok**, General Manager, aged 56 years, joined the Bank on October 5, 1970. He has a Bachelors Degree in Commerce. He has 34 years of experience with our Bank. He is the compliance officer of the Bank and looks after treasury, forex, operations and the affairs of the EGTB.

**Shri D G Saxena**, General Manager, aged 57 years, joined the Bank on September 22, 1972. He has a Bachelors Degree in commerce, is a member of the Institute of Chartered Accountant of India and CAIIB. He has 32 years of experience with our Bank and is currently heading the Credit Administration department.

**Shri S C Gupta**, General Manager, aged 57 years, joined the Bank on July 10, 1968. He has a bachelors degree in science and has completed CAIIB-I. He is also holding a certificate in Banking Hindi. He has 37 years of experience with the Bank and is currently heading the Personnel department, Disciplinary action department, Security department and Rajbhasha cell of the Bank.

**Shri P L Ahuja**, General Manager, aged 56 years, joined our Bank on March 14, 1980. He has a Masters Degree in commerce and is a chartered member of CAIIB. He is a fellow member of the Institute of Company Secretaries of India. He has 25 years of experience with our Bank. He currently heads the Staff training college-Noida & is an overall incharge of all the training colleges of Bank.

**Shri A Subramanian**, General Manager, aged 55 years, joined the Bank on October 12, 1970. He holds a Bachelors Degree in science and has also completed CAIIB-I. He has 34 years of experience with our Bank. He is presently heading the Accounts department, & the Risk management department of the Bank.

**Shri S C Sharma**, General Manager, aged 54 years, joined the Bank on August 9, 1971. He has a degree of Masters in Commerce. He has 33 years of experience in the banking sector. He is presently heading the Delhi Region.

**Shri G K Sachdeva**, General Manager, aged 56 years, joined the Bank on Feb 14, 1971. He has a Masters Degree in Commerce & is a chartered member of CAIIB. He has 34 years of experience with our Bank and is presently heading Social lending, Priority sector departments & Govt sponsored schemes.

**Shri Sheel Kumar Sharma**, General Manager, aged 52 years, joined the Bank on May 23, 1974. He has a Bachelors Degree in Science and has completed CAIIB-I. He has 31 years of experience with our Bank and is heading the department of Information technology.

**Shri T M Bhasin**, General Manager, aged 48 years, joined the Bank on June 17, 1978. He has a Masters Degree in Science, has a diploma in MBA, holds a degree of LLB, is a chartered member of CAIIB, has a diploma in Office Organisation & Procedure & a

diploma in Forensic Science. He has 26 years of experience with our Bank and is presently heading the New Delhi Regional office.

**Shri C M Khurana**, General Manager, aged 50 years, joined our Bank on April 16, 1977. He has a Master Degree in Economics, has a degree of LLB, is a chartered member of CAIIB, has a PG diploma in Bank Management & PG diploma in System & Programming. He has 28 years of experience with our Bank and is presently heading the Mumbai region.

**Shri J P Dua, General Manager**, aged 56 years, joined our Bank on October 21, 1978. He has a Masters Degree in Economics and has a degree in LLB. He has 32 years of experience with our Bank and is presently heading the Eastern Region.

**Shri Vikram Kochaar**, General Manager, aged 56 years, joined our Bank on August 12, 1969. He has a Bachelors Degree in science and has an experience of 35 years with the bank. He is presently heading the Ghaziabad Region.

**Shri H K Madan**, General Manager, aged 54 years, joined the Bank on Jan 25, 1971. He has a Bachelors Degree in Science and is a chartered member of CAIIB. He has 34 years of experience with our Bank and is heading the Ahmedabad Region.

**Shri A K Mishra**, General Manager / chief vigilance officer of our Bank, aged 59 years, joined SBI as probationary officer in 1969 and later joined our Bank in November 2000 as chief vigilance officer. He has a post graduate degree in Economics and has a banking experience of 36 years.

**Shri Atul Gautam**, General Manager, aged 50 years, joined our Bank on June 17, 1978. He has a post graduate degree in History, has a diploma in French language and a certificate of proficiency in German language.

None of our key managerial personnel are related to each other. All our key managerial personnel are permanent employees of our Bank.

#### 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 Appointment/Promotion as Key Managerial Personnel	Whether continuing, if not, date of cessation	Reason
Shri S.S Mehra	November 3, 1998	November 30, 2002	Superannuation
Shri J S Tomar	August 5, 1994	August 31, 2003 November	Superannuation*

		14,2003	
Shri V.K.Chopra	September 26, 2000	July 16,2003	Elevated as CMD of SIDBI
Shri A.K.Gupta	March 7, 2001	September 30,2003	Superannuation
Shri R C Kohli	November 3, 1998	February 28,2004	Superannuation
Shri P.K Sharma	August 5, 1994	April 28,2004	Removal
Ms H A Daruwalla	August 28, 2004	Yes	Appointed as ED on August 28, 2004.

\* Dismissed on account of disciplinary proceedings post superannuation

The number of Equity Shares held by our key management personnel are given below:

<b>Name of Key Managerial Personnel</b>	<b>No. of Equity Shares held</b>
Shri Rajiv Madhok	100
Shri S. C. Gupta	100
Shri A. Subramanian	100

## Employees

As of December 31, 2004 we had 14,591 employees. Following is a table of our (unconsolidated) total number of employees as of the dates indicated:

	March 31 <sup>st</sup>			December 31 <sup>st</sup>	
	2002	2003	2004	2003	2004
Professional/technical employees ....	207	207	279	207	365
Other employees .....	13382	13300	13389	13435	14226
Total .....	<u>13589</u>	<u>13507</u>	<u>13678</u>	<u>13642</u>	<u>14591</u>

We do not have a stock incentive plan or discretionary bonus compensation. Bonus is paid in accordance with the Payment of Bonus Act for Employees. Most of our employees are represented by unions or officers' associations. We consider employee relations to be good. Negotiations to set salary and benefit standards for employees takes place at the industry level through the Indian Banks Association, which is an independent body. There is collective bargaining on the industry level. We have performance linked awards for the best branches across different categories. We also have a fast track promotion scheme for our meritorious officers based on a written test/ merit which enable us to promote our meritorious officers. The Bank has also initiated steps to reduce the average age profile of our employees across different categories by promoting employees on merit irrespective of their age and seniority.



The Bank attaches a lot of significance in providing training to its staff so as they become abreast with the latest changes and methodologies in the area of work. We have four training centers in India which conduct training programs to meet the changing skill requirements of employees in the core areas of treasury, risk management, retail based products and fee based products. One of these training centres is exclusively dedicated for imparting foreign exchange related expertise. We also have two IT training centers. Our training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. Our training centers regularly offer courses conducted by faculty, drawn from industry, academia and from our own employees. Training programs are also conducted for developing functional as well as managerial skills. We also send our employees to various specialized training programs held in India and abroad. We have imparted training to 8093 employees during the financial year ended as on March 31, 2004.

#### DISCLOSURES REGARDING EMPLOYEES STOCK OPTION SCHEME / EMPLOYEE STOCK PURCHASE SCHEME OF THE ISSUER, IF ANY.

We do not have an employees stock option scheme/employee stock purchase scheme.

#### PAYMENT OR BENEFIT TO OFFICERS OF THE BANK (NON-SALARY RELATED)

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. There is no service contract for the Directors providing for benefits on termination of service.

#### Our Promoters / Principal Shareholders

Our Promoter is the President of India, acting through the MoF, GoI, which holds 66.48% of the pre-Issue paid up equity share capital of our Bank and will hold at least 51% of the fully diluted post-Issue paid up equity share capital of our Bank.

#### RELATED PARTY TRANSACTIONS

We have no related party transactions other than as listed below:-

S.No	Name	Designation	Remuneration (Amount in Rs. Million)	
			2003 - 04	April - Dec 04
1	Shri B.D.Narang	Chairman & Managing Director	0.50	0.40
2	Shri V.K.Chopra	Executive Director (Upto July	0.11	N.A

		18, 2003)		
3	Ms. H. A. Daruwalla	Executive Director (From August 28, 2004)	N.A	0.15

### Currency of Presentation

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India.

### Dividend Policy

The declaration and payment of dividends is approved by our Board of Directors and depends 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. For further details on restrictions on dividend declaration, refer to the section titled “**About the Issuer - Key Industry Regulations and Policies – Restrictions on Payment of Dividends**” on page [•].

The dividends declared by our Bank during the last five fiscal have been presented below:

<b>Year ended March 31,</b>	<b>Fiscal 2004</b>	<b>Fiscal 2003</b>	<b>Fiscal 2002</b>	<b>Fiscal 2001</b>	<b>Fiscal 2000</b>
Face value of Equity Shares (in Rs. per share)	10	10	10	10	10
Dividend (in Rs. Million)	962.7	866.4	673.9	673.9	673.9
Dividend Tax (%)	12.81	12.81	Nil	10.20	11%
Dividend per Equity Share (Rs)					
• Final	32	4.5	3.5	3.5	3.5
• Interim					
Dividend Rate	50	45	35	35	35
Approx. (%)					

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. Future dividends will depend upon our revenues, profits, cash flow, financial condition, capital requirements and other factors.

## SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our unconsolidated financial statements. The financial information as of and for the fiscal years ended March 31, 2002, 2003 and 2004 and as of and for the nine months ended December 31, 2003 and 2004 is based on our restated financial statements for those periods, which are included in this Draft Red Herring Prospectus under the section titled “Financial Statements” on page F-1. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors’ report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Draft Red Herring Prospectus, the notes thereto and the sections titled “Selected Statistical Information” on page [], “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page [] and “Recent Developments” on page []. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see the section titled “Summary of Significant Differences between Indian GAAP and U.S. GAAP”, on page [].

### SUMMARY PROFIT AND LOSS INFORMATION:

				(In Rs million)	
	Fiscal Year			First Nine months of Fiscal Year	
	2002	2003	2004	2004	2005
INCOME					
Interest Earned	30490.30	33042.70	33005.40	24492.50	26285.20
Interest/discount on advance/bills	14158.80	15356.10	15911.80	11766.50	13161.70
Income on investments	15460.40	16126.20	16332.20	12107.40	12535.80
Interest on Balances with Reserve Bank of India and Inter-bank funds	808.40	884.30	709.80	589.70	524.80
Other Interest Income	62.70	676.10	51.60	28.90	62.90
Other Income	4653.50	5313.90	7217.10	5548.90	3308.10
Commission, Exchange & Brokerage	1018.70	1062.80	1136.00	796.00	1148.50
Profit (loss) on sale of investment (net)	3105.80	3721.30	5042.20	4023.40	1307.70
Profit (loss) on revaluation of investment (net)	(275.00)	(258.50)	(51.80)	(39.70)	(32.30)
Profit (loss) on sale of land building & other assets (net)	(0.10)	(0.10)	3.80	0.40	0.20
Profit on exchange Transactions (Net)	389.30	470.40	590.40	388.90	617.70
Miscellaneous Income	414.80	318.00	496.50	379.90	266.30
TOTAL INCOME	35143.80	38356.60	40222.50	30041.40	29593.30

EXPENDITURE					
Interest Expended	20684.00	20899.40	18447.40	13862.80	14927.90
Interest on Deposits	20302.80	20320.40	17860.40	13398.40	14330.50
Interest on Reserve Bank of India / Inter Bank Borrowings	95.70	32.20	59.30	44.90	262.80
Others	285.50	546.80	527.70	419.50	334.60
<b>Operating Expenses</b>	<b>5288.90</b>	<b>5826.60</b>	<b>6444.80</b>	<b>4709.00</b>	<b>5773.40</b>
Payment to and Provision for employees (including VRS amount)	2884.50	3475.90	3664.00	2774.50	3010.40
Other Expenditure	2404.40	2350.70	2780.80	1934.50	2763.00
Provisions and Contingencies	5965.40	7061.10	8469.60	6895.70	3660.90
<b>TOTAL EXPENDITURE</b>	<b>31938.30</b>	<b>33787.10</b>	<b>33361.80</b>	<b>25467.50</b>	<b>24362.20</b>
PROFIT					
Net profit for the year/ period ended	3205.50	4569.50	6860.70	4573.90	5231.10
Profit brought forward	5.90	6.60	2.70	2.70	7.30
Profit available for appropriation	3211.40	4576.10	6863.40	4576.60	5238.40

#### SUMMARY BALANCE SHEET INFORMATION

##### ASSETS

Investments.....	136983.6	147805.4	167941.2	172069.2	190640.6
Advances .....	141578.7	156772.4	196807.6	174419.4	223835.1
	23510.4	18959.0	26335.2	16123.6	33502.10
Balance with RBI.....					
	20296.6	16339.5	18981.6	16603.9	42617.7
Other assets.....					
	322369.3	339876.3	410065.6	379216.1	490595.5
<b>Total Assets (A) .....</b>					

##### LIABILITIES

Deposits .....	284883.9	298090.9	356735.0	329294.7	426097.9
Borrowings .....	6173.8	7660.1	7005.0	4564.7	7702.1
Other liabilities and provisions.....	15114.3	13031.9	19557.6	19689.4	24796.4
<b>Total liabilities (B) .....</b>	<b>306172.00</b>	<b>318782.90</b>	<b>383297.60</b>	<b>353548.80</b>	<b>458596.40</b>

<b>NET ASSETS (C=A-B) .....</b>	<b>16197.3</b>	<b>21093.4</b>	<b>26768.0</b>	<b>25667.3</b>	<b>31999.1</b>
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<b>Share capital (D).....</b>	1925.4	1925.4	1925.4	1925.4	1925.4
<b>Reserves and surplus (E) .....</b>	14271.9	19168.0	24842.6	23741.9	30073.7
<b>TOTAL (D+E).....</b>	16197.3	21093.4	26768.0	25667.3	31999.1

## Financial Statements

### SELECTED PROFIT & LOSS INFORMATION:

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review First Nine months of fiscal year	
	2000	2001	2002	2003	2004	2004	2005
INCOME							
Interest Earned	24770.4	27749.9	30490.3	33042.7	33005.4	24492.5	26285.2
Interest/discount on advance/bills	10106.5	12026.9	14158.8	15356.1	15911.8	11766.5	13161.7
Income on investments	13855.6	14576.2	15460.4	16126.2	16332.2	12107.4	12535.8
Interest on Balances with Reserve Bank of India and Inter-bank funds	789.4	940.1	808.4	884.3	709.8	589.7	524.8
Others	18.9	206.7	62.7	676.1	51.6	28.9	62.9
Other Income	2024	2514.6	4653.5	5313.9	7217.1	5548.9	3308.1
Commission, Exchange & Brokerage	956.4	959.9	1018.7	1062.8	1136	796	1148.5
Profit (loss) on sale of investment (net)	579.7	953.1	3105.8	3721.3	5042.2	4023.4	1307.7
Profit (loss) on revaluation of investment (net)	0	-100	-275	-258.5	-51.8	-39.7	-32.3
Profit on sale of Land, Building and other assets	1.2	5.6	1.2	0.9	4.6	0.6	0.9
Less:- Loss on sale of Land, Building and other assets	1.6	1.7	1.3	1	0.8	0.2	0.7
Profit (loss) on sale of land building & other assets	-0.4	3.9	-0.1	-0.1	3.8	0.4	0.2
Profit on exchange Transactions (Net)	339.2	382.9	389.3	470.4	590.4	388.9	617.7
Miscellaneous Income	149.1	314.8	414.8	318	496.5	379.9	266.3
TOTAL INCOME	26794.4	30264.5	35143.8	38356.6	40222.5	30041.4	29593.3

	AUDITED				Limited Review First Nine		
	FINANCIAL YEAR ENDED 31 ST MARCH				months of fiscal year		
	2000	2001	2002	2003	2004	2004	2005
<b>EXPENDITURE</b>							
<b>Interest</b>	<b>17452.80</b>	<b>19680.90</b>	<b>20684.00</b>	<b>20899.40</b>	<b>18447.40</b>	<b>13862.80</b>	<b>14927.90</b>
<b>Expended</b>							
Interest on Deposits	17181.70	19368.90	20302.80	20320.40	17860.40	13398.40	14330.50
Interest on Reserve Bank of India / Inter Bank Borrowings	147.20	115.80	95.70	32.20	59.30	44.90	262.80
Others	123.90	196.20	285.50	546.80	527.70	419.50	334.60
<b>Operating Expenses</b>	<b>4282.40</b>	<b>5242.50</b>	<b>5288.90</b>	<b>5826.60</b>	<b>6444.80</b>	<b>4709.00</b>	<b>5773.40</b>
Payment to and Provision for employees (including VRS amount)	2313.70	3151.40	2884.50	3475.90	3664.00	2774.50	3010.40
Rent, Taxes and Lighting	552.10	573.00	667.90	669.60	698.80	522.70	657.70
Printing and Stationery	83.40	93.10	104.30	106.50	107.60	78.00	99.60
Advertisement and Publicity	20.40	19.70	21.50	50.00	86.60	68.70	56.30
Depreciation on Bank's Property	416.90	410.10	391.20	416.00	504.20	284.50	698.80
Director's Fees, allowances and Expenses	2.80	1.40	1.70	1.50	2.20	1.30	1.80
Auditor's Fees and Expenses (Including Branch Auditors)	28.10	30.30	42.80	46.10	72.90	46.60	6.60
Law Charges	32.90	32.50	54.40	54.50	51.80	34.30	50.30
Postage, Telegrams, Tele phones etc.	89.20	98.70	103.80	107.00	147.70	116.40	129.50
Repairs and Maintenance	47.10	36.40	43.00	56.80	69.30	57.20	101.40
Insurance	113.60	143.10	175.60	200.80	205.40	144.40	263.30
Other Expenditure	582.20	652.80	798.20	641.90	834.30	580.40	697.70
<b>Provisions and Contingencies</b>	<b>2273.00</b>	<b>3312.30</b>	<b>5965.40</b>	<b>7061.10</b>	<b>8469.60</b>	<b>6895.70</b>	<b>3660.90</b>
<b>TOTAL EXPENDITURE</b>	<b>24008.20</b>	<b>28235.70</b>	<b>31938.30</b>	<b>33787.10</b>	<b>33361.80</b>	<b>25467.50</b>	<b>24362.20</b>

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review Nine months of fiscal year	First
	2000	2001	2002	2003	2004	2004	2005
<b>PROFIT</b>							
<b>Net profit for the year/ period ended</b>	<b>2786.20</b>	<b>2028.80</b>	<b>3205.50</b>	<b>4569.50</b>	<b>6860.70</b>	<b>4573.90</b>	<b>5231.10</b>
Profit brought forward	6.50	10.20	5.90	6.60	2.70	2.70	7.30
<b>Profit available for appropriation</b>	<b>2792.70</b>	<b>2039.00</b>	<b>3211.40</b>	<b>4576.10</b>	<b>6863.40</b>	<b>4576.60</b>	<b>5238.40</b>
<b>APPROPRIATION</b>							
Transfer to Statutory Reserves	840.00	620.00	970.00	1380.00	1720.00	0.00	0.00
Transfer to Capital Reserves	0.00	1.90	0.00	0.00	0.00	0.00	0.00
Transfer to Revenue and other Reserves	1125.50	430.00	450.00	920.00	100.00	0.00	0.00
Investment Fluctuation Reserves	0.00	155.00	1050.00	1200.00	3850.00	0.00	0.00
Transfer to Staff Welfare Fund	69.00	83.60	60.90	96.00	100.00	0.00	0.00
Proposed Dividend	673.90	673.90	673.90	866.40	962.70	0.00	0.00
Tax on Dividend (incl. Surcharge)	74.10	68.70	0.00	111.00	123.40	0.00	0.00
Balance carried over to the Balance Sheet	10.20	5.90	6.60	2.70	7.30	4576.60	5238.40
<b>Total</b>	<b>2792.70</b>	<b>2039.00</b>	<b>3211.40</b>	<b>4576.10</b>	<b>6863.40</b>	<b>4576.60</b>	<b>5238.40</b>



AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review First Nine months of		
	2000	2001	2002	2003	2004	2004	2005
<b>Break-up of Provisions and contingencies</b>							
Provision towards Standard Advances	240.0	40.0	60.0	80.0	70.0	10.0	30.0
Provision towards Non Performing Advances	1274.8	907.0	1390.0	3280.1	889.5	406.2	808.4
Floating Provision towards Non Performing Advances	0.0	49.3	1780.0	904.6	2457.5	3231.4	313.0
Baddebts Written off	0.0	1583.7	0.0	49.8	0.0	10.6	10.4
Provision towards Non Performing Investment	0.0	244.7	39.4	10.0	0.0	8.6	130.3
Float Provision towards Investment	0.0	0.0	50.0	0.0	0.0	0.0	0.0
Provision for Depreciation on Investment (Written back)	0.0	(298.6)	157.2	(56.3)	(64.6)	6.1	1036.7
Provision made towards Income Tax	599.8	785.3	2487.8	2784.3	4593.8	2929.5	1148.4
Others Provisions including wealth Tax	158.4	0.9	1.0	8.6	523.4	293.3	183.7
<b>TOTAL</b>	<b>2273.0</b>	<b>3312.3</b>	<b>5965.4</b>	<b>7061.1</b>	<b>8469.6</b>	<b>6895.7</b>	<b>3660.9</b>

## II SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs in Million)

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>ASSETS</b>							
<b>Cash and Balances with Reserve Bank of India</b>	<b>22749.20</b>	<b>20281.30</b>	<b>23510.40</b>	<b>18959.00</b>	<b>26335.20</b>	<b>16123.60</b>	<b>33502.10</b>
Cash in Hand (including foreign currency notes)	2286.5	2115.5	1990.1	2103.0	2097.0	2609.1	3071.2
Balances with Reserve bank of India in current Account	20462.7	18165.8	21520.3	16856.0	24238.2	13514.5	30430.9
Balances with Reserve bank of India in other Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances with banks and Money at Call and Short Notice</b>	<b>3580.9</b>	<b>6210.2</b>	<b>9806.8</b>	<b>6283.1</b>	<b>9668.5</b>	<b>6572.0</b>	<b>15112.2</b>
Balances with banks in current Accounts in India	1092.2	1171.5	1282.6	1252.8	1395.0	980.0	2223.7
Balances with banks in Other Accounts in India	530.3	882.6	3255.1	4431.5	7356.7	4481.6	6132.0
Money at call & Short Notice with banks in India	0.0	1450.0	0.0	0.0	0.0	0.0	6750.0
Money at call & Short Notice with Other Institutions in India	0.0	501.5	0.0	0.0	0.0	0.0	0.0
Balances in current Accounts outside India	28.0	93.4	1913.9	244.6	793.6	1084.0	6.5
Balances in other deposit Accounts outside India	1905.4	1912.5	3261.4	327.8	123.2	0.0	0.0
Money at call & short notice outside India	25.0	198.7	93.8	26.4	0.0	26.4	0.0

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>Investments</b>							
Investments in India in Government Securities	65637.5	73630.1	85515.6	101567.3	124512.6	127632.6	150239.8
Investments in India in Other Approved Securities	4716.4	4986.5	4979.5	4906.3	4590.4	4698.7	4491.4
Investments in India in Shares	2519.3	1590.7	1434.7	1334.6	1243.9	1212.9	4140.9
Investments in India in debentures and bonds	40685.5	39039.6	41829.7	37324.1	35458.5	36659.9	31192.6
Investments in India in Subsidiaries and /or Joint Ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in India in Others( Commercial paper, Indira Vikas Patras, Units of UTI & Mutual Funds)	2037.0	3737.8	3484.0	2833.0	2231.1	2081.1	1891.1
Less : provision for depreciation on Investments	0.0	(67.3)	(259.9)	(159.9)	(95.3)	(216.0)	(1315.2)
Investments Outside India	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL INVESTMENT</b>	<b>115595.7</b>	<b>122917.4</b>	<b>136983.6</b>	<b>147805.4</b>	<b>167941.2</b>	<b>172069.2</b>	<b>190640.6</b>
<b>Advances</b>							
Advances - In India	93255.3	110764.1	141578.7	156772.4	196807.6	174419.4	223835.1
Advances - Out Side India	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fixed Assets</b>							
Premises	650.3	615.6	623.4	619.1	636.8	630.9	1202.9
Other Fixed Assets ( including furniture & fixtures)	703.4	686.0	802.6	833.7	981.0	867.0	2633.4

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>Other Assets</b>							
Interest Accrued	5120.2	4398.1	5172.4	5018.4	5212.8	5906.2	5685.0
Income Tax/ Tax deducted at source recoverable	2687.6	3069.0	2433.9	1973.0	949.8	1013.8	1395.5
Stationery and Stamps	5.4	6.3	6.0	7.0	8.0	3.8	10.6
Non- Banking Assets acquired in satisfaction of claims	3.5	3.5	3.5	11.8	11.8	11.8	1196.9
Deferred tax assets (Net)	0.0	0.0	0.0	50.0	0.0	50.0	237.4
Others*	1060.5	1705.5	1448.0	1543.4	1512.9	1548.4	15143.8
* includes non-interest bearing loans and advances to staff)	0.1	4.7	3.9	0.3	0.1	0.0	0.0
Total Other Assets	13811.8	16694.2	20296.6	16339.5	18981.6	16603.9	42617.7
<b>Total Assets(A)</b>	<b>245412.0</b>	<b>270657.0</b>	<b>322369.3</b>	<b>339876.3</b>	<b>410065.6</b>	<b>379216.1</b>	<b>490595.5</b>

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
Deposits	220952.1	246804.3	284883.9	298090.9	356735	329294.7	426097.9
Demand Deposits from Banks	93.3	79.8	190.9	418.7	355.7	247.8	734.9
Demand Deposits from Others	18743.3	20616.1	22876.5	27025.6	30778.5	27396	39126.3
Saving Bank Deposits	36573.7	42486.2	48481.4	57624.6	70735.5	64633.5	86136.8
Term deposits from Banks	6808.9	5457.4	9287.7	9454.8	2995.1	3221.4	5126.3
Term deposits from Others	158732.9	178164.8	204047.4	203567.2	251870.2	233796	294973.6
Borrowings	5138.6	2272.9	6173.8	7660.1	7005	4564.7	7702.1
Borrowings in India							
Borrowings from Reserve Bank of India	1000	0	0	0	0	0	0
Borrowings from Other Banks	25.4	17.6	13	0.2	4	0	2222.2
Borrowings from other Institutions and Agencies	3981.5	1765.1	6160.7	5979.9	1267.8	875.1	785
Borrowings outside India	131.7	490.2	0.1	1680	5733.2	3689.6	4694.9
Other Liabilities and Provisions	5037.3	6093.2	15114.3	13031.9	19557.6	19689.4	24796.4
Bills Payable	1220.5	1369.8	2272	1591.2	2069.3	2927.9	4623.4
Inter-office adjustments (net)	870.9	1210.2	1181.2	1315.5	1715.1	453.7	1453.7
Interest accrued	683	700.8	704.9	892.7	850.6	966.3	1106.1
Unsecured redeemable bond (Subordinate debt for tier ii capital)	0	0	2000	4000	4000	4000	6756.4
Provision for Deferred Tax liability	0	0	1960	0	310	0	0
Others (including provisions)	2262.9	2812.4	6996.2	5232.5	10612.6	11341.5	10856.8
TOTAL (B)	231128	255170.4	306172	318782.9	383297.6	353548.8	458596.4
NET ASSETS (C=A-B)	14284	15486.6	16197.3	21093.4	26768	25667.3	31999.1
Share Capital	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
Reserves & Surplus	0	0	0	0	0	0	0
Statutory reserves	4750	5370	6340	7720	9440	7720	9440
Capital Reserves	271.4	273.3	273.3	273.3	273.3	273.3	273.3
Share premium	3227	3227	3227	3227	3227	3227	3227
Revenue & other Reserves	4100	4530	3220	5540	5640	5540	5640
Investment Fluctuation Reserve	0	155	1205	2405	6255	2405	6255
Balance in Profit & Loss Account	10.2	5.9	6.6	2.7	7.3	4576.6	5238.4
TOTAL- E	12358.6	13561.2	14271.9	19168	24842.6	23741.9	30073.7
TOTAL (D+E)	14284	15486.6	16197.3	21093.4	26768	25667.3	31999.1
CONTINGENT LIABILITIES							
Claims against the bank not ackno	1996.1	2588.6	1976.7	2797.2	1465.8	1680.8	3601.8
Liabilities of partly paid investment:	0	0	0	0	0	0	0
Liability on account of forward exch	5985.1	5941.1	10198.8	10149.7	27105.7	16911.6	49421
Guarantees given on behalf of con:	9492.2	10285.8	12485.1	14778.7	18439.8	17766.7	26842.6
Guarantees given on behalf of con:	237.9	284.1	477.8	644.9	758.2	2650.1	646.6
Acceptances, endorsements and o	4055.2	4282.3	4644.4	4885.3	17464.2	6725.8	11604.6
Other items for which the bank is c	122.6	140.6	121.1	49.7	24.9	29.9	10.7
<b>TOTAL - F</b>	<b>21889.1</b>	<b>23522.5</b>	<b>29903.9</b>	<b>33305.5</b>	<b>65258.6</b>	<b>45764.9</b>	<b>92127.3</b>
Bills for Collection	9580.8	10052.9	13003.5	14138	10737.7	16876.8	31808.8

## SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Draft 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 unconsolidated 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 unconsolidated financial statements in connection with this Issue.12*

### 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. We have not recalculated income that is subject to tax benefits on a tax-equivalent basis.

	Fiscal year								
	2002			2003			2004		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
(Rs. in billions, except percentages)									
<b>Assets:</b>									
Advances .....	122.05	14.16	11.60%	144.67	15.36	10.62%	170.20	15.91	9.35%
Investments.....	133.22	15.46	11.60%	153.57	16.13	10.50%	168.57	16.33	9.69%
Others <sup>(1)(2)</sup> .....	19.85	0.87	4.38%	19.9	1.56	7.84%	15.39	0.76	4.94%
<b>Total interest earning assets .....</b>	<b>275.12</b>	<b>30.49</b>	<b>11.08%</b>	<b>318.14</b>	<b>33.05</b>	<b>10.39%</b>	<b>354.16</b>	<b>33.00</b>	<b>9.32%</b>
Fixed assets.....	1.29	—	—	1.37			1.5		
Other assets <sup>(3)</sup> .....	17.02	—	—	9.75			17.75		
<b>Total assets .....</b>	<b>293.43</b>	<b>30.49</b>	<b>10.39%</b>	<b>329.26</b>	<b>33.05</b>	<b>10.04%</b>	<b>373.41</b>	<b>33.00</b>	<b>8.84%</b>
<b>Liabilities:</b>									
Deposits .....	258.40	20.30	7.86%	288.12	20.32	7.05%	313.65	17.86	5.69%
Demand deposits <sup>(4)</sup> .....	18.66	—	—	21.46	0	0	25.84	0	0
Savings deposits.....	44.35	1.47	3.31%	51.6	1.76	3.41%	61.01	1.83	3.00%
Term deposits.....	195.39	18.83	9.64%	215.06	18.56	8.63%	226.80	16.03	7.07%
Borrowings .....	3.48	0.38	10.92%	8.87	.58	6.54%	10.02	0.59	5.89%
Unsecured subordinated bonds (“Tier II bonds”)...	1.2	0.11	9.17%	3	0.26	8.67%	4.00	0.34	8.5%
Other borrowings .....	2.28	0.27	11.84%	5.87	0.32	5.45%	6.02	0.25	4.15%
<b>Total interest bearing</b>	<b>261.88</b>		<b>7.90%</b>	<b>296.99</b>	<b>20.90</b>	<b>7.04%</b>	<b>323.67</b>	<b>18.45</b>	<b>5.70%</b>

<b>liabilities .....</b>	<b>20.68</b>								
Capital and reserves.....	15.84	—	—	18.64		23.94			
Other Liabilities.....	15.71	—	—	13.63		25.80			
<b>Total liabilities .....</b>	<b>293.43</b>	<b>20.68</b>	<b>7.05%</b>	<b>329.26</b>	<b>20.90</b>	<b>6.35%</b>	<b>373.41</b>	<b>18.45</b>	<b>4.95%</b>
<b>Net interest income .....</b>	<b>—</b>	<b>9.81</b>			<b>12.15</b>			<b>14.55</b>	
<b>Net Interest Margin.</b>			<b>3.57%</b>			<b>3.82%</b>			<b>4.11%</b>

First nine months of fiscal year						
2004			2005			
Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost	
(Rs. In billions, except percentages)						
<b>Assets:</b>						
Advances .....	164.55	11.77	7.15%	218.58	13.16	6.02%
Investments.....	168.86	12.1	7.17%	187.88	12.54	6.67%
Others <sup>(1)</sup> .....	18.9	0.62	3.28%	14.96	0.59	3.94%
<b>Total interest earning assets .....</b>	<b>352.31</b>	<b>24.49</b>	<b>6.95%</b>	<b>421.42</b>	<b>26.29</b>	<b>6.24%</b>
Fixed assets.....	1.46			2.39	0	0
Other assets <sup>(3)</sup> .....	8.33			42.16	0	0
<b>Total assets .....</b>	<b>362.10</b>	<b>24.49</b>	<b>6.76%</b>	<b>465.97</b>	<b>26.29</b>	<b>5.64%</b>
<b>Liabilities:</b>						
Deposits .....	304.45	13.4	4.40%	388.01	14.33	3.69%
Demand deposits <sup>(4)</sup> .....	25.66	0	0	32.37	0	0
Savings deposits.....	59.35	1.38	2.33%	76.14	1.81	2.38%
Term deposits.....	219.44	12.02	5.48%	279.5	12.52	4.48%
Borrowings .....	9.79	0.46	4.70%	13.23	0.6	4.54%
Unsecured subordinated bonds .....	4.00	0.26	6.50%	5.38	0.38	7.06%
Other borrowings .....	5.79	0.2	3.45%	7.85	0.22	2.80%
<b>Total interest bearing liabilities.....</b>	<b>314.24</b>	<b>13.86</b>	<b>4.41%</b>	<b>401.24</b>	<b>14.93</b>	<b>3.72%</b>
Capital and reserves.....	18.64	0	0	23.94	0	0
Other Liabilities.....	29.22	0	0	40.79	0	0
<b>Total liabilities .....</b>	<b>362.10</b>	<b>13.86</b>	<b>3.83%</b>	<b>465.97</b>	<b>14.93</b>	<b>3.20%</b>
<b>Net interest income .....</b>		<b>10.63</b>			<b>11.36</b>	
<b>Net interest margin <sup>(5)</sup> .....</b>			<b>3.02%</b>			<b>2.70%</b>

(1) Includes contributions made to Rural Infrastructure Development Fund, interest bearing balances with the RBI and money at call and short notice.



- (2) The increase in yield of “other” assets in fiscal 2003 was primarily due to a refund of disputed income tax payments attributable to prior years that we received in fiscal 2003, together with the interest thereon.
- (3) Includes cash, balances with banks and non-interest bearing balances with the RBI.
- (4) The net interest margin is ratio of net interest income to total interest earning assets.

### 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 purposes of this table, changes, which are due to both volume and rate, have been allocated solely to changes in rate.

	Fiscal 2003 vs. Fiscal 2002			Fiscal 2004 vs. Fiscal 2003			First nine months of fiscal 2005 vs. First nine months of fiscal 2004		
	Net change in interest income or expense	Change due to change in average volume (1)	Change due to change in average rate (2)	Net change in interest income or expense	Change due to change in average volume (1)	Change due to change in average rate (2)	Net change in interest income or expense	Change due to change in average volume (1)	Change due to change in average rate (2)
(Rs. In billions)									
<b>Interest income:</b>									
Advances	1.2	2.62	-1.42	0.55	2.71	-2.16	1.39	3.86	-2.47
Investments	0.66	2.36	-1.70	0.20	1.58	-1.38	0.43	1.36	-0.93
Others (1)(2)	0.69	0.00	0.69	-0.8	-0.35	-0.45	-0.03	-0.13	0.10
<b>Total interest earning assets</b>	<b>2.56</b>	<b>4.98</b>	<b>-2.42</b>	<b>-0.05</b>	<b>3.94</b>	<b>-3.99</b>	<b>1.8</b>	<b>5.09</b>	<b>-3.29</b>
<b>Interest expense</b>									
Deposits	0.02	2.14	-2.12	-2.46	1.33	-3.79	0.93	3.68	-2.75
Savings deposits	0.29	0.24	0.05	0.07	0.32	-0.25	0.43	0.39	0.04
Term deposits	-0.27	1.90	-2.17	-2.53	1.01	-3.54	0.5	3.29	-2.79
Borrowings	0.2	0.59	-0.39	0.01	0.08	-0.07	0.14	0.16	-0.02
Unsecured Redeemable Bonds	0.15	0.16	-0.01	0.08	0.07	0.01	0.12	0.09	0.03
Other borrowings	0.05	0.43	-0.38	-0.07	0.01	-0.08	0.02	0.07	-0.05
<b>Total interest bearing liabilities</b>	<b>0.22</b>	<b>2.73</b>	<b>-2.51</b>	<b>-2.45</b>	<b>1.41</b>	<b>-3.86</b>	<b>1.07</b>	<b>3.84</b>	<b>-2.77</b>
<b>Net interest income</b>	<b>2.34</b>			<b>2.4</b>			<b>0.73</b>		

- 1) The change due to change in average volume was calculated from the change in average balance over the two periods multiplied by the average rate in the earlier period.
- (2) The change due to change in average rate is the total change less the change due to change in volume.
- (3) Includes contributions made to Rural Infrastructure Development Fund, interest-bearing balances with the RBI and money at call and short notice.

## Yields, Spreads and Margins

The following table sets forth, for the periods indicated the yields, spreads and interest margins on our interest-earning assets.

	Fiscal year			First nine months of fiscal year	
	2002	2003	2004	2004	2005
(Rs. In billions, except percentages)					
Interest income .....	30.49	33.05	33	24.49	26.29
Average interest-earning assets .....	275.12	318.14	354.16	352.31	421.42
Interest expense .....	20.68	20.9	18.45	13.86	14.93
Average interest-bearing liabilities <sup>(1)</sup> .....	261.88	296.99	323.67	314.24	401.24
Net interest income .....	9.81	12.15	14.55	10.63	11.36
Average total assets .....	293.43	329.26	373.41	362.1	465.97
Average interest-earning assets as a percentage of average total assets .....	93.76%	96.62%	94.84%	97.30%	90.44%
Average interest-bearing liabilities as a percentage of average total assets .....	89.25%	90.20%	86.68%	86.78%	86.11%
Average interest-earning assets as a percentage of average interest- bearing liabilities .....	105%	107%	109%	112%	105%
Yield <sup>(2)</sup> .....	11.08%	10.39%	9.32%	6.95%	6.24%
Cost of funds <sup>(3)</sup> .....	7.90%	7.04%	5.70%	4.41%	3.72%
Spread <sup>(4)</sup> .....	3.19%	3.35%	3.62%	2.54%	2.52%
Net interest margin <sup>(5)</sup> .....	3.57%	3.82%	4.11%	3.02%	2.70%

(1) Includes demand deposits.

(2) Yield of interest earning assets.

(3) Cost of interest bearing liabilities. Excludes equity and includes the cost of our Tier II bonds.

(4) Spread is the difference between yield on average interest-earning assets and cost of funds.

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

## Returns on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Fiscal year			First nine months of fiscal year	
	2002	2003	2004	2003	2004

	(Rs. In billions, except percentages)				
Net profit after tax .....	3.21	4.57	6.86	4.57	5.23
Average total assets .....	293.43	329.26	373.41	362.1	465.97
Average shareholders' funds .....	15.84	18.64	23.94	18.64	23.94
Net profit after tax as a percentage of average total assets .....	1.09%	1.39%	1.84%	1.26%	1.12%
Net profit after tax as a percentage of average shareholders' funds .....	20.27%	24.52%	28.65%	24.52%	21.85%
Average shareholders' funds as a percentage of average total assets .....	5.4%	5.66%	6.41%	5.15%	5.14%

The following table sets forth, as of December 31, 2004, 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.

	As of December 31, 2004					
	Up to one year	One to five years	Five to ten years	More than ten years <sup>(1)</sup>	Total	
	Amount	Amount	Amount	Amount	Amount	Yield
	(Rs. In billions, except for percentages)					
Government and other approved securities(excluding recap/ special bonds) .....	9.16	18.73	83.05	40.60	151.54	8.97%
Other debt securities (including recap/ special bonds) .....	4.84	21.77	0.85	5.22	32.68	9.07%
Total coupon-bearing securities .....	14.00	40.50	83.90	45.82	184.22	9.00%
Total market value of coupon-bearing securities .....					185.43	

(1) Includes perpetual maturity securities.

## 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 3.41% in fiscal 2003, 3.00% in fiscal 2004 and 2.38% in the first nine months of fiscal 2005. The average cost of term deposits was 8.63% in fiscal 2003, 7.07% in fiscal 2004 and 4.48% in the first nine months of 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.

	March 31, 2003		March 31, 2004		December 31, 2004	
	Balance outstanding	% of total	Balance outstanding	% of total	Balance outstanding	% of total
	(Rs. In billion, except for percentages)					
Demand deposits .....	27.44	9.21%	31.13	8.73%	39.86	9.35%
Savings deposits .....	57.62	19.33%	70.74	19.83%	86.14	20.22%
Term deposits .....	213.03	71.46%	254.87	71.44%	300.1	70.43%
<b>Total deposits .....</b>	<b>298.09</b>	<b>100%</b>	<b>356.74</b>	<b>100%</b>	<b>426.1</b>	<b>100%</b>

The following table sets forth, as of the dates indicated, the regional exposure of our deposits.

	March 31, 2003		March 31, 2004		December 31, 2004	
Geographic Distribution	Balance outstanding	% of total	Balance outstanding	% of total	Balance outstanding	% of total
	(Rs. In billions, except for percentages)					
Northern.....	198.09	66.45%	222.93	62.60%	261.76	62.26%
Eastern .....	11.77	3.95%	14.45	4.06%	16.16	3.84%
Central .....	9.88	3.31%	14.61	4.10%	11.98	2.85%
Western.....	70.15	23.53%	87.90	24.68%	70.91	16.88%
Southern.....	8.21	2.75%	16.85	4.56%	59.59	14.18%
<b>Total.....</b>	<b>298.09</b>	<b>100</b>	<b>356.74</b>	<b>100</b>	<b>420.4</b>	<b>100%</b>

### ***Total Borrowings***

The following table sets forth, for the periods indicated our average outstanding borrowings with and without Tier II bonds.

	Fiscal year 2003			Fiscal year 2004			First nine months of fiscal year 2005		
	Average balance	Interest Expense	Average cost	Average balance	Interest Expense	Average cost	Average balance	Interest Expense	Average cost
	(Rs. in billions, except for percentages)								
Borrowings, excluding Tier 2 bonds .....	5.87	0.32	5.45%	6.02	0.25	4.15%	7.85	0.22	2.80%
Tier II bonds.....	3	0.26	8.67%	4	0.34	8.50%	5.38	0.38	7.06%
<b>Total borrowings.....</b>	<b>8.87</b>	<b>0.58</b>	<b>6.54%</b>	<b>10.02</b>	<b>0.59</b>	<b>5.89%</b>	<b>13.23</b>	<b>0.6</b>	<b>4.54%</b>

### Asset-Liability Gap

The following tables set forth our asset-liability gap position as of March 31, 2004 and December 31, 2004.

(In Rs billion, except for percentages)

Outflow	Total	As of March 31, 2004							
		1- 14 days	15-28 days	29 days to 3 months	>3 to 6 months	>6 to 12 months	>1 to 3 years	> 3 to 5 years	Over 5 years
Capital	1.93	NIL	NIL	NIL	NIL	NIL	NIL	NIL	1.93
Reserve & Surplus	24.84	NIL	NIL	NIL	NIL	NIL	NIL	NIL	24.84
Deposits	356.74	22.89	15.08	44.02	55.20	71.58	83.13	58.36	6.48
Borrowings	7.00	0.44	0.83	1.95	0.80	2.30	0.56	0.00	0.12
Other Liabilities& Provisions	19.10	7.24	0.01	0.62	0.59	0.17	1.68	5.50	3.28
<b>A.Total Outflows</b>	<b>409.60</b>	<b>30.57</b>	<b>15.92</b>	<b>46.59</b>	<b>56.59</b>	<b>74.05</b>	<b>85.37</b>	<b>63.86</b>	<b>36.65</b>
<b>B. Cumulative Outflows</b>		<b>30.57</b>	<b>46.49</b>	<b>93.08</b>	<b>149.67</b>	<b>223.72</b>	<b>309.09</b>	<b>372.96</b>	<b>409.60</b>
<b>Inflows</b>									
Cash	2.09	2.09							
Balance with RBI	24.24	8.95	0.16	0.51	0.72	2.04	1.58	2.99	7.29
Balance with Other Banks	9.67	2.56	0.02	0.80	0.25	2.26	3.78		
Investments(Performing)	167.47	1.11	0.52	3.16	3.39	2.76	18.25	22.43	115.85
Advances(Performing)	196.81	13.63	8.57	13.77	12.39	18.26	31.94	65.65	32.60
Fixed Assets	1.62								1.62
Other Assets	7.70	0.55	0.26	2.11	1.46	1.38	1.46	0.00	0.48
<b>C.Total Inflows</b>	<b>409.60</b>	<b>28.89</b>	<b>9.53</b>	<b>20.35</b>	<b>18.21</b>	<b>26.70</b>	<b>57.01</b>	<b>91.07</b>	<b>157.84</b>
<b>D. Asset / liability gap (C-A)</b>		<b>(1.68)</b>	<b>(6.39)</b>	<b>(26.25)</b>	<b>(38.38)</b>	<b>(47.35)</b>	<b>(28.36)</b>	<b>27.21</b>	<b>121.19</b>
<b>E. % Asset/liability gap (D as % of A)</b>		<b>-5.49%</b>	<b>-40.14%</b>	<b>-56.33%</b>	<b>-67.83%</b>	<b>-63.95%</b>	<b>-33.23%</b>	<b>42.61%</b>	<b>330.68%</b>
<b>F. Cumulative asset / liability gap (D)</b>		<b>(1.68)</b>	<b>(8.07)</b>	<b>(34.32)</b>	<b>(72.70)</b>	<b>(120.05)</b>	<b>(148.42)</b>	<b>(121.21)</b>	<b>(0.02)</b>
<b>G. % Cumulative asset / liability gap (F as</b>		<b>-5.49%</b>	<b>-17.36%</b>	<b>-36.87%</b>	<b>-48.57%</b>	<b>-53.66%</b>	<b>-48.02%</b>	<b>-32.50%</b>	<b>-0.01%</b>

As of December 31, 2004

	Total	1- 14 days	15-28 days	29 days to 3 months	>3 to 6 months	>6 to 12 months	>1 to 3 years	> 3 to 5 years	Over 5 years
<b>Outflow</b>									
<b>Capital</b>	<b>1.93</b>	NIL	NIL	NIL	NIL	NIL	NIL	NIL	1.93
<b>Reserve &amp; Surplus</b>	<b>24.84</b>	NIL	NIL	NIL	NIL	NIL	NIL	NIL	24.84
<b>Deposits</b>	<b>426.10</b>	25.05	28.26	61.25	42.95	83.05	106.55	68.41	10.57
<b>Borrowings</b>	<b>7.70</b>	0.03	0.66	3.89	0.21	2.28	0.32	0.30	0.01
<b>Other Liabilities&amp; Provisic</b>	<b>21.32</b>	10.95	0.01	0.01	0.01	0.20	4.13	2.88	3.12
<b>Profit</b>	<b>5.23</b>		5.23						
<b>A.Total Outflows</b>	<b>487.12</b>	<b>36.03</b>	<b>34.16</b>	<b>65.16</b>	<b>43.17</b>	<b>85.53</b>	<b>111.00</b>	<b>71.59</b>	<b>40.47</b>
B. Cumulative Outflows		36.03	70.19	135.35	178.52	264.06	375.06	446.65	487.12
<b>Inflows</b>									
<b>Cash</b>	3.07	3.07							
<b>Balance with RBI</b>	30.43	6.46	0.63	1.63	1.77	1.96	3.64	3.83	10.51
<b>Balance with Other Banks</b>	15.11	8.98							6.13
<b>Investments(performing)</b>	185.92	1.35	0.73	6.92	3.86	2.52	18.42	21.50	130.62
<b>Advances(performing)</b>	219.99	18.86	8.02	13.60	20.52	16.50	36.28	65.29	40.92
<b>NPA(adv &amp; Investment)</b>	5.08							5.08	
<b>Fixed Assets</b>	3.84								3.84
<b>Other Assets</b>	23.66	1.05	1.06	1.86	1.05	1.57	1.04	0.06	15.98
<b>C.Total Inflows</b>	<b>487.11</b>	<b>39.77</b>	<b>10.44</b>	<b>24.01</b>	<b>27.20</b>	<b>22.55</b>	<b>59.38</b>	<b>95.76</b>	<b>208.00</b>
D. Asset / liability gap (C-A)		<b>3.75</b>	<b>(23.73)</b>	<b>(41.15)</b>	<b>(15.97)</b>	<b>(62.98)</b>	<b>(51.62)</b>	<b>24.17</b>	<b>167.52</b>
E. % Asset/liability gap (D as % of A)		<b>0.10</b>	<b>(0.69)</b>	<b>(0.63)</b>	<b>(0.37)</b>	<b>(0.74)</b>	<b>(0.47)</b>	<b>0.34</b>	<b>4.14</b>
F. Cumulative asset / liability gap (D)		<b>3.75</b>	<b>(19.98)</b>	<b>(61.13)</b>	<b>(77.11)</b>	<b>(140.08)</b>	<b>(191.71)</b>	<b>(167.54)</b>	<b>(0.01)</b>

- (1) Assets and liabilities are classified in the applicable maturity buckets based on residual maturity unless specifically mentioned.
- (2) The RBI for demand and savings deposits prescribes deposit maturities. For term deposits, we have allocated the maturity by the given term of the account, taking into consideration the projected renewal rate based on previous trends.
- (3) Cash on hand is classified in the 1-14 day maturity category.
- (4) Cash and cash equivalents include balances with the RBI to satisfy cash reserve ratio requirements. These balances are held in the form of overnight cash deposits but we classify these balances in the applicable maturity buckets on a basis proportionate to the classification of related deposits.
- (5) Securities in the trading book are classified in the 1-14 day maturity bucket.
- (6) Securities held towards satisfying the statutory liquidity ratio (SLR) prescribed by the RBI are classified in the applicable maturity buckets.
- (7) Shares and units of open ended mutual funds are classified in the 1-14 day maturity category.
- (8) Net non-performing loans are classified in the >3 to 5 years bucket for substandard assets and over 5 years for all other assets. These net non-performing loans are net of the float provision.

- (9) Other assets include interest accrued on advances which is placed in the 1-14 day maturity category, interest accrued on investments as per due dates, tax assets allocated on the timetable of refunds expected and others as the inflow is expected.
- (10) Accumulated losses of EGTB shown under the head “Other Assets”.
- (11) The data as compiled by the bank has been relied upon by the auditors.
- (12) The Inflows donot consider non fund based activites like Swaps, Export Refinance from RBI. The outflows donot take into account non fund based activities like CC, OD, demand loan component, working capital, LoC, Guarantees, Swaps & Repo.

## Loan Portfolio

As of December 31, 2004, our total outstanding loan portfolio was Rs.245.48 billion. The following table sets forth, for the dated indicated, our loan portfolio classified by product group.

	March 31,					
	2003		2004		December 31, 2004	
	Amount	%	Amount	%	Amount	%
(Rs. in billions, except percentages)						
Bills Purchased/Discounted.....	9.28	5.62%	8.89	4.31%	13.49	5.49%
Cash Credit, overdrafts and others .....	84.23	50.97	89.06	43.21%	95.58	38.94%
Term Loans.....	71.73	43.41	108.17	52.48%	136.41	55.57%
<b>Total.....</b>	<b>165.24</b>	<b>100</b>	<b>206.12</b>	<b>100%</b>	<b>245.48</b>	<b>100%</b>

*(The Total Loan figures are gross loans)*

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:

Sector	March 31, 2003		March 31, 2004		December 31, 2003		December 31, 2004	
	Loans	% of total	Loans	% of total	Loans	% of total	Loans	% of total
(Rs. in billions, except for percentages)								
Corporate and Commercial	105.53	67.32	128.19	65.77%	111.62	63.99%	145.56	64.99%
of which Small Scale Industries (SSIs)(1)	16.7	10.7%	17.92	9.1%	17.17	9.8%	23.32	10.41%
Housing & Retail	27.79	17.73%	43.17	21.30%	38.46	22.05%	49.06	21.90%
Agriculture(1)	23.45	14.95%	25.45	12.93%	24.34	13.95%	29.35	13.10%
Total outstanding loans	156.77	100%	196.81	100%	174.42	100%	223.97	100%

(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%.

The industry wise exposure limit as per OBC has been stated below:

Name of Industry	Proposed Cap of Exposure in %age terms
Infrastructure (including 15% for Power)	50%
Fertilizers	Not more than 10%
Iron & Steel	Not more than 10%
Textile	Not more than 10%
Cement	Not more than 5%
Ship – Breaking	Not more than 5%
Chemicals, Dyes/ Paints	Not more than 5%
Drugs & Pharmaceuticals	Not more than 5%
Petrochemicals	Not more than 5%
Sugar	Not more than 5%
NBFCs (HP & Leasing)	Not more than 5%
NBFCs ( Others)	Not more than 5%
IT & Software	Not more than 5%
Engineering	Not more than 5%
Food Processing	Not more than 5%
Hotels	Not more than 5%
Film Industry	Not more than 2%
Tea	Not more than 2%
Jute	Not more than 2%
Coal & Mining	Not more than 2%
Other Industries not Specified above	Not more than 2%
Sensitive Sectors	20%
- Real Estate	10%
-Capital markets including investments	5%
- Commodity Sector	5%

Rest of the infrastructure includes Roads, Housing, Telecom, Industrial Parks, Railways System, Water, Ports, Irrigation, Highways, Bridges, Airports, Sanitation & Sewerage Systems.

The following table sets forth, for the dates indicated, our ten largest single and group exposures as determined by the RBI guidelines, which includes funded exposure, non-funded exposure along with adjustments if any, whichever is higher.

March 31, 2004				December 31, 2004		
	Exposure	% of Total Outstanding Exposure	% of Capital Funds	Exposure	% of Total Outstanding Exposure	% of Capital Funds



	In billions, except percentages					
Borrower 1	3.50	1.78%	14.34%	4	1.63%	13.31%
Borrower 2	3.50	1.78%	14.34%	4.30	1.75%	14.29%
Borrower 3	3.62	1.84%	14.83%	4.32	1.76%	14.38%
Borrower 4	4.23	2.15%	17.31%	4.75	1.93%	15.79%
Borrower 5	5.11	2.60%	20.94%	5.23	2.13%	17.38%
Borrower 6	5.23	2.65%	21.40%	5.72	2.33%	19.01%
Borrower 7	5.75	2.92%	23.55%	5.75	2.34%	19.13%
Borrower 8	8.13	4.13%	33.28%	5.76	2.69%	19.70%
Borrower 9	8.49	4.31%	34.78%	6.04	3.23%	20.04%
Borrower 10	10.21	5.19	41.82%	12.05	4.91%	41.32%*
Total	57.76	24%	195%	63.14	26%	199%

\* RBI approved till 31.3.2005

The table sets forth the percentage of each of the top ten industry exposures to our total credit as exposure of the dates indicated.

Industry	March 31,					
	2003		2004		December 31, 2004	
	Exposure	% of exposure	Exposure	% of exposure	Exposure	% of exposure
(Rs. in billions, except percentages)						
Infrastructure <sup>(1)</sup> .....	3.11	1.90%	21.41	10.39%	66.35	27.02%
Other Textiles	2.91	1.79%	4.56	2.21%	5.27	2.14%
Iron and steel .....	2.72	1.67%	3.32	1.61%	5.11	2.08%
Food Processing	1.47	0.91%	3.24	1.57%	3.80	1.54%
Chemicals	1.91	1.18%	3.03	1.47%	3.76	1.53%
Cotton Textiles	2.30	1.41%	2.63	1.28%	2.85	1.16%
All Engineering .....	2.05	1.26%	2.55	1.24%	2.42	0.98%
Paper & paper product.....	2.05%	1.26%	1.58	0.77%	1.63	0.67%
Sugar	1.09	0.67%	1.66	0.81%	1.51	0.61
Vegetable Oils	0.27	0.17%	1.55	0.75%	1.42	0.58%
<b>Total</b> .....	17.29	11.9%	61.89	30.03%	94.12	38.31%

(1) Consists of private power projects, telecommunications, roads, ports and others.

### Security

The table below shows the amount of our net advances as on fiscal 2003 & 2004, and position of gross advances as on 31<sup>st</sup> December 2004, which are secured or covered by guarantees, unsecured.

Particulars	Classification of Net Advances				Classification of Gross Advances	
	March 31,				December 31, 2004	
	2003		2004		December 31, 2004	
	Amount	% of advances	Amount	% of advances	Amount	% of advances
(Rs. in billions, except percentages)						
Secured by tangible assets (including advances against book debts).....	120.88	77.11%	149.42	75.92%	185.43	75.54%
Covered by bank or Government guarantees .....	19.29	12.31%	15.63	7.94%	17.72	7.22%
Unsecured.....	16.60	10.58%	31.75	16.14%	42.33	17.24%
<b>Total.....</b>	<b>156.77</b>	<b>100%</b>	<b>196.80</b>	<b>100%</b>	<b>245.48</b>	<b>100%</b>

### Non-Performing Assets

As of December 31, 2004, our gross non-performing assets as a percentage of gross advances was 10.44% and our net non-performing assets as a percentage of net advances was 1.71%. 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 84.21% of our gross non-performing loans. As of December 31, 2004, 33.32% of our gross NPAs were from priority sector advances.

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

	March 31,								December 31, 2004			
	2002		2003		2004							
	NPAs as % of		NPAs as % of		NPAs as % of							
	Amount	NPAs	Amount	NPAs	Amount	NPAs	Amount	NPAs	Amount	NPAs	Amount	NPAs
(Rs. in billions, except percentages)												
<b>Total gross Advances.....</b>	<b>144.86</b>	<b>9.52</b>	<b>6.57%</b>	<b>165.24</b>	<b>11.46</b>	<b>6.94%</b>	<b>206.12</b>	<b>12.14</b>	<b>5.89</b>	<b>245.48</b>	<b>25.64</b>	<b>10.44%</b>
Provisions (as prescribed by RBI) .....		2.97		4.65		5.27				14.43		
<b>Additional Provisions made by the Bank .....</b>		<b>0.00</b>		<b>3.6</b>		<b>3.86</b>				<b>6.85</b>		
Float provision .....		1.93		0.91		3.36				0.31		
DICGC/ ECGC held <sup>(1)</sup> .....		0.07		0.04		0.02				0.21		

March 31,														
2002				2003			2004			December 31, 2004				
		NPAs as % of				NPAs as % of						NPAs as % of		
Amount	NPAs	advances	Amount	NPAs	advances	Amount	NPAs	advances	Amount	NPAs	advances	Amount	NPAs	advances
(Rs. in billions, except percentages)														
Net Advances	<u>139.72</u>	<u>4.54</u>	3.25%	<u>156.77</u>	<u>2.25</u>	1.44%	<u>196.80</u>	<u>0.00</u>	0.00%	<u>223.83</u>	<u>3.84</u>	1.71%		
Derecognized interest and suspended interest .....		11.28			12.03			12.57			12.87			

(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 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.

	March 31,						December 31,	
	2002		2003		2004		2004	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
	(in billions, except percentages)							
Standard assets.....	135.34	93.43%	153.78	93.06%	193.98	94.11%	219.84	89.56%
Non-Performing assets .....	9.52	6.57%	11.46	6.94%	12.14	5.89%	25.64	10.44%
of which:								
Sub-standard .....	4.71	3.25%	4.01	2.43%	3.71	1.79%	5.19	2.11%
Doubtful assets .....	4.17	2.88%	6.18	3.74%	7.02	3.41%	15.06	6.13%
Loss assets.....	0.64	0.44%	1.27	0.77%	1.41	0.68%	5.39	2.20%
<b>Total Loan assets .....</b>	<b>144.86</b>	<b>100%</b>	<b>165.24</b>	<b>100%</b>	<b>206.12</b>	<b>100%</b>	<b>245.48</b>	<b>100%</b>

### ***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:

	Fiscal year			First nine months of fiscal year	
	2002	2003	2004	2004	2005
	(Rs. In billions)				
CDR restructured assets					
Standard assets .....	0	0.59	0.591	0	0.67
Sub-standard assets .....	0	0	0	0	1.15
Doubtful assets .....	0	0	0.071	0	1.45
Loss assets .....	0	0		0	0

	Fiscal year			First nine months of fiscal year	
	2002	2003	2004	2004	2005
	(Rs. In billions)				
<b>Total CDR restructured assets .....</b>	<b>0</b>	<b>0.59</b>	<b>0.58</b>	<b>0</b>	<b>3.27</b>
Other restructured assets					
Standard assets .....	3.54	0.43	1.33	1.23	0.73
Sub-standard assets .....	1.30	1.81	0.03	0.04	0.31
Doubtful assets .....	0	0	0.38	0.31	0.17
<b>Total other restructured assets.....</b>	<b>4.84</b>	<b>2.24</b>	<b>1.73</b>	<b>1.54</b>	<b>1.21</b>
<b>Total restructured assets.....</b>	<b>4.84</b>	<b>2.83</b>	<b>2.31</b>	<b>1.54</b>	<b>4.48</b>

### *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	<p>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:</p> <table> <tr> <td>Up to one year:</td><td>20% provision</td></tr> <tr> <td>One to three years:</td><td>30% provision</td></tr> <tr> <td>More than three years:</td><td>50% provision</td></tr> </table>	Up to one year:	20% provision	One to three years:	30% provision	More than three years:	50% provision
Up to one year:	20% provision						
One to three years:	30% provision						
More than three years:	50% provision						

The value assigned to the collateral securing a loan is that reflected on the borrower's books or that is determined by third party appraisers to be realizable, whichever is lower.

Beginning on March 31, 2005, a 100% provision against secured exposure is required for assets categorized as doubtful assets for over three years from April 1, 2004. For assets categorized as doubtful assets for over three years as of March 31, 2004, the provision for secured exposure is 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.
	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. 12.50 billion we have Rs. 0.39 billion in excess of the required provision against NPA of Rs. 12.13 billion. These provisions account for a coverage ratio for gross NPAs of 102.99% (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). This has decreased to 84.21% as on December 31, 2004 due to addition of GTB NPA. The table below shows the changes in our provisions over the past three years.

	Fiscal year			First nine months of fiscal year	
	2002	2003	2004	2004	2005
	(Rs. in billions)				
<b>Opening Balance.....</b>	<b>1.81</b>	<b>4.98</b>	<b>9.16</b>	<b>9.16</b>	<b>12.50</b>
<b>ADD:</b> Provisions made during the year (including float provisions) .....	3.17	4.18	3.34	3.64	1.12
<b>LESS:</b> Write-off/write-back during the year.....	-	-	-	-	-
<b>Closing Balance.....</b>	<b>4.98</b>	<b>9.16</b>	<b>12.50</b>	<b>12.80</b>	<b>13.62</b>

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.

	March 31,									December 31, 2004		
	2002			2003			2004					
	Gross advances	NPAs	% of NPAs	Gross advances	NPAs	% of NPAs	Gross advances	NPAs	% of NPAs	Gross advances	NPAs	% of NPAs
(Rs. In billions, except percentages)												
Agricultural .....	20.20	0.99	4.94%	19.74	1.24	6.26%	21.68	1.30	5.97%	27.05	1.83	6.75%
SSI .....	16.05	2.53	15.75%	16.28	2.77	17.01%	17.92	3.08	17.18%	22.49	4.75	21.14%
Other priority sector .....	21.97	0.87	3.95%	26.24	1.00	3.80%	40.47	1.46	3.62%	42.71	1.76	4.12%
Total priority sector .....	58.22	4.39	7.55%	62.26	5.00	8.04%	80.08	5.84	7.29%	92.25	8.34	9.04%
Total non-priority sector .....	86.56	5.12	5.92%	102.93	6.46	6.27%	126.02	6.30	5%	153.23	16.69	10.89%
<b>Total gross advances .....</b>	<b>144.79</b>	<b>9.52</b>	<b>6.57%</b>	<b>165.19</b>	<b>11.46</b>	<b>6.94%</b>	<b>206.10</b>	<b>12.14</b>	<b>5.89%</b>	<b>245.48</b>	<b>25.03</b>	<b>10.20%</b>

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

Industry	March 31,								December 31, 2004	
	2002		2003		2004					
	NPAs	% NPAs to advances	NPAs	% NPAs to advances	NPAs	% NPAs to advances	NPAs	% NPAs to advances	NPAs	% NPAs to advances
(In Rs. Million, except percentages)										
Coal .....	6.8	11.30%	9.9	27.89%	5.7	30.98%	0	0		
Mining .....	53.9	26.55%	41.5	33.60%	6.1	7.84%	37.0	30.76%		
Iron and steel	513.7	12.85%	469.2	17.27%	333.8	9.90%	1176.8	22.56%		
Other metal and metal products	203.0	16.12%	319.2	32.12%	285	20.97%	209.5	31.72%		
Engineering ..	335.7	14.47%	531.2	51.16%	415.2	23.42	1456.3	45.53%		
Electricity .....	69.0	58.28%	7.3	0.35%	127.9	6.34%	77.6	2.28%		
Cotton textile	377.5	32.86%	295.00	12.83%	224.8	10.94%	239.7	8.35%		
Jute textile ....	32.9	68.68%	4.1	11.78%	1.9	3.10%	0.9	3.98%		
Other textiles	696.2	43.58%	253.6	8.70%	315.7	9.47%	1129.4	21.92%		
Sugar .....	127.2	8.32%	255.8	23.43%	180.5	12.19%	188.0	8.62%		
Tea .....	4.5	3.28%	32.0	20.89%	39.1	32.31%	0	0		
Food processing ..	107.4	27.24%	246.3	16.67%	365.8	21.93%	1402.9	29.79%		
Vegetable .....										
..//oils and vanaspati ....	45.1	18.68%	50.9	18.61%	44.0	6.41%	38.1	3.66%		
Tobacco and tobacco products .....	0.4	4.44%	4.4	25%	4.5	20.36%	0	0		
Paper and paper products .....	100.8	5.31%	165.6	8.09%	140.3	9.05%	176.6	7.27%		

Industry	March 31,							
	2002		2003		2004		December 31, 2004	
	% NPAs to advances		% NPAs to advances		% NPAs to advances		% NPAs to advances	
	NPAs		NPAs		NPAs		NPAs	
(In Rs. Million, except percentages)								
Rubber and rubber products .....	14.7	6.02%	9.4	3.63%	11.1	4.05%	14.4	4.13%
Chemicals, dyes, paints	967.9	19.36%	413.6	10.25%	779.2	21.54%	1250.3	33.79%
Cement .....	16.5	7.63%	8.3	1.67%	115.1	47.62%	589.9	38.46%
Leather and leather products .....	50.9	24.74%	85.4	34.86%	37.8	12.97%	115.5	32.61%
Gems and jewelry .....	3.5	2.39%	1.6	0.15%	19.7	1.84%	1752.4	52.87%
Construction .	49.2	10.45%	88.4	8.32%	74.7	5.25%	944.8	81.02%
Petroleum .....	0	0	1062.2	99.13%	0	0	0	0
Automobiles including trucks .....	30.5	12.63%	12.0	5.24%	3.1	1.72%	21.6	9.52%
Computer software .....	5.3	12.90%	5.00	11.24%	10.0	50.76%	1905.9	82.28%
Infrastructure	0	0	50.6	1.63%	3.8	0.08%	5543.5	55.47%
Other industries....	770.3	6.48%	1371.5	12.91%	663.3	7.54%	295.4	5.95%
Non banking financial companies and trading .	60.1	9.72%	591.8	9.05%	207	11.48%	494.2	7.11%
Unclassified advances.....	4874.9	4.68%	5076.5	4.31%	7722.3	4.71%	5972.8	3.33%
<b>Total.....</b>	<b>9517.9</b>	<b>6.57%</b>	<b>11462.4</b>	<b>6.94%</b>	<b>12137.3</b>	<b>5.89%</b>	<b>25033.4</b>	<b>10.20%</b>

The following table sets forth our ten largest gross non-performing assets as of December 31, 2004. Together, these borrowers constitute 2.83% of our gross NPAs as of December 31, 2004.

	Gross NPA	Derecognized income	Provision	DICGC/ ECGC	Net NPA	Realizable value of collateral	Industry
(In Rs. Million)							
Borrower A .....	1286.7	0	0	0	1286.7	0	Telecom Equipment.
Borrower B .....	1013.40	0	95	0	918.40	193.9	Satellite Communication.
Borrower C .....	823.10	0	411.50	0	411.60		Animation & Media.
Borrower D .....	774.20	0	232.20	0	542.00		Ornaments.
Borrower E .....	702.60	0	597.50	0	105.10		Steel
Borrower F.....	589.10	0	0	0	589.10		Financial Services
Borrower G .....	552.40	0	0	0	552.40		Stock Broking
Borrower H.....	450	0	0	0	450	3341	Agro



Borrower I.....	385	0	384.90	0	0.10	Commodities
Borrower J.....	366.60		318.50	48	0.10	Information Technology
<b>Total .....</b>	<b>6943.10</b>	<b>0</b>	<b>2039.60</b>	<b>48</b>	<b>4855.50</b>	Diamond Trader

3491.70

### ***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.

	<b>Fiscal year</b>				<b>First nine months of fiscal year</b>	
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2004</b>	<b>2005</b>
	<b>(Rs. in billions)</b>					
<b>Interest in suspense.....</b>	9.53	11.28	12.03	12.57	12.61	12.87

## **FINANCIAL STATEMENTS**

1. Auditors Report dated March 10, 2005.
2. Unconsolidated Restated Financial Statements of Oriental Bank of Commerce as of and for the fiscal years 2000, 2001, 2002, 2003 and 2004 and the nine month period ended December 31, 2004 and notes thereto.

### **Annexure A**

- I: Summary Statement of Profit and Loss as Restated
- II: Summary Statement of Assets and Liabilities as Restated
- III: Statement of Cash Flow as Restated
- IV: Significant Accounting Policies as at 31st March, 2004
- V: Notes to Adjustments Carried Out
- VI: Adjustments not carried out in the statement of profit & loss and assets & liabilities
- VII: Material Notes on Accounts
- VIII: Related Party Transactions
- IX: Segment Reporting

### **Annexure B**

Statement of Dividends declared by the Bank

3. **Annexure C:** Summary of Accounting Ratios
4. **Annexure D:** Capitalization Statement
5. **Annexure E:** Statement of Tax Shelters
6. **Annexure F:** Statement of Borrowings

The Board of Directors  
Oriental Bank of Commerce,  
New Delhi

Dear Sirs,

We have been engaged to examine and report on the financial information of Oriental Bank of Commerce (the Bank), which has 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) on January 19, 2000, 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 Bank's management. This financial information is proposed to be included in the offer document of the Bank in connection with its proposed public offer 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, 2000, 2001, 2002, 2003 and 2004 which were audited and reported upon by the respective auditors, names of whom and the period of their audit are furnished below:

Year	Name of Auditors
1999-00	M/s M.R. Narain & Co., M/s Bhudladia & Co., M/s Jain Kapila Associates, M/s Om Agarwal & Co., M/s N.D. Kapur & Co., M/s Bansi Lal Shah & Co.
2000-01	M/s R.K Gurwala & Co., M/s Bansal Sinha & Co., M/s Jain Kapila Associates, M/s Om Agarwal & Co., M/s N.D. Kapur & Co., M/s Bansi Lal Shah & Co.
2001-02	M/s R.K Gurwala & Co., M/s Bansal Sinha & Co., M/s Jain Kapila Associates, M/s Om Agarwal & Co., M/s N.D. Kapur & Co., M/s Bhasin Raghavan & Co.
2002-03	M/s R.K Gurwala & Co., M/s Bansal Sinha & Co., M/s Jain Kapila Associates, M/s Om Agarwal & Co., M/s K.M. Agarwal & Co., M/s Bhasin Raghavan & Co.
2003-04	M/s R.K Gurwala & Co., M/s Bansal Sinha & Co., M/s Bhasin Raghavan & Co., M/s K.M. Agarwal & Co., M/s P.S.D. & Associates, M/s N.B. Shetty & Co.

b) The financial information of the Bank for the nine-months ended December 31, 2003 and December 31, 2004, was subject to a limited review by the

respective auditors, names of whom and the period of their review are furnished below:

Period	Name of Auditors
Nine months ended December 31, 2003	M/s R.K Gurwala & Co., M/s Bansal Sinha & Co., M/s K.M. Agarwal & Co., M/s Bhasin Raghavan & Co., M/s P.S.D. & Associates, M/s N.B. Shetty & Co.
Nine months ended December 31, 2004	M/s Bhasin Raghavan & Co., M/s K.M. Agarwal & Co., M/s P.S.D. & Associates, M/s N.B. Shetty & Co., M/s N. Sarkar & Co.

The reviewed financial information for the nine months ended December 31, 2004 (corresponding nine months ending December 31, 2003) incorporated the relevant returns of 20 (20) branches reviewed by the auditors and un-reviewed returns in respect of 1,115 (985) branches. In the conduct of above review, note was taken of the review reports in respect of the non-performing advances received from the concurrent auditors of 164 (151) branches. These review reports covered (i) 71% (71%) of the advances portfolio of the Bank excluding food credit and (ii) 82% (81%) of non-performing advances.

- c) The financial information of the Bank was last reviewed up to December 31, 2004. Since no financial information has been reviewed subsequent to December 31, 2004 till date, the said financial information of the Bank for the nine-months ended December 31, 2004 has been incorporated.
2. The audit of the financial statements for the periods referred to in paragraph 1(a) of this report comprised of 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.
3. The said review of the financial information for the periods referred to in paragraph 1(b) above consisted principally of applying analytical procedures to financial data and making enquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion on the financial statements as a whole. Accordingly, neither was an audit performed nor an opinion expressed.
4. 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 1999-2000 to 2003-2004 and un-audited financial information for the nine-months ended December 31, 2003 and December 31, 2004 as prepared by the Bank.

5. The Financial Information of the Bank for the nine months ended December 31, 2004, incorporates the assets and liabilities of the erstwhile Global Trust Bank Ltd., amalgamated with the Bank with effect from August 14, 2004. The assets and liabilities have been incorporated on the basis of a valuation of assets and determination of liabilities carried out by an independent firm of Chartered Accountants appointed by the Bank and **the excess of liabilities over assets taken over amounting to Rs. 12257 million has been shown as 'Other Assets'. Also, the Bank has shown Not Readily Realizable Assets of Rs. 4641 million as 'Advances' and the sum of Rs. 412 million being Income Tax paid against disputed demands treated as Not Readily Realizable by the independent auditors as 'Other Assets'. These remain un-provided for, and its consequential effects on the Financial Information have not been taken into account.**
6. We report that the profits of the Bank as restated for the above periods are as set out in Annexure A. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate, **except for the adjustments in respect of items referred in Para – 5 above**, and read with the accounting policies and notes furnished thereon.
7. We report that the assets and liabilities of the Bank as restated for the above periods are also set out in annexure A after making such adjustments and regroupings as in our opinion are appropriate **except for the adjustments in respect of items referred in Para – 5 above** and read with the accounting policies and notes furnished thereon.
8. Annexure A has been subdivided as under: -
  - a) Summary statement of Profit and Loss as restated.
  - b) Summary statement of Assets and Liabilities as restated.
  - c) Statement of Cash Flows as restated for the years 1999-2000, 2000-2001, 2001-2002, 2002-2003 and 2003-2004 and the nine-months ended December 31, 2003 and December 31, 2004.
  - d) Significant accounting policies as at March 31, 2004.
  - e) Notes on adjustments carried out.
  - f) Adjustments not carried out in the Statements of Profits and Losses and Assets and Liabilities.
  - g) Material notes on accounts.
  - h) Related party transactions for the year 2001-02, 2002-03 and 2003-04.
  - i) Segment reporting for the years 2002-03, 2003-04 and the nine-months ended December 31, 2003 and December 31, 2004. The Bank did not prepare segment reports for the years 1999-00, 2000-01 and 2001-02

since the relevant accounting standard was not mandatory for the years 1999-00 and 2000-01 and for the year 2001-02 compliance with the said standard was made optional by the Reserve Bank of India for public sector banks.

9. We report that the dividends (subject to deduction of tax at source, wherever applicable) declared by the Bank for the five financial years ended March 31, 2004 are as set out in Annexure B.

10. Further, we have examined the following financial information relating to the Bank, proposed to be included in the offer document, as prepared and approved by the Bank and annexed to this report.

- (i) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth, enclosed as Annexure C
  - (ii) Capitalization statement as at March 31, 2004 of the Bank, enclosed as Annexure D
  - (iii) Statement of tax shelters, enclosed as Annexure E
  - (iv) Statement of borrowings, enclosed as Annexure F
- 11 a) In our opinion, the financial information of the Bank as stated in Annexure A above, read with respective significant accounting policies, after making groupings and adjustments as were considered appropriate by us and **subject to non-adjustment of certain matters as stated in the said Annexure and more specifically referred to in Para - 5 above**, have been prepared in accordance with the SEBI Guidelines.

- b) In our opinion, the financial information as given in Annexures B to F have been properly extracted from the Bank's audited financial statements, un-audited financial information as prepared by the Bank for the nine-months ended December 31, 2003 and December 31, 2004 or have been correctly prepared from the financial information in Annexure A as applicable and **subject to non-adjustment of certain matters as stated in the said Annexure and more specifically referred to in Para - 5 above** in all cases are in accordance with the SEBI guidelines.

12. This report is intended solely for your information and for inclusion in the offer document in connection with the 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.

13. This report should neither in any way be construed as a re-issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

For Bhasin Raghavan & Co.  
Chartered Accountants

-----  
(Partner)  
Membership No.-----

For K.M. Agarwal & Co.  
Chartered Accountants

-----  
(Partner)  
Membership No.-----

For P.S.D. & Associates.

For N.B. Shetty & Co.  
Chartered Accountants

-----  
(Partner)  
Membership No.-----

For N. Sarkar & Co.  
Chartered Accountants

-----  
(Partner)  
Membership No.-----

For Kalyaniwalla & Mistry

Chartered Accountants

-----

(Partner)

Membership No.-----

Chartered Accountants

-----

(Partner)

Membership No. -----



**ANNEXURE A**

**I SUMMARY STATEMENT OF PROFIT AND LOSS AS RESTATED**

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review First Nine months of fiscal year	
	2000	2001	2002	2003	2004	2004	2005
<b>INCOME</b>							
Interest Earned	24770.4	27749.9	30490.3	33042.7	33005.4	24492.5	26285.2
Interest/discount on advance/bills	10106.5	12026.9	14158.8	15356.1	15911.8	11766.5	13161.7
Income on investments	13855.6	14576.2	15460.4	16126.2	16332.2	12107.4	12535.8
Interest on Balances with Reserve Bank of India and Inter-bank funds	789.4	940.1	808.4	884.3	709.8	589.7	524.8
Others	18.9	206.7	62.7	676.1	51.6	28.9	62.9
Other Income	2024	2514.6	4653.5	5313.9	7217.1	5548.9	3308.1
Commission, Exchange & Brokerage	956.4	959.9	1018.7	1062.8	1136	796	1148.5
Profit (loss) on sale of investment (net)	579.7	953.1	3105.8	3721.3	5042.2	4023.4	1307.7
Profit (loss) on revaluation of investment (net)	0	-100	-275	-258.5	-51.8	-39.7	-32.3
Profit on sale of Land, Building and other assets	1.2	5.6	1.2	0.9	4.6	0.6	0.9
Less:- Loss on sale of Land, Building and other assets	1.6	1.7	1.3	1	0.8	0.2	0.7
Profit (loss) on sale of land building & other assets	-0.4	3.9	-0.1	-0.1	3.8	0.4	0.2
Profit on exchange Transactions (Net)	339.2	382.9	389.3	470.4	590.4	388.9	617.7
Miscellaneous Income	149.1	314.8	414.8	318	496.5	379.9	266.3
<b>TOTAL INCOME</b>	<b>26794.4</b>	<b>30264.5</b>	<b>35143.8</b>	<b>38356.6</b>	<b>40222.5</b>	<b>30041.4</b>	<b>29593.3</b>

AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review First Nine months of fiscal year		
	2000	2001	2002	2003	2004	2004	2005
<b>EXPENDITURE</b>							
<b>Interest</b>	<b>17452.80</b>	<b>19680.90</b>	<b>20684.00</b>	<b>20899.40</b>	<b>18447.40</b>	<b>13862.80</b>	<b>14927.90</b>
<b>Expended</b>							
Interest on Deposits	17181.70	19368.90	20302.80	20320.40	17860.40	13398.40	14330.50
Interest on Reserve Bank of India / Inter Bank Borrowings	147.20	115.80	95.70	32.20	59.30	44.90	262.80
Others	123.90	196.20	285.50	546.80	527.70	419.50	334.60
<b>Operating Expenses</b>	<b>4282.40</b>	<b>5242.50</b>	<b>5288.90</b>	<b>5826.60</b>	<b>6444.80</b>	<b>4709.00</b>	<b>5773.40</b>
Payment to and Provision for employees (including VRS amount)	2313.70	3151.40	2884.50	3475.90	3664.00	2774.50	3010.40
Rent, Taxes and Lighting	552.10	573.00	667.90	669.60	698.80	522.70	657.70
Printing and Stationery	83.40	93.10	104.30	106.50	107.60	78.00	99.60
Advertisement and Publicity	20.40	19.70	21.50	50.00	86.60	68.70	56.30
Depreciation on Bank's Property	416.90	410.10	391.20	416.00	504.20	284.50	698.80
Director's Fees, allowances and Expenses	2.80	1.40	1.70	1.50	2.20	1.30	1.80
Auditor's Fees and Expenses (Including Branch Auditors)	28.10	30.30	42.80	46.10	72.90	46.60	6.60
Law Charges	32.90	32.50	54.40	54.50	51.80	34.30	50.30
Postage, Telegrams, Tele phones etc.	89.20	98.70	103.80	107.00	147.70	116.40	129.50
Repairs and Maintenance	47.10	36.40	43.00	56.80	69.30	57.20	101.40
Insurance	113.60	143.10	175.60	200.80	205.40	144.40	263.30
Other Expenditure	582.20	652.80	798.20	641.90	834.30	580.40	697.70
<b>Provisions and Contingencies</b>	<b>2273.00</b>	<b>3312.30</b>	<b>5965.40</b>	<b>7061.10</b>	<b>8469.60</b>	<b>6895.70</b>	<b>3660.90</b>
<b>TOTAL EXPENDITURE</b>	<b>24008.20</b>	<b>28235.70</b>	<b>31938.30</b>	<b>33787.10</b>	<b>33361.80</b>	<b>25467.50</b>	<b>24362.20</b>

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH					Limited Review Nine months of fiscal year	First
	2000	2001	2002	2003	2004	2004	2005
<b>PROFIT</b>							
<b>Net profit for the year/ period ended</b>	<b>2786.20</b>	<b>2028.80</b>	<b>3205.50</b>	<b>4569.50</b>	<b>6860.70</b>	<b>4573.90</b>	<b>5231.10</b>
Profit brought forward	6.50	10.20	5.90	6.60	2.70	2.70	7.30
<b>Profit available for appropriation</b>	<b>2792.70</b>	<b>2039.00</b>	<b>3211.40</b>	<b>4576.10</b>	<b>6863.40</b>	<b>4576.60</b>	<b>5238.40</b>
<b>APPROPRIATION</b>							
Transfer to Statutory Reserves	840.00	620.00	970.00	1380.00	1720.00	0.00	0.00
Transfer to Capital Reserves	0.00	1.90	0.00	0.00	0.00	0.00	0.00
Transfer to Revenue and other Reserves	1125.50	430.00	450.00	920.00	100.00	0.00	0.00
Investment Fluctuation Reserves	0.00	155.00	1050.00	1200.00	3850.00	0.00	0.00
Transfer to Staff Welfare Fund	69.00	83.60	60.90	96.00	100.00	0.00	0.00
Proposed Dividend	673.90	673.90	673.90	866.40	962.70	0.00	0.00
Tax on Dividend (incl. Surcharge)	74.10	68.70	0.00	111.00	123.40	0.00	0.00
Balance carried over to the Balance Sheet	10.20	5.90	6.60	2.70	7.30	4576.60	5238.40
<b>Total</b>	<b>2792.70</b>	<b>2039.00</b>	<b>3211.40</b>	<b>4576.10</b>	<b>6863.40</b>	<b>4576.60</b>	<b>5238.40</b>

AUDITED FINANCIAL YEAR ENDED 31 ST MARCH						Limited Review First Nine months of	
	2000	2001	2002	2003	2004	2004	2005
<b>Break-up of Provisions and contingencies</b>							
Provision towards Standard Advances	240.0	40.0	60.0	80.0	70.0	10.0	30.0
Provision towards Non Performing Advances	1274.8	907.0	1390.0	3280.1	889.5	406.2	808.4
Floating Provision towards Non Performing Advances	0.0	49.3	1780.0	904.6	2457.5	3231.4	313.0
Baddebts Written off	0.0	1583.7	0.0	49.8	0.0	10.6	10.4
Provision towards Non Performing Investment	0.0	244.7	39.4	10.0	0.0	8.6	130.3
Float Provision towards Investment	0.0	0.0	50.0	0.0	0.0	0.0	0.0
Provision for Depreciation on Investment (Written back)	0.0	(298.6)	157.2	(56.3)	(64.6)	6.1	1036.7
Provision made towards Income Tax	599.8	785.3	2487.8	2784.3	4593.8	2929.5	1148.4
Others Provisions including wealth Tax	158.4	0.9	1.0	8.6	523.4	293.3	183.7
<b>TOTAL</b>	<b>2273.0</b>	<b>3312.3</b>	<b>5965.4</b>	<b>7061.1</b>	<b>8469.6</b>	<b>6895.7</b>	<b>3660.9</b>

## II SUMMARY STATEMENT OF ASSETS AND LIABILITIES AS RESTATED

(Rs in Million)

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>ASSETS</b>							
<b>Cash and Balances with Reserve Bank of India</b>	<b>22749.20</b>	<b>20281.30</b>	<b>23510.40</b>	<b>18959.00</b>	<b>26335.20</b>	<b>16123.60</b>	<b>33502.10</b>
Cash in Hand (including foreign currency notes)	2286.5	2115.5	1990.1	2103.0	2097.0	2609.1	3071.2
Balances with Reserve bank of India in current Account	20462.7	18165.8	21520.3	16856.0	24238.2	13514.5	30430.9
Balances with Reserve bank of India in other Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances with banks and Money at Call and Short Notice</b>	<b>3580.9</b>	<b>6210.2</b>	<b>9806.8</b>	<b>6283.1</b>	<b>9668.5</b>	<b>6572.0</b>	<b>15112.2</b>
Balances with banks in current Accounts in India	1092.2	1171.5	1282.6	1252.8	1395.0	980.0	2223.7
Balances with banks in Other Accounts in India	530.3	882.6	3255.1	4431.5	7356.7	4481.6	6132.0
Money at call & Short Notice with banks in India	0.0	1450.0	0.0	0.0	0.0	0.0	6750.0
Money at call & Short Notice with Other Institutions in India	0.0	501.5	0.0	0.0	0.0	0.0	0.0
Balances in current Accounts outside India	28.0	93.4	1913.9	244.6	793.6	1084.0	6.5
Balances in other deposit Accounts outside India	1905.4	1912.5	3261.4	327.8	123.2	0.0	0.0
Money at call & short notice outside India	25.0	198.7	93.8	26.4	0.0	26.4	0.0

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>Investments</b>							
Investments in India in Government Securities	65637.5	73630.1	85515.6	101567.3	124512.6	127632.6	150239.8
Investments in India in Other Approved Securities	4716.4	4986.5	4979.5	4906.3	4590.4	4698.7	4491.4
Investments in India in Shares	2519.3	1590.7	1434.7	1334.6	1243.9	1212.9	4140.9
Investments in India in debentures and bonds	40685.5	39039.6	41829.7	37324.1	35458.5	36659.9	31192.6
Investments in India in Subsidiaries and /or Joint Ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in India in Others( Commercial paper, Indira Vikas Patras, Units of UTI & Mutual Funds)	2037.0	3737.8	3484.0	2833.0	2231.1	2081.1	1891.1
Less : provision for depreciation on Investments	0.0	(67.3)	(259.9)	(159.9)	(95.3)	(216.0)	(1315.2)
Investments Outside India	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL INVESTMENT</b>	<b>115595.7</b>	<b>122917.4</b>	<b>136983.6</b>	<b>147805.4</b>	<b>167941.2</b>	<b>172069.2</b>	<b>190640.6</b>
<b>Advances</b>							
Advances - In India	93255.3	110764.1	141578.7	156772.4	196807.6	174419.4	223835.1
Advances - Out Side India	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fixed Assets</b>							
Premises	650.3	615.6	623.4	619.1	636.8	630.9	1202.9
Other Fixed Assets ( including furniture & fixtures)	703.4	686.0	802.6	833.7	981.0	867.0	2633.4

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
<b>Other Assets</b>							
Interest Accrued	5120.2	4398.1	5172.4	5018.4	5212.8	5906.2	5685.0
Income Tax/ Tax deducted at source recoverable	2687.6	3069.0	2433.9	1973.0	949.8	1013.8	1395.5
Stationery and Stamps	5.4	6.3	6.0	7.0	8.0	3.8	10.6
Non- Banking Assets acquired in satisfaction of claims	3.5	3.5	3.5	11.8	11.8	11.8	1196.9
Deferred tax assets (Net)	0.0	0.0	0.0	50.0	0.0	50.0	237.4
Others*	1060.5	1705.5	1448.0	1543.4	1512.9	1548.4	15143.8
* includes non-interest bearing loans and advances to staff)	0.1	4.7	3.9	0.3	0.1	0.0	0.0
Total Other Assets	13811.8	16694.2	20296.6	16339.5	18981.6	16603.9	42617.7
<b>Total Assets(A)</b>	<b>245412.0</b>	<b>270657.0</b>	<b>322369.3</b>	<b>339876.3</b>	<b>410065.6</b>	<b>379216.1</b>	<b>490595.5</b>

	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
Deposits	220952.1	246804.3	284883.9	298090.9	356735	329294.7	426097.9
Demand Deposits from Banks	93.3	79.8	190.9	418.7	355.7	247.8	734.9
Demand Deposits from Others	18743.3	20616.1	22876.5	27025.6	30778.5	27396	39126.3
Saving Bank Deposits	36573.7	42486.2	48481.4	57624.6	70735.5	64633.5	86136.8
Term deposits from Banks	6808.9	5457.4	9287.7	9454.8	2995.1	3221.4	5126.3
Term deposits from Others	158732.9	178164.8	204047.4	203567.2	251870.2	233796	294973.6
Borrowings	5138.6	2272.9	6173.8	7660.1	7005	4564.7	7702.1
Borrowings in India							
Borrowings from Reserve Bank of India	1000	0	0	0	0	0	0
Borrowings from Other Banks	25.4	17.6	13	0.2	4	0	2222.2
Borrowings from other Institutions and Agencies	3981.5	1765.1	6160.7	5979.9	1267.8	875.1	785
Borrowings outside India	131.7	490.2	0.1	1680	5733.2	3689.6	4694.9
Other Liabilities and Provisions	5037.3	6093.2	15114.3	13031.9	19557.6	19689.4	24796.4
Bills Payable	1220.5	1369.8	2272	1591.2	2069.3	2927.9	4623.4
Inter-office adjustments (net)	870.9	1210.2	1181.2	1315.5	1715.1	453.7	1453.7
Interest accrued	683	700.8	704.9	892.7	850.6	966.3	1106.1
Unsecured redeemable bond (Subordinate debt for tier ii capital)	0	0	2000	4000	4000	4000	6756.4
Provision for Deferred Tax liability	0	0	1960	0	310	0	0
Others (including provisions)	2262.9	2812.4	6996.2	5232.5	10612.6	11341.5	10856.8
TOTAL (B)	231128	255170.4	306172	318782.9	383297.6	353548.8	458596.4
NET ASSETS (C=A-B)	14284	15486.6	16197.3	21093.4	26768	25667.3	31999.1
Share Capital	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4



	AS AT 31 ST MARCH					AS AT 31ST DEC.	
	2000	2001	2002	2003	2004	2003	2004
Reserves & Surplus	0	0	0	0	0	0	0
Statutory reserves	4750	5370	6340	7720	9440	7720	9440
Capital Reserves	271.4	273.3	273.3	273.3	273.3	273.3	273.3
Share premium	3227	3227	3227	3227	3227	3227	3227
Revenue & other Reserves	4100	4530	3220	5540	5640	5540	5640
Investment Fluctuation Reserve	0	155	1205	2405	6255	2405	6255
Balance in Profit & Loss Account	10.2	5.9	6.6	2.7	7.3	4576.6	5238.4
TOTAL- E	12358.6	13561.2	14271.9	19168	24842.6	23741.9	30073.7
TOTAL (D+E)	14284	15486.6	16197.3	21093.4	26768	25667.3	31999.1
CONTINGENT LIABILITIES							
Claims against the bank not ackno	1996.1	2588.6	1976.7	2797.2	1465.8	1680.8	3601.8
Liabilities of partly paid investment	0	0	0	0	0	0	0
Liability on account of forward exch	5985.1	5941.1	10198.8	10149.7	27105.7	16911.6	49421
Guarantees given on behalf of con	9492.2	10285.8	12485.1	14778.7	18439.8	17766.7	26842.6
Guarantees given on behalf of con	237.9	284.1	477.8	644.9	758.2	2650.1	646.6
Acceptances, endorsements and o	4055.2	4282.3	4644.4	4885.3	17464.2	6725.8	11604.6
Other items for which the bank is c	122.6	140.6	121.1	49.7	24.9	29.9	10.7
TOTAL - F	21889.1	23522.5	29903.9	33305.5	65258.6	45764.9	92127.3
Bills for Collection	9580.8	10052.9	13003.5	14138	10737.7	16876.8	31808.8

### III STATEMENT OF CASH FLOW AS RESTATED

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH			First Nine months of fiscal year	
	2002	2003	2004	2004	2005
Cash from Operating Activities					
Net Profit for the Period	3205.52	4569.49	6860.67	4573.91	5231.03
Add: Current Taxes	2291	3398.95	4235	2931.12	1150
Net profit Before Taxes	5496.52	7968.44	11095.67	7505.03	6381.03
Adjustments for:					
Depreciation on bank's property	391.15	415.99	504.19	284.48	698.78
Interest on Subordinate debts	0	194.53	337	254.18	253.9
Depreciation and Amortisation on Investments	246.67	-46.25	-64.63	14.64	1167.006
Provision for non performing assets	3170	4184.72	3347.05	3648.22	818.79
Provision towards Standard Assets	60	80	70	10	30
Non performing assets written off	0	49.79	0	0	0
Profit on sale of Land, Buildings and other assets	0.05	0.15	-3.79	-0.39	-0.24
Amortisation of expenses	168.57	163.6	163.59	122.7	122.7
provision for interest sacrifice	0	46.06	546.12	0	0
Other provisions	366.33	-42.13	-23.98	291.72	495.15
Transfer from Share Premum A/c	0	0	0	0	0
	4402.77	5046.46	4875.55	4625.55	3586.086

	AUDITED FINANCIAL YEAR ENDED 31 ST MARCH			First Nine months of	
	2002	2003	2004	2004	2005
Adjustments for:					
(Increase)/ Decrease in Investments *	-13998.88	-10775.58	-20071.1	-24278.42	-22699.47
(Increase)/ Decrease in Advances *	-30814.53	-20457.75	-40915.54	-17656.99	-27846.36
Increase/ (Decrease) in Deposits	38079.68	13206.93	58644.15	31203.83	69362.93
Increase/ (Decrease) in Borrowings	3900.85	1486.39	-655.21	-3095.52	697.13
(Increase)/ Decrease in Other assets *	-4565.71	220.54	989.42	-1012.27	-16542.27
Increase/ (Decrease) in Other liabilities & Provisions	5170.49	-2024.06	3580.37	3471.71	4198.28
Direct Taxes paid	-1655.9	-3435.1	-4367.5	-1859.64	-704.25
	-3884	-21778.63	-2795.41	-13227.3	6465.99
<b>EXTRA ORDINARY ITEM</b>					
Net Cash flow from operating activities (A)	6015.29	-8763.73	13175.81	-1096.72	16433.11
<b>Cash flow from Investing Activities</b>					
Purchase of Fixed Assets (net of sales)	-515.61	-442.97	-665.4	-329.2	-2917.03
Net cash used in investing activities (B)	-515.61	-442.97	-665.4	-329.2	-2917.03
<b>Cash flow from financing activities</b>					
Proceeds from issue of Subordinated Debt	2000	2000	0	0	0
Interest paid on Subordinate bonds	0	-194.53	-336.999	-254.18	-253.9
Payment of Dividend	-673.89	-673.89	-1411.86	-866.43	-651.63
Net cash generated from financing activity (C)	1326.11	1131.58	-1748.859	-1120.61	-905.53
Net Change in Cash or Cash Equivalent (A+B+C)	6825.79	-8075.12	10761.55	-2546.53	1261.55
Cash and Cash Equivalent as at commencement of the year	26491.46	33317.25	25242.13	25242.13	36003.68
Cash & Cash equivalent as at close of the year	33317.25	25242.13	36003.68	22695.6	48614.23

## **IV SIGNIFICANT ACCOUNTING POLICIES AS AT 31<sup>ST</sup> MARCH 2004**

### **1. GENERAL**

- a) The financial statements are prepared on Historical Cost basis and on the assumption of going concern concept and conform to the statutory provisions and practices prevailing in the country except otherwise stated.
- b) Revenue and Expenses have generally been accounted for on Accrual basis. However, Commission received / paid, Locker rent, Legal expenses for suit filed and recovery there against, Income on Non-performing Assets, Dividend on Investment, Interest on Overdue bills and on Tax refunds are accounted for on Cash basis.
- c) Interest on Overdue Deposits is accounted for at the time of renewal.
- d) Additional Liability of Lease rent is accounted for on renewal of lease / vacation of property.

### **2. FOREIGN EXCHANGE TRANSACTIONS**

- a) Monetary Assets and Liabilities are translated in Indian Rupees at the Exchange Rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India (FEDAI), except, Foreign Currency Deposits under various schemes, Foreign Currency Loans, Foreign Currency Investments and Foreign Currency Borrowings are stated at notional rates.
- b) Income and Expenditure items are accounted for at the exchange rates prevailing on the date of transaction except income on foreign currency investments and provision for Accrued Interest on FCNR (B) / EEFC / RFC Deposits are accounted for / made at Notional rates.
- c) Forward Exchange Contracts, Guarantees, Acceptances, Endorsements and Other obligations in foreign currency are translated at the Exchange Rates prevailing on the date of commitment.
- d) Gain / Loss on evaluation of outstanding forward exchange contracts as at the close of the year is taken to revenue as per FEDAI Guidelines.

### **3. INVESTMENTS**

#### **(A) Categories**

In accordance with Reserve Bank of India guidelines, Investment Portfolio of the Bank is classified into three categories i.e. (i) Held to Maturity, (ii) Held for Trading and (iii) Available for Sale, with sub-classification(basket) under each category viz. (i) Govt.

Securities (ii) Other approved securities (iii) Shares (iv) Debentures (v) Subsidiaries / Joint ventures and (vi) Others.

**(B) Basis of Categorisation**

**a) Held to Maturity**

Investments intended to be held till maturity.

**b) Held for Trading**

Investments principally held for resale within 90 days from the date of purchase.

**c) Available for Sale**

Investments not classified in a & b above.

**(C) Valuation**

**a) Held to Maturity:-** At Acquisition Cost subject to amortization of premium over the residual period of maturity.

**b) Held for Trading:-** At lower of Acquisition Cost or Market Price, net of Depreciation in each basket is provided for, while net appreciation, if any, is ignored.

**c) Available for Sale:-**

1	Government of India Securities	At lower of Acquisition cost or market price as per quotations put out by FIMMDA / PDAI.
2	State Development Loans/ other Approved Securities.	At lower of Acquisition cost or value at appropriate yield to maturity.
3	Treasury Bills and Commercial Papers	At lower of Acquisition cost or carrying cost
4	Equity Shares	(i) Quoted : At lower of Acquisition cost or market price (ii) Unquoted : At book Value if latest balance sheet is available (not more than one year old) or Re. 1/- per company.
5	Preference Shares	(i) Quoted : At lower of Acquisition cost or market price (ii) Unquoted : On appropriate yield to maturity.
6	Debentures	(i) Quoted : At lower of Acquisition cost or market price (ii) Unquoted : At lower of Acquisition cost or appropriate yield to maturity based on rating assigned by Rating Agencies.

7	Mutual Fund	(i) Quoted : At lower of Acquisition cost or market price (ii) Unquoted : At lower of Acquisition cost or repurchase price or Net Asset Value.
8	IVPs	At Acquisition Cost.

Net Depreciation in each basket is provided for, while net appreciation, if any, is ignored.

**(D)** Inter category transfers of Investments are accounted for at least of Acquisition cost/Book value/ Market value as on the date of transfer.

#### **(E) Investment Fluctuation Reserve**

Investment Fluctuation Reserve is created in accordance with Reserve Bank of India guidelines.

#### **(F) Others**

- a) Cost of acquisition is net of commission received from issuer.
- b) Broken period interest on purchase / sale of securities is treated as expenditure/income.
- c) Prudential norms on NPA Classification for Advances are applied on Investments, wherever applicable.
- d) Profit on sale of 'Held to Maturity' Securities is transferred to Capital Reserve Account.

### **4. ADVANCES/PROVISION/RECOVERIES**

- a. Advances are net of provision made for non-performing advances.
- b. As per prudential norms, general provision on standard advances is made @ 0.25% and shown under the head 'Other Liabilities'.
- c. Recoveries in Non-Performing Advances are appropriated first towards principal and thereafter towards recorded interest.

### **5. FIXED ASSETS / DEPRECIATION**

- a) Fixed Assets are stated at historical cost.
- b) Premises include cost of land in respect of certain properties where the same cannot be segregated.

- c) Fixtures and fittings in rented premises are treated as Temporary Erection.
- d) Depreciation on Fixed Assets, including the properties mentioned in (b) above, is provided on written down value method at the rates and in the manner prescribed in the Income Tax Rules 1962 except in respect of computers, on which depreciation is provided on straight line method @ 33.33%. Software expenditure incurred is charged to revenue.

## **6. STAFF RETIREMENT BENEFITS**

- a) The liability for gratuity and pension benefits to staff is calculated on accrual basis as per actuarial valuation and paid to the approved Trust of the Bank.
- b) Provision for Leave Encashment is made on the basis of actuarial valuation.
- c) Payment under Voluntary Retirement Scheme is amortized as per Reserve Bank of India guidelines.

## **7. INCOME TAX**

The provision for income tax for the year comprises of current tax liabilities. Deferred tax liabilities/assets is created in accordance with Accounting Standard – 22.

## **8. NET PROFIT**

The net profit is arrived at after accounting for the following “Provisions and Contingencies”;

- a) Provision for taxes on income and wealth tax in accordance with statutory requirements.
- b) Provision including floating provision for Non Performing Assets(Advances & Investment).
- c) Provision on Standard Assets as per Reserve Bank of India norms.
- d) Provision for depreciation on Investments.
- e) Bad debts written off
- f) Other usual and necessary provisions.

## **V. NOTES TO ADJUSTMENTS CARRIED OUT:**

- a) There was no adjustments carried out to the accounts for the financial year 2000, 2001, 2002, 2003, 2004 and nine month ended 31<sup>st</sup> December 2003, & 31<sup>st</sup> December 2004 by the auditors of the Bank.

## **VI. ADJUSTMENTS NOT CARRIED OUT IN THE STATEMENT OF PROFIT & LOSS AND ASSETS & LIABILITIES:**

### **A. *Accounting Policies***

1. During the five years ended March 31, 2004 and nine-months ended December 31, 2003 and 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, valuation of investments and depreciation on computers. 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 respective years are based on RBI guidelines prevailing in the respective years.
2. During the financial years 2001-02 and 2002-03, the Bank had changed the method of accounting for appropriation of recoveries towards principal vis-à-vis to interest in respect of restructured accounts. The effect of the same could not be quantified and adjusted.
3. During the financial year 2002-03, the Bank had changed the method of accounting for appropriation of recoveries towards principal vis-à-vis to interest in case of certain non performing advances classified as sub standard. The effect of the same could not be quantified and adjusted.
4. During the financial year 2000-01, the Bank had changed the method of accounting for leave encashment from cash to accrual basis, based on actuarial valuation. Since the actuarial valuation of earlier years was not available, the effect of the same could not be quantified and adjusted.
5. From the financial year 2001-02, the Bank had changed the method of accounting of broken period interest on purchase and sale of securities from capital outlay/ receipt to expenditure/ income. The effect of the same could not be quantified and adjusted.
6. Guarantees, acceptances, endorsements and other obligations in foreign currencies are translated at the exchange rates prevailing on the date of commitment, which is not in accordance with Accounting Standard 11 issued by the Institute of Chartered Accountants of India. The effect of the same could not be quantified and adjusted.



## **B. Auditors' Report**

1. Accounting of Foreign Exchange Transactions is as per Reserve Bank of India Guidelines and not in accordance with Accounting Standard (AS) -11 (Revised) Accounting for Effects of Changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India.
2. Balancing of Books, Confirmation, Reconciliation and Clearance of outstanding entries in certain accounts are subject to reconciliation.
3. During the financial Year 2003-2004 in case of some housing loans, interest during moratorium period, interest on delayed payment, insurance and inspection charges are not recovered, however considering the recoveries of due installments, the same have been classified as standard.
4. Classification of advances to and investments to IFCI amounting to Rs.3183 million as Standard assets based on the relaxation granted by RBI for applicability of income recognition, asset classification and provisioning norms for the financial years 2002-03 and 2003-04, and in view of the application made to RBI for the nine months ended December 31, 2004.
5. Non-verifiability of correctness of Restructured/Rescheduled accounts data and the adequacy of the provision thereon.
6. Reliance placed on the Asset Liability Management (ALM) data received from branches, which could not be verified.
7. Accounting of certain items of Income and Expenditure on cash basis being not in accordance with Accounting Standard (AS) – 9 Revenue Recognition issued by the Institute of Chartered Accountants of India
8. Non-Compliance of Accounting Standard (AS) – 17 Segment Reporting issued by the Institute of Chartered Accountants of India during the financial year 2001-02.
9. The Financial Information of the Bank for the nine months ended December 31, 2004, incorporates the assets and liabilities of the erstwhile Global Trust Bank Ltd., amalgamated with the Bank with effect from August 14, 2004. The assets and liabilities have been incorporated on the basis of a valuation of assets and determination of liabilities carried out by an independent firm of Chartered Accountants appointed by the Bank and **the excess of liabilities over assets taken over amounting to Rs. 12257 million has been shown as 'Other Assets'.** Also, the Bank has shown **Not Readily Realizable Assets of Rs. 4641 million as 'Advances'** and the sum of **Rs. 412 million being Income Tax paid against disputed demands treated as Not Readily Realizable by**

**the independent auditors as ‘Other Assets’. These remain un-provided for, and its consequential effects on the Financial Information have not been taken into account.**

**C. Amalgamation of Global Trust Bank Limited (appointed day i.e. August 14, 2004)**

The working results of the above Bank for the periods prior to the appointed day have not been adjusted in the Restated Financial Statements.

**D. Others**

1. *Provision for Income Tax for each of the five years has been adopted from the respective financial statements. The same have not been recast based on assessed liabilities, decisions received in subsequent periods and appellate orders, the effect of which has been given in the period in which the order is received.*
2. The Bank is in the process of identifying the impaired assets in accordance with Accounting Standard (AS) 28 Impairment of Assets issued by Institute of Chartered Accountants of India. No effect has been given in the accounts for adjustments required, if any.
3. The Bank has made an adhoc provision amounting to Rs. 500 million towards Wage Revision due from November 2002 onwards, in the financial information for the nine months ended December 31, 2004. The same has not been allocated to the respective periods in absence of reasonable estimates.

## **VII. MATERIAL NOTES ON ACCOUNTS**

### **YEAR ENDED March 31, 2000**

1. The excess of liabilities over assets in the case of amalgamation of the Punjab Co-operative Bank Limited (PCBL) amounting to Rs. 0.84 crore is shown under the head 'Other Assets'. The scheme of amalgamation will remain operative till 2010 and the bank expects to realize the said sum during the currency of amalgamation scheme from Advances of PCBL classified as Not Readily Realisable taken over at NIL value.

### **YEAR ENDED March 31, 2001**

1. 'Other Assets' – (Schedule II) includes the amount of disputed income tax/interest tax demand of Rs. 222.42 crores which has been adjusted by IT Department/paid by the bank, for which no provision is made based on Bank's own appeals on the same issues against additions/deductions made by the Assessing Officer.
2. The liability of the Bank for the year has been determined based on application received and accepted upto 31.3.2001 in line with RBI guidelines at Rs. 79.28 crores, which has been amortized equally over a period of five years. [The amount written off during the year (after taking into consideration the tax benefit relating to such expenditure) amounts to Rs. 15.85 crores. The balance of Rs. 63.43 crores is included in the Schedule No. II (Other Assets – Others).]

### **YEAR ENDED March 31, 2002**

1. As per the directions of Reserve Bank of India, in respect of amortization of excess cost of US-64 Scheme of UTI over the expected realization at par on 31.05.2003, the bank has amortized Rs. 20.37 crores being 50% of the total shortfall. The total cost under US 64-Scheme as on 31.03.2002 is Rs. 149.92 crores for which ultimate realization as on 31.05.2003 is expected to be Rs. 109.19 crores.
2. The Bank has made a floating provision of Rs. 178 crores during the financial year in respect of its Non-Performing Assets over and above the minimum prescribed by Reserve Bank of India with a view to build additional provision.
3. The Bank has made a floating provision of Rs. 5.00 crores in respect of its Investments.

### **YEAR ENDED March 31, 2003**

1. Debentures of Rs. 11.25 crores have been restructured under Corporate Debt Restructuring Scheme with an overdue interest of Rs. 1.77 crores.
2. In terms of Govt. of India guidelines, a sum of Rs. 198.57 crores, including accrued interest of Rs. 5.06 crores and overdue redemption of Rs. 0.50 crore, has been restructured. Out of the above, Rs. 30.66 crores was already lying in 'Held

to Maturity' category and the balance amount of Rs. 167.91 crores has been transferred to 'Held to Maturity' category from 'Available for Sale' category. RBI, vide its letter No. DBS.FID No. 1527/03.01.03/2002-03 dated 3.5.2003, has given exemption for the year from application of prudential/classification/provisioning norms in respect of these restructured investments, as such no effect has been given.

3. In terms of the guidelines issued by the Government of India, the Bank calculated the Pension liability as per the progressive calculation method. The total liability as per actuarial valuation was determined at Rs. 224.38 crores and the Bank has exercised the option to provide for the same equally in five years. Accordingly, Rs. 56.19 crores has been charged to the revenue of the year as per actuarial valuation.

### **YEAR ENDED March 31, 2004**

1. Registration/Execution of documents in respect of certain premises costing Rs. 30.15 crores (previous year Rs. 27.81 crores) is yet to be completed for which adequate steps have been initiated.
2. Investments (category under 'Held to Maturity') of Rs. 198.32 crores and Advance of Rs. 100.00 crores to IFCI have been considered Standard Assets in anticipation of relaxations sought from Reserve Bank of India regarding applicability of income recognition, asset classification and provisioning norms in respect thereon, as the relaxations were given by Reserve Bank of India in the previous year.
3. In compliance with Reserve Bank of India guidelines, the Bank has switched over to 90 days norms for identification of non-performing assets (both investments as well as advances). With a view to build additional provision towards non-performing advances, the Bank has made provision as per details given below:-

In respect of Sub-standard Advances	- 20%
In respect of Doubtful Advances	- 100%

Consequent to the above, the Bank has made an additional provision of Rs. 386.51 crores (previous year Rs. 361.00 crores) in respect of Sub-standard advances and Doubtful advances.

In order to cover entire net non-performing advances and to build additional provision, the Bank has also made a floating provision of Rs.197.01 crores (previous year Rs. 90.46 crores).

Provision towards Non-Performing Advances includes the above additional and floating provision aggregating to Rs. 683.52 crores (previous year Rs. 451.46

crores), which is besides the provision prescribed as per Reserve Bank of India guidelines.

Further, the Bank has also an additional provision of Rs. 39.20 crores (Previous year NIL) as shown as Other Liabilities.

4. The Bank has also made a provision of Rs. 56.55 crores (previous year NIL) in respect of sacrifice of future interest on Standard Restructured/Rescheduled Advances.

#### **NINE MONTHS ENDED December 31, 2004**

1. As per the scheme of amalgamation notified by the Government of India the erstwhile Global Trust Bank Ltd. (GTB) has been amalgamated with Oriental Bank of Commerce w.e.f. 14.08.2004. The above results include the figures of erstwhile GTB for the period ended 31.12.2004. This include net losses of erstwhile GTB of Rs. 69.11 crores from the date of merger i.e. from 14.08.2004 to 31.12.2004.
2. As per the scheme of amalgamation the valuation of Assets and the determination of Liabilities have been made by the Auditors nominated by the Reserve Bank of India and the assets are classified into Readily Realizable and Not Readily Realizable. The Not Readily Realizable assets have been fully provided for except in case o Not Readily Realizable (NRR) advances where the provision has been made as per Reserve Bank of India guidelines for prudential norms. This resulted in Not Readily Realizable advances of Rs. 464.10 crores. for which provision has not been made against the total Not Readily advances of Rs. 1285.26 crores.
3. The total accumulated loss of EGTB upto August 13, 2004, as determined by the auditors is Rs. 1493.00 crores. After adjustment of Capital and Reserves of erstwhile GTB of Rs. 267.28 crores, the net accumulated loss works out to Rs. 1225.72 crores as on 13.08.2004, the date of amalgamation. On an application made by the RBI under sub-section (1) of section 45 of the Banking Regulation Act, the Central Government had made under sub-section (2) of that section an order of moratorium in respect of EGTB. The Central Government vide a notification F.No. 15/2/2004-BOA [(i) and (ii)] dated August 13, 2004, sanctioned the Scheme of Amalgamation of GTB with our Bank. As per the notification, the aforesaid scheme came into effect on August 14, 2004. Further, in the Finance Bill, 2005, a new section i.e., Section 72AA has been inserted retrospectively in the I.T Act, 1961. This enables the accumulated loss and unabsorbed depreciation of GTB as that of the Bank, because of the notification of amalgamation coming into force as mentioned in the above paragraph. Consequently all the accumulated loss and unabsorbed depreciation of GTB shall be available for set off in the hands of the Bank.

## ADDITIONAL NOTES TO ACCOUNTS:

### 1. Exposure to Country Risk

The Bank's Net funded exposure in respect of the foreign exchange transactions with each country is within 2% of the total assets of the Bank, hence no provision and disclosure is required in terms of Reserve Bank of India guidelines.

### 2. Investments

(Rs. in crores)

		As on 31.3.2004	As on 31.3.2003
a)	i) Investments in India	16803.65	14796.54
	ii) Investments outside India	NIL	NIL
b)	Provision for Depreciation on Investments		
	Opening Balance	15.99	25.99
	Add : Provision made during the year	NIL	NIL
	Less : i) Write back (net excess provision)	6.46	5.63
	ii) Written off	NIL	4.37
	Closing Balance	9.53	15.99

c) In accordance with Reserve Bank of India guidelines and as stated in Accounting Policy No. 3 investment portfolio has been categorised as under:

(Rs. in crores)

SECURITY	POSITION AS ON 31.03.2004				POSITION AS ON 31.03.2003			
	HTM	HFT	AFS	TOTAL	HTM	HFT	AFS	TOTAL
Govt. Securities	1645.39	26.37	10779.49	12451.25	2237.17	--	7788.38	10025.55
Other Approved Securities	62.49	-	396.54	459.03	62.49	--	428.14	490.63
Shares	78.16	-	46.23	124.39	85.66	--	47.80	133.46
Debentures/Bonds	856.69	-	2689.17	3545.86	1063.28	--	2800.32	3863.60
Others- Commercial Paper, IVP, UTI, Mutual Funds etc.	25.60	-	197.52	223.12	135.00	--	148.30	283.30
<b>Total</b>	<b>2668.33</b>	<b>26.37</b>	<b>14108.95</b>	<b>16803.65</b>	<b>3583.60</b>	<b>--</b>	<b>11212.94</b>	<b>14796.54</b>

***HTM – Held to Maturity; HFT – Held for Trading; AFS – Available for Sale***

d) The following securities are exempted for calculation of 25% cap under ‘Held to Maturity’ category:

- i. Re-capitalisation Bonds/Special Bonds included in Govt. Securities.
- ii. Debentures & Bonds being in the nature of advances.

e) As per Reserve Bank of India guidelines, the excess of acquisition cost over the face value of securities held under the category ‘Held to Maturity’ is amortised over the residual life of securities. The amount amortised during the year is Rs. 5.18 crores (previous year Rs.25.84 crores).

f) Provision for depreciation on investments under ‘Available for Sale’ category as on 31.3.2004 is Rs. 9.53 crores (previous year Rs. 15.99 crores).

**g) Transactions made by the Bank under REPO/Reverse REPO**

Securities sold under REPO and purchased under Reverse Repo are under Liquidity Adjustment Facility of Reserve Bank of India. Therefore, the norms of uniform accounting would not apply as per RBI’s circular No. DBOD No. BP.BC.21.04.141/2003-04 dt. 02/03/2003.

**h) Investment Fluctuation Reserve**

Pursuant to Reserve Bank of India guidelines, the Bank has transferred Rs. 385.00 crores (previous year Rs. 120.00 crores) to Investment Fluctuation Reserve during the year. The amount in Investment Fluctuation Reserve of Rs.625.50 crores (previous years Rs. 240.50 crores) is 4.4% of book value of investments other than investments ‘Held to Maturity’, as on the end of the year.

**i) Investments**

Investments (categorized under ‘Held to Maturity’) of Rs. 198.32 crores and Advance of Rs. 100.00 crores to IFCI have been considered Standard Assets in anticipation of relaxations sought from Reserve Bank of India regarding applicability of income recognition, asset classification and provisioning norms in respect thereon, as the relaxations were given by Reserve Bank of India in the previous year.

**3. Information in respect of restructured/rescheduled advances and investments.**

**Corporate Accounts (CDR)**

In terms of Reserve Bank of India Circular No. B.P.B.C.15/21.01.114/2000-01 dated 23.8.2001, read with circular BP.BC:68:21.04.132:2002-03 dated 5.2.2003)

		<b><u>(Rs.in crores)</u></b>	
		2003-04	2002-03
i)	Standard Advances	50.91	59.42

ii)	Sub- Standard Advances	-	-
iii)	Doubtful Advances	7.12	-----
	Total Loans	58.03	59.42

### **Non-CDR Accounts**

#### **a) Loans to Industrial Units**

In terms of Reserve Bank of India circular DBOD.No.B.P.B.C.98.21.04.048. 2000-01 dated 30.3.2001

**(Rs.in crores)**

		2003-04	2002-03
a)	Standard Advances	132.21	43.18
b)	Sub- Standard Advances	2.52	180.70
c)	Doubtful Advances	37.73	-
	Total Loans	172.46	223.88

#### **b) Other Loans**

**(Rs.in crores)**

		2003-04	2002-03
a)	Standard Advances	0.45	NIL
b)	Sub- Standard Advances	NIL	NIL
c)	Doubtful Advances	NIL	NIL
	Total Loans	0.45	NIL
	<b>Aggregate of Restructured Advances</b>	<b>230.94</b>	<b>283.30</b>

The above includes certain advances considered secured/recoverable on the basis of valuers assessment of properties/assets and classified in accordance with Reserve Bank of India guidelines.

### **Investments**

**(Rs. in**

**crores)**

		As on 31.3.2004	As on 31.3.2003
a)	CDR Accounts Standard Investments	11.25	11.25
b)	Non-CDR Accounts Standard Investments	454.67	454.67

## **4 MATURITY PATTERN OF ASSETS & LIABILITIES AS ON 31.03.2004**

The classification of Assets & Liabilities into various time buckets is as under:-

### **DATA ON ALM – MATURITY PATTERN OF ASSETS AND LIABILITIES**

**(Rs.in crores)**



MATURITY PATTERN	LOANS & ADVANCES	INVESTMENTS	FOREIGN CURRENCY		DEPOSITS	BORROWINGS
			LIABILITIES	ASSETS		
1 – 14 Days	1378.22	111.08	99.66	137.10	2289.49	0.40
15 - 28 Days	857.04	51.71	92.05	66.67	1507.56	0.00
29 Days To 3 Months	1377.15	316.43	227.05	358.65	4401.95	0.03
Over 3 Months To 6 Months	1239.37	338.71	92.98	255.21	5520.25	58.39
Over 6 Months To 1 Year	1826.51	275.80	308.68	58.22	7157.66	10.23
Over 1 Year To 3 Years	3195.28	1824.81	146.83	Nil	8313.45	56.46
Over 3 Years To 5 Years	6639.24	2258.65	Nil	Nil	5836.17	0.46
Over 5 Years	4099.49	11626.46	Nil	Nil	646.97	1.21
<b>TOTAL</b>	<b>20612.30</b>	<b>16803.65</b>	<b>967.25</b>	<b>875.85</b>	<b>35673.50</b>	<b>127.18</b>

The Bank has liquid funds in the shape of excess SLR Securities (Rs. 3568.57 crore) to meet any eventuality in any time buckets.

#### DETAILS OF FOREIGN CURRENCY ASSETS/LIABILITIES IN FOREIGN CURRENCY

(Foreign currency in million and Indian rupees in crores)

LIABILITIES	1-14 Days	15-28 Days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year	Total F.C	Equivalent Indian Rs.
USD	18.96	20.66	50.77	20.22	66.61	26.07	203.29	894.47
GBP	1.52	0.15	0.42	0.50	1.87	3.38	7.84	57.23
EURO	1.03	0.01	0.12	0.07	0.39	1.49	3.11	15.55
Total								967.25

ASSETS	1-14 Days	15-28 Days	29 days to 3 months	Over 3 months To 6 months	Over 6 months To 1 year	Above 1 Year	Total F.C	Equivalent Indian Rs.
USD	29.82	14.97	80.17	57.81	13.23	--	196	862.40
GBP								
EURO	1.18	0.16	1.18	0.17	--	--	2.69	13.45
<b>TOTAL</b>							<b>875.85</b>	

*NOTIONAL RATES FOR: USD @44, GBP @73, EURO @50,*

#### 4. Additional Disclosures In terms of Reserve Bank of India guidelines:

		31.3.2004	31.3.2003
i.	<b>Shareholding of Govt. of India</b>	66.5%	66.5%
ii.	<b>Net NPA to Net Advances</b>	NIL	1.4%
(Rs. in crores)			
		2003-04	2002-03
iii.	<b>Break up of Provisions and contingencies appearing in Profit &amp; Loss Account</b>		
	a) Provision made towards Standard Advances		
	b) Provision towards Non Performing Advances	7.00	8.00
	c) Floating provision towards Non-Performing Advances	88.95	328.01
	d) Provision towards Non-Performing Investments	245.75	90.46
	e) Float provision towards Investments		
	f) Provision for depreciation on Investments	NIL	1.00

	(Net of write back of credit balance)		
	g) Bad debts written off	NIL	NIL
	h) Provision made towards Income Tax and Wealth Tax for the year (including Deferred Tax)	NIL	NIL
	i) Other Provision and contingencies		
	<b>Total</b>	NIL	4.98
	<b>Less - Excess Provision for depreciation on Investments written back</b>	459.52	278.56
	<b>Total</b>	52.20	0.73
	<b>Grand Total</b>	<b>853.42</b>	<b>711.74</b>
		6.46	5.63
		<b>6.46</b>	<b>5.63</b>
		<b>846.96</b>	<b>706.11</b>
iv.	<b>Tier-II Capital</b> Amount of Subordinated Debts raised by way of Non-convertible Redeemable Bonds	NIL	200.00

**(v). BUSINESS RATIOS -**

(a).

		<b>2003-04</b>	<b>2002-03</b>
i)	<b>Interest Income as a percentage to average working funds</b>	8.9%	10%
ii)	<b>Non-interest Income as a percentage to average working funds</b>	1.9%	1.6%
iii)	<b>Operating Profits as a percentage to average working funds</b>	4.1%	3.5%
iv)	<b>Return on Assets</b>	1.7%	1.3%
v)	<b>Business (deposits + advances) per employee (Rs. in lacs)</b>	416	343
vi)	<b>Profit per employee (Rs. in lacs)</b>	5.1	3.4

(b) **Capital to Risk Weighted Assets Ratio (CRAR) assessed in terms of Reserve Bank of India guidelines are as follows:**

		<b>2003-04</b>	<b>2002-03</b>
i)	Capital Adequacy Ratio – Tier I+Tier II	14.47%	14.04%
ii)	Capital Adequacy Ratio – Tier I Capital	9.87%	10.72%
iii)	Capital Adequacy Ratio – Tier II Capital	4.60%	3.32%

## 6. MOVEMENT IN NON – PERFORMING ASSETS AND PROVISIONS

### A) NON-PERFORMING ADVANCES (NPA)

#### i) Gross/Net

(Rs. in crores)

	As on 31.3.2004		As on 31.3.2003	
	Gross NPA	Net NPA	Gross NPA	Net NPA
Opening Balance	1146.25	225.28	951.79	453.80
Addition during the year	527.10	527.10	630.28	630.28
Reduction during the year	462.44	752.38	435.82	858.80
Closing Balance	1210.91*	NIL	1146.25	225.28

\*Net of DICGC/ECGC.

Net NPA is arrived at after considering floating provision Rs. 297.01 (previous year Rs. 90.46 crore).

#### ii) **Provision for Non-Performing Advances (Excluding provision in respect of Standard Advances)**

(Rs. in crores)

	2003-04	2002-03
Opening Balance	916.46	497.99
Add – Provision made during the year	294.45	418.47
Less – Write back of Excess provision	NIL	NIL NIL
Closing Balance	1210.91	916.46

#### iii) **90 days Norms/Additional Provision/Zero Net Non-Performing Advances**

In compliance with Reserve Bank of India guidelines, the Bank has switched over to 90 days norms for identification of non-performing assets (both investments as well as advances). With a view to build additional provision towards non-performing advances, the Bank has made provision as per details given below.

In respect of Sub-standard Advances	- 20%
In respect of Doubtful Advances	- 100%

Consequent to the above, the Bank has made an additional provision of Rs. 386.51 crores (previous year Rs.361.00 crores) in respect of Sub-standard advances and Doubtful advances.

In order to cover entire net non-performing advances and to build additional provision, the Bank has also made a floating provision of Rs. 297.01 crores (previous year Rs. 90.46 crores).

Provision towards Non Performing Advances includes the above additional and floating provision aggregating to Rs. 683.52 crores (previous year Rs. 451.46 crores), which is besides the provision prescribed as per Reserve Bank of India guidelines.

Further, the Bank has also made an additional provision of Rs. 39.20 crores (Previous year NIL) and shown as Other Liabilities.

iv) The Bank has also made a provision of Rs. 56.55 crores (previous year NIL) in respect of sacrifice of future interest on Standard Restructured/Rescheduled Advances.

**B) Movement in Investments**

**NON-PERFORMING INVESTMENTS(NPI)**

**(Rs.in crores)**

	<u>2003-04</u>	<u>2002-03</u>
Opening Balance	55.88	46.93
Addition	2.70	9.12
Reduction	11.20	0.17
Closing Balance	47.38	55.88

**7. Investment in Shares etc.**

**(Rs. in crores)**

	As on 31.3.2004	As on 31.3.2003
a) Investment in Equity Shares	46.23	47.80
b) Investment in Convertible Bonds and Debentures	--	--
c) Units of Equity Oriented Mutual Funds	135.61	118.57
<b>Total</b>	<b>181.84</b>	<b>166.37</b>

**8 Exposure to Sensitive Sectors**

**(Rs. in crores)**

	As on 31.3.2004	As on 31.3.2003
a) Advances to Capital Market Sector	38.32	94.01
b) Advances to Real Estate Sector	1298.63	958.30
c) Advances to Commodities Sector	434.16	258.85
<b>Total</b>	<b>1771.11</b>	<b>1311.16</b>

**RELATED PARTY TRANSACTIONS:****A. Key Management Personnel :**

- i) Shri B.D. Narang                      Chairman & Managing Director
- ii) Shri V.K. Chopra                      Executive Director (Upto July18, 2003)

<b>Item</b>	<b>Amount (Rs. in million) (2001-02)</b>	<b>Amount (Rs. in million) (2002-03)</b>	<b>Amount (Rs. in million) (2003-04)</b>
Remuneration	0.97	1.04	0.61

**B. Name of associates: NIL**

## VIII. Segment Reporting:

### 1. For the year ended 31<sup>st</sup> March:

Business Segment	Banking Operation		Treasury Operation		Total	
	31.03.03	31.03.04	31.03.03	31.03.04	31.03.03	31.03.04
Revenue	3353.44	3262.08	1959.9	2122.54	5313.34	5384.62
Inter Segment Revenue	-1477.68	-1362.37			-1477.68	-1362.37
Results (Operating Profit)	681.47	773.33	481.59	759.7	1163.06	1533.03
Unallocated Provisions					0	0
Provisions & Contingencies	426.55	387.43	1.0		427.55	387.43
Net Profit (Before Tax)	254.92	385.90	480.59	759.7	735.51	1145.6
Taxes					278.56	459.53
Profit (After Tax)					456.95	686.07
Segment Assets	18626.54	23706.06	15158.79	17205.52	33785.33	40911.58
Unallocated Corporate Assets					202.3	94.98
Total Assets					33987.63	41006.56
Segment Liabilities	16910.89	21568.51	14967.4	16730.25	31878.29	38298.76
Unallocated Corporate Liabilities					0	31.0
Capital & Reserves					2109.34	2676.8
Total Liabilities					33987.63	41006.56

### B) For the period ended 31<sup>st</sup> December:

Business Segment	Banking Operation		Treasury Operations		Total	
	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04
Revenue	2501.84	2611.55	1602.1	1375.24	4103.94	3986.79
Inter Segment Revenue	-1099.8	-1027.46			-1099.8	-1027.46
Results (Operating Profit)	645.04	542.96	501.92	346.24	1146.96	889.2
Unallocated Provisions					0	0
Provisions & Contingencies	394.99	134.39	1.47	116.7	396.46	251.09
Net Profit (Before Tax)	250.05	408.57	500.45	229.54	750.5	638.11
Taxes					293.11	115.0
Profit (After Tax)					457.39	523.11
Segment Assets	20178.69	28803.74	17636.54	20079.51	37815.23	48883.25
Unallocated Corporate Assets					106.1	176.3
Total Assets					37921.33	49059.55
Segment Liabilities	18494.29	26217.46	17317.7	20165.29	35811.99	46382.75
Capital & Reserves					2109.34	2676.8
Total Liabilities					37921.33	49059.55

**ANNEXURE B****STATEMENT OF DIVIDEND DECLARED BY THE BANK**

Year Ended	Equity Capital	No. of shares	Rate of Dividend	Amount of Dividend Rs in Million
	(Rs. in million)	(In million)	(%)	(Rs. in Million)
31.03.2000	1925.40	192.5397	35	673.89
31.03.2001	1925.40	192.5397	35	673.89
31.03.2002	1925.40	192.5397	35	673.89
31.03.2003	1925.40	192.5397	45	866.43
31.03.2004	1925.40	192.5397	50	962.70

# ANNEXURE C SUMMARY OF ACCOUNTING RATIO:

(All values are terms of Rs. in million except otherwise stated)

S.No.	Particulars	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04	31.12.03	31.12.04	
1	<b>EARNING PER SHARE</b>								
	Profit after tax	2786.2	2028.8	3205.5	4569.5	6860.7	4573.9	5231.1	
	Weighted average number of equity shares (no.)	192539700	192539700	192539700	192539700	192539700	192539700	192539700	
	<b>Earning per share (In Rs.)</b>	<b>14.47</b>	<b>10.54</b>	<b>16.65</b>	<b>23.73</b>	<b>35.63</b>	<b>23.76</b>	<b>27.17</b>	\$
2	<b>NET ASSET VALUE</b>								
	Share Capital	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4	1925.4	
	Total Reserves and Surplus	12358.6	13561.2	14271.9	19168.0	24842.6	19168.0	24842.6	
	Profit for 9 month period	0.0	0.0	0.0	0.0	0.0	4573.9	5231.1	
	Less : Intangible Assets	0.0	0.0	0.0	0.0	0.0	0.0	(12257.2)	
	Less : Deferred Tax Assets	0.0	0.0	0.0	(50.0)	0.0	(50.0)	(237.4)	
	<b>Net Asset Value</b>	<b>14284.0</b>	<b>15486.6</b>	<b>16197.3</b>	<b>21043.4</b>	<b>26768.0</b>	<b>25617.3</b>	<b>19504.5</b>	
3	<b>RETURN ON NET WORTH %</b>	<b>19.51</b>	<b>13.10</b>	<b>19.79</b>	<b>21.71</b>	<b>25.63</b>	<b>17.85</b>	<b>26.82</b>	\$ @

\$ Nine months ending figures not annualised

@ As per the guidelines of the Reserve Bank of India, unamortised expenditure on voluntary retirement scheme is not to be subtracted while computing Capital Adequacy (Tier - I Capital). Similar principle has been applied while calculating Net Assets Value / Net Worth.



**KEY FINANCIAL RATIOS DURING THE PERIOD ARE AS UNDER:**

S.No.	Particulars	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04	31.12.03**	31.12.04**
1	Net NPA to Net Advance Ratio (%)	3.8	3.6	3.2	1.4	0	0	1.7
2	Interest Income/ Working Fund (%)	11	10.65	10.39	10.04	8.84	6.76	5.64
3	Non Interest Income/ Working Fund (%)	0.9	0.97	1.59	1.61	1.93	1.53	0.71
4	Return on Assets (%) *	1.14	0.75	0.99	1.34	1.67	1.21	1.09
5	Operating Profit/ Working Funds (%)	2.25	2.05	3.13	3.53	4.11	3.17	1.91
6	Business per Employee(Rs in million)	21.82	26.32	31.38	33.68	40.7	36.92	47.5
7	Net Profit per Employee (Rs. million)	0.19	0.15	0.24	0.34	0.5	0.34	0.38
8	Capital Adequacy Ratio (%)	12.72	11.81	10.99	14.04	14.47	14.59	9.43
	- Tier I (%)	12.54	11.45	8.89	10.72	9.87	11.74	5.7
	- Tier II (%)	0.18	0.36	2.1	3.32	4.6	2.85	3.73

\* Deficit representing excess of liabilities over assets of Rs. 12257.20 million relates to eGlobal Trust Bank Limited included in the other assets is reduced from the total assets while arriving at the return on net worth ratio.  
Unaudited and not annualised

**OTHER KEY RATIO:**

S.No	Particulars	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04	31.12.03**	31.12.04**
1	<b>Credit/ Deposit Ratio (%) (net)</b>	42.21	44.88	49.70	52.59	55.17	52.97	52.53
2	<b>Interest spread/ Average working fund (%)</b>	3.25	3.10	3.34	3.69	3.90	2.94	2.44
3	<b>Gross profit/ Average working fund (%)</b>	2.25	2.05	3.13	3.53	4.11	3.17	1.91
4	<b>Operating exp./ Average working fund (%)</b>	1.90	2.01	1.80	1.77	1.73	1.30	1.24
5	<b>Return on Average Net Worth (%)</b>	20.95	13.63	20.23	24.54	28.70	20.30	23.19
6	<b>Yield on Advances (%)</b>	12.56	12.21	11.6	10.61	9.35	7.15	5.99
7	<b>Yield on Investment (%)</b>	13.00	11.93	11.61	10.50	9.69	7.17	6.67
8	<b>Cost of Deposits (%)</b>	8.80	8.43	7.86	7.05	5.69	4.40	3.69
9	<b>Cost of Borrowings (%)</b>	10.72	10.1	10.95	6.53	5.86	4.74	4.52
10	<b>Gross Profit per Employee (Rs. million)</b>	0.35	0.39	0.67	0.86	1.13	0.84	0.65
11	<b>Business per Branch (Rs. million)</b>	343.40	383.66	441.02	459.92	546.44	501.21	572.63
12	<b>Gross Profit per Branch (Rs. million)</b>	5.53	5.73	9.48	11.76	15.13	11.41	7.83

**\*\* Unaudited and not annualised.**

**Definitions of key ratios:-**

Credit/Deposit Ratio  
Average working funds (AWF)  
Interest spread/AWF (%)  
Gross Profit/ AWF (%)  
Net Profit/ AWF (%)  
Operating Expenses/ AWF (%)  
Cost of Deposit (%)  
Yield on Investment (%)  
Yield on Advances (%)  
Return on Average Net Worth (%)  
Business per employee  
Gross Profit per employee  
Business per branch  
Gross Profit per branch  
Cost of Borrowing (%)

Net Advances/ Total Deposits  
Total average of monthly total assets as per form X  
Net Interest earned/ AWF  
Profit prior to provisions and contingencies/ AWF  
Net Profit/ AWF  
Non interest expenditure/ AWF  
Interest expended/ Average Deposit on fortnightly basis  
Income earned on Investments/ Average Investment  
Interest earned/ Average Advances on fortnightly basis  
Net Profit/ Average of opening & closing net worths  
(Total Deposits + Net Advances)/ Employees strength  
Profit prior to provisions and contingencies/ Employees  
(Total Deposits + Net Advances)/ No. of Branches  
Profit prior to provisions and contingencies/ No. of Branches  
Interest on borrowings/ Average borrowings

## ANNEXURE D

### CAPITALISATION STATEMENT

Particulars	Rs. in millions As on 31st March 2004
<b>Loan Funds</b>	
Long Term	6781.3
Short Term	4223.7
<b>Total Debts</b>	11005.0
<b>Shareholders' Fund</b>	
Share Capital	1925.4
Reserve & Surplus	24842.6
<b>Total Equity</b>	26768.0
Long term debt/ Equity Ratio	0.25

**Notes:**

1. Deposit outstanding as on 31st March 2004 of Rs. 356735.02 millions not considered for computing loans funds.
2. As per guidelines of Reserve Bank of India, unamortised expenditure on voluntary retirement scheme (VRS) is not to be subtracted while Computing Capital adequacy (Tier I Capital) similar principle is applied while calculating shareholders funds.
3. Post issue long term debts to equity ratio cannot be determined pending completion of book building process.
4. Loans repayable within a period of one year has been treated as short term funds.

## ANNEXURE E

### STATEMENT OF TAX SHELTERS:

	(Rs. in millions)						
	2000	2001	2002	2003	2004	Dec'03	Dec'04
TAX RATE (%)	38.50%	39.55%	35.70%	36.75%	35.88%	35.88%	36.59%
CAPITAL GAINS				21.00%			
u/s115BBB				10.50%			
Tax at actual rate on profit	1303.61	1112.99	2032.5	2702.53	4109.31	2691.86	2334.39
Adjustments							
PERMANENT DIFFERENCE							
I. Interest on Tax Free Bonds	-964.94	-1016.71	-938.78	-844.79	-648.17	-426.7	-369.03
II. Dividends (Exempt from Tax)	-318.27	-326.31	-375.14	-95.81	-222.46	-130.2	-91.38
III. Interest income from infrastructure project	-6.55	-54.54	-114	-156.17	-138.36	-105	-22.5
IV. Long term capital gains	0	0	0	-27.11	-203.33	0	0
V. Dividend income taxable as per Sec115BBB	0	0	0	-16.06	0	0	0
VI. Others	-114.05	-250.32	-34.52	-2584.09	-1642.35	0	-5152.5
Total A	-1403.81	-1647.88	-1462.44	-3724.03	-2854.67	-661.9	-5635.41
TIMING DIFFERENCE							
I. Difference between Book Depreciation & Tax Depreciation	-0.16	18.44	-21.1	-24.91	-14.75	11.25	11.5
II. Provision for bad & doubtful debts/ written off accounts/other provisions	1103.23	760.98	2469.48	5351.43	3062.07	3559.98	2195.14
III. Interest accrued but not due on investments	-1590.6	765.68	-540.06	-172.81	-256.66	-804.91	-87.47
IV Amortisation of premium paid on securities	0	99.99	275.03	258.47	51.82	39.69	32.32
V. Others	-705.68	-191.05	-158.02	67.85	230.56	60	125.97
Total B	-1193.21	1454.04	2025.33	5480.03	3073.04	2866.01	2277.46

	(Rs. in millions)						
	2000	2001	2002	2003	2004	Dec'03	Dec'04
NET ADJUSTMENTS (A+B)	-2597.02	-193.84	562.89	1756	218.37	2204.11	-3357.95
Permanent difference - LTCG (Rate difference)	0	0	0	17.03	0	0	0
Permanent difference - 115BBB (Rate difference)	0	0	0	16.06	0	0	0
Tax saving thereon(Normal)	-999.85	-76.66	200.94	645.33	78.33	790.73	-1228.75
TAX SAVINGS - LTCG	0	0	0	3.58	0	0	0
TAX SAVINGS 115BBB	0	0	0	1.69	0	0	0
Total Taxation- current year	303.76	1036.33	2233.44	3353.13	4187.64	3482.59	1105.64
(Tax relating to previous year)/excess provision	296.02	-251.04	54.32	41.19	46.21	-553.06	42.76
Deffered Tax (Net)	0	0	200	-610	360	0	0
Debited(net) to provisions & contingencies as per profit and loss account before restatement	599.78	785.29	2487.76	2784.32	4593.85	2929.52	1148.4
Impact of adjustments	0	0	0	0	0	0	0
Adjusted amount debited to profit and loss a/c	599.78	785.29	2487.76	2784.32	4593.85	2929.52	1148.4

## ANNEXURE F

### STATEMENT OF BORROWINGS:

PARTICULARS	Financial Year Ended 31st March					Nine Month Ended***	
	31.03.00	31.03.01	31.03.02	31.03.03	31.03.04	31.12.03	31.12.04
Reserve Bank of India	1000	0	0	0	0	0	0
Other Banks	25.41	17.65	13.02	0.25	3.99	0.01	2222.17
IDBI Refinance	0.33	0	0	0	0	0	0
SIDBI Refinance	3648.91	1056.08	5011.04	5006.86	504.25	5.03	23.63
NABARD Refinance	332.16	708.89	1149.47	946.48	739.09	844.48	738.04
NHB Refinance	0.18	0.15	0.13	26.59	24.44	25.52	23.37
Borrowings Outside India	131.66	490.16	0.13	1680	5733.2	3689.62	4694.89
Tier II Bonds	0	0	2000	4000	4000	4000	6756.4
TOTAL	5138.65	2272.93	8173.79	11660.18	11004.97	8564.66	14458.50

## **CHANGES IN ACCOUNTING POLICIES IN LAST FIVE YEARS**

1. During the five years ended March 31, 2004 and nine-months ended December 31, 2003 and 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, valuation of investments and depreciation on computers. 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 respective years are based on RBI guidelines prevailing in the respective years.
2. During the financial years 2001-02 and 2002-03, the Bank had changed the method of accounting for appropriation of recoveries towards principal vis-à-vis in respect of restructured accounts. The effect of the same could not be quantified and adjusted.
3. During the financial year 2002-03, the Bank had changed the method of accounting for appropriation of recoveries towards principal vis-à-vis to interest in case of certain non performing advances classified as sub standard. The effect of the same could not be quantified and adjusted.
4. During the financial year 2000-01, the Bank had changed the method of accounting for leave encashment from cash to accrual basis, based on actuarial valuation. Since the actuarial valuation of earlier years was not available, the effect of the same could not be quantified and adjusted.
5. From the financial year 2001-02, the Bank had changed the method of accounting of broken period interest on purchase and sale of securities from capital outlay/ receipt to expenditure/ income. The effect of the same could not be quantified and adjusted

## 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 [●] and the section titled "Selected Statistical Information" beginning on page [●], which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page [●], 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 unconsolidated financial statements, which have been prepared in accordance with Indian GAAP and the RBI guidelines. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI and other sources.*

*Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year. The nine months ended December 31, 2003 and 2004 are referred to herein as the first nine months of fiscal 2004 and the first nine months of fiscal 2005, respectively. The ratios described below for the nine-month periods have been presented on an annualized basis.*

### Introduction

#### **Overview**

We are a leading public sector bank in India with over 8 million customers and 1,121 branches (excluding service branches). We started our operations in 1944 as a regional bank in Northern India 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 fiscal 2002 and 2004, our total income grew at a compounded annual rate of 4.6 % and our total assets, total deposits and total advances grew at a compounded annual growth rate of 8.35%, 7.78% and 11.60%, respectively.

Our banking operations for corporate and commercial customers include a range of products and services for large corporate customers as well as for small and middle market 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 manage our funds effectively, ensure maintenance of required regulatory reserves and maximize profits from our trading portfolio by taking advantage of market opportunities.

*Amalgamation with Global Trust Bank*

GTB was amalgamated with us with effect from August 14, 2004. As per the Scheme of Amalgamation, all of GTB's assets and liabilities were transferred to us and it ceased to exist as legal entity. Please refer to the summary of the Scheme of Amalgamation under Section –“About The Issuer Company” beginning on page [•]. Our financial statements for the first nine months of fiscal 2005 include the operations of the former GTB business (referred to as “EGTB”) from August 14, 2004.

Although our merger with EGTB offered us strategic benefits, EGTB was a troubled bank on which the RBI had imposed a moratorium. EGTB had suffered from a high level of non-performing assets, inadequate capital for growth of its business, poor corporate governance with a lack of transparency, poor risk management systems and severe liquidity constraints. As of August 13, 2004, EGTB had Rs. 13,607 million of gross non-performing assets and had net non-performing assets as a percentage of its net advances of 30.67%. In addition, as of August 13, 2004, EGTB had a negative net worth of Rs. 8,102 million, a negative capital adequacy ratio and a cumulative loss of Rs. 10,775 million. We have integrated the business of EGTB into our operations. We are actively addressing the EGTB's weaknesses and are working to leverage the strategic benefits we have identified. However, as of December 31, 2004, our acquisition of EGTB has adversely affected our results of operations and financial condition by, among other things, increasing our non-performing assets, lowering our net interest margin, reducing our capital adequacy ratio and reducing our operating profit. In addition, as of December 31, 2004, EGTB had accumulated losses of Rs. 12257 million, which if fully accounted for, would have reduced our net worth as of December 31, 2004 by that amount.

On an application made by the RBI under sub-section (1) of section 45 of the Banking Regulation Act, the Central Government had made under sub-section (2) of that section an order of moratorium in respect of EGTB.

The Central Government vide a notification F.No. 15/2/2004-BOA [(i) and (ii)] dated August 13, 2004, sanctioned the Scheme of Amalgamation of GTB with our Bank. As per the notification, the aforesaid scheme came into effect on August 14, 2004.

Further, in the Finance Bill, 2005, a new section i.e., Section 72AA has been inserted retrospectively in the I.T Act, 1961. This enables the accumulated loss and unabsorbed depreciation of GTB as that of the Bank, because of the notification of amalgamation coming into force as mentioned in the above paragraph. Consequently all the accumulated loss and unabsorbed depreciation of GTB shall be available for set off in the hands of the Bank.

We expect that EGTB will adversely affect our results of operations and financial condition for the remainder of fiscal 2005. In addition, we may be further affected in the future, if there are any further weaknesses or additional non-performing assets and contingent liabilities from our EGTB acquisition.

#### *Limited Review of our December 31, 2004 Financials*

In terms of the guidelines issued by the RBI applicable to public sector banks and our listing agreements with the Stock Exchanges, our financial statements for the nine months ended December 31, 2003 and 2004 have been subjected to a limited review by our auditors, and their review report is included in this Draft Red Herring Prospectus. A limited review is not an audit and, therefore, our auditors have not expressed an opinion on our financial statements as of December 31, 2003 and 2004. A limited review



provides for only limited procedures to be performed when testing our financial statements, a limited audit of 20 top branches rather than a full audit of all our branches and does not include testing of our internal controls and systems. A full audit was conducted under generally accepted Indian auditing standards for fiscal years ended March 31, 2004, 2003, 2002, 2001 and 2000 and our auditors' report is included in this Draft Red Herring Prospectus on page [].

The assets and liabilities of EGTB have been consolidated in our financial statements since August 14, 2004. Although external auditors appointed by RBI audited EGTB's financial statements on August 13, 2004, the statutory auditors of OBC have subjected it to a limited review as of Dec 31, 2004 which does not constitute full audited financial statements of our Bank since our amalgamation. The statutory auditors of OBC have subjected the assets and liabilities of EGTB to a limited review as set forth in their review report. The auditors of the Bank may discover further weaknesses in EGTB and its internal controls and systems or make further accounting adjustments to our financial statements as a result of a full audit.

#### *Qualifications in our December 31, 2004 financial statements*

Our auditors have expressed an opinion that our restated profit and loss account for the nine months ended December 31, 2004 and the balance sheet as on that date as included in this Draft Red Herring Prospectus comply in all material respects with the accounting requirements and principles generally accepted within the banking industry in India, and are in compliance with SEBI Guidelines and the prudential norms of banks issued by the Reserve Bank of India except for the non adjustment of shortfall of Rs. 12,257 million representing the excess of liabilities over assets taken over from the EGTB and the non provision of not readily realizable assets of Rs. 4,641 million of EGTB. Our net worth would be reduced by an amount of Rs 12257 million and our NPA would increase by Rs 4641 million if the same were accounted for.

#### **Revenue**

Our revenue, which is referred to herein and in our financial statements as our income, consists of interest income 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 and interest from inter-bank loans and cash deposits we keep with the RBI. Our securities portfolio consists primarily of Government of India and state government securities. We meet our statutory liquidity reserve ratio requirements through investments in these and other approved securities. We also hold debentures and bonds issued by public sector undertakings and other corporations, commercial paper, 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, tax collection 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 prepaid cards, 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, 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. These indicators are presented in tabular form in the section titled “Selected Statistical Information” on page [•]. Our net interest income represents our total interest income net of total interest expense. Net interest margin represents the ratio of net interest income to the fortnightly average of total interest earning assets. Our spread represents the difference between the yield on the fortnightly average of interest earning assets and the cost of the fortnightly average of interest bearing liabilities. We calculate average yield on the fortnightly average of advances and average yield on the daily average of investments, as well as the average cost of the fortnightly average of deposits and average cost of the fortnightly average of borrowings. Our cost of funds is the weighted average of the average cost of the fortnightly average of interest bearing liabilities. For 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 decline 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. In the first nine months of fiscal 2005, GDP growth was 6.9%, compared with 8.5% in the first nine months of fiscal 2004.

Industrial growth was 3.5% in fiscal 2002, 6.2% in fiscal 2003 and 6.6% in fiscal 2004. In the first nine months of fiscal 2005, industrial growth was 8.4% compared with 6.4% in the first nine months of fiscal 2004. The agriculture sector grew by 6.5% in fiscal 2002, declined by 5.2% in fiscal 2003 and grew by 9.6% in fiscal 2004. In the first nine months of fiscal 2005, agricultural growth was 1.1% compared with growth of 9.6% in the first nine months of fiscal 2004. 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 and 4.6% in fiscal 2004. Inflation in the first nine months of fiscal 2005 was 6.01% compared with 6.08% in the first nine months of fiscal 2004.

In its mid-term review of annual policy published on October 26, 2004, the RBI reduced its GDP growth forecast for fiscal 2005 from 6.5-7.0% to 6.0-6.5% as a result of a decline in agricultural growth because of insufficient rainfall and has increased its inflation rate forecast from 5.0 to 6.5%.

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 and Rs. 45.83 in fiscal 2004. On December 31, 2004, the exchange rate was Rs. 43.58. Foreign exchange reserves were US\$131 billion as of December 31, 2004. 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. However, during the first nine months of fiscal 2005, increased competition in the Indian banking industry resulted in an increase in deposit rates.

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 five major public sector banks as of the dates indicated.

<b>As of</b>	<b>Bank rate</b>	<b>Reverse Repo rate</b>	<b>Deposit rate for 1-3 year term for 5 major public sector banks</b>	<b>Prime lending rate for 5 major public sector banks</b>
	<b>(as percentages)</b>			
March 31, 2002	6.50	6.00	7.50-8.50	11.00-12.00
March 31, 2003	6.25	5.00	4.25-6.00	10.75-11.50
March 31, 2004	6.00	4.50	4.00-5.25	10.25-11.00
December 31, 2004	6.00	4.75	5.25-6.25*	10.25-10.75

Source: Reserve Bank of India statistical data.

\*Relates to rates for major banks for term deposits of more than one year maturity.

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 recognized on an accrual basis except in respect of advances classified as non-performing, where interest income is recognized upon realization. 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 [•].

Commissions, interest on overdue bills, income from foreign exchange transactions, income from merchant banking transactions, income from mutual fund units and other fees are recognized upon realization.

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 amortized 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 recognized 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 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 prescribes a higher percentage of provisioning vis-à-vis the RBI guidelines on the same. 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, 2004, we had a NPA provision coverage ratio of 102.99% for our non-performing assets of Rs. 12.14 billion and as of December 31, 2004, we had a NPA provision coverage ratio of 84.21% for our non-performing assets of Rs. 25.64 billion. Our provisioning policies are discussed in further detail in the section titled “Selected Statistical Information” on page [●].

## **Results of Operations**

### ***First Nine Months of Fiscal 2005 Compared with the First Nine Months of Fiscal 2004***

GTB was amalgamated with us with effect from August 14, 2004. Our results of operations for the first nine months of fiscal 2005 include the results of operations of EGTB from August 14, 2004. Because the results of operations of EGTB are not included for the entire period, the trends reflected in our results of operations for the first nine months of fiscal 2005 compared with the first nine months of fiscal 2004 are not necessarily indicative of what the trends in our results of operations would have been had the operations of EGTB been included for the entire period.

Our total income decreased by 1.50% from Rs. 30.04 billion in the first nine months of fiscal 2004 to Rs. 29.59 billion in the first nine months of fiscal 2005 and our total expenditure increased by 11.47% from Rs. 18.57 billion in the first nine months of fiscal 2004 to Rs. 20.70 billion in the first nine months of fiscal 2005. Our operating profit decreased by 22.49% from Rs. 11.47 billion in the first nine months of fiscal 2004 to Rs. 8.89 billion in the first nine months of fiscal 2005. EGTB’s operating loss for the first nine months of fiscal 2005 was Rs. 0.51 million. Our net profit increased by 14.44% from Rs. 4.57 billion in the first nine months of fiscal 2004 to Rs. 5.23 billion in the first nine

months of fiscal 2005. EGTB's net loss for the first nine months ended fiscal 2005 was Rs. 0.69 billion.

### ***Net Interest Income***

Our net interest income increased by 6.87% from Rs. 10.63 billion in the first nine months of fiscal 2004 to Rs. 11.36 billion in the first nine months of fiscal 2005. The following table sets forth the components of our net interest income:

	<b>First Nine Months of Fiscal</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in Rs. billion)</b>	
Interest income.....	24.49	26.29
Interest expense.....	13.86	14.93
<b>Net interest income .....</b>	<b>10.63</b>	<b>11.36</b>

The increase in net interest income was a result of an 7.35% increase in total interest income from Rs. 24.49 billion in the first nine months of fiscal 2004 to Rs. 26.29 billion in the first nine months of fiscal 2005, which offset a 7.72% increase in total interest expense from Rs. 13.86 billion in the first nine months of fiscal 2004 to Rs. 14.93 billion in the first nine months of fiscal 2005. The increase in total interest income reflected primarily gains in the growth of our loan portfolio. The increase in total interest expense reflected primarily the increase in our deposits.

Our average interest earning assets increased by 19.62% from Rs. 352.31 billion in the first nine months of fiscal 2004 to Rs. 421.42 billion in the first nine months of fiscal 2005. Our net interest margin declined from 3.02% in the first nine months of fiscal 2004 to 2.70% in the first nine months of fiscal 2005 and our spread decreased from 2.54% in the first nine months of fiscal 2004 to 2.52% in the first nine months of fiscal 2005.

### ***Interest Income***

The following table sets forth the components of our interest income:

	<b>First Nine Months of Fiscal</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in Rs. billion)</b>	
Interest and discount on advances and bills .....	11.77	13.16
Income on investments.....	12.11	12.54
Interest on balances with the RBI and other		
inter-bank lending.....	0.59	0.52
Other interest income .....	0.02	0.07
<b>Total interest income.....</b>	<b>24.49</b>	<b>26.29</b>

Interest and discount on advances and bills increased by 11.86% from Rs. 11.77 billion in the first nine months of fiscal 2004 to Rs. 13.16 billion in the first nine months of fiscal 2005, reflecting an increase in the average volume of advances as a result of the general growth in our business and GTB's amalgamation with us, offset in part by a decline in average yield.

Our average volume of advances increased by 32.84% from Rs. 164.55 billion in the first nine months of fiscal 2004 compared with Rs. 218.58 billion in the first nine months of fiscal 2005. Our average volume of advances to corporate and commercial customers increased by 53.12% from Rs.81.82 billion in the first nine months of fiscal 2004 compared with Rs. 125.28 billion in the first of fiscal 2005. The average volume of advances to corporate and commercial customers included advances to small-scale industry advances, which increased by 10.07% from Rs. 16.19 billion in the first nine months of fiscal 2004 compared with Rs.17.82 billion in the first nine months of fiscal 2005. The increase was primarily because of our increased focus on expansion in this sector. Our average retail advances increased by 34.49% from Rs.8.38 billion in the first nine months of fiscal 2004 compared with Rs.11.27 billion in the first nine months of fiscal 2005. This increase was due primarily to lower interest rates for retail loans making them more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with increased marketing efforts on our part. Our average volume of agriculture advances increased by 10.10% from Rs. 23.56 billion in the first nine months of fiscal 2004 to Rs. 25.94 billion in the first nine months of fiscal 2005 due to our increased focus on this sector.

Yields on our advances decreased from an average of 9.53% (annualized) in the first nine months of fiscal 2004 to 8.03% (annualized) in the first nine months of fiscal 2005. This decline was due to the general decline in interest rates and increased competition in the banking industry.

Investment income increased by 3.55% from Rs. 12.11 billion in the first nine months of fiscal 2004 to Rs. 12.54 billion in the corresponding period of fiscal 2005. Our average volume of investments increased by 11.26% from Rs. 168.86 billion in the first nine months of fiscal 2004 to Rs. 187.88 billion in the first nine months of fiscal 2005 because the increase in our deposits provided us with an increased amount of funds to invest. The main component of our investment income is interest on government and other approved securities. Income from these securities increased by 9.13% from Rs. 8.87 billion in the first nine months of fiscal 2004 to Rs. 9.68 billion in the first nine months of fiscal 2005. The increase was primarily a result of a 16.85% increase in the average volume of these investments from Rs. 131.06 billion in the first nine months of fiscal 2004 to Rs. 153.14 billion in the first nine months of fiscal 2005, offset in part by a decline in yields. Yields from these investments declined from 7.23% (non-annualised) in the first nine months of fiscal 2004 to 6.31%(non- annualized) in the first nine months of fiscal 2005, reflecting the general decline in interest rates during this period.

Investment income from investments other than government and other approved securities decreased by 11.73% from Rs. 3.24 billion in the first nine months of fiscal 2004 compared with Rs.2.86 billion in the first nine months of fiscal 2005. This decrease occurred because the decline in yields more than offset the increase in the volume of these investments. Yields from investments other than government and other approved securities declined from 7.02%(non- annualized) in the first nine months of fiscal 2004 to 7.55% (non- annualized) in the first nine months of fiscal 2005, reflecting the general decline in interest rates during this period.

Our investment income in future periods may be adversely impacted as the high coupon securities in our investment portfolio mature. As of December 31, 2004, the weighted average yield on all our fixed coupon securities was 6.67% (non-annualised) and their weighted average maturity was 7.38 years. As of that date, Central Government securities constituted 65.56 %of our government securities portfolio and the weighted average yield on our Central Government and state government securities was 6.37% (non- annualized) and 6.29% (non- annualized), respectively, and their weighted average maturity was 9.18 years and 7.23 years, respectively.

Interest on balances with the RBI and other inter-bank lending decreased by 11.86% from Rs. 0.59 billion in the first nine months of fiscal 2004 to Rs. 0.52 billion in the first nine months of fiscal 2005, mainly because of the decrease in interest rates payable on the eligible portion of our cash reserve ratio (which is a percentage of net demand and time liabilities that banks are required to maintain in current accounts with the RBI) balances with the RBI.

### ***Interest Expense***

Our interest expense increased by 7.72% from Rs. 13.86 billion in the first nine months of fiscal 2004 to Rs. 14.93 billion in the first nine months of fiscal 2005, reflecting primarily the increase in our deposits. Our average cost of funds decreased from 4.41% in the first nine months of fiscal 2004 to 3.72% in the first nine months of fiscal 2005.



Our interest expense on deposits increased by 7.02% from Rs. 13.39 billion in the first nine months of fiscal 2004 to Rs. 14.33 billion in the first nine months of fiscal 2005 as a result of the increase in the volume of our deposits. Our average total deposits increased by 27.45% from Rs. 304.45 billion in the first nine months of fiscal 2004 to Rs. 388.01 billion in the first nine months of fiscal 2005. Our average cost of deposits declined from 4.40% in the first nine months of fiscal 2004 to 3.69% in the first nine months of fiscal 2005, reflecting primarily the decline in interest rates in this period.

Our other interest expense, which consists mainly of interest paid on Tier II bonds, increased by 30.43% from Rs. 0.46 billion in the first nine months of fiscal 2004 to Rs. 0.60 billion in the first nine months of fiscal 2005. This increase was due mainly to the payment of interest on Tier II bonds originally issued by GTB, which we became liable for on GTB's amalgamation with us. Our average cost of borrowings (including Tier II bonds) declined from 4.70% in the first nine months of fiscal 2004 to 4.54 % in the first nine months of fiscal 2005 due to declining interest rates. This decrease would have been greater but for the payment of interest on Tier II bonds originally issued by GTB. These Tier II bonds have a weighted average interest rate of 11.59% compared with an average weighted interest rate of 8.43% on Tier II bonds that were issued by us prior to GTB's amalgamation with us. Most of the Tier II bonds originally issued by GTB are repayable before the end of fiscal 2007.

### ***Other Income***

Our other income remained decreased by 40.36% from Rs. 5.55 billion in the first nine months of fiscal 2004 to Rs. 3.31 billion in the first nine months of fiscal 2005. This decrease was due primarily to a significant decrease on profit on the sale of investments. The following table sets forth the components of our other income:

	<b>First Nine Months of Fiscal</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in Rs. billion)</b>	
Commission, exchange and brokerage .....	0.80	1.15
Profit on sale of investments (net) .....	4.03	1.31
Profit on exchange transactions (net) .....	0.39	0.62
Miscellaneous income .....	0.34	0.23
<b>Total other income .....</b>	<b>5.55</b>	<b>3.31</b>

Income from commissions, exchange and brokerage increased by 43.75% from Rs. 0.80 billion in the first nine months of fiscal 2004 to Rs. 1.15 billion in the first nine months of fiscal 2005. This increase was mainly due to a Rs. 0.07 billion increase in service charges on documentary credit and guarantees in the first nine months of fiscal 2005 compared with the first nine months of fiscal 2004 and a Rs. 0.09 billion increase in commission on the sale of third-party insurance policies in the first nine months of fiscal 2005 compared with the first nine months of fiscal 2004, which income was negligible in the prior period.

Net profit on the sale of investments decreased by 67.49% from Rs. 4.03 billion in the first nine months of fiscal 2004 to Rs. 1.31 billion in the first nine months of fiscal 2005. The decrease in net profit on sale of investments was due primarily to an increase in market interest rates in respect of government securities resulting in a reduction in profits on the sale of government securities, which was a general trend in the Indian banking industry. Our net profits on the sale of investments may be adversely affected in future periods by interest rate fluctuations, particularly in an environment of rising interest rates.

Net profit from foreign exchange transactions increased by 58.97% from Rs. 0.39 billion in the first nine months of fiscal 2004 to Rs. 0.62 billion in the first nine months of fiscal 2005, due primarily to a higher volume of foreign exchange trading activities.

### ***Operating Expenses***

Total operating expenses increased by 22.51% from Rs. 4.71 billion in the first nine months of fiscal 2004 to Rs. 5.77 billion in the first nine months of fiscal 2005. As a percentage of our total income, operating expenses increased to 19.50% in the first nine months of fiscal 2005 compared with 15.68% in the first nine months of fiscal 2004.

The primary component of our operating expenses was wages and other payments to employees which increased by 8.66% from Rs. 2.77 billion in the first nine months of fiscal 2004 to Rs. 3.01 billion in the first nine months of fiscal 2005. As a percentage of total income, wages and other payments to employees increased to 10.17% in the first nine months of fiscal 2005 from 9.22% in the first nine months of fiscal 2004. We had 14,591 employees as of December 31, 2004 and 13,642 employees as of December 31, 2003. Wages and other payments to employees increased primarily due to the addition of the EGTB employees to our payroll on the amalgamation of EGTB.

Our expenses for rent, taxes and lighting for our premises increased by 26.92% from Rs. 0.52 billion in the first nine months of fiscal 2004 to Rs. 0.66 billion in the first nine months of fiscal 2005. As a percentage of total income, these expenses were 1.73% in the first nine months of fiscal 2004 and 2.23% in the first nine months of fiscal 2005.

Depreciation expenses on our property (i.e., our fixed assets, including furniture, fixtures and computers) increased by 150.00% from Rs. 0.28 billion in the first nine months of fiscal 2004 to Rs. 0.70 billion in the first nine months of fiscal 2005. As a percentage of total revenues, these expenses increased from 0.93% in the first nine months of fiscal 2004 to 2.37% in the first nine months of fiscal 2005. This increase in depreciation expenses was primarily due to the increase in the number of computers purchased in the period for use in the CBS system, which we depreciate at a rate of 33.3% per annum, and on acquisition of assets following EGTB's amalgamation with us.

### ***Operating profit***

For the reasons stated above, our operating profit before provisions and contingencies decreased by 22.49% from Rs. 11.47 billion in the first nine months of fiscal 2004 to Rs. 8.89 billion in the first nine months of fiscal 2005. As a percentage of total income, our

operating profit decreased from 38.18% in the first nine months of fiscal 2004 to 30.04% in the first nine months of fiscal 2005.

### ***Provisions and Contingencies***

Provisions and contingencies made in the first nine months of fiscal 2005 decreased by 46.95% to Rs. 3.66 billion compared with Rs. 6.90 billion in the first nine months of fiscal 2004. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	<b>First Nine Months of Fiscal</b>	
	<b>2004</b>	<b>2005</b>
	<b>(in Rs. billion)</b>	
Provision for non-performing assets .....	0.42	0.82
Floating provision against non-performing assets .....	3.23	0.31
Provision for standard accounts .....	0.01	0.03
Depreciation on investments .....	0.01	1.04
Provision for income and wealth tax .....	2.93	1.15
Others .....	0.30	0.31
<b>Total provisions and contingencies .....</b>	<b>6.90</b>	<b>3.66</b>

Our provisioning in respect of non-performing assets (which is the sum of the provision for non-performing assets and the floating provision against non-performing assets in the table above) decreased from Rs. 3.65 billion in the first nine months of fiscal 2004 to Rs. 1.13 billion in the first nine months of fiscal 2005. The floating provision against non-performing assets decreased from Rs. 3.23 billion in the first nine months of fiscal 2004 to Rs. 0.31 billion in the first nine months of fiscal 2005. This decrease was due primarily to fact that we had fully provided for all non-performing assets in the prior period mainly by way of floating provision, which provision exceeded the requirements of the RBI. Following GTB's amalgamation with us, we took over GTB's non-performing assets, which were Rs. 13.29 billion as of December 31, 2004. We decided not to maintain net non-performing assets at zero percent because we expect to recover/upgrade a significant amount of EGTB's non-performing assets. The increase in the provision for non-performing assets was due to provisions for EGTB's non-performing assets. Excluding the provisions for EGTB's non-performing assets, our provision for non-performing assets for the first nine months of fiscal 2005 would have decreased by Rs. 0.20 billion compared with first nine months of fiscal 2004.

There has been no wage settlement in the Indian banking industry since 1997 and the previous wage settlement expired on October 31, 2002. Because we expect a wage settlement to be entered into soon, we have provided for a 10.00% wage increase in our financial statements for the period after October 31, 2002. We have made a provision of Rs. 0.50 billion towards wage increases in the financial statements for the first nine months of fiscal 2005. However, the Indian Banking Association recently reached a broad understanding with banking industry employees that the maximum wage increase

will be 13.25%. In addition, in our restated financial statements we have allocated the total of Rs. 0.505 billion provision among the relevant periods, such that Rs. 0.095 billion has been allocated to fiscal 2003, Rs. 0.22 billion to fiscal 2004 and Rs. 0.19 billion to the first nine months of fiscal 2005. Assuming a wage settlement is not reached, we currently expect to make provisions on account of the wage settlement of Rs. 0.25 billion in the fourth quarter of fiscal 2005. The understanding reached with the banking industry employees is not final and binding, and the amount of our provisions is an estimate based on our past experience. The actual expenditure we will have to incur following the wage settlement could vary materially from the amounts we have provided for.

Depreciation on investments increased significantly from Rs. 0.01 billion in the first nine months of fiscal 2004 to Rs. 1.04 billion in the first nine months of fiscal 2005. This increase was due primarily to the depreciation of EGTB's investments.

### ***Income Tax***

Our provision for income tax decreased by 60.75% from Rs. 2.93 billion in the first nine months of fiscal 2004 to Rs. 1.15 billion in the first nine months of fiscal 2005. This decrease was due primarily to the accumulated losses of EGTB, which we were able to utilise to reduce our income tax liability.

### ***Net Profit***

As a result of the foregoing factors, our net profit increased by 14.44% from Rs. 4.57 billion in the first nine months of fiscal 2004 to Rs. 5.23 billion in the first nine months of fiscal 2005. As a percentage of total income, our net profit increased from 15.21% in the first nine months of fiscal 2004 to 17.67% in the first nine months of fiscal 2005. The net loss for EGTB was 0.69 billion in the first nine months of fiscal 2005. Our earnings per Equity Share increased by 14.35% from Rs. 23.76 per Equity Share in the first nine months of fiscal 2004 to Rs. 27.17 per Equity Share in the first nine months of fiscal 2005.

### ***Fiscal Year Ended March 31, 2004 Compared with the Fiscal Year Ended March 31, 2003***

Our total income increased by 4.85% from Rs. 38.36 billion in fiscal 2003 to Rs. 40.22 billion in fiscal 2004 and our total expenditure decreased by 6.88% from Rs. 26.73 billion in fiscal 2003 to Rs. 24.89 billion in fiscal 2004. Our operating profit increased by 31.81% from Rs. 11.63 billion in fiscal 2003 to Rs. 15.33 billion in fiscal 2004. Our net profit increased by 50.11% from Rs. 4.57 billion in fiscal 2003 to Rs. 6.86 billion in fiscal 2004.

### ***Net Interest Income***

Our net interest income increased by 19.93% from Rs. 12.14 billion in fiscal 2003 to Rs. 14.56 billion in fiscal 2004. The following table sets forth the components of our net interest income:

	<b>Year ended March 31,</b>	
	<b>2003</b>	<b>2004</b>
	<b>(in Rs. billion)</b>	
Interest income .....	33.04	33.01
Interest expense .....	20.90	18.45
<b>Net interest income .....</b>	<b>12.14</b>	<b>14.56</b>

The increase in net interest income was due primarily to an 11.72% decrease in total interest expense from Rs. 20.90 billion in fiscal 2003 to Rs. 18.45 billion in fiscal 2004. This decrease in total interest expense reflects a decline in interest expense on deposits and borrowings.

Our average interest earning assets increased by 11.32% from Rs 318.14 billion in fiscal 2003 to Rs. 354.16 billion in fiscal 2004. Our net interest margin increased from 3.82% in fiscal 2003 to 4.11% in fiscal 2004 and our spread increased from 3.35% in fiscal 2003 to 3.62% in fiscal 2004.

### ***Interest Income***

The following table sets forth the components of our interest income:

	<b>Year ended March 31,</b>	
	<b>2003</b>	<b>2004</b>
	<b>(in Rs. billion)</b>	
Interest and discount on advances and bills .....	15.36	15.91
Income from investments .....	16.13	16.33
Interest on balances with the RBI and other inter-bank funds .....	0.89	0.71
Other interest income .....	0.66	0.05
<b>Total interest income .....</b>	<b>33.04</b>	<b>33.00</b>

Interest and discount on advances and bills increased by 3.58% from Rs. 15.36 billion in fiscal 2003 to Rs. 15.91 billion in fiscal 2004, reflecting an increase in the average volume of advances as a result of the general growth in our business, offset in part by a decline in average yield.

Our average volume of advances increased by 17.65% from Rs. 144.67 billion in fiscal 2003 to Rs. 170.20 billion in fiscal 2004. Our average volume of advances to corporate and commercial customers increased by 22.83% from Rs.65.84 billion in fiscal 2003 to Rs. 80.87 billion in fiscal 2004. This included small-scale industry advances, which increased by 5.59% from Rs.15.75 billion in fiscal 2003 to Rs.16.63 billion in fiscal 2004. The overall increase in advances to corporate and commercial customers was limited because of lower borrowing by corporate customers during the fiscal year, in part due to the cheaper access to funds in international markets and the greater use of internal funds by these customers. Our average retail advances increased by 31.86% from Rs. 6.56 billion in fiscal 2003 to Rs.8.65 billion in fiscal 2004 primarily because lower interest rates made retail loans more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with increased marketing efforts on our part. Our average volume of agriculture advances increased by 14.98% from Rs. 20.90 billion in fiscal 2003 to Rs. 24.03 billion in fiscal 2004 due to our increased focus on this sector.

Yields on our advances decreased from an average of 10.62% in fiscal 2003 to 9.35% in fiscal 2004. This decline was due to the general decline in interest rates and increased competition in the banking industry.

Investment income increased by 1.24% from Rs. 16.13 billion in fiscal 2003 to Rs. 16.33 billion in fiscal 2004. Our average volume of investments increased by 9.77% from Rs. 153.57 billion in fiscal 2003 to Rs. 168.57 billion in fiscal 2004 because the increase in our deposits provided us with an increased amount of funds to invest. Income from government and other approved securities increased by 8.05% from Rs. 10.93 billion in fiscal 2003 to Rs. 11.81 billion in fiscal 2004. The increase was primarily a result of a 17.54% increase in the average volume of our these investments from Rs. 108.85 billion in fiscal 2003 to Rs. 127.94 billion in fiscal 2004 offset in part by a decline in yields. Yields from these investments declined from 10.04% in fiscal 2003 to 9.23% in fiscal 2004, reflecting the general decline in interest rates during this period.

Investment income from investments other than government and approved securities decreased by 13.08% from Rs. 5.20 billion in fiscal 2003 to Rs. 4.52 billion in fiscal 2004 despite an increase in the volume of these investments because the decline in yields outweighed the increase in volume. Yields from investments other than government securities declined from 11.63% in fiscal 2003 to 11.12% in fiscal 2004, reflecting the general decline in interest rates during this period.

Interest on balances with the RBI and other inter-bank lending decreased from Rs. 0.88 billion in fiscal 2003 to Rs. 0.71 billion in fiscal 2004 because the RBI reduced the cash reserve ratio (which is a percentage of net demand and time liabilities that banks are required to maintain in current accounts with the RBI), as a result of which we were required to maintain lower deposits with the RBI during the year.

### ***Interest Expense***

Our interest expense decreased by 11.72% from Rs. 20.90 billion in fiscal 2003 to Rs. 18.45 billion in fiscal 2004, reflecting primarily the decrease in interest rates during this period. Our average cost of funds decreased from 7.04% in fiscal 2003 to 5.70% in fiscal 2004.

Our interest expense on deposits decreased by 12.11% from Rs. 20.32 billion in fiscal 2003 to Rs. 17.86 billion in fiscal 2004 as a result of the decrease in interest rates, offset in part by an increase in the volume of deposits. Our average total deposits increased by 8.86% from Rs. 288.12 billion in fiscal 2003 to Rs. 313.65 billion in fiscal 2004. Our average cost of deposits declined from 7.05% in fiscal 2003 to 5.69% in fiscal 2004, reflecting primarily the decline in interest rates and a slight increase in the share of low-cost deposits in our deposit mix.

Our other interest expense decreased by 3.64% from Rs. 0.55 billion in fiscal 2003 to Rs. 0.53 billion in fiscal 2004. Our average cost of borrowings (including our Tier II bonds) declined from 6.54% in fiscal 2003 to 5.89% in fiscal 2004 due to declining interest rates.

### ***Other Income***

Our other income increased by 35.97% from Rs. 5.31 billion in fiscal 2003 to Rs. 7.22 billion in fiscal 2004. The following table sets forth the components of our other income:

	<b>Year ended March 31,</b>	
	<b>2003</b>	<b>2004</b>
	<b>(in Rs. billion)</b>	
Commission, exchange and brokerage.....	1.06	1.14
Profit on sale of investments (net) .....	3.72	5.04
(loss) on revaluation of investments (net)....	(0.26)	(0.05)
Profit on exchange transactions (net).....	0.47	0.59
Miscellaneous income .....	0.32	0.50
<b>Total other income .....</b>	<b>5.31</b>	<b>7.22</b>

Income from commissions, exchange and brokerage increased by 7.55% from Rs. 1.06 billion in fiscal 2003 to Rs. 1.14 billion in fiscal 2004. This increase was mainly due to an increase in service charges and processing fees from Rs. 0.12 billion in fiscal 2003 to Rs. 0.16 billion in fiscal 2004, which increase was as a result of increased services to corporate and retail customers, and an increase in service charges on documentary credit and guarantees from Rs. 0.32 billion in fiscal 2003 to Rs. 0.36 billion in fiscal 2004.

Net profit on the sale of investments increased by 35.48% from Rs. 3.72 billion in fiscal 2003 to Rs. 5.04 billion in fiscal 2004. The Government offered to repurchase these securities from public sector banks at a discount to the market price by issuing new lower-coupon securities, and permitted the banks to use the net gain tax free to increase

their provisioning for non-performing assets. The rest of the increase was due to gains from the higher volume of trading activities we undertook

Revaluation of investments resulted in a net depreciation of Rs. 0.05 billion in fiscal 2004 compared with a net depreciation of Rs. 0.26 billion in fiscal 2003. This decrease was due to amortisation of investments under Held To Maturity category and the reduced amount in 2003- 04 is due to redemption of such securities.

Net profit from foreign exchange transactions increased by 25.53% from Rs. 0.47 billion in fiscal 2003 to Rs. 0.59 billion in fiscal 2004, due to a higher volume of foreign exchange trading activities.

### ***Operating Expenses***

Total operating expenses increased by 10.46% from Rs. 5.83 billion in fiscal 2003 to Rs. 6.44 billion in fiscal 2004. As a percentage of our total income, operating expenses increased to 16.01% in fiscal 2004 compared with 15.20% in fiscal 2003.

The primary component of our operating expenses was wages and other payments to employees, which increased by 5.17% from Rs. 3.48 billion in fiscal 2003 to Rs. 3.66 billion in fiscal 2004. As a percentage of total income, wages and other payments to employees increased to 9.10% in fiscal 2004 from 9.07% in fiscal 2003. The increase was due to annual increases in remuneration of 4.08% to 8.37% and increased contribution towards retirement benefit funds on the basis of actuarial valuations. We had 13,678 employees as of March 31, 2004 and 13,507 employees as of March 31, 2003.

Our expenses for rent, taxes and lighting for our premises increased by 4.48% from Rs. 0.67 billion in fiscal 2003 to Rs. 0.70 billion in fiscal 2004. As a percentage of total income, these expenses were 1.75% in fiscal 2003 and 1.74% in fiscal 2004.

Depreciation expenses on our property (i.e., fixed assets including furniture, fixtures and computers) increased by 19.05% from Rs. 0.42 billion in fiscal 2003 to Rs. 0.50 billion in fiscal 2004. As a percentage of total revenues, these expenses increased from 1.09% in fiscal 2003 to 1.24% in fiscal 2004. The increase was due to depreciation on computers purchased for the implementation of the CBS system, which we depreciate at a rate of 33.3% per annum.



### ***Operating Profit***

For the reasons stated above, our operating profit before provisions and contingencies increased by 31.81% from Rs. 11.63 billion in fiscal 2003 to Rs. 15.33 billion in fiscal 2004. As a percentage of total income, our operating profit increased from 30.32% in fiscal 2003 to 38.12% in fiscal 2004.

### ***Provisions and Contingencies***

Provisions and contingencies made in fiscal 2004 increased by 19.97% to Rs. 8.47 billion compared with Rs. 7.06 billion in fiscal 2003. The following table sets forth, for the periods indicates, the components of our provisions and contingencies:

	<b><u>Year ended March 31,</u></b>	
	<b><u>2003</u></b>	<b><u>2004</u></b>
	<b>(in Rs. billion)</b>	
Provision for non-performing assets*	3.33	0.89
Floating provision against non-performing assets	0.90	2.46
Provision for restructured accounts	0.05	0.55
Provision for standard accounts	0.08	0.07
Depreciation on investments	(0.06)	(0.07)
Provision for income tax	2.79	4.60
Others	(0.03)	(0.03)
<b>Total provisions and contingencies.....</b>	<b><u>7.06</u></b>	<b><u>8.47</u></b>

Our provisioning including the floating provision in respect of non-performing assets decreased by 20.80% from Rs. 4.23 billion in fiscal 2003 to Rs. 3.35 billion in fiscal 2004. Our provision for non-performing assets decreased by 73.27% from Rs. 3.33 billion in fiscal 2003 to Rs. 0.89 in fiscal 2004, which was due primarily to maximum provisioning provided in the prior period to attain zero net NPA level and the containment of overall NPA level. Our floating provision against non-performing assets increased by 173.33% from Rs. 0.90 billion in fiscal 2003 to Rs. 2.46 billion in fiscal 2004.

### ***Income Tax***

Our provision for income tax increased by 64.87% from Rs. 2.79 billion in fiscal 2003 to Rs. 4.60 billion in fiscal 2004. This increase was due to an increase in profit on trading in securities

### ***Net Profit***

As a result of the foregoing factors, our net profit increased by 50.11% from Rs. 4.57 billion in fiscal 2003 to Rs. 6.86 billion in fiscal 2004. As a percentage of total income, our net profit increased from 11.91% in fiscal 2003 to 17.06% in fiscal 2004. Our

earnings per Equity Share increased by 50.15% from Rs. 23.73 per Equity Share in fiscal 2003 to Rs. 35.63 per Equity Share in fiscal 2004.

***Fiscal Year Ended March 31, 2003 Compared with the Fiscal Year Ended March 31, 2002***

Our total income increased by 9.16% from Rs. 35.14 billion in fiscal 2002 to Rs. 38.36 billion in fiscal 2003 and our total expenditure increased by 2.93% from Rs. 25.97 billion in fiscal 2002 to Rs. 26.73 billion in fiscal 2003. Our operating profit increased by 26.83% from Rs. 9.17 billion in fiscal 2002 to Rs. 11.63 billion in fiscal 2003 and our unadjusted net profit increased by 42.37% from Rs. 3.21 billion in fiscal 2002 to Rs. 4.57 billion in fiscal 2003.

***Net Interest Income***

Our net interest income increased by 23.75% from Rs. 9.81 billion in fiscal 2002 to Rs. 12.14 billion in fiscal 2003. The following table sets forth the components of our net interest income:

	<b>Year ended March 31,</b>	
	<b>2002</b>	<b>2003</b>
	<b>(in Rs. billion)</b>	
Interest income.....	30.49	33.04
Interest expense.....	20.68	20.90
<b>Net interest income .....</b>	<b>9.81</b>	<b>12.14</b>

The increase in net interest income was a result of a 8.36% increase in total interest income from Rs. 30.49 billion in fiscal 2002 to Rs. 33.04 billion in fiscal 2003, and substantially unchanged total interest expense, which was Rs. 20.68 billion in fiscal 2002 and Rs. 20.90 billion in fiscal 2003.

Our average interest earning assets increased by 15.64% from Rs. 275.12 billion in fiscal 2002 to Rs. 318.14 billion in fiscal 2003. Our net interest margin increased from 3.57% in fiscal 2002 to 3.82% in fiscal 2003 and our spread increased from 3.19% in fiscal 2002 to 3.35% in fiscal 2003.

### ***Interest Income***

The following table sets forth the components of our interest income:

	<b>Year ended March 31,</b>	
	<b>2002</b>	<b>2003</b>
	<b>(in Rs. billion)</b>	
Interest and discount on advances and bills .....	14.16	15.36
Income on investments.....	15.46	16.13
Interest on balances with the RBI and other inter-bank funds .....	0.81	0.88
Other interest income .....	0.06	0.67
<b>Total interest income.....</b>	<b>30.49</b>	<b>33.04</b>

Interest and discount received on advances and bills increased by 8.47% from Rs. 14.16 billion in fiscal 2002 to Rs. 15.36 billion in fiscal 2003, reflecting an increase in the average volume of advances as a result of the general growth in our business, offset in part by a decrease in average yield.

Our average volume of advances increased by 18.53% from Rs. 122.05 billion in fiscal 2002 to Rs.144.67 billion in fiscal 2003. Our average volume of advances to corporate and commercial customers increased by 11.95% from Rs. 58.81 billion in fiscal 2002 to Rs. 65.84 billion in fiscal 2003. This included small-scale industry advances, which decreased by 3.20% from Rs. 16.27 billion in fiscal 2002 to Rs. 15.75 billion in fiscal 2003. These increases reflected a general growth in business with these customer segments. Our average retail advances increased by 20.37% from Rs. 5.45 billion in fiscal 2002 to Rs.6.56 billion in fiscal 2003 primarily because lower interest rates made retail loans more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with increased marketing efforts on our part. Our average volume of agriculture advances increased by 17.42% from Rs.17.80 billion in fiscal 2002 to Rs. 20.90 billion in fiscal 2003 due to our efforts to increase business in this sector.

Yields on our advances decreased from an average of 11.60% in fiscal 2002 to 10.62% in fiscal 2003. This decline was due to the general decline in interest rates and increased competition in the banking industry.

Investment income increased by 4.33% from Rs. 15.46 billion in fiscal 2002 to Rs. 16.13 billion in fiscal 2003. Our average volume of investments increased by 15.28% from Rs. 133.22 billion in fiscal 2002 to Rs. 153.57 billion in fiscal 2003 because the increase in our deposits provided us with an increased amount of funds to invest. Income from investments in government and other approved securities increased by 9.52% from Rs.9.98 billion in fiscal 2002 to Rs. 10.93 billion in fiscal 2003. The increase was primarily as a result of a 24.14% increase in the average volume of government securities

in our portfolio from Rs. 87.68 billion in fiscal 2002 to Rs.108.85 billion in fiscal 2003, offset in part by a decline in yields. Yields from government securities declined from 11.38% in fiscal 2002 to 10.04% in fiscal 2003, reflecting the general decline in interest rates during this period.

Investment income from investments other than government securities decreased by 5.11% from Rs. 5.48 billion in fiscal 2002 to Rs.5.20 billion in fiscal 2003 because the decline in yields outweighed the increase in the volume of investments. Yields from these investments declined from 12.03% in fiscal 2002 to 11.63% in fiscal 2003, reflecting the general decline in interest rates during this period.

Interest on balances with the RBI and other inter-bank lending increased from Rs. 0.81 billion in fiscal 2002 to Rs. 0.88 billion in fiscal 2003, as a result of the lower cash reserve ratio balances we were required to maintain with the RBI and lower inter-bank lending during the year.

### ***Interest Expense***

Our interest expense increased by 1.06% in fiscal 2003 from Rs. 20.68 billion in fiscal 2002 to 20.9 billion in fiscal 2003. Our weighted average cost of funds decreased from 7.90% in fiscal 2002 to 7.04% in fiscal 2003.

Our interest expense on deposits remained substantially unchanged at Rs. 20.30 billion in fiscal 2003 compared with Rs. 20.30 billion in fiscal 2002 even though deposits increased, as a result of the decline in interest rates. Our average total deposits increased by 11.50% from Rs. 258.40 billion in fiscal 2002 to Rs. 288.12 billion in fiscal 2003. Our average cost of deposits declined from 7.86% in fiscal 2002 to 7.05% in fiscal 2003.

Our interest expense on borrowings from the RBI and other inter-bank borrowings decreased from Rs. 0.10 billion in fiscal 2002 to Rs. 0.03 billion in fiscal 2003 because of reduced dependence on inter-bank borrowings. Our other interest expense increased by 89.66% from Rs. 0.29 billion in fiscal 2002 to Rs. 0.55 billion in fiscal 2003 as a result of [interest payments on newly issued Tier II bonds. Our average cost of borrowings (including our Tier II bonds) declined from 10.92% in fiscal 2003 to 6.54% in fiscal 2004.

### ***Other Income***

Our other income increased by 14.19% from Rs. 4.65 billion in fiscal 2002 to Rs. 5.31 billion in fiscal 2003. The main reason for increase in other income was an increase in the profit on sale of investments. The following table sets forth the components of our other income:

<b>Year ended March 31,</b>	
<b>2002</b>	<b>2003</b>
<b>(in Rs. billion)</b>	

	<b>Year ended March 31,</b>	
	<b>2002</b>	<b>2003</b>
	<b>(in Rs. billion)</b>	
Commission, exchange and brokerage.....	1.02	1.06
Profit on sale of investments (net) .....	3.11	3.72
(Loss) on revaluation of investments (net).....	(0.28)	(0.26)
Profit on exchange transactions (net).....	0.39	0.47
Miscellaneous income .....	0.41	0.32
<b>Total other income .....</b>	<b>4.65</b>	<b>5.31</b>

Income from commissions, exchange and brokerage increased by 3.92% from Rs. 1.02 billion in fiscal 2002 to Rs. 1.06 billion in fiscal 2003.

Profit on sale of investment increased by 19.61% from Rs. 3.11 billion in fiscal 2002 to Rs. 3.72 billion in fiscal 2003. This increase was due primarily to gains from the higher volume of trading activities we undertook to take advantage of interest rate fluctuations.

Net profit from foreign exchange transactions increased by 20.51% from Rs. 0.39 billion in fiscal 2002 to Rs. 0.47 billion in fiscal 2003, due primarily to a higher volume of foreign exchange transactions.

### ***Operating Expenses***

Total operating expenses increased by 10.21% from Rs. 5.29 billion in fiscal 2002 to Rs 5.83 billion in fiscal 2003. As a percentage of our total income, operating expenses remained substantially unchanged at 15.20% in fiscal 2003 compared with 15.05% in fiscal 2002.

The primary component of our operating expenses was wages and other payments to employees, which increased by 20.42% from Rs. 2.89 billion in fiscal 2002 to Rs. 3.48 billion in fiscal 2003. The increase was due to annual increases in pay scales of 6% to 8%. As a percentage of total income, wages and other payments to employees increased from 8.22% in fiscal 2002 to 9.07% in fiscal 2003. We had 13,589 employees as of March 31, 2002 and 13,507 employees as of March 31, 2003.

Our expenses for rent, taxes and lighting for our premises remained stable at Rs. 0.67 billion in both fiscal 2002 and fiscal 2003. As a percentage of total income, these expenses were 1.91% in fiscal 2002 and 1.75% in fiscal 2003.

Depreciation expenses on our property (i.e., our fixed assets, including furniture, fixtures and computers) increased by 7.69% from Rs. 0.39 billion in fiscal 2002 to Rs. 0.42 billion in fiscal 2003. The increase was due primarily to our increased investments in computers, which we depreciate at a rate of 33.3% per annum. As a percentage of total revenues, these expenses decreased from 1.11% in fiscal 2002 to 1.09% in fiscal 2003.

### ***Operating profit***

For the reasons stated above, our operating profit before provisions and contingencies increased by 26.83% from Rs. 9.17 billion in fiscal 2002 to Rs. 11.63 billion in fiscal 2003. As a percentage of total income, our operating profit increased from 26.10% in fiscal 2002 to 30.32% in fiscal 2003.

### ***Provisions and Contingencies***

Provisions and contingencies made in fiscal 2003 increased by 18.26% to Rs. 7.06 billion compared with Rs. 5.97 billion in fiscal 2002. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	<b>Year ended March 31,</b>	
	<b>2002</b>	<b>2003</b>
	<b>(in Rs. billion)</b>	
Provision for non-performing assets .....	1.39	3.33
Floating provision against non-performing assets .....	1.83	0.90
Provision for restructured standard accounts .....	-	0.05
Provision for standard accounts .....	0.06	0.08
Depreciation on investments .....	0.16	(0.06)
Provisions for income tax.....	2.49	2.79
Others .....	0.04	(0.03)
<b>Total provisions and contingencies made during the fiscal year .....</b>	<b>5.97</b>	<b>7.06</b>

Our provisioning in respect of non-performing assets (which is the sum of the provision for non-performing assets and the floating provision against non-performing assets in the table above) decreased by 31.37% from Rs. 3.22 billion in fiscal 2002 to Rs. 4.23 billion in fiscal 2003. Our provision for non-performing assets increased by 139.57% from Rs. 1.39 billion in fiscal 2002 to 3.33 billion in fiscal 2003. Our floating provision against non-performing assets decreased by 50.82% from Rs. 1.83 billion in fiscal 2002 to Rs. 0.90 billion in fiscal 2003, which decrease was due to containment of NPA s as well as maximum provisioning which is already provided for in the prior period.

Our provisioning for depreciation on investments was Rs. (0.06) billion in fiscal 2003 compared with Rs. 0.16 billion release in fiscal 2002 of previously booked depreciation on investments.

### ***Income Tax***

Our provision for income tax increased by 12.05% from Rs. 2.49 billion in fiscal 2002 to Rs. 2.79 billion in fiscal 2003. This increase was due to profit on trading and securities.

### ***Net Profit***

As a result of the foregoing factors, our net profit increased by 42.37% from Rs. 3.21 billion in fiscal 2002 to Rs. 4.57 billion in fiscal 2003. As a percentage of total income,

our net profit increased from 9.13% in fiscal 2002 to 11.91% in fiscal 2003. Our earnings per Equity Share increased by 42.52% from Rs. 16.65 per Equity Share in fiscal 2002 to Rs. 23.73 per Equity Share in fiscal 2003.

### Liquidity and Capital Resources

Our growth over the last three fiscal years and the first nine months of fiscal 2004 and 2005 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 2002 and fiscal 2003.

The following table sets forth our cash flows, as restated, from operating activities, investing activities and financing activities in a condensed format. We have aggregated certain items set forth in the cash flow statements as restated that are part of our financial statements included elsewhere in this Draft Red Herring Prospectus in order to facilitate understanding of significant trends in our business. This information should be read together with the full cash flow statements and notes to our financial statements included elsewhere herein.

	Year ended March 31,			First Nine Months of Fiscal	
	2002	2003	2004	2004	2005
	(in Rs. million)				
<b>Cash flows from operating activities</b>					
Net profit after tax	3205.52	4569.49	6860.67	4573.91	5231.03
Adjustments for taxes (net of deferred tax)	2291	3398.95	4235.00	2931.12	1150.00
Non cash adjustments to profit before taxes	4402.77	4851.77	4542.34	4371.76	3332.43
Cash adjustments to profit before taxes (consisting primarily of interest on Tier II bonds)	-	194.69	333.21	253.79	253.66
Operating profit before changes in operating assets and liabilities	9899.29	13014.9	15971.22	12130.58	9967.12
Adjustment for net change in operating assets and liabilities					
Decrease / (increase) in investments	(13998.88)	(10775.59)	(20071.10)	(24278.42)	(22699.47)
Decrease / (increase) in advances	(30814.53)	(20457.75)	(40915.54)	(17656.99)	(27846.36)
Increase / (decrease) in deposits	38079.68	13206.93	58644.15	31203.83	69362.93
Increase / (decrease) in borrowings	3900.85	1486.39	(655.21)	(3095.52)	697.13
Change in other assets	(4565.71)	220.54	989.42	(1012.27)	(16542.27)
Change in other liabilities and provisions	5170.49	(2024.06)	3580.37	3471.71	4198.28
Net change in operating assets and liabilities	(2228.10)	(18343.54)	1572.09	(11367.66)	7170.24
Cash generated from operations					
Tax paid (net of refund )	(1655.90)	(3435.10)	(4367.50)	(1859.64)	(704.25)
Net cash from operating activities	6015.29	(8763.74)	13175.81	(1096.72)	16433.11
<b>Cash flows from investing activities</b>					
Purchase of fixed assets (net of sales)	(515.61)	(442.97)	(665.4)	(329.20)	(2917.03)
<b>Cash flows from financing activities</b>					
Tier II bonds issued, net of redemptions	2000.00	2000.00	-	-	-

Interest paid on Tier II bonds	-	(194.53)	(337)	(254.18)	(253.90)
Payments of dividends / corporate tax on dividends	(673.89)	(673.89)	(1411.86)	(866.43)	(651.63)
Net cash from financing activities	1326.11	1131.58	(1748.86)	(1120.61)	(905.53)
Net change in cash and cash equivalents	6825.79	(8075.13)	10761.55	(2546.53)	12610.55
Cash and cash equivalents at the beginning of the period	26491.46	33317.25	25242.12	25242.12	36003.67
<b>Cash and cash equivalents at the end of the period</b>	<b>33317.25</b>	<b>25242.12</b>	<b>36003.67</b>	<b>22695.59</b>	<b>48614.22</b>

### *Cash flows from operations*

Our net cash from operating activities reflects our net profit, adjustments for provision for tax and non-cash charges such as depreciation, amortization 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 and provisions. Change in borrowings reflects only short-term borrowings and not Tier II bonds, which are included in financing activity. Our net cash from operating activities fluctuated significantly in the periods shown and was negative in fiscal 2003 as well as in the first nine months of fiscal 2004, principally because of changes in our operating assets and liabilities. Our profit after tax increased in all the periods shown. Our operating profit before changes in operating assets and liabilities, which is net of the adjustments for provision for tax as well as non-cash and cash adjustments, increased in the periods shown except for the first nine months of fiscal 2005. In particular, in the first nine months of fiscal 2004, our cash flow from operating activities was Rs. (10.97) billion mainly because the increase in our advances and borrowings exceeded the increase in our borrowings by Rs. 17.48 and there was Rs. 10.12 billion increase in other assets, which was partially offset by a Rs. 7.12 billion increase in other liabilities and provisions. Our cash flow from operations increased significantly in the first nine months of fiscal 2005 compared with the first nine months of fiscal primarily due to an additional Rs. 38.16 billion increase in deposits in this period compared with the first nine months of fiscal 2004. This additional increase was due primarily to the addition of the deposits received by EGTB. The additional increase in deposits was partially offset by an additional Rs. 15.53 increase in other assets, which was due primarily to the Rs. 12.25 billion accumulated loss of GTB, which we assumed on its amalgamation with us, and an additional of Rs. 6.54 billion in advances compared with the first nine months of fiscal 2004, which increase was partially due to advances made by EGTB.

### *Cash flows from investing activities*

Our net cash used in investing activities was Rs. 0.52 billion, Rs. 0.44 billion and Rs. 0.67 billion in fiscal 2002, 2003 and 2004, respectively, and Rs. 0.33 billion and Rs. 2.92 billion in the first nine months of fiscal 2004 and 2005, respectively. Our net cash used in investing activities reflects investments consisting of the purchase of fixed assets. The significant increase of net cash used in investing activities in the first nine months of



fiscal 2005 compared with the first nine months of fiscal 2004 was due to the addition of EGTB's fixed assets.

### *Cash flows from financing activities*

Our net cash from financing activities was Rs. 1.33 billion, Rs. 1.13 billion and Rs. (1.75) billion in fiscal 2002, 2003 and 2004, respectively, and Rs. (1.12) billion and Rs. (0.91) billion in the first nine months of fiscal 2004 and 2005, respectively. Our net cash from financing activities in fiscal 2002 and fiscal 2003 reflects principally cash received from the issuance of Tier II bonds, which we issue for capital adequacy purposes. Net cash used in investing activities in fiscal 2004 and the first nine months of fiscal 2004 and 2005 reflects interest payments on Tier II bonds and the payment of dividends and corporate tax related to dividends. Our dividends increased significantly from fiscal 2003 to fiscal 2004 because in view of increased profits.

### *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:

	<b>As of</b>		
	<b>March 3 1, 2003</b>	<b>March 31, 2004</b>	<b>December 31, 2004</b>
	<b>(in Rs. billion)</b>		
Tier I capital .....	18.63	20.51	13.49
Tier II capital .....	5.78	9.55	8.81
Total capital .....	24.41	30.06	22.30
Total risk weighted assets and contingents .....	173.90	207.74	236.43
Capital adequacy ratios:			
Tier I .....	10.72%	9.87%	5.70%
Tier II .....	3.32%	4.60%	3.73%
Total capital ratio .....	14.04%	14.47%	9.43%
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 Tier I capital ratio decreased to 5.70% and our total capital ratio decreased to 9.43% as of December 31, 2004, compared with 9.87% and 14.47%,

respectively, as of March 31, 2004. The reduction is attributable to the decrease in Tier I capital and an increase in total risk weighted assets and contingencies. The decrease in Tier I capital was due to accumulated losses of EGTB upto December 31, 2004 which has been amalgamated with us. Our Tier I capital ratio decreased to 9.87% and our total capital ratio increased to 14.47% as of March 31, 2004, compared with 10.72% and 14.04%, respectively, as of March 31, 2003. These reductions were attributable to an increase in total risk weighted assets and contingencies.

The RBI Tier I capital and total capital ratios are expected to change with the implementation of the Basel II standards in late 2006 or early 2007. Under Basel II, there will be three methods for determining the risk weighting of assets for purposes of calculating capital adequacy, consisting of one “standardized” method in which external standards are used, and two methods in which a bank's internal standards are used. The RBI has said that Indian banks should first use the standardized method but may later permit banks to change to the internal methods.

### Financial Condition

Our net assets, which we define as our total assets less our total liabilities, increased by 26.93% from Rs. 21.09 billion as of March 31, 2003 to Rs. 26.77 billion as of March 31, 2004, and further increased by 19.54% to Rs. 32.00 billion as of December 31, 2004.

### Assets

The following table sets forth the principal components of our assets as of March 31, 2003, March 31, 2004 and December 30, 2004, as restated:

	As of		
	March 31, 2003	March 31, 2004	December 31, 2004
		(in Rs. billion)	
Cash in hand.....	2.10	2.10	3.07
Balance with the RBI .....	16.86	24.24	30.43
Balance with banks.....	6.26	9.67	8.36
Money at call and short notice.....	0.02	-	6.75
Investments (Net)	147.81	167.94	190.64
Advances .....	156.77	196.81	223.84
Fixed Assets (net of revaluation reserve).....	1.45	1.62	3.84
Other Assets .....	8.61	7.69	23.67
<b>Total Assets .....</b>	<b>339.88</b>	<b>410.07</b>	<b>490.60</b>

Our total assets increased by 20.65% from Rs. 339.88 billion as of March 31, 2003 to Rs. 410.07 billion as of March 31, 2004, and further increased by 19.64% to Rs. 490.60 billion as of December 31, 2004. The most significant elements of these increases were

increases in investments and advances as a result of the general increase in our business activities. In addition, the increase in the first nine months of fiscal 2005 was partially due to the addition of EGTB's investments and advances.

Our net investments increased by 13.62% from Rs. 147.81 billion as of March 31, 2003 to Rs. 167.94 billion as of March 31, 2004, and further increased by 13.52% to Rs. 190.64 billion as of December 31, 2004. This was due primarily to increases in our government securities and other investments. Of our total investment portfolio as of December 31, 2004, 79.30% consisted of securities issued by the Government of India and state governments, compared with 74.14% as of March 31, 2004 and 68.72% as of March 31, 2003.

Our advances increased by 25.54% from Rs. 156.77 billion as of March 31, 2003 to Rs. 196.81 billion as of March 31, 2004, and further increased by 13.73% to Rs. 223.84 billion as of December 31, 2004. The reasons for the increase in our advances are discussed above under "Financial Statements—Results of Operations".

Our money on call and short notice increased to Rs. 6.75 billion as of December 31, 2004

Other assets, which included Suspense (General) Account; Net TDS, Pre-Paid Expenses, Interest Accrued on Investment and Interest Accrued on Advances., increased from Rs. 7.67 in the first nine months of fiscal to Rs. 23.67 in the first nine months of fiscal 2005 due primarily to losses, pre-paid expenses, Suspense (General) Account, Interest Accrued, Non-Banking Assets, Amount Recoverable/ Security Deposits and TDS Accumulated.

Our gross non-performing assets increased from Rs. 11.46 billion as of March 31, 2003 to Rs. 12.14 billion as of March 31, 2004 to Rs. 25.64 billion as of December 31, 2004 or, as a percentage of total advances varied from 7.00% to 5.90% to 10.40%. The significant increase as of December 31, 2004 was due to the addition of EGTB's non-performing assets. Our net non-performing assets declined from Rs. 2.25 billion as of March 31, 2003 to zero as of March 31, 2004 and increased to Rs. 3.84 billion as of December 31, 2004, or, as a percentage of net advances, varied from 1.44% to 0.00% to 1.71%. The decrease as of March 31, 2003 compared with March 31, 2004 was due to higher provisioning for non-performing assets and the increase from March 31, 2004 as compared with December 31, 2004 was primarily a result of EGTB's non-performing assets. See the section titled "Selected Statistical Information" on page [●] 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 December 31, 2004:

	As of		
	March 31, 2003	March 31, 2004	December 31, 2004
	(in Rs. million)		
Demand deposits from			
banks .....	0.42	0.36	0.74
Demand deposits from			
others.....	27.03	30.78	39.13
Savings deposits .....	57.62	70.74	86.14
Term deposits from			
banks .....	9.45	2.99	5.13
Term deposits from			
others.....	203.57	251.87	294.97
Total deposits .....	298.09	356.74	426.11
Borrowings .....	7.66	7.01	7.70
Other liabilities and			
provisions .....	9.03	15.55	18.03
Subordinated debt.....	4.00	4.00	6.76
<b>Total liabilities ....</b>	<b>318.78</b>	<b>383.30</b>	<b>458.60</b>

Our total liabilities increased by 20.24% to Rs. 383.3 billion as of March 31, 2004 from Rs. 318.78 billion as of March 31, 2003. This increase was mainly due to a 22.77% increase in savings deposits, a 23.73% increase in term deposits from others and a 72.20% increase in other liabilities and provisions, which was partially offset by a 68.36% decrease in term deposits from banks. The increase in our deposits was principally due to general growth in our business, new customers acquired as we expanded our branch network and greater penetration of our customer base achieved through cross sales of our products. Other liabilities and provisions includes bills payable, interest accrued on deposits and borrowings, inter-office adjustments, our Tier II bonds and provisions in respect of non-performing assets. Bills payable increased by 30.19% from Rs. 1.59 billion in fiscal 2003 to Rs. 2.07 billion in fiscal 2004. Our total provisions in respect of non-performing advances increased by 32.21% from Rs. 9.16 billion as of March 31, 2003 to Rs. 12.11 billion as of March 31, 2004.

Our total liabilities increased by 19.65% from Rs. 383.3 billion as of March 31, 2004 to Rs. 458.60 billion as of December 31, 2004. This increase consisted mainly of a 21.77% increase in savings deposits, a 17.11% increase in term deposits from others and a 15.95% increase in other liabilities and provisions. The increase in our deposits was principally due to general growth in our business and EGTB's amalgamation with us, new customers acquired as we expanded our branch network and the addition of EGTB's customers and greater penetration of our customer base achieved through cross sales of our products. The increase in other liabilities and provisions was due mainly to the fact that our provisions in respect of non-performing advances increased by 80.02% from Rs. 12.11 billion as of March 31, 2004 to Rs. 21.80 billion as of December 31, 2004. The

increase in Tier II bonds was due to Tier II bonds originally issued by EGTB, which we became liable for on its amalgamation with us.

## 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 December 31, 2004.

	As of		
	March 31, 2003	March 31,2004	December 31, 2004
	(in Rs. billion)		
<b>Contingent liabilities</b>			
Claims against the Bank not acknowledged as debt.....	1.54	0.28	2.70
Disputed income tax demands under appeal, references, etc.....	1.25	1.19	0.90
Liability on account of outstanding forward exchange contracts.....	10.15	27.11	49.42
Guarantees given on behalf of constituents in India and outside India .....	15.42	19.20	27.49
Acceptances, endorsements and other obligations .....	4.89	17.46	11.60
Other items for which the Bank is contingently liable.....	0.05	0.02	0.01
<b>Total</b> .....	<b>33.30</b>	<b>65.26</b>	<b>92.12</b>

Contingent liabilities increased by 95.98% from Rs. 33.30 billion as of March 31, 2003 to Rs. 65.26 billion as of March 31, 2004 and further increased by 41.16% to Rs. 92.12 billion as of December 31, 2004, due primarily to the following:

- A 167.09% increase in liability on account of forward exchange contracts from Rs. 10.15 billion as of March 31, 2003 to Rs. 27.11 billion as of March 31, 2004 and a further 82.29% increase to Rs. 49.42 billion as of December 31, 2004. These increases were mainly due to the growth of our foreign exchange business.
- A 24.51% increase in guarantees from Rs. 15.42 billion as of March 31, 2003 to Rs. 19.20 billion as of March 31, 2004 and a further 43.18% increase to Rs. 27.49 billion as of December 31, 2004. These increases were due to our increased focus on our fee-based services business.
- A 257.06% increase in acceptances, endorsements and other obligations from Rs. 4.89 billion as of March 31, 2003 to Rs. 17.46 billion as of March 31, 2004 and a

33.56% decrease to Rs. 11.60 billion as of December 31, 2004. The increase/decrease was due to different cycle of business operations.

### ***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. 10.15 billion as of March 31, 2003, Rs. 27.11 billion as of March 31, 2004 and Rs. 49.42 billion as of December 31, 2004. 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 was Rs. 1.00 billion as of March 31, 2004 and was Rs. 0.50 billion as of December 31, 2004. These swaps have been unwound and settled. We did not have any outstanding swaps as of March 31, 2003.

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.

### ***Guarantees and Documentary Credits***

As a part of our commercial banking activities, we issue guarantees and documentary credits such as letters of credit and guarantees to enhance the credit standing of our customers, for which we charge fees and commissions.

The amounts of guarantees and documentary credits outstanding as of March 31, 2003, March 31, 2004 and December 31, 2004 are set out below:

	As of,		
	March 31, 2003	March 31, 2004	December 31, 2004
	(in Rs. billion)		
Guarantees:			
In India			
Financial guarantees .....	7.68	10.56	14.66
Performance and other guarantees.....	7.10	7.88	12.18
Outside India .....	0.64	0.76	0.65
Documentary credits .....	4.89	17.46	11.60
<b>Total .....</b>	<b>20.31</b>	<b>36.66</b>	<b>39.09</b>

### ***Loan Sanction Letters***

As part of our business we issue sanction letters to customers, indicating our intent to provide loans. These letters generally lapse after six months in fresh sanctions. The letters are issued branch-wise, and we do not compile data on loan sanctions for our bank as a whole. If we were to disperse these loans, the interest rates would be dependent on lending rates in effect on the date the loans are dispersed. The sanctions are subject to periodic review.

### **Capital Expenditures**

Our capital expenditures consist principally of investments in branch, office and residential premises, and investments in other fixed assets such as furniture, fixtures and computers. Capital expenditures on premises (excluding work in progress) were Rs. 0.05 billion, Rs. 0.04 billion and Rs. 0.06 billion, respectively, in fiscal 2002, 2003 and 2004. Capital expenditures on other fixed assets were Rs. 0.46 billion, Rs. 0.40 billion and Rs. 0.60 billion in fiscal 2002, 2003 and 2004, respectively.

### **Financial Indebtedness**

Set forth below is a brief summary of our aggregate unsecured borrowings of Rs. **6756.4** million as on December 31, 2004:

<b>Nature of Borrowing/ Date</b>	<b>Amount Outstanding (in Rs. Million)</b>	<b>Date of Repayment</b>	<b>Interest Rate</b>	<b>Security</b>
Loan from International Finance Corporation/ 21.10.98	211.4*	June 2006	Floating rate of 6 month LIBOR +2.125% + swap cost	Unsecured

			2.85 (approximately)	
Bonds/ 26.12.96	200	25.12.06	17.5%	Unsecured
Series B/ 31.12.98	200	30.12.04	14%	Unsecured
Series C/ 22.3.99	620	21.4.05	14%	Unsecured
Series C/ 31.3.99	60	30.4.05	14%	Unsecured
Bonds-2000/ 6.3.00	710	5.4.06	12%	Unsecured
Bonds-2001/ 9.3.01	500	8.5.07	11.3%	Unsecured
Bond / September 2001	2000	67 months from the deemed date of allotment being September 10, 2001	9.70%	Unsecured
Bond / October 2002	2000	66 months from the deemed date of allotment being October 22, 2002. ( i.e. April 22 2008)	7.15%	Unsecured
Bonds-2003/ 31.3.03	255	1.7.08	7.75%	Unsecured

\*Loan of USD 5 million, payable in 5 (half yearly) instalments from June 2004 till June 2006.

Other unsecured borrowings amounting to Rs. **7702.10** million as on December 31, 2004 were as under:

(in Rs. million)	
Category of Borrowings	Amount of Borrowings As on December 31, 2004
<b>I. Borrowings in India</b>	
Overdraft with State Bank of India and other bank on account of clearing and borrowings in foreign exchange.	<u>2222.2</u>
SIDBI Refinance	23.6
NABARD Refinance	738.
NHB Refinance	23.4
Sub-total	<b>3007.2</b>



<b>II. Borrowings Outside India</b>	<b>4694.9</b>
<b>TOTAL (I+II)</b>	<b>7702.10</b>

### **Other Borrowings**

#### **Borrowings within India**

Borrowings within India comprise of refinance facility obtained from SIDBI, NABARD and NHB. These 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) sanctioned to industrial concerns in the small scale sector and small road transport operators against which no financial support has been availed of by the Bank in any form from any other financial institution or bank. In addition the Bank also has certain borrowings in foreign exchange.

#### **Borrowings outside India**

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 HSBC, Hong Kong, Syndicate Bank, London, ICICI, London, Citibank, Bahrain, State Bank of India, Paris, ABN Amro, Singapore, Bank of India, Paris and Bank of India, Tokyo. These bilateral borrowings which are of short term nature (maturity period of about six months) are undertaken as privately negotiated spot transactions and are being used by the Bank for export finance purposes.

### **Summary of Significant Differences between Indian GAAP and U.S. GAAP**

The summarized financial information and financial statements included in this Draft Red Herring Prospectus have been prepared in accordance with the requirements of the Companies Act and the Banking Regulation Act 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 Draft 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 Draft 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.

<b>Particulars</b>	<b>Indian GAAP</b>	<b>U.S. GAAP</b>
Format and content of financial statements	<p>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.</p> <p>Format for presentation of financial statements is as prescribed by the relevant statute.</p>	<p>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 disclosures in the notes to financial statements generally is far more extensive than under Indian GAAP.</p> <p>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.</p>
Allowance for credit losses	<p>Allowance for credit losses are based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows. The allowances are made in accordance with the prudential norms prescribed by the RBI (RBI).</p>	<p>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 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).</p>
Investments in securities	<p>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</p>	<p>Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories:</p>

Particulars	Indian GAAP	U.S. GAAP
	<p>value in which case the premium is amortized 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.</p> <p>Amortisation of purchase premium is required in respect of 'Held to Maturity' category</p>	<p>trading, Available For Sale, or Held To Maturity.</p> <p>Trading securities are marked to fair value, with the resulting unrealized gain or loss recognized in the income statement.</p> <p>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 realized, at which time the gain or loss is reported in income.</p> <p>Held-to-maturity (HTM) debt securities are carried at amortized cost.</p> <p>Other than temporary impairments in the value of HTM and AFS investments are accounted for as realized losses.</p> <p>Amortisation of purchase premium and discount is required for all the categories of debt securities.</p>
Loan origination fees/costs	Loan origination fees and costs are taken to the income statement in the year accrued/incurred.	Loan origination fees (net of loan origination costs) are deferred and recognized as an adjustment to yield over the life of the loan.
Consolidation and investments in	In India, the reporting entity generally follows legal form, and	Under U.S. GAAP, there is a presumption that consolidated

Particulars	Indian GAAP	U.S. GAAP
subsidiaries	<p>under the Companies Act is considered to be the legal entity rather than a group.</p> <p>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.</p> <p>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.</p> <p>For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered.</p> <p>Unlisted entities with subsidiaries will continue to have the option of not presenting consolidated financial statements.</p>	<p>financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent.</p> <p>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.</p> <p>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 that entity. In such cases, the equity method of accounting applies.</p> <p>Entities where the minority shareholder has protective rights only are consolidated.</p> <p>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.</p> <p>In January 2003, the FASB issued</p>

Particulars	Indian GAAP	U.S. GAAP
		<p>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.</p>
Investments in associates or affiliates	<p>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 standalone 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.</p> <p>Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investments as before.</p>	<p>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.</p> <p>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.</p> <p>This method is also followed for unconsolidated subsidiaries.</p>
Interests in joint ventures	Investment in jointly controlled entities is accounted in stand alone financial statements of the parent in the same manner as stated in ‘Consolidation and investment in subsidiaries’ above .	An incorporated joint venture is treated as a subsidiary or an affiliate, depending on the level of control of the joint venturer, and either consolidated or accounted for using the equity method, respectively.

Particulars	Indian GAAP	U.S. GAAP
	<p>Interests in jointly controlled entities of a venture should be recognized in its consolidated financial statements on a proportionate consolidation basis unless by virtue of a contractual arrangement joint control is established over an entity which is a subsidiary of that enterprise within the meaning of AS 21, in which case the entity is consolidated by the said enterprise and is not treated as joint venture. Additionally, interests in jointly-controlled assets and jointly-controlled operations of a venture are required to be recognized in the separate financial statements and consequently in its consolidated financial statements.</p> <p>Unlisted companies that do not prepare consolidated financial statements could continue to report joint venture investments as before.</p>	<p>Accounting for interests in jointly-controlled assets and jointly-controlled operations of a venture is similar to Indian GAAP.</p>
Business combination	<p>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 fulfillment 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.</p>	<p>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.</p>

Particulars	Indian GAAP	U.S. GAAP
	<p>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.</p> <p>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.</p>	<p>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.</p> <p>Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the net assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.</p>
Acquired Goodwill	<p>Goodwill arising on amalgamation is amortised to income on a systematic basis over its useful life, not exceeding five years unless a longer period can be justified. (AS 14) 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.</p> <p>Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment.</p> <p>For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized.</p>	<p>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.</p>

Particulars	Indian GAAP	U.S. GAAP
	<p>Additionally, goodwill needs to be tested for impairment on annual basis, as required by AS 28 “Impairment of Assets”.</p>	
<p>Impairment of assets</p>	<p>Applicable for accounting periods beginning from April 1, 2004 onwards.</p> <p>The standard required 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 asset. 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. That reduction is reported as an impairment loss.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Property, plant and equipment</p>	<p>Fixed assets are recorded at historical costs or revalued amounts.</p> <p>On revaluation, an entire class of assets is revalued, or a 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.</p>	<p>Revaluations are not permitted.</p>
<p>Issuance and redemption costs for borrowings</p>	<p>Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium</p>	<p>Debt issuance costs are treated as a deferred charge and amortized using the effective interest rate method over the life of the debt.</p>



Particulars	Indian GAAP	U.S. GAAP
	<p>Account.</p> <p>Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.</p>	<p>Redemption premiums are accrued as a yield adjustment over the life of the debt.</p>
Foreign exchange	<p>AS11 “The Effects of Changes in Foreign Exchange 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 capitalised.</p> <p>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.</p>	<p>Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in interest cost.</p> <p>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.</p>

Particulars	Indian GAAP	U.S. GAAP
Deferred taxation	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases 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.</p> <p>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.</p>
Proposed dividend	Proposed dividends are recognised 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 a 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	<p>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.</p> <p>Expenditure incurred on voluntary</p>	<p>The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions.</p> <p>Expenditure incurred on voluntary retirement scheme should be</p>

Particulars	Indian GAAP	U.S. GAAP
	retirement scheme may be deferred.	expensed in the period 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	<p>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.</p> <p>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 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. Gains or losses on the termination of swaps should be recognised when the offsetting gain or loss is recognised on the 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</p>	<p>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 and 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.</p> <p>Gains and losses on fair value hedges, for both the hedging instrument and the item being hedged, are recognised in the income statement.</p> <p>Gain 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.</p> <p>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.</p> <p>The gains or losses on the ineffective portion of any hedge</p>

<b>Particulars</b>	<b>Indian GAAP</b>	<b>U.S. GAAP</b>
	<p>asset/ liability.</p> <p>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.</p>	<p>are written off as income or expense.</p> <p>Derivatives that are not designated as a hedging instrument, the gain or losses is recognised in earnings in the period of change.</p>
Off-balance sheet items	There is no specific guidance or 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 or determining fair values.

## LEGAL & OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated under, there exists no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Bank, and 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 other than unclaimed liabilities against our Bank and Directors.

**Contingent liabilities (claims against the Bank not acknowledged as debts) other than income tax and interest tax not provided for as of December 31, 2004: Rs. 2598 million (as compared to Rs. 168 million as of March 31, 2004).**

#### I. Litigation against our Bank

##### A. Pending Litigation Against Our Bank

##### 1. **Criminal Cases**

There are four criminal cases pending against our Bank. The details of the cases are as under:

- (i) *Valley View Commercial Co. Pvt. Ltd. versus OBC and others*: - A criminal case (CC no. 3122/2000) was filed by Valley View Commercial Co. Pvt. Ltd. against our Bank and Directors/officials in the Court of Metropolitan Magistrate (12<sup>th</sup> Court) Kolkata. The complainant has prayed that the Hon'ble Court may send the complaint to the Superintendent of Police, Central Bureau of Investigation, Kolkata for investigation under Section 156(3) Cr. P.C. for commission of offences punishable under Sections 408, 409, 120 B, 467, 471, 465 and 477 of the Indian Penal Code treating the same as an FIR. It has been alleged that officers of the Bank are public servants within the meaning of Section 21 of IPC and the offences have been committed as public servants holding their respective offices.

The Court has taken cognizance of the case on July 6, 2000. The complainant *inter alia* alleges that the officials of the Bank (including the then Chairman and Managing Director, Mr. Dalbir Singh) persuaded the complainant to make FCNR deposits and represented that he would get better returns than from other banks and consequently deposited over Rs. 60.00 million in FCNR deposits from time to time and that he was persuaded to bid for shares offered under the public issue of shares of the Bank in October 1994 and represented that the share price would rise. He has contended that his account was debited with Rs. 12.00 million for the purchase of 200,000 equity shares @ Rs. 60/- but was allotted only 26,000 shares. The shares were allegedly delivered late deliberately and in the

meantime, the share price was rigged and thereafter the price of the shares of the Bank plummeted.

Four Petitions (CRR 1105 of 2001, CRR 1496 of 2001, CRR 1531 of 2001 and CRR 561 of 2002) have been filed before the Kolkata High Court by the then Chairman and Managing Director, Directors and Executives of the Bank under Sec. 482 of the Code of Criminal Procedure, 1973 and Article 227 of the Constitution of India for quashing the proceedings before the Magistrate. In view of the stay granted by the High Court, the proceedings before the Magistrate are being adjourned from time to time. The Petitions before the High Court are pending disposal.

- (ii) *Maika Holdings Bherad versus GTB & others* – CC No. 8193/2000 pending in the Court of Chief Metropolitan Magistrate, Egmore, Chennai. Maika Holdings Behrad (“Maika”), a Malaysian company sanctioned ECB of USD 3 million to Premier Housing & Industrial Enterprises Ltd. (“Premier”) against security of property at Halda. EGTB acted as security agent of Maika to accept documents of title of Halda property with an intent to create mortgage in favour of Maika. Premier sought substitution of securities with Maika, by replacing Halda property with 4 other properties, which was confirmed by Maika. EGTB released Halda property on behalf of Maika to Premier. There was a dispute with regard to the substituted properties and Maika contended that the Halda property ought not have been released to Premier. Later the same Halda property was offered as a security to EGTB for the limit sanctioned to Premier. Maika has filed the case under Sections 120-B, read with Section 34, 409, 420 of the Indian Penal Code against EGTB, its former Chairman and Managing Director, Executive Director and officials of EGTB and promoter of Premier alleging that they have conspired with an intent to cheat and defraud Maika. Maika has also instituted a civil suit against EGTB and others in Chennai High Court seeking *inter alia* a declaration that Maika continues to have first charge over the Halda property. However, in a winding up petition filed against Premier (Company Petition No. 367 of 2003) in the Chennai High Court, Premier has filed a Scheme of Settlement, to which Maika and EGTB are parties. In the said scheme all the creditors have agreed to withdraw cases against Premier and amongst themselves (creditors). The said scheme was allowed by the Chennai High Court. As per the scheme Halda property was earmarked to clear the dues of Maika and EGTB and Maika is to withdraw the cases against EGTB.

- (iii) *Exim India Oil Company Ltd versus Shri S. C. Sarkar & Others* - EGTB filed a recovery suit in the Debt Recovery Tribunal, Kolkata against Exim India Oil Company Ltd. (“Exim”), which is a NPA account, for an amount of Rs. 34.84 million with further interest. Later a compromise for an amount of Rs. 30.00 million was arrived at between EGTB and Exim on February 5, 2003, which was revised on March 13, 2003. Under the compromise, Exim was required to make a down payment of Rs. 6.00

million to EGTB. As the cheques for the said amount of Rs. 6.00 million were returned unpaid, EGTB cancelled the compromise and also filed a criminal case against Exim under section 138 of the Negotiable Instrument Act, 1881. EGTB also issued notice to Exim under Securitisation Act and took possession of the properties of Exim at Cuttack and Kolkata. Exim filed a criminal case, *Exim India Oil Company Ltd. Versus Shri S. C. Sarkar & Others*, Case No. 1194 of 2004, which is pending in the Court of 12<sup>th</sup> Metropolitan Magistrate, Kolkata. Exim has alleged that offences under Section 406, 409, 420, 511 and 120B have been committed by EGTB and its officers. It is alleged that pursuant to the compromise dated February 5, 2003, two cheques for Rs. 3.00 million each were handed over to EGTB and compromise terms were to be filed in DRT on or before February 28, 2003. However, a cheque for Rs. 3.00 million was sent for encashment prior to filing of compromise terms in DRT and EGTB is trying to renege from the compromise. Exim did not disclose that the agreement was revised on March 13, 2003 in its complaint. All the accused have preferred a petition before the Kolkata High Court under Sec. 482 of the Code of Criminal Procedure, 1973 for quashing the proceedings before the Magistrate and the High Court has granted stay of the said proceedings.

- (iv) *Mr. Anil Rishiraj, Enforcement Officer versus M/s First Global Stockbroking Pvt. Ltd. and Others* A prosecution case (CC No. 122/W/2002) has been filed by the Enforcement Directorate against EGTB and its former Director and officers in the Court of the Chief Metropolitan Magistrate, Esplanade, Mumbai. It is alleged that EGTB and its former Director and officers have abetted First Global Stockbroking Pvt. Ltd. (FGSPL) in contravention of the provisions of Section 19(1)(b) read with section 64(2), 68(1) and 68(2) of FERA, 1973 by FGSPL thereby committed an offence under section 56(1) (ii) of FERA 1973 read with section 49(3) and 49(4) of FEMA 1999. FGSPL and its group companies availed certain credit facilities from EGTB for subscribing to the private placement of shares by HFCL. Shares were allotted by HFCL to the group companies of FGSPL. The group companies sold these shares to FGSPL, who in turn sold the shares to various FIIs at a price that is alleged to be 'off market'. The allegation made by the Enforcement Directorate is that the sale of shares outside the stock exchange by FGSPL is an 'off market' deal and required permission from RBI and is in violation of various FERA provisions. It is alleged that there was a criminal conspiracy to transfer shares of HFCL without the specific permission of RBI. It is EGTB's stand that it made rupee advances to various group companies of FGSPL and recovered the rupee advances and therefore, there is no involvement of any foreign exchange transaction in the matter and the provisions of FERA are neither attracted nor contravened.

## 2. Cases related to statutory authorities.

## **A. Income Tax Cases**

The income tax related cases pending in various Assessment Years are as follows:

### **1 Assessment year 1989-1990:**

The amount of tax in dispute is Rs.15,595,422.00. The question of law involved is whether for computation of book profits under Section 115J of the IT Act should the Bank include Provision for bad & doubtful debts, Reserve for rural branches, Reserve for Bad & Doubtful Debts @ 5% of taxable income and provision for bonus. The question of law has been admitted by the Delhi High Court.

### **2 Assessment year 1993-1994:**

The Income Tax Department has filed an appeal before the ITAT against the orders of CIT (Appeals) upholding non- taxability of Interest accrued but not due on investments, allowance of depreciation on current investment in securities, loss claimed in stock in trade, deduction under Section 80M of the IT Act and amortisation of securities not to be taxed. The Department's appeal is pending before the ITAT. The tax on the income subject to department's appeal is Rs.87,544,323/-. No demand is pending against the Bank.

### **3 Assessment year 2000-2001:**

An appeal filed before the ITAT is pending against the order of the CIT (Appeals) confirming addition made by the Assessing Officer taxing interest accrued but not due on investments, disallowance of expenditure on estimated basis for earning tax free incomes. The tax on income under dispute is Rs. 7,18,739,935.00. The demand under dispute though contested in appeal by the Bank has been adjusted by the Department against refunds.

### **4 Assessment Year 2001-2002:**

An appeal filed before CIT (Appeals) is against the orders of the Assessing Officer, taxing interest accrued but not due on investments, disallowance of expenditure on estimated basis for earning tax free incomes and disallowance of depreciation in



respect of properties not registered in the name of the Bank as on March 31, 2001. The tax on income under dispute is Rs.55,097,571.00. The demand under dispute though contested in the appeal filed by the Bank has been adjusted by the Department against refunds. The matter is pending before CIT (Appeals).

**5. Assessment Year 2002-03**

An appeal filed before CIT (Appeals) is pending against the orders of the Assessing Officer, taxing interest accrued but not due on investments, disallowance of expenditure on estimated basis for earning tax free incomes, disallowance of depreciation in respect of properties not registered in the name of the Bank as on March 31, 2002 and disallowance of depreciation on current investments in securities. The tax on income under dispute is Rs.5,07,790,708.00. The demand under dispute has been contested in the appeal filed by the Bank. The Bank has moved an interim application praying for stay of demand of the Department.

The income tax related cases pertaining to EGTB, (amalgamated with our Bank with effect from August 14, 2004) pending in various Assessment Years are as follows:

**1. Assessment Year 1995-96:**

The amount of tax in dispute is Rs. 27,972,931.00. The issue in dispute pertains to allowance of the entire share issue expenses in accordance with Section 35D of the IT Act, taxability of interest accrued on investments on due basis and allowance of lease equalisation. The question of law has been admitted by the High Court of Andhra Pradesh. The demand of Rs. 27,972,931.00 has been paid.

**2. Assessment Year 1996-97:**

An appeal filed before ITAT is pending against the orders of the CIT (Appeals) confirming additions made by the Assessing Officer, taxing interest accrued but not due on investments, reduction of deduction u/s 80M of the IT Act by estimated expenditure incurred to collect dividend, disallowance of depreciation on permanent investments and disallowance of lease equalisation account.

The tax on income under dispute is Rs. 38,244,840.00. The demand under dispute though contested in appeal by EGTB has been paid.

**3. Assessment Year 1997-98:**

An appeal filed before ITAT is pending against the orders of the CIT (Appeals) confirming additions made by the Assessing Officer, taxing interest accrued but not due on investments, disallowance of depreciation on assets leased to PSEB, disallowance of interest tax paid by the bank, reduction of deduction u/s 80M of the IT Act by estimated expenditure incurred to collect dividend & disallowance of adjustment made by the bank on lease income to meet bank charges incurred by the lessees in remittance of lease rentals. The tax on income under dispute is Rs. 198,533,386.00. The demand under dispute though contested in appeal by EGTB has been paid.

**4. Assessment Year 1998-99:**

An appeal filed before ITAT is pending against the orders of the CIT (Appeals) confirming additions made by the Assessing Officer taxing interest accrued but not due on investments and disallowance of lease equalisation account. The tax on income under dispute is Rs. 47,679,357.00. The demand under dispute though contested in appeal by EGTB has been paid.

**5. Assessment Year 1999-2000:**

An appeal filed before ITAT is pending against the orders of the CIT (Appeals) confirming additions made the Assessing Officer disallowing lease equalisation account. The tax on income under dispute is Rs. 3,176,049.00. The demand under dispute though contested in appeal by EGTB has been paid.

**6. Assessment Year 2000-01:**

An appeal filed before ITAT is pending against the orders of the CIT (Appeals) confirming additions made by the Assessing Officer, taxing interest accrued but not due on investments, disallowance of depreciation on windmills given on lease by EGTB, disallowance of expenditure on estimated basis to earn tax free incomes u/s 14A of the IT Act, disallowance of bad debts claimed by EGTB in accordance with the provisions of Section 36 (1)(vii) of the IT Act disallowance of lease equalisation account. The tax on income under dispute is Rs. 1,69,905,539.00. The demand under dispute though contested in appeal by EGTB has been paid.

**7. Assessment Year 2001-02:**

An appeal filed before CIT (Appeals) is pending against the orders of Assessing Officer taxing interest accrued but not due on investments, disallowance of

depreciation on windmills given on lease by EGTB, disallowance of expenditure on estimated basis to earn tax free income u/s 14A of the IT Act, disallowance of bad debts claimed by the Bank in accordance with the provisions of section 36 (1)(vii) of the IT Act & disallowance of lease equalisation account. The tax on income under dispute is Rs. 5,14,223,986.00. The demand under dispute though contested in appeal the tax has been partly paid. The balance tax payable is Rs. 1,74,702,374.00, which was stayed by the Additional Commissioner of Income Tax up to December 31, 2004 or disposal of appeal which ever is earlier.

## **B. Sales Tax cases**

There are no pending sales tax cases against our Bank

## **C. Cases pertaining to Interest Tax**

In respect of interest tax, following seven appeals out of which five appeals pertain to only one issue viz., re-imbursement by the borrowers of interest tax to the Bank cannot again be made subject to interest tax and two appeals pertaining to erstwhile Punjab Co-operative Bank Limited amalgamated with the Bank, are pending before the ITAT.

The cumulative amount in dispute is approximately Rs. 23,544,000.

<b>Sl. No .</b>	<b>Assessment Year</b>	<b>Nature of dispute</b>	<b>Amount of interest tax Involved(Rs. in million)</b>	<b>Status</b>
	1996-97	Re-imbursement by the borrowers of interest tax to the Bank cannot again be made subject to interest tax and interest u/s 12B of the Interest Tax Act, 1974 is on returned chargeable interest and not assessed chargeable interest.	4.80	Appeal pending i before ITAT
2	1997-1998	Re-imbursement by the borrowers of interest tax to the Bank cannot again be made subject to interest tax and interest	5.50	Appeal pending i before ITAT

3	1998-1999	Re-imbursement by the borrowers of interest tax to the Bank cannot again be made subject to interest tax and interest u/s 12B of the Interest Tax Act, 1974 is on returned chargeable interest and not assessed chargeable interest.	5.60	Appeal pending i before ITAT
4	1999-2000	Re-imbursement by the borrowers of interest tax to the bank cannot again be made subject to interest tax and interest	3.40	Appeal pending i before ITAT
5	2000-2001	Re-imbursement by the borrowers of interest tax to the bank cannot again be made subject to interest tax and interest	3.60	Appeal pending before ITAT
6	1994-1995*	Interest earned on investments is not liable to interest tax and interest u/s 12B of the Interest Tax Act, 1974 is on returned chargeable interest and not assessed chargeable interest.	0.30	Appeal pending Before ITAT
7	1995-1996*	Interest earned on investments is not liable to interest tax and interest u/s 12B of the Interest Tax Act, 1974 is on returned chargeable interest and not assessed chargeable interest.	0.344	Appeal pending before ITAT

	Total		23.54	
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\* Pertain to erstwhile Punjab Co-operative Bank Ltd.

In respect of interest tax of EGTB, the following three appeals are pending before the ITAT. The cumulative amount in dispute is approximately Rs. 5,760,585.00 and tax on the same has been paid.

S. No.	Assessment Year	Nature of Dispute	Amount of interest tax involved in Rs.	Status
1	1998-1999	Re-imbursement by the borrowers of interest tax to the Bank cannot again be made subject to interest tax, interest received from credit institutions cannot be made liable to interest tax and interest earned on investments cannot be made liable to interest tax.	4,535,841.00	Appeal pending before ITAT
2	1999-2000	Interest received from credit institutions cannot be made liable to interest tax.	173,864.00	Appeal pending before ITAT
3	2000-2001	Interest received from credit institutions cannot be made liable to interest tax.	1,050,880.00	Appeal pending before ITAT
	Total		5,760,585.00	

#### D. Cases relating to Foreign Exchange Regulations

There are five cases against our Bank relating to alleged violation of foreign exchange regulations in India. The total amount claimed against our Bank on such account is Rs. 7.5 million. The details of these cases are as follows:

- (i) The Additional Director General (Systems) W. Z. imposed a penalty of Rs. 5 million on EGTB and of Rs. 0.1 million each on

three employees/former employees of EGTB, by order dated June 29, 2004 and alleged that EGTB violated RBI's terms and conditions of approval, while opening Letter of Credit (L/C) in August 1995 for import of refinery machinery by PEPCO. EGTB filed an appeal before the Appellate Tribunal for Foreign Exchange, New Delhi, which has stayed the operation of the impugned order subject to submission of a bank guarantee for Rs. 5 million. EGTB has complied with the direction of Appellate Tribunal.

- (ii) The Exchange Control Department of RBI has imposed a penalty of Rs. 0.2 million, by its order dated March 28, 2002 on EGTB alleging that transactions under Portfolio Investment Scheme (PIS) pertaining to operations of Overseas Corporate Bodies (OCBs) were not conducted in conformity with the conditions stipulated in the approval letters and monitoring systems were not in place. EGTB complied with the orders of RBI and deposited the penalty with RBI on April 8, 2002.
- (iii) The Enforcement Directorate issued a show cause notice dated May 31, 2002 to EGTB and its former Director and officers alleging that they have abetted First Global Stockbroking Pvt. Ltd. (FGSPL) in the contravention of the provisions of FERA, 1973. FGSPL and its group companies availed certain credit facilities from EGTB for subscribing to the private placement of shares by HFCL. Shares were allotted by HFCL to the group companies of FGSPL. The shares were sold by the group companies to FGSPL, who in turn sold the shares to various FIIs at a price which is disputed as 'off market'. The allegation made by the Enforcement Directorate is that sale of shares outside the stock exchange by the FGSPL is an 'off market' deal and required a specific permission of RBI and violated FERA provisions. EGTB has filed its reply dated June 18, 2003, stating that it made rupee advances to various group companies of FGSPL and recovered the rupee advances and therefore, there is no involvement of any foreign exchange transaction in the matter and the provisions of FERA are neither attracted nor contravened.
- (iv) The Enforcement Directorate has issued three show cause notices all dated May 30, 2002 and one show cause notice dated May 31, 2002. alleging that there has been violation of provisions of FERA and FEMA by EGTB and its officers in the conduct of OCB operations under PIS at two branches of EGTB. The Bank is yet to file its written reply to the said show cause Notices as the Enforcement Directorate has not yet permitted the Bank to

examine the documents based on which the show cause notices were issued to EGTB and its employees.

- (v) The Enforcement Directorate imposed a penalty of Rs. 2.5 million on the Bank by order dated July 30, 2004 alleging that the Bank has failed to provide checks and balances in the banking system as the branch manager was not only processing the loan applications, but also sanctioning the same and the said inaction is tantamount to aiding and abetting in the matter of releasing the loan in contravention of the provisions of FERA and hence the Bank is liable for penal action under section 50 of FERA. The Bank has filed an appeal before the Appellate Tribunal for Foreign Exchange, New Delhi, against the said order. The deposit of penalty amount was waived upon deposit of bank guarantee of Rs 2.5 million.

### **3. Cases pertaining to fraudulent transactions**

There are 41 cases filed against our Bank for disputes in relation to forged signatures, non-tallying of signatures, breach of trust and fraudulent withdrawal of money by allegedly unauthorised persons including our employees. The total amount claimed by the petitioners in these cases amounts to Rs.86.02 million

There are three material cases details of the same are as follows:

- (i) A case has been filed by Anvil Shares & Stock Broking Pvt. Ltd. against EGTB titled *Anvil Shares & Stock Broking Pvt. Ltd. Versus GTB*, (Suit no. 1537 of 2003), against EGTB for recovery of Rs. 10.85 million before the Bombay High Court, on account of alleged fraudulent withdrawals from its account by its employee. The Plaintiff claims that two cheques were passed with one signature as against the required two signatures and other two cheques one of the signatures was forged. The Plaintiff has made a claim against EGTB for acting negligently.
- (ii) The Thane Janata Sahakari Bank Ltd. has filed two summary suits titled *The Thane Janata Sahakari Bank Ltd versus GTB*, (Suit Nos. 3501 of 2004 and 3576 of 2004), against EGTB for recovery of Rs. 39.28million - and Rs. 4.25 million before the Bombay High Court, on account of unpaid bills drawn under the L/Cs issued by EGTB. The Plaintiff claims that it had discounted bills drawn on L/Cs issued by EGTB after confirming from the Branch Manager of the concerned branch of EGTB which had issued the said L/Cs. It is alleged that certain doubts were raised with regard to the bills drawn under the said L/Cs, hence the Plaintiff sought confirmation from the Central office of EGTB, which denied issuing the

said L/Cs. The Plaintiff has alleged that fraud has been played upon them by EGTB.

- (iii) A case has been filed by Aruna M. Shah titled *Aruna M. Shah and another versus OBC*, Suit No. 290/2000. The Plaintiff filed the suit in the Bombay High Court alleging that the Bank and its officers have wrongfully misappropriated the two deposits placed by the Plaintiff with the Bank. The Plaintiff claims that she had two cumulative deposits of the face value of Rs. 8.44 million and Rs 2.1 million respectively with the Bank, the receipts of which were not handed over to her by the Bank. When the Plaintiff made enquiries with the Bank she was told that the said receipts were under the Bank's lien in a demand loan account in the name of the Plaintiff. The Plaintiff has alleged that she did not issue any instruction for marking any lien over the said cumulative deposit receipts nor had she opened any demand loan with the Bank. The Plaintiff has prayed for declaration that the CDR's of the Bank are valid and binding upon the Bank and all documents relating to the alleged loan accounts standing in the name of the Plaintiff are false and has claimed Rs. 16.16 million from the Bank. The Bank contends that the Plaintiff has perpetrated a fraud on the Bank in collusion with a Bank employee.

#### 4. **Cases pertaining to facilities provided by our Bank**

There are 74 cases filed against the Bank relating to disputes on account of alleged non-deposit, non-realisation or loss of cheques and alleged wrongful refusal to sanction certain facilities/overdrafts by the Bank or release of sums to certain persons or wrongful debits in a customer's account or refusal to honour bank guarantees, letters of credits, bills of lading and other such instruments. Some of these cases also relate to the fixed deposit receipts maintained at our Bank by our customers. The total amount claimed in the aforementioned cases is Rs. 2306 million.

There are five material cases in this regard. The details of the same are as follows:

- (i) *Maika Holdings Bherad Versus GTB & Others*, Civil Suit No. 336/00 pending in Madras High Court. Maika Holdings Behrad ("Maika"), a Malaysian company sanctioned ECB of USD 3 million to Premier Housing & Industrial Enterprises Ltd. ("Premier") against security of property at Halda. EGTB acted as security agent of Maika to accept documents of title of Halda property with intent to create mortgage in favour of Maika. Premier sought substitution of securities with Maika, by replacing Halda property with 4 other properties, which was confirmed by Maika. EGTB released Halda property on behalf of Maika to Premier. There was some dispute with regard to the substituted properties and Maika raised dispute with EGTB because the Halda property was released



to Premier. Later the same Halda property was offered as a security to EGTB for the limit sanctioned to Premier. Maika has filed this case for seeking a declaration that Maika continues to have first charge over the Halda property and for recovery of Rs. 130.6 million. However, in a winding up petition filed against Premier (Company Petition No. 367 of 2003) in the Chennai High Court, Premier has filed a Scheme of Settlement, to which Maika and EGTB are parties. In the said scheme all the creditors have agreed to withdraw cases against Premier and amongst themselves (creditors). The said scheme was allowed by the Chennai High Court. As per the scheme Halda property was earmarked to clear the dues of Maika and EGTB and Maika is to withdraw the cases against EGTB.

- (ii) *V. D. Navani versus Trambak Homes Pvt. Ltd. And Others*, Suit No. 873 of 2004 pending in Bombay High Court. A property known as Kodak House is mortgaged with EGTB by Trambak Homes Pvt. Ltd and its group companies who have availed loan facilities of EGTB. Later on a part of the said premises was purchased by EGTB towards adjustment/appropriation of part repayment of dues by the said group companies. V. D. Navani, a former director of Trambak Homes Pvt. Ltd has filed a suit against Trambak Homes Pvt. Ltd and others including EGTB for Rs. 560 million seeking various relief in respect of the said property including a declaration that all mortgages, charges, liens created by Trambak Homes Pvt. Ltd in respect of the said property in favour of EGTB are null and void and also for cancellation of Sale Deed for a part of the said property which is in favour of EGTB.
- (iii) Killick Nixon Financial Services Ltd. has filed a suit titled *Killick Nixon Financial Services Ltd. versus EGTB*, (Suit No. 1858 of 2004) in Bombay High Court for specific performance of lease agreement or for payment Rs. 740 million being the refundable security deposit to the Plaintiff and a sum of Rs. 500 million towards damages.
- (iv) Nila Baraut Engineering Ltd. has filed a suit titled *Nila Baraut Engineering Ltd. versus GTB*, (Civil Suit No. 721 of 2003 in the Court of Civil Judge (S.D.) Vadodara for declaration that Plaintiff's account with EGTB be not classified as NPA and for recovery of Rs. 233 million. The Plaintiff has claimed the said amount *inter alia* towards non extension of bank guarantees in time, invocation of bank guarantees by EGTB and towards loss suffered for not extending bank guarantee limits by EGTB.
- (v) Forbes Gokak Ltd. has filed a summary suit titled *Forbes Gokak Ltd. versus GTB*, (Summary Suit No. 1858/04) in the Bombay High Court claiming that EGTB should pay the Plaintiff a sum of Rs. 84.75 million under the bank guarantee. The Plaintiff has alleged that EGTB did not pay the amount under the bank guarantee after the Plaintiff invoked the same.

5. **Consumer Cases**

There are 84 cases filed against our Bank in district, state and national consumer forums alleging, amongst other things, deficiencies in our services. The total amount claimed in such cases is Rs. 10.04 million

6. **Cases pertaining to interest charges**

There are five cases pending against our Bank wherein disputes have arisen in relation to the interest charged or leviable by our Bank. The cumulative amount claimed in these cases is Rs. 1.87 million.

7. **Counter claims in recovery suits filed by our Bank**

In the event a customer fails to pay us the amounts due to us within the prescribed time, we take necessary action to recover such amounts. Such action includes enforcement of the security or filing of recovery suits against the defaulting customers. A number of such customers have filed counter claims and counter suits against recovery suits or other actions undertaken by our Bank. There are 25 such cases pending against our Bank and the total amount in dispute is Rs.1315. 6 million. There are six material cases in this regard. The details of the same are as follows:

- (i) The Bank had filed a suit *OBC versus Vintron Informatics Ltd.*, OA No. 37 of 2003 for recovery of dues payable to the Bank in Debt Recovery Tribunal, Delhi. However, Vintron Informatics Ltd. has filed the counter claim against our Bank for recovery of Rs. 927.17 million. In the counter claim, the borrower has *inter alia* alleged that the Bank refused to open L/C in accordance with the sanction, not converting part of non-fund based limit into fund based limit and not allowing *adhoc* facility and reducing the sanctioned limits resulting in loss. It is alleged that there were stocks worth Rs. 176.8 million in the factory (at Daman) which were taken into possession by the Bank under Section 13(4) of Securitisation Act., and the present value of such stocks is Rs. 10 million, as the stocks comprise of computer component and having shorter life due to technological advancements. Hence the borrower claimed damages amounting to total of Rs. 927.2 million with interest from the Bank as a counter claim.
- (ii) The Bank filed *OBC versus Rama Copper*, OA No. 69 of 2003 a recovery suit against Rama Copper for recovery of dues payable to the Bank. Rama Copper has filed a counter claim against our bank for recovery of Rs. 60.53 million claiming damages due to non-realisation of pending dues from parties loss of reputation, loss due to decline in sales. The matter is pending before the DRT III, Delhi.

- (iii) The Bank filed a recovery suit against Cheema Foods for recovery of dues payable to the Bank before the DRT Chandigarh (OA No. 365/2004) titled *OBC versus Cheema Foods Pvt Ltd.* Cheema Foods filed a counter claim against the Bank for recovery of Rs. 41.55 million alleging deficiency of services, negligence and breach of contract. The matter is pending before DRT, Chandigarh.
- (iv) The Bank filed a recovery suit against Delhi Petroleum Products Ltd. for recovery of dues payable to the Bank titled *OBC versus Delhi Petroleum Products Ltd.* (OA No. 446 of 1999) Delhi Petroleum Products Ltd. filed a counter claim against our bank for recovery of Rs. 22.5 million claiming damages to an extent of estimated earning which was not earned as business loss. The matter is pending before the DRT-I, Delhi.
- (v) The Bank filed recovery suit against Habitat for recovery of dues payable to us titled *OBC versus Habitat* (OA No. 57 of 2003). Habitat has filed a counter claim against our Bank for recovery of Rs. 17.48 million claiming that the party came forward and urged for settlement of the account seeking relief/concession in the Bank's total claim. It was agreed upon to settle the a/c against payment of Rs. 2.62 million. The borrower failed and neglected to deposit the instalment and accordingly Bank issued notice under the provision of the Securitisation Act that was affixed on the doorsteps of the property. In fact it has come to the knowledge of the Bank that said Shri Subir Kumar Ghosh had sold the property charged to the Bank without any intimation. Shri Subir Ghosh preferred an appeal before the DRT I at Kolkata, seeking quashing of the impugned notice of possession issued by the Bank and claimed Rs. 17.49 million as counter claim.
- (vi) The Bank had filed recovery suits in respect of the defaulting accounts viz., Delite Properties, Sagar International, Deoki Nandan Goenka and Alope Goenka for recovery of dues, Ramesh Kumar Gupta was guarantor in each of the above accounts in respect of credit facilities offered by the Bank and has filed four suits in respect of the above accounts, while making the Bank a party, for recovery of Rs. 20.06 million, 12.65 million, 12.05 million and 15.93 million respectively. In the suits it was alleged that the Bank has caused interference in the Plaintiffs banking operation in his account resulting in damages to his business. He also seeks a direction that he may be absolved from the liabilities as guarantor. The suits are pending before the Kolkata High Court.
- (vii) *GTB versus Exim India Oil Company Ltd.*, (O.A. No. 136 of 2002). EGTB had filed a suit in DRT against Exim India Oil Company Ltd. ("Exim"), which is a NPA account, for an amount of Rs. 34.84 million with further

interest. Later a compromise for Rs. 30 million was arrived at between EGTB and Exim on February 5, 2003, which was revised on March 13, 2003. Under the compromise, Exim had to make a down payment of Rs. 6 million to EGTB. As the cheques for the said amount of Rs. 6 million were returned unpaid, EGTB cancelled the compromise and also filed a criminal case against Exim under section 138 of the Negotiable Instrument Act, 1881. EGTB also issued notice to Exim under the Securitisation Act and took possession of the properties of Exim at Cuttack and Kolkata. Exim filed a counter claim against EGTB for Rs. 90.02 million

## 8. **Property disputes**

A number of our branches are located in rented premises. As a result, 36 cases have been filed against our Bank in relation to arrears/enhancement of the rent of the present/earlier premises occupied by our Bank. The total amount claimed in such cases is Rs. 43. 06 million. There are two material cases in this regard and the details of the same are as follows:

- (i) *Palm Spring Estate Private Limited* versus. *OBC* – The landlord of the premises of one of our branches in Mumbai has filed an eviction suit against us at the Bombay High Court wherein he has claimed mesne profits amounting to Rs.7.84 million for unauthorised stay at the premises after expiry of the lease. The Bank has filed its reply and the case is at the stage of evidence.
- (ii) *Yashwant Gordandas Mangaldas & Others* versus. *OBC* – The landlord of the premises of one of our branches in Mumbai has filed an eviction suit against us at the Bombay High Court wherein he has claimed mesne profits amounting to Rs.5.43 million for unauthorised stay in the premises after expiry of the lease. The Bank has filed the written statement and the matter is pending for hearing in the Bombay High Court.

## 9. **Cases wherein our Bank has been impleaded as a third party**

Our Bank has at times been impleaded as a third party in a dispute between two persons wherein one of the persons may be a customer of our Bank and therefore, the court may order the parties to recover the sums due from the assets of such customer of our Bank. There are 38 such cases currently pending at various courts in India and the total amount claimed in 37 cases is nil and there is only one case, in which amount has been claimed, details are as under:

- (i) Hudco filed a claim application before DRT Delhi titled Hudco Vs. Bulandshahr Khurja Development Authority & Ors. Hudco has claimed 104.58 million impleading our Bank as defendant no.2 for bank guarantee issued by it. It is alleged in the claim that Hudco called upon our Bank to

make payment which failed to pay the outstanding dues of the applicant. Bulandshahr Khurja Development Authority is depositing instalments as per settlement approved by the State Government. The remaining liabilities towards Bulandshahr Khurja Development Authority under the settlement is now for Rs. 9.42 million.

**10. Employee related cases**

There are no labour related cases pending against our Bank in the labour courts and various high courts in India. Nine cases have been filed against the Bank by employees/ex-employees pertaining to pay scales, increments, delay in VRS payment, etc. The total amount claimed in these cases is approximately Rs. 3.17 million.

**11. Cases pending outside India**

A case has been filed by Agrani Bank, Dhaka, Bangladesh against EGTB and is titled *Agrani Bank versus GTB and others*, (Title Suit No. 208 of 2001), for recovery of USD 2,729,592 (equivalent to Rs. 127 million approximately) in the 5<sup>th</sup> Court of Subordinate Judge, Dhaka, Bangladesh. EGTB negotiated export documents for its customer under L/C opened by the Plaintiff. The Plaintiff alleged that on February 9, 1999, EGTB dispatched a set of shipping documents to the Plaintiff confirming that documents were negotiated as per L/C terms. EGTB has claimed reimbursement as per L/C terms from Standard Chartered Bank seeking Plaintiff's authorisation to Standard Chartered Bank to remit proceeds. The Plaintiff alleges that EGTB on February 9, 1999 itself by giving a Certificate of Compliance illegally claimed reimbursement from the account of Plaintiff maintained with Standard Chartered Bank and payment was made to EGTB before the documents reached the Plaintiff at Dhaka. The Plaintiff alleges that the documents received by them were discrepant and not in accordance with the terms and conditions of the said L/C and also that the vessel carrying the exported goods did enter the territorial waters of Bangladesh.

**12. Cases before the Banking Ombudsman**

There are six cases pending against our Bank with the Banking Ombudsman wherein disputes have arisen in relation to misuse of ATM card, for not collecting of cheques, for not honouring of cheques, payment of forged cheques and bank guarantees. The total amount claimed in these cases is Rs. 22 million. There is one material case in this regard. The details are as follows:

Ten bank guarantees amounting to Rs. 21 million issued by EGTB were not paid to Nila Baraut Engineering Ltd., when it invoked by them as they did not comply with the conditions of the guarantee. Nila Baraut

Engineering Ltd approached the Banking Ombudsman. The Ombudsman directed the Bank to pay the invoked amount of bank guarantees immediately. The Bank has filed a review application to the Deputy Governor, Reserve Bank of India against the direction of the Ombudsman.

### **13. Notice under Securitisation Act**

EGTB entered into an agreement to purchase a property in Pashan, Pune for a total cost of Rs 2.4 million from Global Infrastructure and Technologies Limited (formerly known as Mantri Housing and Construction Limited) in 1996. The agreement to purchase was registered, however no sale deed has been executed by the vendor in favour of the Bank. On June 10, 2004, ING Vysa Bank issued a notice under section 13(2) of Securitisation Act to take possession of the property on account of dues of Global Infrastructure and Technologies Limited.

### **13. Other Cases**

- (a) Karnataka State Financial Corporation versus Global Trust Bank, (Case No. OS No. 66/2001) pending in the court of First Additional Chief Judge, City Civil Court, Hyderabad. EGTB had successfully bid for a plot for a development project by the Mumbai Metropolitan Region Development Authority (MMRDA). Karnataka State Financial Corporation was also invited to join the bid and paid 50 % of its share of the bid amount. The project had come to a halt due to certain public interest litigation. EGTB filed a writ petition in the Bombay High Court seeking a direction that the MMRDA should not forfeit the 50 % of the amount remitted by the EGTB. The Bombay High Court directed that the entire balance 50% be deposited in the Court and the issue would be decided. Accordingly, the balance 50% has been deposited in the Court. Karnataka State Financial Corporation has filed a suit in the court of First Additional Chief Judge, City Civil Court, Hyderabad for recovery of Rs 6.88 million i.e., the amount it paid as its share along with interest and damages.
- (b) Mr. Suresh U. Gadhecha, Proprietor of M/S Mauli Impex versus Global Trust Bank, (Civil Suit No. 2171/ 2004) pending in Ahmedabad City Civil Courts. A fraud was noticed in the accounts of the Plaintiff and Mahadev Associates, customers of the bank. The entire fraud amount in respect of the Plaintiff is recovered but the outstanding in the account of Mahadev Associates is Rs 58.53 million. EGTB filed Civil Suit and securitisation notice for recovery of the amount. The Plaintiff in order to securitise the account of M/s Mahadev Associates executed personal guarantee deposited post dated cheques and created equitable mortgage of two sites valued around Rs 12.84 million on

due dates when post dated cheques were presented the same were not honoured. The Plaintiff filed the suit against EGTB alleging that the securities were obtained under coercion by EGTB and its officials and has sought to restrain EGTB from acting upon such securities.

#### **14. Miscellaneous cases**

There are 25 other cases pending against our Bank which have arisen either in connection with the death of the account holder or regarding ATM outlets or regarding third parties claiming rights over plant and machinery sold under the orders of DRT or for return of title deeds / documents or for return of call monies or regarding balance amount of machinery supplied to third parties or regarding claim for demurrage or under the provisions of the Motor Vehicles Act, 1988. The total amount claimed in such cases is approximately Rs. 19.80 million.

### **II. Litigation against Our Directors**

Except as disclosed below, there is no outstanding litigation against the directors of our Bank towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are offences in the nature of those specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Bank and other companies with which the Directors are associated:

Valley View Commercial Company Ltd. has filed a criminal complaint against the Bank and its Directors in 2000. The case is still pending. For details please see \_\_\_\_\_. (All the accused Directors are not with the Bank now, except one Director viz. Dr. Nirmal Jain)

### **III. Material Developments**

RBI under Section 45 (1) of the Banking Regulation Act, 1949 made an application to the Central Government and subsequently the Central Government under Section 45 (2) made an order of moratorium in respect of Global Trust Bank Ltd. Secundrabad, Andhra Pradesh. RBI under Section 45(4) prepared a scheme of amalgamation of Global Trust Bank with our Bank. Notification No. F.No.15/2/2004-BOA(i) and (ii) dated 13-8-2004 was issued by the Government of India sanctioning the scheme for the amalgamation of Global Trust Bank Ltd. with our Bank. As per the Government notification the scheme came into force with effect from August 14, 2004.

Except as disclosed above, in the opinion of the Board of our Bank, there have not arisen, since the date of the last financial statements disclosed in this Draft Red

Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Bank taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months.

### **Outstanding Litigation against the Subsidiaries of the Issuer**

We have no subsidiaries. See the section titled “About the Issuer - History and Corporate Structure of the Issuer” on page [●].

### **Government Approvals**

In view of the approvals listed below and as provided under the Section ‘Other Regulatory and Statutory Disclosures- Authority for the Issue’, we can undertake our current business activities and the Issue and no further major approvals from any Government authority/ RBI is required to continue these activities.

#### **ALL GOVERNMENT AND OTHER APPROVALS**

#### **Approvals for Our Current Business**

##### ***Licences and Approvals from the RBI***

- 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, our Bank does not require a licence in order to carry out banking activities.
- The Bank has obtained from the RBI a licence to deal in foreign exchange. Licence bearing number BL.M. 1346 vide letter number DBOD (MRO) No. BL 96/ 22.02.030/ 2003-04 dated July 31, 2003 to open an offshore banking unit at SEEPZ++, SEZ, Andheri (East), Mumbai-400096. The said license prescribed that the offshore banking unit should be opened on or before July 30, 2004. Since our Bank could not open the offshore banking unit within the said prescribed time period, the RBI upon our application extended the prescribed time period for opening the offshore banking unit to January 30, 2005 failing which the licence was liable to be cancelled. Since our Bank has not been able to open the offshore banking unit within the extended period, we have again sought an extension of time period for opening the offshore banking unit from the RBI.



- Licence bearing no. DBOD/ FSC.BC.595/ 2444.01.019/ 2001-02 dated February 8, 2002 allowing the Bank to issue pre-paid cards.

#### ***Approvals Granted by the Insurance Regulatory and Development Authority***

- License bearing number 1383506 dated July 13, 2004, issued by the Insurance Regulatory and Development Authority to the Oriental Bank of Commerce to act as “Composite Corporate Agent”, under the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002, for procuring or soliciting insurance business of both life insurance and general insurance. The License is valid for 3 years from September 10, 2003.

#### ***Licences and Approvals from the Securities and Exchange Board of India***

- Registration certificate dated November 1, 2003 issued under the SEBI (Bankers to an Issue) Regulations, 1994, for the period October 16, 2003 to October 15, 2006, permitting the bank to be a banker to an issue. The Bank’s registration code is INB 100000001.
- Registration certificate dated November 1, 2003 issued under the SEBI (Underwriters) Regulations, 1993 for the period September 1, 2003 to August 31, 2006, permitting the bank to be an underwriter. The Bank’s registration code is UND/ INU 000000902.
- Registration certificate dated May 2, 2002 issued under the SEBI (Merchant Bankers) Regulations, 1992 for the period March 1, 2002 to February 28, 2005, permitting the bank to be a Merchant banker in Category 1 from March 1, 2002. The Bank’s registration code is MB/ INM 00 0000206. Renewal of the Registration certificate has been permitted by SEBI vide their letter no.DR2/SI/MB/OBC/34570/2005 dated February 24, 2005.
- Registration certificate dated October 25, 2000 issued under the SEBI (Depositories and Participants) Regulations, 1996 for the period October 25, 2000 to October 24, 2005 permitting the bank to be a Depository Participant. The Bank’s registration code is IN-DP-CDSL-102-2000.
- Registration certificate dated September 8, 2004 issued under the SEBI (Depositories and Participants) Regulations, 1996 for the period September 8, 2004 to September 7, 2009 permitting the bank to be a Depository Participant. The Bank’s registration code is IN- DP-NSDL-243-2004.

#### ***Applications made by the Bank***

- We have applied to the RBI on November 27, 2004, requesting permission to establish a representative office at Dubai, Middle East. Accordingly, subsequent to receipt of this approval from the RBI, the Bank shall approach the Central

Bank of U. A. E. requesting permission to establish such representative office at Dubai.

- *We have applied to the RBI requesting for endorsement(s), in favour of the Bank, of the various licenses issued by the RBI previously to GTB, in respect of opening of inter alia regional offices, branch offices, extension counters, service branches, off-site Automated Teller Machines, internet banking facility and satellite offices.*

#### ***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 regional offices and branches 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.

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue and details of the resolution passed for the Issue**

Our Board of Directors had authorised a fresh issue of 50,000,000 Equity Shares or as permitted by the Government, pursuant to a resolution passed at its meeting held on December 28, 2004.

Our shareholders subsequently authorised the fresh issue of 50,000,000 Equity Shares or as permitted by the Government, by a resolution passed unanimously at the general meeting of our Bank held on February 11, 2005 at New Delhi, subject to the approval of the Government, the RBI, SEBI and other applicable authorities. The shareholder resolution gave the Board the authority and power to accept any modification in the proposal as may be required or imposed by such authorities and as agreed to by the Board.

Our Bank applied to the Government on December 31, 2004 for its consent to a fresh issue of Equity Shares. By its letter bearing number F.No 11/1/2005-BOA dated February 17, 2005, the Department of Economic Affairs, Ministry of Finance, GoI conveyed its approval for the fresh issue of Equity Shares, requiring an increased issue size of 58,000,000 Equity Shares, pursuant to Section 3 (2B) (c) of the Bank Acquisition Act and as copied to the Chief General Manager, Department of Banking Operations and Development, RBI, Central Office, Mumbai (the “**Government Consent**”). Following the receipt of the Government Consent and in pursuance of the powers granted to the Board by the shareholders of our Bank in the extraordinary general meeting dated February 11, 2005, our Board, through a resolution dated March 4, 2005 authorized the Issue, subject to the conditions specified in the Government Consent.

The Banking Division, Department of Economic Affairs, Ministry of Finance, GoI has given permission for the Issue under section 3(2B)(c) of the Bank Acquisition Act through letter bearing number F.No 11/1/2005-BOA dated February 17, 2005.

RBI Approval: We have received permission from the Foreign Exchange Department, RBI vide their letter no.[ ] dated [ ] permitting us to issue shares to NRIs / FIIs with repatriation benefits out of our public Issue of 58,000,000 Equity Shares. The RBI has imposed the condition that post-Issue, the Non Resident equity holding in our Bank should not exceed 20% of the paid up capital. The permission is further subject to the conditions laid down by the Government of India in their approval letter no. F.No 11/1/2005-BOA dated February 17, 2005, condition prescribed/stipulated by SEBI in this connection and the terms and conditions for issue of shares as stipulated in the Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

### **Prohibition by SEBI**

Our Bank, our Directors, and companies with which our Directors are associated with as directors or promoters, have not 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. Clause 2.3 relating to listed companies is 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 networth 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 fulfill 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 bank and is exempt under clause 2.4 of the SEBI Guidelines, we are eligible to make this Issue.

## **Disclaimer Clause**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, DSP MERRILL LYNCH LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND BAJAJ CAPITAL LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, ICICI SECURITIES LIMITED, DSP MERRILL LYNCH LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED AND BAJAJ CAPITAL LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [ ] IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

**“WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, 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 BANK,**

**WE CONFIRM THAT:**

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) 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;**
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- (D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”**

**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 DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE BANK FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF**

**OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

## **CAUTION**

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft 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.obcindia.com](http://www.obcindia.com), would be doing so at his or her own risk.

However, the Bank accepts responsibility for the information that it has disclosed to the public in the past pursuant to the requirements of the listing agreements with the Stock Exchanges.

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 March 11, 2005 and the Underwriting Agreement dated [ ] 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.

## **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, Eligible NRIs and other eligible foreign investors. This Draft 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 Draft 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 New Delhi, 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 Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft 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 Draft 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.

Accordingly, the Equity Shares are only being offered or sold in the United States to “Qualified Institutional Buyers” as defined in Rule 144A under the U.S. Securities Act of 1933 (the “Securities Act”) and outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act.

#### **DISCLAIMER CLAUSE OF THE BSE**

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [●], permission to the Bank to use BSE’s name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Draft 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:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
- (ii) warrant that this Bank’s securities will be listed or will continue to be listed on BSE; or
- (iii) take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

and it should not for any reason be deemed or construed to mean that this Draft 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 Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated [●] permission to us to use NSE’s name in this Draft



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 10 Crores and the market capitalization shall not be less than Rs 25 Crores at the time of listing). The NSE has scrutinised this Draft 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 Draft 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 Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.]

### **Filing**

A copy of this 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 the Red Herring Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange 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 and NSE. We had applied for voluntary delisting of our Equity Shares from the DSE vide letter dated November 8, 2004 pursuant to a shareholder resolution passed at the annual general meeting of the Bank held on July 7, 2004. We have received a letter dated December 10, 2004 bearing reference number DSE/List/344 from the DSE informing us that the securities of the Bank are delisted from the DSE with effect from December 11, 2004.

Applications have been made to the BSE and NSE for permission for further listing of our Equity Shares. NSE shall be the Designated Stock Exchange with which the Basis of Allocation shall be finalised for the Non Institutional Portion and the Retail Portion.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Bank shall forthwith repay, without interest,

all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Bank becomes liable to repay it (i.e., from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then our Bank shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

### **Impersonation**

**Attention of the applicants is specifically drawn to the following:**

**Any Person who:**

- (a) **makes in a fictitious name, an application to a bank for acquiring or subscribing for, any shares therein, or**
- (b) **otherwise induces a bank to allot, or register any transfer of shares therein to him, or any other Person in a fictitious name,**

**shall be liable for consequences as prescribed by applicable law.**

**Consent of Directors, Auditors, Solicitors / Advocates, BRLMs, Registrar to the Issue, Bankers to the Issuer, Bankers to the Issue and Experts**

Consents in writing of: (a) the Directors, the Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Managers, Syndicate Members, Escrow Collection Banker and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Draft Red Herring Prospectus with the Designated Stock Exchange and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the Designated Stock Exchange.

M/s Bhasin Raghavan and Co., M/s. K.M. Agarwal & Co, M/s N.B. Shetty & Co., M/s P S D & Associates, M/s N. Sarkar & Co. and M/s Kalyaniwalla & Mistry, 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 Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with the Designated Stock Exchange.

### **Expert opinion, if any**

Except as provided in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

### **Expenses of the Issue**

Expenses of this Issue amount to Rs. [•]. 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:

<b>Activity</b>	<b>Expenses (In terms of amount, as a % of total Issue expenses and as a % of the total Issue size Rs. millions)</b>
Lead management, underwriting and selling commission *	[•], [•], [•]
Advertisement & Marketing expenses	100, [•], [•]
Printing, stationery including transportation of the same	22, [•], [•],
Others (Registrar's fees, Legal fee, listing fee, etc.)	9, [•], [•]
Road Show	4, [•], [•]
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 [•], a copy of which are 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' memorandum of understanding dated [•] copies 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.

#### **Previous Rights and Public Issues if any (during the last five years)**

Details of the public issues made by our Bank in the previous five years are as follows:

We have not made any Public Issues in the last five years.

We made an IPO in October 1994. The IPO in which 64,539,700 Equity Shares of Rs. 10 each for cash at a premium of Rs. 50 per Equity Share aggregating Rs. 3,872.38 million were allotted to public.

#### **Previous Issues otherwise than for cash**

We have not issued any Equity Shares for consideration otherwise than for cash.

**Commission and Brokerage paid on Previous Issues by us**

<b>Name of issue</b>	<b>Month and Year</b>	<b>Commission and Brokerage</b>
Private Placement of Tier II bonds	October, 2002	Rs.10,00,000
Private Placement of Tier II bonds	October, 2001	Rs.10,00,000
Public Issue of Equity Shares	1994	Rs 104,787,000*

\* This figure consists of the entire issue expenses.

**Particulars in regard to the Issuer and other listed companies under the same management within the meaning of section 370 (1) (B) of the Companies Act, 1956 which made any capital issue during the last three years**

We have no companies under the same management.

**Promise vis-à-vis Performance**

We have not made any public issues in the past five years.

**Outstanding debentures or bonds and redeemable preference shares and other instruments issued by the Issuer, outstanding as on date hereof.**

We have raised funds by way of subordinated debt for Tier II capital from 1996 to 2003 aggregating Rs. 6545 million. Additionally, our Bank has availed a loan facility of Rs. 211.4 million from International Finance Corporation in the year 1998. For further details please refer to section on 'Financial Statements - Financial Indebtedness' on page [ ]

**Stock Market Data**

*Stock Market Data of Our Equity Shares*

Our Equity Shares are listed on BSE and NSE.

The following table sets forth, for the periods indicated, the high and low of daily closing prices of our Equity Shares on the NSE.

(In Rs.)

<b>Period</b>	<b>High</b>	<b>Low</b>	<b>Average<sup>(1)</sup></b>
Fiscal year 2003	69.75	38.00	48.91

.....				
Fiscal	year	318.80	63.65	198.63
2004.....				
April		367.4	301	332.24
2004.....				
May		319.70	148.55	255.90
2004.....				
June		275.00	207.00	233.70
2004.....				
July		282.90	200.00	245.44
2004.....				
August		245.95	205.1	233.38
2004.....				
September		254.95	231.15	240.82
2004.....				
October 2004		265.80	228.00	244.03
November 2004		305.00	236.00	259.93
December 2004		351.00	295.00	328.02
January 2005		350.85	283.00	312.32
February 2005		329.90	299.10	310.22

*(1) Average of the daily closing price of our Equity Shares for the period*

The following table sets forth, for the period indicated, the number of Equity Shares traded on the days high and low prices of our Equity Shares was recorded on NSE for the fiscal years 2004 and 2003.

<b>Fiscal Year</b>	<b>High Date</b>	<b>Number of Shares Traded</b>	<b>Low Date</b>	<b>No of Shares Traded</b>
2003	January 22, 2003	2,047,744	October 7, 2002	16,000
2004	March 9, 2004	2,548,777	April 1, 2003	209,953

The following table sets forth, for the period indicated, the number of Equity Shares traded on the days high and low prices of our Equity Shares was recorded on NSE for the last six months preceding the date of filing of this Draft Red Herring Prospectus with SEBI.

<b>Month</b>	<b>High Date</b>	<b>Number of Shares Traded</b>	<b>Low Date</b>	<b>No of Shares Traded</b>
September 2004	September 23, 04	1453185	August 1, 04	1352070
October 2004	October 7, 04	633809	October 25, 2004	556156
November 2004	November 30, 2004	1515119	November 11, 2004	81628

December 2004	December 31, 2004	651862	December 1, 2004	1881982
January 2005	January 5, 2005	1150760	January 12, 2005	1883087
February 2005	February 1, 2005	771182	February 8, 2005	518423

The following table sets forth, for the period indicated, the total volume of Equity Shares traded on the NSE during the fiscal years 2004 and 2003:

<b>Fiscal Year</b>	<b>Number of Shares Traded</b>
2003	38,960,210
2004	507,979,090

The following table sets forth, for the period indicated, total volume of Equity Shares traded on the NSE during the six months preceding the date of filing with the Designated Stock Exchange.

<b>Month</b>	<b>Number of Shares Traded</b>
September 2004	18,762,996
October 2004	8,590,928
November 2004	13,099,033
December 2004	23,843,710
January 2005	19,391,352
Feb 2005	8,545,992

### **Mechanism for Redressal Of Investor Grievances**

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, 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 center where the application was submitted.

### **Disposal of Investor Grievances**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 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:

<b>Category</b>	<b>Pending on January 31, 2005</b>	<b>Received during February 2005</b>	<b>Processed during February 2005</b>	<b>Pending on March 1, 2005</b>
Equity Shares	Nil	95	95	Nil

We have appointed Mr. Rajiv Madhok, 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:

**Compliance Officer:**

Mr. Rajiv Madhok  
Oriental Bank of Commerce  
Harsha Bhavan E Block  
Connaught Place,  
New Delhi 110 001  
Tel: +91 11 23415318  
Fax: +91 11 23415567  
Email: rmadhok@obc.co.in

**Changes in the Auditors during the last three years**

The Auditors of our Bank are being appointed by the RBI and his/their remuneration, rights and duties shall be regulated by the Bank Acquisition Act.

There have been no changes of the auditors in the last three years except as detailed below:

<b>Year</b>	<b>Name of the Statutory Auditors</b>	<b>Fresh induction during this Year</b>	<b>Retired during this year</b>	<b>Reasons</b>
<b>2001-2002</b>	<b>M/s R.K. Gurwala &amp; Co.</b>	<b>M/s Bhasin Raghvan &amp; Co</b>	<b>M/s Bansilal Shah &amp; Co.</b>	<b>Completion of term</b>

	M/s Bansal Sinha & Co.  M/s Jain Kapila Associates  M/s OM Agarwal & Co.  M/s N.D. Kapur & Co  M/s Bhasin, Raghvan & Co.			
2002-2003	M/s R.K Gurwala & Co.  M/s Bansal Sinha & Co.  M/s Jain Kapila Associates  M/s OM Agarwal & Co.  M/s KM Agarwal & Co.  M/s Bhasin Raghvan & Co	M/s KM Agarwal & Co.	M/s N.D. Kapur & Co.	Completion of term
2003-2004	M/s R.K. Gurwala & Co.  M/s Bansal Sinha & Co.  M/s Bhasin Raghvan & Co	M/s P.S.D& Associates  M/s N.B. Shetty & Co.	M/s Jain Kapila Associates  M/s OM Agarwal & Co.	Completion of term



	<b>M/s KM Agarwal &amp; Co</b>  <b>M/s P.S.D &amp; Associates</b>  <b>M/s N.B. Shetty &amp; Co.</b>			
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### **Capitalisation of Reserves or Profits**

Except for allotment of 0.78 Million Equity Shares on August 25, 1984 against transfer from reserves, we have not capitalised our reserves or profits at any other time.

### **Revaluation of Assets**

We have not revalued our assets in the past five years.

### **Servicing Behaviour**

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

### **Purchase of Property**

Except as stated in the section titled “Introduction - Objects of the Issue” and elsewhere in this Draft 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 Draft 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 Draft Red Herring Prospectus

Except as stated in the section titled “Promoter/ Principal Shareholder - Related Party Transactions” on page [●], we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

## **Other Disclosures**

**The market price of our Equity Shares on December 27, 2004, the day prior to the day our Board of Directors approved the Issue was Rs. 327.30. On December 28, 2004, the day our Board of Directors approved the Issue, the Stock Exchange the market price of our Equity Shares was Rs.332.50 .Our Equity Shares are actively traded on the BSE and the NSE.**

**Other than as provided in this Draft Red Herring Prospectus, there are no Equity Shares held/sold by the Directors and/or their relatives and associates during six months prior to the date of filing of this Draft Red Herring Prospectus with the Designated Stock Exchange. For details on Equity Shares held/sold by Directors and/or their relatives and associates during the six months prior to the date of filing of this Draft Red Herring Prospectus with the Designated Stock Exchange please refer to section on ‘About the Issuer - Our Management’ on page [ ]**

## OFFERING INFORMATION

### Terms of the Issue

The Equity Shares being offered are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of this Draft Red Herring Prospectus, 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 and shall be entitled to dividends declared, if any, in accordance with the statutory guidelines that are in force at the time of such declaration. The Persons in receipt of Allotment will be entitled to dividends or other benefits, if any, declared by our Bank after the date of Allotment.

### MODE OF PAYMENT OF DIVIDEND

Dividend is paid to the shareholders by issuing dividend warrants and/or through the electronic clearing system.

### FACE VALUE AND ISSUE PRICE/ FLOOR PRICE/ PRICE BAND

The price band for the Issue will be decided by us in consultation with the BRLMS and advertised one day prior to the bid opening date. The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Draft 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.

### RIGHTS OF THE EQUITY SHAREHOLDER

Subject to applicable laws including, among others, the Bank Acquisition Act, the Bank Regulations, the Bank Scheme and the Banking Regulation Act, the equity shareholders of the Bank 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 see the restrictions on the payment

- of dividend in the section titled “About the Issuer - Key industry regulation and policies - Restrictions on Payment of Dividends” on page [●];
- 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 see the section titled “About the Issuer - Key Industry Regulation And Policies - Restriction on Share Capital and Voting Rights” on page [●];
  - 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, Equity Shares are freely transferable. However the right of free transferability is subject to certain restrictions. For information on these restrictions please see section titled “Description of Equity Shares and Terms of the Constitutional Documents - Main Provisions of Constitutional Documents” on page [●]; 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 Exchange. 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 see section titled “About the Issuer - Key industry regulation and policies - Comparative Table of Rights of Shareholders of Companies Act, 1956 and under regulations applicable to corresponding new banks” on page [●].

For a detailed description of the main provisions of our Constitutional Documents dealing, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Description of Equity Shares and Terms of the Constitutional Documents - Main Provisions of Constitutional Documents” on page [●].

## 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 shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares 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 us. 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 Net Issue to the public to the extent of the amount payable on application, including devolvment of 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 at the rate of 15% per annum.

## RESTRICTION IF ANY ON TRANSFER AND TRANSMISSION OF SHARES / DEBENTURES AND ON THEIR CONSOLIDATION/ SPLITTING.

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, 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 and consolidation and sub-division of the shares of the Bank. For further details please refer to section on “Description of Equity Shares and Terms of the Constitutional Documents - Main Provisions of Our Constitutional Documents” on page [ ]

## BID/ISSUE PROGRAMME

### BIDDING PERIOD / ISSUE PERIOD

<b>BID / ISSUE OPENS ON</b>	
<b>BID / ISSUE CLOSES ON</b>	

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.

The Price Band will be decided by us in consultation with the BRLMs and advertised one day prior to the Bid Opening Date/Issue Opening Date in [•], an English language newspaper of wide circulation and [•], a Hindi language newspaper of wide circulation, and includes any revisions thereof. With regard to the Price Band/Floor Price, 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 Equity Shares in this Issue. (Refer page [•] for details).

The Bank reserves 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 13 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.**

## JURISDICTION

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

## Issue Structure

The present Issue of 58,000,000 Equity Shares comprising of Net Issue to the public of at least 46,400,000 Equity Shares, a reservation for Employees as on February 1, 2005 of up to 5,800,000 Equity Shares and a reservation for Existing Shareholders of up to 5,800,000 Equity Shares, at a price of Rs. [•] for cash aggregating Rs. [•] million is being made through the Book Building Process.

	<b>Employees</b>	<b>Existing Shareholders</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Upto 5,800,000 Equity Shares	Upto 5,800,000 Equity Shares	Up to 23,200,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 6,960,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 16,240,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Upto 10% of size of the Issue**	Upto 10% of size of the Issue**	Up to 50% of Net Issue or Net Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders	Minimum 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid#	[•] Equity Shares and in multiples of [•] Equity Share thereafter	[•] Equity Shares and in multiples of [•] Equity Share 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 Share thereafter
Maximum Bid	Such number of Equity Shares such that the total number of	Such number of Equity Shares not exceeding 5,800,000 Equity Shares, when applying in the	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000

	Equity Shares Bid for does not exceed 500 Equity Shares.	Existing Shareholders Reservation Portion.			
Mode of Allotment	Compulsorily in dematerialized form	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	One Equity Share
Who can Apply ***	Employees as on February 1, 2005	Existing Shareholders as on _____ and who hold Equity Shares of upto Rs. 100,000 determined on the basis of the closing price of Equity Shares in the NSE on _____.	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 with minimum corpus of Rs. 250 Million (as permitted by applicable law) and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts	Individuals (including HUFs, Eligible NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to Employees	Margin Amount applicable to Existing Shareholders at	Margin Amount applicable to QIB Bidders at the time of	Margin Amount applicable to Non Institutional Bidders at the	Margin Amount applicable to Retail Individual Bidders at the



	at the time of submission of Bid cum Application Form to the Syndicate Members.	the time of submission of Bid cum Application Form to the Syndicate Members.	submission of Bid cum Application Form to the Syndicate Members.	time of submission of Bid cum Application Form to the Syndicate Members.	time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	Full Bid Amount on Bidding.	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. Under-subscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with the BRLMs.

# 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 '[ ]', an English language newspaper with wide circulation and in the '[ ]', a Hindi language newspaper with wide circulation.

\*\* An undersubscription for Equity Shares, if any, reserved for Employees and Existing Shareholders 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 description in section titled "Offering Information –Issue Procedure - Basis of Allocation" as described on page[ ]. 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 a category in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Retail Portion and the Non-Institutional Portion as stated above, shall be allocated to the QIB Portion in accordance with the description in section titled "Offering Information –Issue Procedure - Basis of Allocation" as described on 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, Retail Individual Bidders, Bids under Employees Reservation Portion and Bids under Existing Shareholders Reservation Portion, our Bank 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 Draft 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 authorized our Bank to make the necessary changes in the 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
Eligible NRIs and FIIs	Blue
Employees	Pink
Existing Shareholders	Green

### Who can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families (HUFs) in the individual name of the *karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
3. Insurance companies registered with the Insurance Regulatory and Development Authority;
4. As permitted by applicable law, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
7. Indian mutual funds registered with SEBI;
8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. State Industrial Development Corporations;

11. Trusts/ societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in the equity shares;
12. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than Eligible NRIs, domestic venture capital funds and foreign venture capital funds are not permitted to participate in this Issue; and
13. Scientific and/ or industrial research organisations authorised to invest in equity shares.

**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 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.**

*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.

*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. For details see the section titled "About the Issuer - Key Industry Regulations and Policies-Restriction on Transfer of Shares" on page [ ]. 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 Draft 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 the exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The option to Bid at Cut-off Price, is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

- (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 Price'.

- (c) **For Bidders in the Employees Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this portion cannot exceed 500 Equity Shares. Bidders in the Employees Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at 'Cut-off Price'.
- (d) **For Bidders in the Existing Shareholders Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders in the Existing Shareholders 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) Our Bank will file the Draft 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. 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 Draft Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (d) Any investor (who is eligible to invest in our Equity Shares according to the terms of this Draft Red Herring 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.

- (e) 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 at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in two widely circulated newspapers (one each in English and Hindi). 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 Price Band shall be disclosed at least one day prior to Bid Opening Date/Issue Opening Date. 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 five days and not exceed ten days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.
- (d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices within the Price Band (for details please refer below section on “Bids at Different Price Levels on page [ ] ) 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 “Offering Information - Issue Procedure - Build up of the Book and Revision of Bids” on page [ ].
- (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 “Offering Information - Issue Procedure - Terms of Payment and Payment into the Escrow Accounts” on page [ ].

### **Bids at Different Price Levels**

- (a) The Price Band shall be advertised at least one day prior to the Bid Opening Date/ Issue Opening Date in [ ], an English language newspaper with wide circulation and [ ], a Hindi language newspaper with wide circulation. 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 Rupee One.
- (b) 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 as disclosed.
- (c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi), and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
- (d) 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.
- (e) 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, Employees and Existing Shareholders 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.**
- (f) Retail Individual Bidders or Employees or Existing Shareholders 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 or Employees or Existing Shareholders 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 or Employees or Existing Shareholder, 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 or Employees or Existing Shareholder, who Bid at Cut off

Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/ refund account(s).

- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders or Employees or Existing Shareholders, 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 the 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 the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders or Employees or Existing Shareholder, 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).
- (i) 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**

Our Bank shall open Escrow Accounts with one or more Escrow Collection Bank(s) 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(s) will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) 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(s) 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 Draft 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(s) 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(s) (for details refer to the

section titled “Offering Information - Issue Procedure - Payment Instructions” on page [ ]) 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(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) 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(s) 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(s) 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, Employees and Existing Shareholders 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 “Offering Information - Issue Structure” on page [ ]. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the 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 an half hourly 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, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers 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 – Employee, Existing Shareholder, Individual, Corporate, FII, Eligible 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.
  - Depository Participant identification no. and client identification no. 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, Bids under the Retail Portion, Bids under the Employees Reservation Portion and Bids under Existing Shareholder Reservation Portion, Bids would not be rejected except on the technical grounds listed in this Draft 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 our Bank 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 Draft 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 Draft 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 Draft 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, 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 and Retail Individual Bidders of not less than 15% and 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. The allocation under the Employees Reservation Portion and the Existing Shareholders Portion for up to 10% of the Issue each 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) Any undersubscription in the Employees Reservation Portion and Existing Shareholders 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 description in section titled **“Offering information –Issue Procedure - Basis of Allocation”** as described on page[ ]. 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 **“Offering information –Issue Procedure - Basis of Allocation”** as described on page [ ].
- (e) Allocation to QIBs, Non Residents, FIIs and Eligible NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI 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, the 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 Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow 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.

### **Designated Date and Allotment of Equity Shares**

- (a) Our Bank 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, our Bank would ensure the credit to the successful Bidders depository account of the Equity Shares to the allottees within two working days of the date of Allotment.
- (b) As per SEBI Guidelines, **Equity Shares will be issued, transferred 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.

**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:

- a) Check if you are eligible to apply;
- b) 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 Employee Bid Cum Application Form (pink in colour) or Existing Shareholder Bid cum Application Form (specified pre printed form, green in colour, which shall be mailed to them) as the case may be;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- g) 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. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place; and
- h) Ensure that the Demographic Details (as provided in 'Bidders Depository Account Details' on page [ ] herein) are updated, true and correct in all respects.

#### Don'ts:

- (a) Do not Bid for lower than the minimum Bid size;

- (b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid Amount in cash;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, Employees and Existing Shareholders for whom the Bid Amount exceeds Rs 100,000);
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Net Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (h) Do not submit Bid accompanied with Stockinvest; and
- (i) Do not provide your GIR number instead of your 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:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for resident Indians, blue colour for Eligible NRIs and FIIs and applying on repatriation basis, pink colour for Employees, green colour for Existing Shareholders).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Net Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

- (e) For 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 this portion is 500 Equity Shares.
- (f) For Existing Shareholders, the Bid must be for a minimum of [●] Equity Shares and shall be in multiples of [●] Equity Shares thereafter.
- (g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (h) 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 EMPLOYEES

For the sake of clarity, the term "Employees" here shall mean all or any of the following:

- a permanent employee of the Bank working in India as of February 1, 2005;
  - a director of the Bank, whether a whole time director, or otherwise as of February 1, 2005.
- (a) Bids by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e. pink colour form).
  - (b) 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 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 Employees on the rolls of the Bank as on February 1, 2005 would be eligible to apply in this Issue under reservation for Employees on a competitive basis.
  - (e) Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Employees Reservation Portion.
  - (f) The maximum Bid in this portion can be for 500 Equity Shares.

- (g) If the aggregate demand in this category is less than or equal to 5,800,000 Equity Shares at or above the Issue Price, full allocation shall be made to the 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 description in section titled “Offering information –Issue Procedure - Basis of Allocation” as described in page [ ]. 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 “Offering information –Issue Procedure - Basis of Allocation” as described on page [ ].
- (h) If the aggregate demand in this portion is greater than 5,800,000 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 “Offering information –Issue Procedure - Basis of Allocation” on page [ ].
- (i) Bidding at Cut-off is allowed only for Employees whose Bid Amount is less than or equal to Rs 100,000.

#### BIDS BY EXISTING SHAREHOLDERS

For the sake of clarity, the term “Existing Shareholders” shall mean the holders of Equity Shares of the Bank as of [ ] and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of closing price of the Equity Shares in the NSE on [ ].

1. Bids by Existing Shareholders shall be made only in the prescribed Bid cum Application Form or Revision Form, which shall be mailed to them.
2. Existing Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid cum Application Form.
3. The sole/First Bidder should be an Existing Shareholder. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Only Existing Shareholders of the Bank as on [ ] would be eligible to apply in this Issue under reservation for Existing Shareholders on a competitive basis.
5. Existing Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Shareholders Reservation Portion.
6. If the aggregate demand in this category is less than or equal to 5,800,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Shareholders to the extent of their demand. Any under-subscription in the Existing Shareholders



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 description in section titled “Offering information –Issue Procedure - Basis of Allocation” on page []. 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 “Offering information –Issue Procedure - Basis of Allocation” on page [].

7. If the aggregate demand in this category is greater than 5,800,000 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 “Offering information –Issue Procedure - Basis of Allocation” on page[].
8. Bidding at Cut-off Price is allowed only for Existing Shareholders 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 the Bank 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, the Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made, subject to applicable law, by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

#### **BIDS BY ELIGIBLE NRIS AND FIIS ON A REPATRIATION BASIS**

Bids and revision to Bids must be made:

1. 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.
2. In a single name or joint names (not more than three).
3. By FIIs for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Offering Information - Issue Procedure - Maximum and Minimum Bid Size" on page [ ].
4. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (including Eligible NRIs) or their nominees, foreign venture capital investors.

5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their 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 Eligible NRIs and FIIs. All Eligible 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(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **PAYMENT INTO ESCROW ACCOUNT**

- (i) The Bidders for whom the applicable Margin 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.
  - (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
  - (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
    - (a) In case of Resident Bidders: **“Escrow Account –OBC FPO”**;
    - (b) In case of Non Resident Bidders: **“Escrow Account –OBC FPO–NR”**;
    - (c) In case of Employees: **“Escrow Account –OBC FPO–Employees”**; and
    - (d) In case of Existing Shareholders: **“Escrow Account–OBC FPO–Existing Shareholders”**
- ❑ In case of bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the FCNR Accounts, maintained with banks authorised to deal in foreign

exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Account of 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 FCNR Account.

- ❑ In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- (iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- (v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.
- (vii) On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Banks 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.**

#### **Payment by Stock Invest:**

In terms of RBI circular number DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence payment through stock invest would not be accepted in this issue.

#### **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 center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

## **OTHER INSTRUCTIONS**

### **JOINT BIDS IN 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.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids. Bids made by Existing Shareholders both under Existing Shareholders Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

### **PERMANENT ACCOUNT NUMBER OR 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 I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint

Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), 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) Passport (b) Driving License (c) Identity Card issued by any institution (d) Copy of the electricity bill or telephone bill showing residential address (e) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (f) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 of the Income Tax Rules, 1962 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 Income Tax Rules, 1962 as the case may be.**

#### UNIQUE IDENTIFICATION NUMBER (“UIN”)

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 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 in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before 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 the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be 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, Retail Individual Bidders, Employees and Existing Shareholders who Bid, the Bank has 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.

#### GROUND FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
2. Age of First Bidder not given;
3. In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. Bids by NRIs, except Eligible NRIs, and Foreign Venture Capital Investors and Indian Venture Capital Funds;
5. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
6. PAN Number not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and Bids at Cut-off Price by Employees and Existing Shareholders applying for greater than 100,000 Equity Shares;
11. Bids for number of Equity Shares, which are not in multiples of [●];
12. Category not ticked;
13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. 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 Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid cum Application Forms;
20. 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;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Offering Information - Issue Procedure – Bids at Different Price Levels" at page [ ];
22. Bids by OCBs;
23. Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;
24. Bids under Employees Reservation Portion for more than 500 Equity Shares.
25. Bids by specified investors being body corporates who do not provide their UIN or UIN application status, in cases which have applied for such UIN before December 31, 2004.

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) a tripartite agreement dated \_\_\_\_\_ with NSDL, us and Registrar to the Issue dated \_\_\_\_ bearing reference number \_\_\_\_ ;
- b) a tripartite agreement dated \_\_\_\_\_ 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) 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.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details 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.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of the Equity Shares 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.

## INVESTOR'S ATTENTION INVITED TO CONTACT COMPLIANCE OFFICER IN CASE OF PRE-ISSUE OR POST-ISSUE PROBLEMS

**Attention:** 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, refund orders etc.

### COMPLIANCE OFFICER

Mr. Rajiv Madhok,  
Oriental Bank of Commerce,  
Harsha Bhavan E Block  
Connaught Place,  
New Delhi 110 001  
Tel: +91 11 23415318  
Fax: +91 11 23415567  
Email: rmadhok@obc.co.in

## DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

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 at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of the 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, MoF 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(s) 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.

## BASIS OF ALLOCATION

### A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this 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 [ ] 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.

### B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net 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 [ ] 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.

### C. 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 Net 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 [ ] Equity Shares.

D. For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Employees who Bid successfully will be made at 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 Employees to the extent of their demand.
- If the aggregate demand in this portion is greater than [ ] 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, please refer below.

E. For Existing Shareholders

- Bids received from the Existing Shareholders at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Existing Shareholders who Bid successfully will be made at 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 Existing Shareholders to the extent of their demand.
- If the aggregate demand in this portion is greater than [ ] 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, please refer below.

#### 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, which is 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 over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

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; and
- 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

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.

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.

#### APPLICATION IN ISSUE

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

#### SUBSCRIPTION BY NON RESIDENTS, ELIGIBLE NRI, FIIS

It is to be distinctly understood that there is no reservation for any Non-Residents, Eligible NRIs, FIIs and such applicants will be treated on the same basis with other categories for the purpose of allocation. As per the RBI regulations, OCBs cannot participate in the Issue. Further, NRIs who are not Eligible NRIs, foreign venture capital funds are not permitted to participate in this Issue.

The Equity Shares have not been and will not be registered under the US Securities Act, 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 (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) 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 jurisdiction where those offers and sales occur.

## WITHDRAWAL OF THE ISSUE

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid Closing Date, without assigning any reason thereof.

## 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 at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the 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% 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.

## 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, under-subscription etc.

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.

## UTILISATION OF ISSUE PROCEEDS

The proceeds of the Issue will be utilized for the purposes described under the Section on “Introduction - Objects of the Issue” on page [ ].

## 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, 1980 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 prescribes that foreign investment in the aggregate is permitted in the correspondent new bank, like our Bank only till 20%. 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. For details see the section titled “About the Issuer- Key Industry - regulations and policies-Restriction on Transfer of Shares” on page [ ].

## DESCRIPTION OF EQUITY SHARES AND TERMS OF THE CONSTITUTIONAL DOCUMENTS

We were constituted as a “corresponding new bank” in 1980 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 profiled the salient terms of the Act. Further since the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 and the Bank Regulations deal with the management of corporate affairs in our Bank, 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, 1980 was made by S.O. 875 (E) dated November 4, 1980 by the Central Government in consultation with the Reserve Bank 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 RBI, and with the previous sanction of the Central Government.

The provisions contained in Sections 34A, 36AD and 51 of the Banking Regulation Act, 1949 have been amended to make these sections applicable to corresponding new banks constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. For details of the applicability of the Banking Regulation Act to correspondent new bank like our Bank see the section titled “About the Issuer – Key Regulations and Policies” on page [●].

For complete text of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, Banking Regulation Act, 1949, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 and the Oriental Bank (Shares and Meetings) Regulations, 1998 please see the link [●] on [www.obcindia.com](http://www.obcindia.com), which is the website of the Bank.

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 see the section titled “Risk Factors – External Risk Factors” on page [●].

### **Rights of Members Regarding Voting, Dividend, Lien on Shares and Process of Modification of Such Rights and Forfeiture of Shares**

*Please refer to the below sub-section on the main provisions of our Constitutional Documents, for rights of members regarding voting, lien on shares and forfeiture of shares.*



Rights of Members regarding dividend - 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. Currently, we have an exemption from the applicability of these requirements granted to us by the Government vide its notification bearing number F. No. 11/1/2005 BOA dated February 25, 2005. We require to secure exemptions from the MoF, GoI from the provisions of the Banking Regulation Act for non payment of dividend. Prior approval of the RBI is required for a dividend payment above 25% of face value of a company's shares or for an interim dividend payment.

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 11% 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 3%.
- The dividend pay out ratio does not exceed 33.33%.
- The proposed dividend is payable out of the current year's ratio.
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year.

In the event that we fulfill 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 (33.33%) computed for the relevant accounting period. Declaration and payment of interim dividend beyond this limit would require the prior approval of the RBI.

## **Main Provisions of Our Constitutional Documents**

The salient features of the same are as below.

### **BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1980**

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 column 2 of 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 (b) of Section 2 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980) 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.

- 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, cancelling 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-up 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 exceeds 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 shareholders;
- (iii) the date on which any Person ceases to be a shareholder; and
- (iv) such other particulars as may be prescribed.

Provided that nothing in this sub-section shall apply to the shares held with the depository.

- (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 the 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 and 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 (i), 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 commencement of this Act, 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 bank 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.**

**Explanation :** In this sub-section and in sub-section (1) of Section 12, the expression “Chairman” in relation to any existing bank, includes the person carrying out the duties of the Chairman or otherwise functioning as the Chief Executive Officer of the bank

- (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, 1970 (5 of 1970);*

- (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 Board 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 (16 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) co-operation,
    - (iv) economics ,
    - (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, be 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, after 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, 1970 (5 of 1970).

#### 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 its accounts:

Provided that with a view to facilitating the transition from one period of accounting to another period of accounting under 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 investigation of such accounts, and
- (c) may, in relation to such accounts, examine the Custodian or any Officer or other 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

- (a) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the corresponding new bank, and
- (b) the profit and loss 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 are 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 (10 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 a 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 on 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

- (1) All acts done by the Custodian, acting in good faith, shall, notwithstanding any defect in his appointment or in the procedure, be valid.

- (2) 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 Committee, as the case may be.
- (3) 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 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 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) not 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.

#### **(18) Dissolution**

No provision of law relating to winding-up of corporations shall apply to a corresponding new bank and no corresponding new bank shall be placed in liquidation save by order of the Central Government and in such manner as it may direct.

#### **(19) Power to Make Regulations**

- (1) 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 expedient for the purpose of giving effect to the provisions of this Act.
- (2) 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, 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.
- (3) 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, 1980**

#### **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 (ii) 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
- (b) he is of such age that there is no likelihood of his attaining the age of superannuation during his term 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 office, 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 whole-time Director including Managing Director

- (1) A whole-time 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.
- (2) 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.

- (3) 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.
- (4) 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.
- (5) 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 Cls (e), (f), (g) and (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 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 (h) 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.

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 co-opted, 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; and
  - (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 RBI.

- (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.

16. 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.

19. 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.

**ORIENTAL BANK OF COMMERCE (SHARES & MEETINGS)  
REGULATIONS, 1998**

Definition

- 2.(a) "Act" means the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980);
- (b) "Bank" means the Oriental Bank of Commerce constituted under Section 3 of the Act
- (c) "Board" means the board of directors constituted under Section 9 of the Act

3. Nature of Shares

The shares of the 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 the Bank 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 upto 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) upto 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 the 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

- (i) A share register shall be kept, maintained and updated in, accordance with Sub-Section 2 (F) of Section 3 of the Act.
- (ii) 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.
- (iii) In the case of joint holders of any share, their names and other particulars required by sub-regulation (i) shall be grouped under the name of the first of such joint holders.
- (iv) 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 of the Act and these regulations.

7. Parties who may not be registered as shareholders:



- (1) 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 Board in this regard shall be conclusive and final.
- (2) 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.
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 the Bank except the transfer of shares, be deemed to be the sole holder thereof.
11. Inspection of Register
- The Register shall, except when closed under Regulations 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.
13. Share Certificates
- (i) Every share certificate shall bear share certificate number, a distinctive number, the number of shares in respect of which it is issued and the name 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 appointed by the Board for the purpose.
- (iv) No share certificate shall be valid unless and until it is so signed.
15. Issue of new or duplicate share certificates
- (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 the 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 certificates.

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 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 as per Form A annexed hereto or in such other form as maybe 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 alongwith 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 alongwith 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 alongwith 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.

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 the 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 provisions of the Bank Acquisition 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 interests 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 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.

(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 in sub-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 the 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 a 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 lifetime shall be the only person who may be recognised by the Bank as having any title to such share.
- (ii) In the case of shares registered in the name of two or more shareholders, 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 lifetime, shall be the only person who may be recognised by the Bank as having any title to such share.

- (iii) The Bank shall not be bound to recognise such executors or administrators unless they shall have obtained probate or letters of administration or 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 or 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 a share in consequence of death of a shareholder and any person becoming entitled to a share in consequence of the insolvency, bankruptcy or liquidation of a shareholder 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 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 shareholders 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 installments.

23. Calls to date from resolution

A call shall be deemed to have been made at the time when the resolution of the Board authorising 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 shareholders 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.

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, the Bank may at any time thereafter during such time as the call or instalment or any part thereof or other moneys 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 moneys 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 the 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 requirement 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. Such forfeiture shall include all dividends declared in respect of the 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, an entry of the forfeiture with the date thereof shall be made in the register.

34. Forfeited shares to be property of the Bank and may be sold

Any share so forfeited shall be deemed to be the property of the Bank and may be sold, re-allotted or otherwise disposed of to any person upon such terms and in such manner as the Board may decide.

35. Powers to annul forfeiture

The Board may, at any time, before any share so forfeited under Regulation 32 shall have been sold, re-allotted 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 the Bank all calls, instalments, interest, expenses and other moneys 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 the Bank for calls or other monies due in respect of any shares nor any payment or satisfaction thereunder nor the receipt by the 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 nor any indulgence granted by the Bank in respect of payment of any money shall preclude the forfeiture of such shares under these regulations.

38. Forfeiture of share extinguishes all claims against Bank

The forfeiture of a share shall involve extinction, at the time of the 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, re-issue, re-allotment or other disposal under the provision of the preceding regulations, 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 in 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, fulfillment, 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 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) until 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.
- (ii) To give effect to any such sale, the Board may authorise 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, or Company Secretary or any other officer of the Bank not below the rank of Scale II duly authorised in this behalf, that the call in respect of a share was made 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

The Bank may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted 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, re-allotment or other disposal of the share and the remedy of any person aggrieved by the sale shall be in damages only and against the Bank exclusively.

56. Notice convening an Annual General Meeting

- (i) A notice convening an annual general meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary shall be published at least 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 the place of head office of the Bank.

58. Quorum of general meeting

- (i) 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 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 authorised 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(l) 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 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 authorised representative at such time shall form the quorum.

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 or proportion of the votes cast in favour of, or against, such resolution.
- (iv) 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.
- (v) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.
- (vi) A 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.

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.

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 the 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.

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 the 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 at least 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 despatched to the Head Office of the 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 an Officer of the RBI or any nationalised 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 the 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 scrutinised on the 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 therefor. 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 the 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 intimation under sub-regulation (1), the Chairman and Managing Director or in his absence, the Executive Director of the 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 clauses (b) & (c) of subsection (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.

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, authorise any of its officials or any other person to act as its representative at any general meeting of the shareholders and the person so authorised (referred to as a ‘duly authorised 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 Bank. 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.
- (ii) No person shall attend or vote at any meeting of the shareholders of the Bank as the duly authorized representative of a company unless a copy of the resolution appointing him as 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 Bank not less than four days before the date fixed for the meeting.

## OTHER INFORMATION

### List of 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 Draft 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 Draft 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 office of our Bank situated at Harsha Bhavan, Block E, Connaught Place, New Delhi 110 001 between 10.00 am to 4.00 pm on working days from the date of this Draft Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

### MATERIAL CONTRACTS

1. Letters of appointment dated \_\_\_\_\_ to ICICI Securities Limited, DSP Merrill Lynch Limited, Kotak Mahindra Capital Company Limited, Cit i Group Financial Services Limited and Bajaj Capital Limited from our Bank appointing them as BRLMs.
2. Letters of appointment dated \_\_\_\_\_ for the Registrar to the Issue.
3. Memorandum of Understanding amongst our Bank and the BRLMs dated \_\_\_\_\_.
4. Memorandum of Understanding executed by our Bank and the Registrar to the Issue dated \_\_\_\_\_.
5. Escrow Agreement dated \_\_\_\_\_ between the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
6. Syndicate Agreement dated [•], 2004 between the Bank, the BRLMs and the Syndicate Members.
7. Underwriting Agreement dated [•], 2004 between the Bank, the BRLMs and the Syndicate Members.

### MATERIAL DOCUMENTS

1. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 as amended from time to time.

2. Oriental Bank (Shares & Meetings) Regulations, 1998 as amended from time to time.
3. Letter number \_\_\_\_\_ dated February 17, 2005 from the Banking Division, Department of Economic Affairs, Ministry of Finance, GoI whereby GoI has given permission for the Issue under section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.
4. Shareholders' resolution dated February 11, 2005 in relation to this Issue and other related matters.
5. Resolutions of the Board of Directors dated December 28, 2004 and \_\_\_\_\_ in relation to this Issue and other related matters.
6. Reports of the statutory Auditors dated [•] prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
7. Copies of annual reports of our Bank for the last five financial years.
8. Consents of the Auditors being (1) M/s Bhasin Raghavan and Co., (2) M/s. K.M. Agarwal & Co, (3) M/s N.B. Shetty & Co., (4) M/s P S D & Associates, (5) M/s N. Sarkar & Co. and (6) M/s Kalyaniwalla & Mistry Chartered Accountants for inclusion of their report on accounts in the form and context in which they appear in this Draft Red Herring Prospectus.
9. General Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to this Draft Red Herring Prospectus and other related documents.
10. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Bank, International Legal Counsel to the Bank, Directors, Compliance Officer, as referred to, in their respective capacities.
11. Listing applications dated [•] 2005 and [•], 2005 filed with NSE and BSE.
12. In-principle listing approvals dated [•] 2005 and [•] 2005 from NSE and BSE respectively.
13. Tripartite agreement between NSDL, our Bank and the Registrar to the Issue dated [ ] bearing reference number [ ]
14. Tripartite agreement between CDSL, our Bank and the Registrar to the Issue dated[ ].
15. Due diligence certificate dated \_\_\_\_\_ to SEBI from ICICI Securities Limited, DSP Merrill Lynch Limited, Kotak Mahindra Capital Company Limited, Citigroup Global Markets India Private Limited; Bajaj Capital Limited.
16. SEBI observation letter no. [•] dated [•], 2004 and our reply to the same dated [•].

Any of the contracts or documents mentioned in this Draft 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 with the applicable laws.

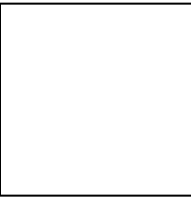
### **Declaration**

All the relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, Oriental Bank of Commerce (Shares & Meetings) Regulations, 1998, The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980 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 Draft Red Herring Prospectus is contrary to the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, Oriental Bank (Shares & Meetings) Regulations, 1998, The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1980, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and fair.

### **SIGNED BY ALL DIRECTORS**

Mr. B.D. Narang
Ms. H.A. Daruwalla
Mr. Yogesh Chandra*
Ms.Karunasagar *
Mr. Vijay Maroo*
Mr. Dinesh Mehta*
Mr. Nirmal Jain*
Mr. Rattan Bansal*
Mr. T.K. Dutta*
Mr. Vinod Kumar Sharma*
Mr. Divender Triguna*





Mr. M.L. Mehta*
General Manager Finance

\* Through their constituted attorney Mr.Rajiv Madhok, General Manager, through the respective powers of attorney dated February 10, 2005 and March 04, 2005 .

**SIGNED BY MR. Rajiv Madhok**

GENERAL MANAGER,

**Date: March 11, 2005**

**Place: New Delhi.**

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