**RED HERRING PROSPECTUS**
100% Book Built Issue
Dated February 16, 2010

# UNITED BANK OF INDIA

Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on July 19, 1969
**Head Office:** 11, Hemanta Basu Sarani, Kolkata – 700 001, West Bengal
**Tel:** (91 33) 2248 7472; **Fax:** (91 33) 2248 9391; **Email:** investors@unitedbank.co.in; **Website:** www.unitedbankofindia.com
For further details in relation to the constitution and changes in our registered office, see the section titled "History and Certain Corporate Matters" on page 179 of the Red Herring Prospectus
**Company Secretary and Compliance Officer:** Bikramjit Shom

**OUR BANK IS PROMOTED BY THE PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF FINANCE, GOVERNMENT OF INDIA**

**PUBLIC ISSUE OF 5,00,00,000 EQUITY SHARES OF FACE VALUE OF RS. 10 EACH OF UNITED BANK OF INDIA ("THE BANK" OR "THE ISSUER") FOR CASH AT A PRICE OF RS. [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [•] PER EQUITY SHARE) AGGREGATING RS. [•] (THE "ISSUE"). THE ISSUE COMPRISES OF NET ISSUE OF 4,75,00,000 EQUITY SHARES OF FACE VALUE OF RS. 10 EACH TO THE PUBLIC ("NET ISSUE") AND A RESERVATION OF 25,00,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 15.80% OF THE POST ISSUE PAID-UP CAPITAL OF THE BANK AND THE NET ISSUE WILL CONSTITUTE 15.01% OF THE POST ISSUE PAID UP CAPITAL OF THE BANK#.**

**THE PRICE BAND, RETAIL DISCOUNT AND THE MINIMUM BID LOT WILL BE DECIDED BY THE BANK IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED ATLEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.**
*# A discount of Rs. [•] to the Issue Price determined pursuant to completion of the Book Building Process has been offered to Retail Individual Bidders and Eligible Employees (the "Retail Discount").*

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band, subject to the Bidding/Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited (**"NSE"**) and the Bombay Stock Exchange Limited (**"BSE"**), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers (**"BRLMs"**) and at the terminals of the other members of the Syndicate.

In terms of Rule 19(2)(b) of the Securities Contracts Regulations Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein atleast 60% of the Net Issue shall be allocated on a proportionate basis to QIB Bidders (**"QIB Portion"**). Further 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 5 % in the QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIBs in proportion to their Bids. If atleast 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price net of retail discount. Further, upto 25,00,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price net of retail discount. Retail Individual Bidders, Non Institutional Bidders and Eligible Employees, may participate in this Issue though the ASBA process by providing the details of the bank accounts in which the corresponding Bid Amounts will be blocked by the SCSBs. Specific attention of investors is invited to the section titled "Issue Procedure" on page 414.

## IPO GRADING

This Issue has been graded by CARE as CARE IPO grade 4 indicating above average fundamentals and by ICRA as ICRA IPO grade 3 indicating average fundamentals. For more information on IPO Grading, please refer to the section titled "General information" on page 53 of this Red Herring Prospectus.

## RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of our Bank, there has been no formal market for the Equity Shares of our Bank. **The Face Value of the Equity Shares is Rs.10/-** and the Issue Price is [•] times of the Face Value. The Price band (as determined by our Bank in consultation with the Book Running Lead Managers on the basis of assessment of market demand for the Equity Shares by the 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. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Bank or regarding the price at which the Equity Shares will be traded after listing.

## GENERAL RISK

Investment in equity and equity related securities involves 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 our Bank and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. **Specific attention of the investors is invited to the section titled Risk Factors on page xii of this Red Herring Prospectus**.

## ISSUERS ABSOLUTE RESPONSIBILITY

Our Bank having made all reasonable inquiries, accepts responsibility for, and confirms that this Red Herring Prospectus contains all information with regard to our Bank and the Issue, which is material in the context of this Issue; that the information contained in this Red Herring Prospectus is true and correct in all material respects 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

## LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). The in-principle approvals of the Stock Exchanges for listing the Equity Shares have been received pursuant to letter dated January 19, 2010 from NSE, and letter dated January 8, 2010 from BSE. BSE shall be the Designated Stock Exchange.

## BOOK RUNNING LEAD MANAGERS

SBI Capital Markets Limited

**SBI Capital Markets Limited**
202, Maker Tower 'E',
Cuffe Parade, Mumbai 400 005, India
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
Email: unitedbankipo@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
SEBI Registration No.: INM000003531
Contact Person: Mr. Abhishek Gupta

Edelweiss
Ideas create, values protect

**Edelweiss Capital Limited**
14th floor, Express Towers
Nariman Point, Mumbai – 400 021, India
Tel: +91 22 4086 3535
Fax: +91 22 4086 3610
Email: ubi.ipo@edelcap.com
Investor Grievance Email: customerservice.mb@edelcap.com
Website: www.edelcap.com
SEBI Registration No: INM000010650
Contact Person: Mr. Sumeet Lath / Ms. Dipti Samant

ENAM

**Enam Securities Private Limited**
801, Dalamal Towers
Nariman Point
Mumbai 400 021, India
Tel: + 91 22 6638 1800
Fax: + 91 22 2284 6824
E-mail: unitedbankipo@enam.com
Investor Grievance E-mail: complaints@enam.com
Website: www.enam.com
SEBI Registration No.: INM000006856
Contact Person: Mr. Harish Lodha

## REGISTRAR TO THE ISSUE

LINK INTIME
INDIA PVT LTD
(Formerly INTIME SPECTRUM REGISTRY LTD)

**Link Intime India Private Limited**
C- 13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai - 400 078, India
Tel: +91 22 2596 0320
Fax: +91 22 2596 0329
Email: ubi.ipo@linkintime.co.in
Website: www.linkintime.co.in
Registration Number: INR000004058
Contact Person: Mr. Sachin Achar

## BID / ISSUE PROGRAMME

| | |
|---|---|
| **BID / ISSUE OPENS ON : Tuesday, February 23, 2010** | **BID / ISSUE CLOSES ON : Thursday, February 25, 2010** |

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## SECTION I: GENERAL

## DEFINITIONS AND ABBREVIATIONS

| Term | Description |
|---|---|
| "We", "us", "our", "the Issuer", "the Bank" or "our Bank" | Unless the context otherwise indicates or implies, refers to United Bank of India, a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 having its head office at 11, Hemanta Basu Sarani, Kolkata-700001, India. |

**Bank Related Terms**

| Term | Description |
|---|---|
| Associates | The following four regional rural banks sponsored by the Bank:<br>1. Bangiya Gramin Vikash Bank<br>2. Assam Gramin Vikash Bank<br>3. Manipur Rural Bank<br>4. Tripura Gramin Bank |
| Auditors | The statutory central auditors of our Bank, S. Ganguli & Associates, Maheshwari & Associates, G.P. Agrawal & Co, Salarpuria Jajodia & Co, Tandon Seth & Co and H.S. Rustagi & Co |
| Board of Directors/Board | The board of directors of our Bank or a committee constituted thereof |
| CMD or Chairman and Managing Director | The Chairman and Managing Director of the Bank. |
| Constitutional Documents | The Bank Acquisition Act read with the Bank Regulations, Banking Regulation Act and the Nationalised Bank Scheme |
| Director(s) | Director(s) of our Bank, unless otherwise specified |
| Head Office | The head office of the Bank being 11, Hemanta Basu Sarani, Kolkata-700001 |
| KMP | Key Managerial Personnel |
| Promoter | The President of India acting through the MoF, GoI |

**Technical/Industry Related Terms**

| Term | Description |
|---|---|
| Adjusted Net Bank Credit | Net Bank credit plus investment made by Bank in non SLR bond held in Held to Maturity Category |
| ALM | Asset Liability Management |
| ALCO | Asset and Liability Management Committee |
| ATMs | Automated Teller Machines |
| Available for Sale | Investments other than categorized as 'Held for Trading' and 'Held toMaturity' |
| BPLR | Benchmark Prime Lending Rate |
| CASA | Current Accounts and Saving Accounts |
| CBS | Core Banking Solutions |
| CDR | Corporate Debt Restructuring |
| CISA | Certified Information Systems Auditor |
| CPs | Commercial Papers |
| CRAR | Capital to Risk weighted Assets Ratio |
| CRR | Cash Reserve Ratio |
| ECS | Electronic Clearing Services |
| Gross NPA | Gross NPA means: |

| Term | Description |
|---|---|
| | (a) an asset, in respect of which, interest has remained overdue for a period of six months or more;<br>(b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;<br>(c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;<br>(d) a bill which remains overdue for a period of six months or more;<br>(e) the interest in respect of a debt or the income on receivables under the head `other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;<br>(f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;<br>(g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;<br>(h) In respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset:<br><br>Provided that in the case of lease and hire purchase transactions, an NBFC may classify each such account on the basis of its record of recovery; |
| Held for Trading | The securities acquired by the Bank with the intention to trade by taking advantage of the short term price/ interest rate movements will be classified under Held for Trading |
| Held to Maturity | The securities acquired by the Bank with the intention to hold them up to maturity will be classified as Held to Maturity |
| IBA | Indian Banks Association |
| IRDA | Insurance Regulatory and Development Authority |
| IT | Information Technology |
| KYC Norms | Know Your Customer norms stipulated by the RBI |
| LC | Letters of Credit |
| LFAR | Long Form Audit Report |
| NPAs | Non Performing Assets |
| Net NPA | Net NPA means Gross NPAs less loan loss provision, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation claims received and held and any partial payments received and held. |
| OTS | One Time Settlement |
| SARFAESI | Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended |
| SLR | Statutory Liquidity Ratio |
| SME | Small and Medium Enterprises |
| SSI | Small Scale Industries |
| Spread | The difference between the yield on the fortnightly average of interest earning assets and the cost of the fortnightly average of interest bearing liabilities. |
| Tier II Bonds | Unsecured subordinated non convertible bonds issued for Tier II capital adequacy purposes. |
| Tier I capital | The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid up caital and reserves, consisting of any statutory reserves free reserves and capital reserves as reduced by equity investments and subsidiaries, intangible assets and losses in the current period and those brought forwarded from the previous period. |
| Tier II capital | The undisclosed reserves and cumulative perpetual preference shares, revaluation |

| Term | Description |
|---|---|
| | reserves, general provisions and loss reserves, hybrid debt capital instruments (which combine certain features of both equity and debt securities), investment fluctuation reserves and subordinated debts. |
| Total Gross Credit Exposure | Gross advances outstanding |

**Conventional and General Terms/ Abbreviations**

| Term | Description |
|---|---|
| A/c | Account |
| Act or Companies Act | Companies Act, 1956 and amendments made from time to time |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BSE | Bombay Stock Exchange Limited |
| Bank Acquisition Act | Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended |
| Bank Regulations | United Bank of India (Officers') Service Regulations 1979, United Bank of India (Employees') Pension Regulations 1995, as amended, which have been made by the Board of Directors in the exercise of powers conferred under section 19 of the Bank Acquisition Act after consultation with the RBI and with previous sanction of the GoI, Banking Division, Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) and United Bank of India (Share and Meetings) Regulations, 2009 to be adopted by the Board of Directors of Bank in consultation of RBI and subject to approval of Central Government by notification in the official gazette. |
| Banking Regulation Act | The Banking Regulation Act, 1949, as amended |
| Banking Division | Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) |
| BV | Book Value |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| CESTAT | Central Excise and Service Tax Appellate Tribunal |
| Depositories | National Securities Depository Limited and Central Depository Services (India) Limited |
| Depositories Act | The Depositories Act, 1996 as amended from time to time |
| DER | Debt Equity Ratio |
| DP/ Depository Participant | A depository participant as defined under the Depositories Act, 1996 |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| ECS | Electronic Clearing Service |
| EPS | Unless otherwise specified, Earnings Per Share, i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares during that fiscal year |
| FDI | Foreign Direct Investment |
| FEMA | Foreign Exchange Management Act, 1999 read with rules and regulations and circulars thereunder and amendments thereto |
| FEMA Regulations | FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto |
| FII(s) | Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India |
| Financial Year/ Fiscal/fiscal/ FY | Period of twelve months ended March 31 of that particular year |
| FIPB | Foreign Investment Promotion Board |
| FVCI | Foreign Venture Capital Investor registered under the Securities and Exchange |

| Term | Description |
|---|---|
| | Board of India (Foreign Venture Capital Investor) Regulations, 2000 |
| GDP | Gross Domestic Product |
| Government | Government of India, GoI, or Central Government |
| HNI | High Net worth Individual |
| HUF | Hindu Undivided Family |
| IFRS | International Financial Reporting Standards |
| Income Tax Act | The Income Tax Act, 1961, as amended from time to time |
| IT | Information Technology |
| IT Department | Income Tax Department |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IPO | Initial Public Offering |
| Mn/ mn | Million |
| MoU | Memorandum of Understanding |
| MSME | Micro Small and Medium Emterprises |
| MSE | Micro Small Enterprises |
| NA | Not Applicable |
| NABARD | National Bank for Agriculture and Rural Development |
| Nationalised Bank Scheme | The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under section 9 of the Bank Acquisition Act |
| NAV | Net Asset Value |
| NEFT | National Electronic Fund Transfer |
| NOC | No Objection Certificate |
| NR | Non Resident |
| NRE Account | Non Resident External Account |
| NRI | Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 |
| NRO Account | Non Resident Ordinary Account |
| NSDL | National Securities Depository Limited |
| NSE | The National Stock Exchange of India Limited |
| OCB | A company, partnership, society or other corporate body owned directly or indirectly to the extent of up to 60% by NRIs including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in this Issue |
| p.a. | per annum |
| P/E Ratio | Price/Earnings Ratio |
| PAN | Permanent Account Number allotted under the Income Tax Act, 1961 |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| PIO | Persons of Indian Origin |
| PLR | Prime Lending Rate |
| RBI | The Reserve Bank of India |
| Reserve Bank of India Act/ RBI Act | The Reserve Bank of India Act, 1934, as amended |
| RRB | Regional Rural Bank |
| RRB Act | Regional Rural Banks Act, 1976, as amended |
| RONW | Return on Net Worth |

| Term | Description |
|---|---|
| Rs. | Indian Rupees |
| RTGS | Real Time Gross Settlement |
| SBAR | State Bank Advance Rate |
| SCRA | Securities Contracts (Regulation) Act, 1956, as amended from time to time |
| SCRR | Securities Contracts (Regulation) Rules, 1957, as amended from time to time |
| SEBI | The Securities and Exchange Board of India constituted under the SEBI Act, 1992 |
| SEBI Act | Securities and Exchange Board of India Act 1992, as amended from time to time |
| SEBI Regulations | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time |
| SEBI Takeover Regulations | Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time |
| Sec. | Section |
| Securities Act | US Securities Act, 1933, as amended |
| SIA | Secretariat for Industrial Assistance |
| SME | Small and Medium Enterprise |
| State Government | The government of a state of India |
| Stock Exchange(s) | BSE and/ or NSE as the context may refer to |
| UIN | Unique Identification Number |
| U.S. / USA / US | United States of America |
| US GAAP | Generally Accepted Accounting Principles in the United States of America |
| USD/ US$ / US Dollars | United States Dollar |
| VCFs | Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time |

**Issue Related Terms**

| Term | Description |
|---|---|
| Allocation Amount | The amount payable by a Bidder on or prior to the Pay-in Date after deducting the Margin Amount. |
| Allotment/ Allot | Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue |
| Allottee | A successful Bidder to whom the Equity Shares are Allotted. |
| Application Supported by Blocked Amount/ ASBA | An application, whether physical or electronic, used by a ASBA Bidder to make a Bid authorising a SCSB to block the Bid Amount in the specified bank account maintained with the SCSB |
| ASBA Bidder | All investors except Qualified Institutional Buyers (QIBs) who intend to apply through ASBA and (a) is bidding at or above the Issue Price or at Cut-off Price in the case of Retail Individual Investors and Eligible Employees. |
| ASBA Bid cum Application Form or ASBA BCAF | The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus |
| ASBA Account | Account maintained with an SCSB which will be blocked by such SCSB to the extent of the application money of the ASBA Bidder |
| Banker(s) to the Issue/ Escrow Collection Bank(s) | The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened, in this case being United Bank of India, State Bank of India, Standard Chartered Bank and HDFC Bank Limited. |
| Basis of Allotment | The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure – Basis of Allotment" on page 437 of the Red Herring Prospectus. |

| Term | Description |
|---|---|
| Bid | An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Bank at a price within the Price Band, including all revisions and modifications thereto<br><br>For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period pursuant to the submission of the ASBA Bid cum Application Forms to subscribe to the Equity Shares of our Bank |
| Bid Amount | The highest value of the optional Bids indicated in the Bid cum Application Form and which is payable by the Bidder on submission of the Bid in the Issue. |
| Bid /Issue Closing Date | The date after which the Syndicate and SCSB will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation |
| Bid /Issue Opening Date | The date on which the Syndicate and SCSB shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Bengali newspaper, each with wide circulation. |
| Bid cum Application Form | The form used by a Bidder to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form. |
| Bidding/Issue Period | The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof. |
| Book Building Process/ Method | Book building route as provided in Schedule XI of the SEBI Regulations, in terms of which this Issue is being made. |
| BRLMs/ Book Running Lead Managers | SBICAPS, Edelweiss and Enam |
| BSE | Bombay Stock Exchange Limited |
| Business Day | Any day on which commercial banks in Kolkata are open for business |
| CAN/Confirmation of Allocation Note | 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 |
| CARE | Credit Analysis and Research Limited |
| Controlling Branches | Such branches of the SCSB which coordinate with the BRLMs, the Registrar to the Issue and the Stock Exchanges. |
| Cut-off Price | Issue Price finalised by the Bank in consultation with the BRLMs. Only Retail Individual Bidders and Eligible Employees, whose Bid Amount does not exceed Rs. 100,000, are entitled to bid at the Cut Off Price. QIBs and Non-Institutional Bidders are not entitled to bid at the Cut-Off Price. |
| Designated Branches | Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on http://www.sebi.gov.in/pmd/scsb/pdf |
| Designated Date | The date on which funds are transferred from the Escrow Account to the Public Issue Account and the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the Public Issue Account, as the case may be, after the Prospectus is filed with the Designated Stock Exchange, following which the Board of Directors shall Allot Equity Shares to successful Bidders |
| Designated Stock Exchange | Bombay Stock Exchange Limited |
| DP ID | Depository Participant's Identity |
| Draft Red Herring Prospectus or DRHP | The Draft Red Herring Prospectus filed with SEBI, which does not contain complete particulars of the price at which the Equity Shares are issued and the |

| Term | Description |
|---|---|
| | size (in terms of amount) of the Issue |
| Edelweiss | Edelweiss Capital Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 14th floor, Express Towers Nariman Point Mumbai – 400 021, India |
| Eligible Employees | Permanent and full time employees of the Bank, working in India or abroad or a director of the Bank, whether executive or non executive as on the date of the Bid/ Issue Closing Date |
| Eligible NRI | NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares Allotted herein |
| Employee Reservation Portion | The portion of the Issue reserved for allocation to Eligible Employees on a proportionate basis equal to the number of Equity Shares arrived at by dividing Rs. 1,00,000 by the Cap Price (in the event of a Price Band) or the Floor Price, as the case may be, multiplied by the number of employees, subject to a maximum of 25,00,000 Equity Shares. The Bids by Eligible Employees can not exceed an amount of Rs. 1,00,000. |
| Enam | ENAM Securities Private Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 801, Dalamal Tower, Nariman Point, Mumbai – 400 021. India |
| Escrow Account | Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid |
| Escrow Agreement | Agreement dated [●] 2010 entered into by our Bank, the Registrar to the Issue, the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof |
| Equity Shares | Equity shares of the Bank of the face value of Rs. 10 each, unless otherwise specified in the context thereof |
| First Bidder | The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form |
| Floor Price | The lower end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted |
| ICRA | ICRA Limited |
| Issue | Public issue of 5,00,00,000 Equity Shares of Rs. 10 each of United Bank of India for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) aggregating up to Rs. [●] crore. It comprises a Net Issue of 47,500,000 Equity Shares to the public and a reservation of 25,00,000 Equity Shares for Eligible Employees. |
| Issue Price | The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Bank in consultation with the BRLMs on the Pricing Date |
| Issue Proceeds | The proceeds of the Issue that are available to the Bank |
| Margin Amount | The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount |
| Mutual Fund Portion | 5% of the QIB Portion or 14,25,000 Equity Shares (assuming the QIB Portion is for 60% of the Net Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion |
| Mutual Funds | A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996 |
| Net Issue | The Issue less the Employee Reservation Portion |
| Net Proceeds | The Issue Proceeds less the Issue expenses. For further information about use of the Issue Proceeds and the Issue expenses see “Objects of the Issue” on page 71 of this Red Herring Prospectus |

| Term | Description |
|---|---|
| Non-Institutional Bidders | All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000 (but not including NRIs other than eligible NRIs) |
| Non-Institutional Portion | The portion of the Issue not less than 47,50,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders |
| Non-Resident | A person resident outside India, as defined under FEMA and includes a non-resident Indian |
| 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/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and<br>(ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date |
| Preference Shares | Perpetual Non Cumulative Preference shares of the Bank of Rs. 1,00,000 each, unless otherwise specified in the context thereof. |
| Price Band | Price band of a minimum price (floor of the price band) of Rs. [●] and the maximum price (cap of the price band) of Rs. [●] and includes revisions thereof. The price band will be decided by the Bank in consultation with the Book Running Lead Managers and advertised in the English language, in the Hindi language and in the Bengali language at least two working days prior to the Bid/Issue Opening Date. |
| Pricing Date | The date on which our Bank in consultation with the BRLMs finalizes the Issue Price |
| Prospectus | The Prospectus to be filed with the Designated Stock Exchange, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information |
| Public Issue Account | Account opened with the Bankers to the Issue to receive monies from the Escrow Account and account of the ASBA Bidders on the Designated Date |
| QIB Margin Amount | An amount representing at least 10% of the Bid Amount, payable by QIB Bidders at the time of submission of their Bid |
| QIB Portion | The portion of the Net Issue being not less than 2,85,00,000 Equity Shares of Rs. 10 each to be Allotted to QIBs |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 25 crore, pension fund with minimum corpus of Rs. 25 crore and National Investment Fund set up by Government of India, insurance funds set up and managed by army, navy or air force of the Union of India. |
| Refund Account | The account opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made. |
| Refund Banker | United Bank of India, [●] |
| Refunds through electronic transfer of funds | Refunds through electronic transfer of funds means refunds through ECS, direct credit, RTGS or the ASBA process as applicable |
| Registrar to the Issue / Registrar | Registrar to the Issue, in this case being Link Intime India Private Limited. |
| Retail Discount | The difference of Rs. [●] between the Issue Price and the differential lower price at which the Bank has decided to allot the Equity Shares to Retail Individual Bidders and Eligible Employees whose Bid Amount does not exceed Rs. |

| Term | Description |
| --- | --- |
| | 100,000 as compared to the Issue Price. |
| Retail Individual Bidder(s) | Individual Bidders (including HUFs applying through their Karta and eligible NRIs) who have not Bid for Equity Shares for an amount more than Rs. 100,000 in any of the bidding options in the Issue. |
| Retail Portion | The portion of the Issue not less than 1,42,50,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s) |
| Revision Form | The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s) |
| RHP or Red Herring Prospectus | The Red Herring Prospectus issued in accordance with SEBI Regulations, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the Designated Stock Exchanges at least three (3) days before the Bid Opening Date and will become a Prospectus upon filing with the Designated Stock Exchanges after the Pricing Date |
| SBICAPS | SBI Capital Markets Limited, a company incorporated under the provisions of the Companies Act and having its registered office, 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005, India |
| Self Certified Syndicate Bank or SCSB | The Banks which are registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in/pmd/scsb/pdf |
| Stock Exchanges | BSE and NSE |
| Syndicate | The BRLMs and the Syndicate Members |
| Syndicate Agreement | The agreement dated [●] 2010 entered into between the Syndicate and our Bank in relation to the collection of Bids in this Issue (excluding Bids from the ASBA Bidders) |
| Syndicate Members | SBICAP Securities Limited and Edelweiss Securities Limited |
| Listing Agreement | The agreement to be entered into with the Stock Exchanges on which equity shares of the Bank are proposed to be filed |
| TRS/ Transaction Registration Slip | The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid |
| Underwriters | The BRLMs and the Syndicate Members |
| Underwriting Agreement | The agreement among the Underwriters and our Bank to be entered into on or after the Pricing Date |

## PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

### Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements, prepared in accordance with Indian GAAP and the SEBI Regulations, which are included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year.

All references to a particular fiscal year, unless otherwise indicated, are to the 12 month period ended March 31 of that year.

In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

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

### Currency of Presentation

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "USD" or "US Dollars" are to United States Dollars, the official currency of the United States of America.

This Red Herring Prospectus contains translations of certain US Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of the SEBI Regulations. These translations should not be construed as a representation that those US Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate.

### Industry and Market Data

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from RBI publications Insurance Regulatory and Development Authority ("IRDA"), Association of Mutual Funds in India ("AMFI"), trade, industry or general publications and other third party 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 the Bank believes that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Bank reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

## FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Volatility in interest rates and other market conditions;
- Our ability to reduce or maintain the level of our non-performing advances;
- Our ability to restrict the credit losses on large borrowers and group exposures;
- Our ability to maintain our income from treasury operations;
- Our ability to sustain the growth of our retail banking business;
- The ability of the borrowers of our restructured loans to perform as expected;
- Competition in the Indian and global banking industry;
- The current worldwide economic recession;
- Conditions in the Indian securities market affecting the price or liquidity of Equity Shares;
- Restrictions on daily movements in the price of the Equity Shares that may affect the price/ability to sell such shares;
- Taxes payable in India on income arising from capital gains;
- Dilution of holdings by additional issuances of equity;
- Significant change in the Government’s economic liberalization and deregulation policies;
- Financial difficulty and other problems in certain financial institutions in India;
- Decline in India’s foreign exchange reserves; and
- Change in laws and regulation that applies to Banking Industry in India.

For further discussion of factors that could cause our actual results to differ from our expectations, see “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages xii, 97 and 183 of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Bank, its Directors, nor the BRLMs or any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof. In accordance with SEBI requirements our Bank and the BRLMs will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

## SECTION II: RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. Investors should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Bank's Equity Shares. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, the Bank's business, results of operations and financial condition could suffer materially, the trading price of the Bank's Equity Shares could decline, and all or part of your investment may be lost.*

*The risks set out in this Red Herring Prospectus may not be exhaustive and additional risks and uncertainties not presently known to us, or which we currently deem to be immaterial, may arise or may become material in the future. Further, some events may have a material impact from a qualitative perspective rather than a quantative perspective and may be material collectively rather than individually. This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the considerations described below and in the section titled "Forward-Looking Statements" on page xi of this Red Herring Prospectus.*

*Unless otherwise stated, the financial information used in this section is derived from our consolidated audited financial statements under Indian GAAP, as restated and included elsewhere in this Red Herring Prospectus. Unless otherwise stated, we are not in a position to specify or quantify the financial or other risks mentioned herein.*

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

***1. Our Bank, our Associates and our directors are involved in a number of legal and regulatory proceedings that, if determined against the Bank, could have a material adverse impact on our Bank***

Our Bank, our Associates and our directors (i.e. the four regional rural banks sponsored by the Bank) are party to various legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities/ other judicial authorities, and if determined against us, could have an adverse impact on the business, financial condition and results of operations (for further details please refer to the section "***Outstanding Litigation and Other Material Developments***" on page 371 of this RHP). No assurances can be given as to whether these legal proceedings will be decided in our favour or have no adverse outcome, nor can any assurance be given that no further liability will arise out of these claims.

*Litigation against the Bank*

| **Litigations against the Bank** | **Number of pending cases/show cause notices/summons** | **Financial implications (to the extent quantifiable) (Rs. in crore)** |
|---|---|---|
| Litigations before government/ regulatory authorities | 17 | 0.10 |
| Litigations in courts | 239 | 3.91 |
| Other litigation | - | - |
| **Total** | **256** | **4.01** |

*Litigation against the Directors*

| **Litigations against the Directors** | **Number of pending cases/show cause notices/summons** | **Financial implications (to the extent quantifiable) (Rs. in crore)** |
|---|---|---|
| Litigations before government/ regulatory authorities | - | - |

| | | |
|---|---|---|
| Litigations in courts | 34 | - |
| Other litigation | - | - |
| **Total** | **34** | **-** |

*Cases filed by the Bank*

| Litigations by the Bank | Number of pending cases/show cause notices/summons |
|---|---|
| Litigations before government/ regulatory authorities | 12 |
| Litigations in courts | 740 |
| Other litigation | - |
| **Total** | **752** |

***2. The number of independent directors in our board of directors is less than the requirements prescribed by clause 49 of the Listing Agreement and therefore we are not in compliance with the requirements of the Listing Agreement which may delay or prevent the listing of our equity shares.***

As per clause 49 of the Listing Agreement the board of directors of any listed entity shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors. Further where the chairman of the board of directors is an executive director, at least half of the board of directors should comprise of independent directors.

As on the date of this Red Herring Prospectus our board of directors comprises of 7 directors out of which only 2 directors are independent directors. We have already applied to the GoI for appointment of 4 more independent directors on our board pursuant to the requirements of the Listing Agreement. If the GoI delays in appointing these independent directors on our board then we will continue to be in non-compliance of the corporate governance requirements of the Listing Agreement and accordingly our board of directors may not be able to constitute the various committees, such as Audit Committee, Remuneration Committee and Shareholder's Investor Grievance Committee, as required by clause 49 of the Listing Agreement. Hence, we may not be able to list our equity shares which may have a material adverse effect on the marketability of our equity shares.

***3. Banks are subject to restrictions on payments of dividends under Indian law. We may not be able to pay dividends without writing off capitalized expenses.***

Under Section 15 of the Banking Regulation Act, no banking company may pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. We have requested the Department of Financial Services, Ministry of Finance, GOI to allow us to pay dividends without writing off all capitalized expenses, as required under section 15 of the Banking Regulation Act.

***4. Our Auditors have made certain unquantifiable qualifications in their Audited Report and thus our financial statements may not present an accurate estimate of our financial position or performance.***

Our Auditors have qualified their audit reports on our financial statements for the audited year ended March 31, 2005, March 31, 2008, March 31, 2009 and the audited half year ended September 30, 2009 (For further details see "Annexure A – VI – Adjustments not carried out in the statement of Profit and Loss and Assets and Liabilities" on page 306 of this Red Herring Prospectus).

We have not reconciled entries pertaining to Inter Branch Accounts and balances with Reserve Bank of India, other banks and NOSTRO account for these periods as these transactions take place every day during the ordinary course of banking. The ongoing process of reconciliation matches such entries in due course and since impact of such exercise is not quantifiable, the same is not accounted for and the Auditors have qualified the Report in this regard. While our Auditors have opined that these reconciliation may not have any material impact on our financial condition we cannot ensure that such unreconciled entries may not have significant impact on the financial condition in future.

Further, we have failed to fully comply with AS-15 of the accounting standards prescribed by ICAI regarding representation of certain financial information in our Annual Report for the year ended March 31, 2007 and may not be able to ensure that all guidelines and applicable accounting standards related to disclosure of accounts would be complied with."

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

Approximately 28.44%, 31.13%, 36.61%, of our total income for the period ended September 30, 2009, March 31, 2009 and March 31, 2008 respectively, was derived from our treasury operations. Our income from treasury operations are sensitive to changes in government policies, interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realise the same level of income from treasury operations as we have in the past. Any decrease in our income from our treasury operations could materially and adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

6. ***We may not be able to grow our retail banking business as per our expectations which could adversely impact our financial results.***

We have achieved significant growth in our gross advances in recent years. Between March 31, 2007 and September 30, 2009, our net advances grew at a CAGR of 26.75% from Rs. 22640.45 crore to Rs. 41219.12 crore. As of September 30, 2009, retail loans represented 11.68% of our total outstanding credit. One of our present business strategies reflects continued focus on further growth in this sector. We intend to grow our income from this sector by offering new products and services and by cross-selling to our customers through aggressive marketing. While we anticipate continued demand in this area, our retail portfolio may not grow at the rates we have experienced between Fiscal 2006 and Fiscal 2009, which could materially and adversely affect our business, financial condition and results of operations.

7. ***There has been a significant increase in the level of our restructured loans from 1.07% of our standard assets as of March 31, 2008 to 4.73% of our standard assets as of March 31, 2009. Any failure in their performance as expected or a significant increase on the level of restructured loan in our portfolio could materially and adversely affect our business, results of operations and financial conditions.***

Our standard assets of Rs. 34707.9 crore at March 31, 2009 included restructured standard loans of Rs. 1640.44 crore, constituting 4.73% of our standard assets, compared to our standard assets of Rs.27390.95 crore at March 31, 2008 which included restructured standard loans of Rs. 293.29 crore, constituting 1.07% of our standard assets, at that date. Our borrowers' need to restructure their loans can be attributed to several factors, including the recent downturn and tightening of liquidity in the money markets, increased competition arising from economic liberalisation in India, variable industrial growth, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, results of operations and financial condition.

8. ***We are exposed to possible losses arising out of derivative transactions.***

We enter into derivative transactions on behalf of our clients for which they may suffer losses on maturity or unwinding of such transaction. We have not suffered any loss on account of derivative transactions inthe financial year 2008-2009. The Bank has undertaken only one derivative transaction of Rs. 100 crore in 2007-2008 and earned a profit of Rs. 1.23 crore. However, there is no outstanding derivative transaction as on September 30, 2009. However, in case our clients do not honor their commitments to bear the losses, we may have to bear such losses which would have a material adverse effect on our business, financial condition and results of operations.

***9. As of September 30, 2009, 66.03% of our deposits were through 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 materially and adversely affected.***

As of September 30, 2009, term deposits represented 66.03% of our total deposits. Savings deposits and current deposits constituted 33.97%, of our total deposits as of September 30, 2009. A portion of our assets have long-term maturity profiles, creating a potential for funding mismatches. As of September 30, 2009, 30.83% of our total assets had a long term maturity profile, which we define as a maturity profile of over five years. In the event that a substantial number of our depositors do not roll over deposited funds on maturity and we are unable to replace those deposits, our liquidity position and business could be materially and adversely affected. If we are unable to maintain or increase our base of low-cost deposits, our overall cost of funds could increase, which could have a material and adverse effect on our business and results of operations.

***10. Our contingent liabilities could materially and adversely affect our financial condition and results of operations.***

As of September 30, 2009, we had contingent liabilities amounting to Rs. 6915.32 crore. Contingent liabilities include liability on account of outstanding forward exchange contracts of Rs. 2946.03 crore, guarantees given on behalf of constituents in and outside India of Rs. 2500.84 crore, and acceptances, endorsements and other obligations of Rs. 1317.36 crore as of September 30, 2009. Other contingent liabilities amount to Rs. 124.95 crore as of September 30, 2009. In addition, we have contingent liabilities on account of claims against us not acknowledged as debts of Rs.7.86 crore and liability for partly paid shares Rs.18.28 crore. For further details, please refer to the section titled "Outstanding Litigation and Material Developments" on page 371 of this Red Herring Prospectus. If these contingent liabilities materialize, fully or partly, our financial condition and results of operations could be materially and adversely affected.

***(Rs. Crore)***

| | **Year ended March 31, 2009** | **Six months ended September 30, 2009** |
|---|---|---|
| Claims against the Bank not acknowledged as debt | 8.38 | 7.86 |
| Liability for partly paid investments | 37.72 | 18.28 |
| Liability on account of outstanding forward exchange contracts | 2,305.07 | 2,946.03 |
| Guarantees given on behalf of constituents in India | 1,648.34 | 2,148.89 |
| Guarantees given on behalf of constituents outside India | 286.01 | 351.95 |
| Acceptance, Endorsements & other Obligations | 908.90 | 1,317.36 |
| Other items for which the Bank is contingently liable | 89.97 | 124.95 |
| **Total liabilities** | **5,284.39** | **6,915.32** |

Most of the liabilities has been incurred during the normal course of business, in the event of there being a crystallization of any of the above liabilities, we may be required to honour the demands raised. This may materially and adversely impact our business, financial conditions, result of operations and prospects.

***11. Our financial statements from Fiscal 2008 may not be comparable with the financial statements for prior periods in respect of segment reporting which may make it difficult to ascertain our performance in various business segments.***

The RBI has, in terms of its guidelines dated April 18, 2007, directed all scheduled commercial banks to enhance disclosure requirements under segment reporting. Accordingly, from March 31, 2008, we have adopted for reporting purposes, the business segments of corporate/wholesale banking and retail banking in addition to the existing business segments, namely, treasury and other banking business. Accordingly, the segment reporting in our financial statements from Fiscal 2008 may not be comparable with the segment reporting in our financial statements of prior periods, including the financial statements as appearing in this Red Herring Prospectus, which may make it difficult to ascertain our performance in various business segments.

12. ***The Government will continue to hold a majority interest in the Bank following the Issue and will therefore be able to determine the outcome of shareholder voting and hence shareholders other than the Government may not be able to exercise effective control over the Bank.***

Under Section 9 of the Bank Acquisition Act, the Government has the power to appoint directors on our Board. We have received approval of the Government by its letter No.11/25/2005-BOA dated December 03, 2009, to issue 5 crore Equity Shares of face value Rs. 10 each for the Issue, subject to the condition that the Government's shareholding will not decrease below 51% of our post-issue share capital. After the completion of the Issue, the Government will own at least 84.2% of our outstanding Equity Shares and will have the right to appoint a majority of our Directors. Consequently, the Government will continue to have a controlling interest in the Bank and will also be able to determine a majority of our Board of Directors. At times, the Government's interests may conflict with the interests of other shareholders. Furthermore, 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 shareholders will be controlled by the Government unless and until such time its shareholding is diluted to below a controlling majority.

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 transactions such as the acquisition of other banks or financial institutions that are in financial difficulty in order to serve the public interest of India and not necessarily to maximize our profits.

13. ***The Government of India has in the past and may in the future direct us to implement certain schemes that are aimed at serving the interest of farmers and/or a cross section of the public. Such schemes may not necessarily be aimed at maximizing our profits and may adversely affect our business, financial condition and results of operations.***

In Fiscal 2009 the Government implemented the "Agricultural Debt Waiver and Debt Relief Scheme 2008" under which agricultural loans (including principal and interest) amounting to Rs. 211.19 crore were waived off. This had a negative effect on our profits and financial condition. In future, the Government may further require us to waive off or reduce the outstanding amount due on loans provided to customers in certain sectors, in particular the agricultural sector, to serve the larger interests of India which could adversely affect our business and financial condition.

We also provide special schemes under which credit facilities and loans are extended to persons belonging to weaker sections, which is aimed at facilitating the Government's initiative to empower them. Such schemes and credit facilities provided to members of the weaker sections may not be as profitable as compared to lending in the non-priority sector. This is because historically, NPAs are higher in the priority sector lending compared with non-priority sector lending. This adversely affects our profitability and financial condition.

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

Pursuant to RBI circular number DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standards by Banks, all nationalised banks are exempt from disclosing the transactions with their subsidiaries and the RRBs sponsored by them. Further, Para 9 of AS-18 Related Party Disclosures also exempts state controlled enterprises from making any disclosure pertaining to their transactions with other related parties that are also state controlled. Hence, no such disclosure has been made in this Red Herring Prospectus with respect to our RRBs in which we have an interest. Further, we have not disclosed transactions with our RRBs in our restated financial statements included in this Red Herring Prospectus.

15. ***Our shareholders may not have certain significant rights which are available to the shareholders of a company registered under the Companies Act, 1956.***

We are regulated and have to comply with the provisions of the Banking Companies (Acquisitions and Transfer of Undertakings) Act, 1970 (the "**Act**"). The Act does not provide significant rights to Shareholders compared to the Companies Act, 1956. We have recently formulated the United Bank of India (Share and Meetings) Regulations, 2009 (the "Regulations") which provides certain rights to our shareholders. These Regulations are subject to approval of the Government of India in consultation with the Reserve Bank of India, which approval is awaited. If the government does not approve the draft Regulations, our shareholders will not be entitled to the rights provided for under the Regulations. For details refer, the Comparative Table of Rights of Shareholders under Companies Act, 1956 compared to rights available to a shareholder under the Bank Regulations, Banking Regulation Act, Bank Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as applicable to our Bank in the section titled "Regulations and Policies" on page 126 of this Red Herring Prospectus.

16. ***If we are not able to renew or maintain our statutory and regulatory permits and approvals and licenses required to operate our business, it may have a material and adverse effect on our business, financial condition and results of operations.***

We require certain statutory and regulatory permits and approvals and licenses to operate our business. The following is a list of approvals /licenses which have expired and are pending renewal:

| **Name of the approval / license** | **Authority** | **Remarks** |
|---|---|---|
| License No. 1587006 in favour of the Bank under the Insurance Regulatory And Development Authority (Licensing of Corporate Agents) Regulations, 2002 | **IRDA** | The license had expired on February 9, 2010. The Bank has made an application to IRDA for renewal of the License. |

In the future, we will be required to renew our permits and approvals and obtain new permits and approvals for our proposed operations. While we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals, including those set forth above, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material and adverse effect on our business, financial condition and results of operations. For further information, refer to the section titled "Government Approvals" on page 389 of this Red Herring Prospectus.

17. ***We have applied for but are yet to receive a trademark for our logo. Unless our trademark is registered we cannot prohibit other persons from using the logo, which may materially and adversely affect our goodwill and business.***

We have recently filed two applications dated December 18, 2009 with the Trade Marks Registry, Kolkata for registration of our logo and trade name as appearing on the cover page of this Red Herring Prospectus under class 36. Any legal proceedings which result in a finding that we have breached third parties' intellectual property rights may require us to give financial compensation to such third parties and/or to make changes to our marketing strategies or to the brand names of our products, which could have a material adverse effect on our business, prospects, financial condition and results of operations. No legal proceedings have been initiated against the Bank with regard to breach of intellectual property rights of third parties against the Bank.

The registration of any trademark in India is a time consuming process and there can be no assurance that such registration will be granted. We operate in a competitive environment where retention and recognition will be a significant element of our business strategy. Our application may not be allowed or our competitors may challenge the validity or scope of our intellectual property. Unless our trademark is registered we cannot prohibit other persons from using the logo and our trade name, which may materially and adversely affect our goodwill and business. If we fail to successfully obtain or enforce our trade mark rights with respect to our logo, we may need to change our logo.

Any such change could require us to incur additional costs and may adversely impact our reputation, business, financial condition and results of operations.

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

As with most banking institutions, our results of operations depend to a significant extent on our net interest income. In the period ended September 30, 2009, net interest income (i.e. interest income minus interest expense) represented 24.65% of our interest income and 22.30% 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 our net interest income. Accordingly, volatility in interest rates could materially and adversely affect our business and financial performance. An increase in interest rates may also adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may adversely impact our business. Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policy, deregulation of the financial sector in India and domestic and international economic and political conditions. Under the RBI regulations, we are required to maintain a minimum specified Statutory Liquidity Ratio ("SLR"), which is presently 25.0% of our net demand and time liabilities in cash and government or other securities approved by the RBI. The SLR is calculated on every alternate Friday. As of September 25, 2009 (nearest reporting Friday), 26.58% of our demand and time liabilities were in Government and other approved securities. As of September 30, 2009, 76.74% of our total investments were in Government and other approved securities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase was sudden or sharp, we could be materially and adversely affected by the decline in the market value of our Government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the "Available for Sale" and "Held for Trading" categories. As of September 30, 2009, 0.11% of our investments are in the "Held for Trading" category, 36.44% in the "Available for Sale" category and 63.45% in the "Held to Maturity" category. As of September 30, 2009, in the 'Held to Maturity" category 43.38% of the total amount of "Held to Maturity" securities are such securities where acquisition cost is greater than face value. We are required to mark to market securities in the "Available for Sale" and "Held for Trading" categories which may decrease in a given financial period. This may adversely affect our business. In respect of securities under the Held to Maturity category, we are required to amortise over the residual maturity period of the security the difference between acquisition cost and face value of the security, wherever the acquisition cost is greater than the face value.

19. ***"We have revalued certain premises belonging to us for the financial year ended March 31, 2007 which has resulted in increase in our 'Reserves and Surplus' to the tune of Rs. 377.90 crore. These reserves are not free reserves and we may not utilize these for distribution as dividends or bonus shares to our shareholders.***

As per the RBI guidelines and with the approval of the Board of Directors, certain premises belonging to us were revalued in the financial year ended March 31, 2007. Such revaluation resulted in appreciation in the value of the said premises by Rs. 377.90 crore with corresponding credit to Capital Reserve-Revaluation Reserve and depreciation over and above the normal depreciation attributable to revalued premises which was set off against the Revaluation Reserve. For further details see "Material Notes to Accounts" on page 225 of this Red Herring Prospectus.

However, as per the Accounting Standards issued by the ICAI, we cannot use these reserves to distribute either dividends or bonus shares to our shareholders."

20. ***We may fail to maintain the minimum capital adequacy requirements stipulated by the RBI which could materially and adversely affect our reputation, results of operations and financial condition.***

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.0% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our growth. Our capital adequacy ratio was 10.37% (Basel I) and 12.93% (Basel II) as of September 30, 2009. We are exposed to the risk of the RBI increasing the applicable risk weightage for different asset classes from time to time. Although we currently meet the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and changes in the minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty obtaining capital in any other manner. We cannot assure you that we will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

21. ***We have previously been penalized for not being in compliance with the provisions of the Banking Regulation Act, 1949 and may face further penalties from the RBI and/or other regulatory bodies that govern us in cases of non-compliance in future.***

We have been penalized by the RBI u/s 46(4) of the Banking Regulation Act, 1949 for certain deficiencies noticed by RBI in remittance of soiled and non-issuable notes for which, a penalty of Rs. 11,73,500 has been imposed on us by the RBI under the provisions of Section 46(4) of the Banking Regulation Act, 1949, during half year ended September 30, 2009. We have been subject to a deduction of Rs.2,46,995 by RBI in FY 2005-06 for a shortfall of coverage of daily maintenance of CRR by Rs.2.67 crore per day on an average, in one fortnight ended on October 14, 2005.

While we strive to be in compliance with all regulatory provisions applicable to us, we may be subject to further penalties in the future, which may have a materially adverse effect on our financial condition and our reputation.

22. ***We are required to make certain provisions as stipulated by RBI and increase in these requirements could materially and adversely affect our business, financial condition and results of operations***

The RBI changes provisioning requirements for banks from time to time. For example, RBI in the second quarter review of the monetary policy for the year 2009 – 2010, increased the general provisioning requirement on standard advances for commercial real estate loans to 1% from 0.40%. Any Increases in provisioning requirements could materially and adversely affect our business, results of operations and financial condition. For further details on the regulations and policies applicable to the banking industry, see the section titled “Regulations and Policies” on page 126 of this Red Herring Prospectus.

23. ***81.79% of our total branches are concentrated in eastern and north eastern India and hence we are exposed to regional risks.***

As of January 31, 2010, out of our 1,505 branches, 973 branches are located in eastern India and 258 branches are located in north eastern India, constitute 81.79 % of our total branch network. Our concentration in the eastern and north eastern region exposes us to any adverse geological, ecological, economic and/or political circumstances in that region as compared to other public and private sector banks that have diversified national presence. Any disruption, disturbance or breakdown in the economy of eastern and/or north eastern India could adversely affect our business, financial condition and results of operations.

24. ***Our risk management policies and procedures may not adequately address unanticipated risks. Inability to develop and implement effective risk management policies may adversely affect our business, financial condition and results of operations.***

We have devoted significant resources to developing our risk management policies and procedures and expect to continue to do so in the future. Despite this, our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than indicated by the historical measures. As we seek to expand the scope of our operations, we also face the risk of inability to develop risk management policies and procedures that are properly designed for those new business areas. Implementation and monitoring may prove particularly challenging with respect to businesses that we have recently initiated. Inability to develop and implement effective risk management policies may adversely affect our business, financial condition and results of operations.

***25. Any increase in our portfolio of non-performing assets ("NPA") will have a materially adverse effect on our financial condition and results of operations.***

Our gross NPAs were Rs. 1022.79 crore as of September 30, 2009, representing 2.48% of our gross advances and 1.39% of our total assets. Our net NPAs were Rs. 530.52 crore as of September 30, 2009, representing 1.30% of our net advances and 0.72% of our total assets.

As of September 30, 2009, 98.13% of our standard advances were to borrowers whom we rate in the low risk category, 1.27% of our advances were to borrowers whom we rate in the moderate risk category and 0.60% of our advances were to borrowers whom we rate in the high risk category. Borrowers in the high risk category could be especially vulnerable if economic conditions worsen or economic growth is slow, which could adversely affect our business, results of operations and financial conditions. We have been able to reduce our net non-performing advances through recoveries, upgrading of NPAs to "performing" categories and provisioning. We have reduced our level of net NPA from 1.50% of our advances as of March 31, 2007 to 1.30% of our advances as of September 30, 2009. However, our ability to continue to reduce or contain the level of our gross and net NPAs may be affected by a number of factors that are beyond our control, such as increased competition, a recession in the economy, including in respect of specific industries to which we are exposed, decreases in agricultural production, decline in commodity and food grain prices, adverse fluctuations in interest and exchange rates or adverse changes in government policies, laws or regulations. In future we may not be able to reduce our NPAs and this could adversely affect our business and future financial performance. In addition, the expansion of our business may also cause the level of our NPAs to increase. As of September 30, 2009, approximately 34.64 % of our gross non-performing assets were concentrated in the industrial sector. Although our loan portfolio contains loans to a wide variety of businesses, adverse market conditions in the industrial sector could increase our level of NPAs. Future increases in our NPAs may have a material adverse effect on our business and financial condition.

Also, as of September 30, 2009, we had a Rs. 157.48 crore floating provision (provision for NPAs over and above the required provisions as per RBI prudential norms). As per the extant guidelines of RBI on the Prudential norms on Income recognisition, Asset classification and Provisioning pertaining to advances advised all commercial banks (excluding RRBs) that their board of directors should lay down approved policy regarding the level to which the floating provisions can be created. The floating provisions can be used only for contingencies under extraordinary circumstances for meeting specific contingencies after obtaining the Board's approval and with the RBI's prior permission. In Fiscal 2009, we utilized Rs. 3.52 crore out of our floating provision towards agricultural debt waiver. We may not be able to utilize our floating provision in future to meet other contingencies unless we receive RBI's prior permission. If we further increase our floating provision, this may affect our future profitability adversely.

Under the "Agriculture Debt Waiver and Debt Relief Scheme 2008" (the "Scheme") we are required to treat all loans made to certain farmers that is already due and payable as standard assets uptil January 31, 2010. After January 31, 2010 we are not required by the Scheme to treat such loans made to certain farmers as standard assets. We will therefore treat such loans as NPAs. This may require us to further increase our provision for NPAs. At present our entire outstanding amount due from certain farmers that fall within the purview of the Scheme is Rs. 33.31 crore. We may have to make a provision in part or whole for such outstanding amount which will affect our future profitability.

***26. Non Compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation***

We are subject to annual financial inspection by RBI. In the past certain observations were made by RBI during the inspection regarding our business and operations in its Annual Financial Inspection Reports. In these reports, the RBI has identified certain weakness in the operations of the Bank, especially in the following areas:

(a) Compliance with Priority sector targets;
(b) System for calculation of working capital and term finance and standard of credit appraisal, and
(c) Asset Liability Management (ALM) policy;

(d) Adherence to asset classification and provisioning norms;
(e) Adherence to KYC norm;
(f) Systems and control

Most of these weakness, except for Asset Liability management systems, are not expected to affect the business of the Bank, but may affect the profitability of the bank by increasing operational risk within its portfolio, increasing the probability of NPAs.

In case we are not able to meet the requirements suggested by RBI, it may impose strict enforcement of its observations on us which may have a material adverse effect on our business, financial condition or results of operation.

***27. We have substantial exposure to the priority sector and certain other sectors and industries and our business could be materially and adversely affected by market and other factors that impact these sectors and industries. In addition, regulations relating to priority sector lending could have a materially adverse impact on our financial condition and results of operations.***

We have substantial exposure to loans and advances to agriculture and micro and small enterprises, which are included in as "priority sectors". As of September 30, 2009, priority sector credit constituted 36.02% of our adjusted net bank credit, and loans to agricultural and micro and small enterprises borrowers constituted 12% and 13.91%, respectively, of our adjusted net bank credit.

We are required to extend at least 18% of the adjusted net bank credit to the agriculture sector. We have in the past in Fiscal 2007, 2008 and 2009 failed to meet the respective priority sector lending sub targets the details of which are given below:

| Sub Sector | Fiscal 2007 | Fiscal 2008 | Fiscal 2009 |
|---|---|---|---|
| **Agriculture Sector:** | | | |
| Target in % (A) | 18.00 | 18.00 | 18.00 |
| % Target achieved (B) | 12.00 | 13.86 | 13.95 |
| **Shortfall (A) – (B) (%)** | **6.00** | **4.14** | **4.05** |
| | | | |
| **Weaker Sections:** | | | |
| Target in % (C) | 10.00 | 10.00 | 10.00 |
| % Target achieved (D) | 8.00 | 9.76 | 9.28 |
| **Shortfall (C) – (D) (%)** | **2.00** | **0.24** | **0.72** |

Failures such as this have in the past required us and in future may require us to contribute to the Rural Infrastructure Development Fund, ("**RIDF**"), or such other investments as determined by the RBI which offer lower rates of return. This may adversely affect our business, financial condition and results of operations.

There is little scope for expanding the Bank's agricultural loan portfolio through corporate borrowers due to the limited involvement of corporate entities in agricultural activities in India. As a result, the Bank targets individual farmers. There is inadequate historical data of delinquent loans to farmers which increases the risk of such exposures and may lead to an increase in non-performing loans which may adversely affect our financial condition.

Historically, NPAs are higher in priority sector lending compared with non-priority sector lending. Our internal policies limit set out the limit of our credit exposure to any particular industry ,depending on the nature of that industry. As of September 30, 2009, the percentage of our priority sector gross NPAs to total priority sector advances was 6.2%, which was higher than the percentage of total gross NPAs to total gross advances of 2.48%. The top five industries accounted for 33.10% of our funded exposure as of September 30, 2009. Based on funded exposures as of September 25, 2009 (nearest reporting Friday), our five largest industry exposures were to the (I) Infrastructure (II) Basic Metals (III) Petroleum Coal and Nuclear Fuel (IV) Chemicals and (V) Textiles industries and which in the aggregate constituted 33.10% of our total funded exposures the details of which is given below:

| Serial No: | Industrial Sector | Amount Outstanding as of September 25, 2009 (in Rs. crore) | % to total funded exposure |
|---|---|---|---|
| 1. | Infrastructure | 7,282.00 | 17.67 |
| 2. | Basic Metals | 2,432.00 | 5.90 |
| 3. | Petroleum, Coal and Nuclear Fuel | 2,338.00 | 5.67 |
| 4. | Chemicals | 924.00 | 2.24 |
| 5. | Textiles | 666.00 | 1.62 |
| | **Total** | **13,642.00** | **33.10** |

Market difficulties in these industries could increase our nonperforming loans, which may materially and adversely affect our business, results of operations and financial condition.

***28. We are exposed to various industry sectors. Deterioration in the performance of any of the industry sectors where we have significant exposure may adversely impact our business.***

Our credit exposure to borrowers is dispersed across various sectors including, cotton and jute, infrastructure, gems and jewellery, iron and steel, food and food product, chemicals and chemical products, construction and other industries. Our funded exposure in the Infrastructure sector, which is the largest industry in which we have funded exposure, as of September 30, 2009 was Rs. 7,308.12 crore which constituted 17.73% of our total funded exposure.Any significant deterioration in the performance of a particular sector, including due to regulatory action or policy announcements by Government or State government authorities, could adversely impact the ability of borrowers in that industry to service their debt obligations owed to us.

The Bank is also exposed to infrastructure projects which are still under development and are open to risks arising out of delay in execution, failure of borrowers to execute projects on time, delay in getting approvals from necessary authorities and breach of contractual obligations by counterparties, all of which may adversely impact the projected cash flows. There can be no assurance that these projects will perform as anticipated. Risks arising out of a recession in the economy, a delay in project implementation or commissioning could lead to rise in delinquency rates and in turn, adversely impact the Bank's financial performance and results of operations.

***29. We are exposed to the real estate sector. Any deterioration in the performance of this sector may adversely impact our business.***

Our exposure to the real estate market in India, including our housing finance loans constituted 13.70 % of our total advances. As of September 30, 2009, the percentage of NPAs in our real estate industry portfolio was 1.66%. Any significant downturn in the real estate sector may lead to an increase in non-performing loans, which may materially and adversely affect our results of operations and financial condition.

***30. We have concentrations of loans to certain customers and to certain groups of customers, which exposes us to risk of credit losses from these customers or groups that could materially and adversely affect our business, results of operations and financial condition.***

Our exposure to the 10 largest borrowers to whom we have made advances in the aggregate, accounted for approximately 13.09% of our total gross credit exposure as of September 30, 2009. Our exposure to our largest single borrower (excluding food credit) as of September 30, 2009, accounted for approximately 2.11% of our total gross credit exposure and 17.94% of our capital funds (comprising Tier I and Tier II capital as defined by the Reserve Bank of India). Our exposure to our largest borrower group (excluding food credit) as of September 30, 2009 accounted for approximately 4.23% of our total gross credit exposure and 35.97% of our capital funds. Credit losses on these large borrowers and group exposures could materially and adversely affect our business, results of operations and financial condition.

***31. We may experience delays in enforcing our collateral in the event of borrower defaults on their obligations to us, which may result in an inability to recover the expected value of the collateral which could adversely impact our financial results.***

We take collateral for a large proportion of our loans, including mortgages, pledges or hypothecation of inventories, receivables and other current assets, and, in some cases, charges on fixed assets and financial assets, such as marketable securities. As of September 30, 2009, 82.88% of our net advances were secured by tangible assets, such as properties, plant and machinery, inventory, receivables and other current assets. Foreclosure of such securities may require court or tribunal intervention that may involve protracted proceedings, and the process of enforcing security interests against collateral can be difficult. As a result, it may be difficult and time consuming for us to take control of or liquidate the collateral securing any nonperforming loans. Any delays in enforcement could result in a decline in the value of collateral securing our loans, which may decrease the amounts we can recover on the underlying loans which could adversely impact our financial results.

The Bank is a member of the RBI Corporate Debt Restructuring ("CDR") mechanism. RBI's guidelines on CDR mechanism specify that for debt amounts of Rs. 10 crore and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. In situations where we have exposure of 25% or less, we could be forced to agree to a restructuring of debt which may not be in our interests or which may be time consuming or require us to reduce interest rates or write-off portions of outstanding amounts, in preference to foreclosure of security or a one-time settlement. As of September 30, 2009, we had 5 accounts restructured under CDR and the total amount of loan assets under CDR was Rs. 101.10 crore which constituted 0.25% of our total loan assets.

Such difficulties in realizing our collateral fully or at all, including if we are instead compelled to restructure our loans, could adversely affect our business and financial results.

***32. Significant security breaches and failure in our computer systems, and calamities could materially and adversely impact our business.***

We depend on our computer systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of our business and operating data. We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. These concerns could intensify with our increased use of technology, internet based resources and advanced internet banking platform.

Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and network infrastructure. Our Bank's computer systems and network infrastructure have only been recently migrated to Core Banking Solution ("CBS"). Certain parts of the system may not be properly protected from security breaches and other attacks. Our Bank employs security systems including firewalls and password encryption, designed to minimise the risk of security breaches. Although our Bank intends to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will be adequate or successful. A failure of security measures could have a material adverse effect on our Bank's business, its future financial performance and the trading price of the Equity Shares. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us.

***33. If we are unable to adapt to rapid technological changes, our business, future financial performance could suffer.***

Our future success and ability to compete with other banks will depend, in part, on our ability to respond to technological advances and emerging banking industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that our Bank will successfully upgrade or implement new technologies effectively or adapt its transaction processing systems to customer requirements or emerging industry standards. If our Bank is unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market/technological conditions, customer requirements or technological changes, the financial performance of our Bank could be materially affected.

***34. There is operational risk associated with the banking industry which, when realised, may have an adverse impact on our results.***

We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees, unauthorised transactions by employees or operational errors, such as clerical or record keeping errors. Fraud and other misconduct can be difficult to fully detect and deter. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We outsource some functions, such as cash handling for our ATMs, to other agencies and are exposed to the risk that they may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that its (or its vendors') business continuity and data security systems prove to be inadequate. We also face the risk that the design of our controls and procedures prove to be inadequate, or may be circumvented, thereby causing delays in detection of errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have, in the past, suffered some losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future. For a discussion of how operational risk is managed, see the section "Our Business – Risk Management – Operational Risk" on page 119 of this Red Herring Prospectus.

***35. Before we pay any dividends on the Equity Shares, we must first pay the dividend on the Preference Shares issued by us. The Bank did not declare dividends in Fiscal 2009 and we cannot assure you that the Bank will make dividend payments in each fiscal year in future.***

The Bank did not declare dividends in Fiscal 2009 and there is no certainty that dividends would be paid in each fiscal year. Before we pay any dividends on the Equity Shares, we must first pay the dividend due on the Preference Shares, the rate of which is the prevailing repo-rate plus 100 basis points. Since the coupon rate is benchmarked to the repo rate, any future upward revision in the repo rate will adversely impact our ability to make dividend payments.

Dividends on the Equity Shares will also depend upon a number of factors, including the Bank's results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board

***36. We are required to maintain cash reserve ratio and statutory liquidity ratio and increases in these requirements could materially and adversely affect our business, financial condition and results of operations.***

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under the RBI's regulations, we are subject to a Cash Reserve Ratio ("CRR") requirement under which we are currently required to keep 5.50% of our net demand and time liabilities in current account with the RBI. The CRR shall be increased by 0.25% with effect from February 27, 2010. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the cash reserve ratio requirement as a monetary policy measure and has done so on numerous occasions. Increases in the cash reserve ratio requirement could materially and adversely affect our business, results of operations and financial condition. In addition, under the RBI's regulations, our liabilities are subject to a statutory liquidity ratio requirement, according to which 25% of our net demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by the RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates. Hence any increase in the CRR and the SLR requirements could materially and adversely affect our business and financial condition and results of operations. For further details, see the section titled "Management's Discussion and Analysis of Condition and Results of Operations on a Basis – Introduction" on page 347 of this Red Herring Prospectus.

***37. We may, or we may be required to, undertake mergers or acquisitions in the future, which may pose management and integration challenges.***

We may make acquisitions and investments to expand our customer base, acquire new service or product offerings or enhance our technical capabilities. In addition, the Government, which will remain our largest shareholder with majority interest after the issue, may require us to undertake a merger with another bank, as it has required for other public sector banks in the past. Any such acquisition or merger may not necessarily contribute to our profitability and may require us to assume high levels of debt, NPAs or contingent liabilities as part of such transactions. We also could experience difficulty in combining operations and cultures and may not realise the anticipated synergies or efficiencies from such transactions.

***38. We rely on the accuracy and completeness of information provided to us about our customers and counterparties which if not accurate and complete may have a negative impact on our financial condition.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely upon certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

***39. Shareholders' percentage holdings may be diluted by additional issuances of equity and any dilution may materially and adversely affect the market price of our Equity Shares.***

We may undertake additional equity offerings to finance future growth or to meet future capital requirements, subject to the changes in the Government regulations with respect to the minimum holding of Government equity in the Bank. Such future issuance of Equity Shares could dilute the shareholders' percentage holding in our Bank and could materially and adversely affect the market price of our Equity Shares.

***40. Most of our branches are located on leased premises. We may not be able to renew the lease agreements for our branches upon favourable terms or at all which could have a material adverse affect on our business and results of operations.***

Most of our branches are located on leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises, or if they seek to renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations or increased costs, or both, which may adversely affect our business and results of operations

***41. As of January 31, 2010, 98 branches were in premises for which the lease had expired which may not be renewed on similar terms or at all, which may affect our business adversely.***

As of January 31, 2010, 98 of our branches were in premises for which the lease had expired. All or any of the leases may not be renewed on similar terms or at all, or we may be evicted from all or a number of these premises and be required to pay damages to the landlord. This may adversely impact our business and financial condition.

***42. A significant reduction in our credit rating could materially and adversely affect our business, financial condition and results of operations.***

As of September 30, 2009 our lower Tier II subordinated bonds were Rs. 950.00 crore which constituted 49.03% of our total Tier II capital of Rs. 1937.49 crore. These lower Tier II bonds are currently rated LAA by ICRA which signifies a high credit quality rating wherein the instrument carries low credit risk, CARE AA by CARE which signifies an instrument with very low credit risk and high safety for timely servicing of debt obligations and for upper Tier II bonds the current rating is LAA- by ICRA which signifies a high credit quality rating wherein the instrument carries low credit risk and the "-" sign after the assigned rating shows the relative position within the band covered by the rating symbol and CARE AA- by CARE which signifies an instrument with very low credit risk and high safety for timely servicing of debt obligations and the "-" sign after the assigned rating shows the relative position within the band covered by the rating symbol. A downgrade in our credit ratings may negatively affect our ability to obtain funds and increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt, which may materially and adversely affect our business, financial condition and results of operations.

***43. We face challenges in restructuring and rationalizing our branch network and improving the productivity rates of our employees which could adversely affect our business, financial condition and results of operations.***

We have an extensive network of 1,505 branches as on January 31, 2010, many of which are in rural and semi-urban areas. Several of our older "legacy" branches are undergoing renovation to modernize them which will involve substantial capital expenditure. Because we have these legacy branches, the productivity rate of our employees is lower than many of our private competitors which have newer infrastructure. We are also in the process of rationalizing our branch network which will involve closing or merging some branches and opening others, which we may not be able to fully accomplish within the expected time frames or at the expected cost.

***44. New product/services offered by us may not be successful which may have a material adverse effect on our business, financial condition or results of operation***

We introduce new products/services to explore new business opportunities on a regular basis. We cannot assure you that all our new products/services will gain customer acceptance and this may result in our incurring pre-operative expenses and launch costs. Further, our inability to grow in new business areas could adversely affect our business and financial performance.

***45. Any inability to attract and retain talented professionals may materially and adversely impact our business.***

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. There is significant competition for management and other skilled personnel in the banking industry. We are dependent on our key personnel. Further, we do not have a key-man insurance policy to cover for loss of our skilled personnel. We are dependent on our key personnel for smooth operations of our business activities. Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. Our inability to attract and retain talented professionals or the loss of key management personnel could have a material and adverse impact on our business, our future financial performance and the price of our Equity Shares.

***46. Some of our immovable properties may have certain irregularities in title which have and may in future result in disputes with other parties who have or may claim to have any interest in such properties.***

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

- the conveyance deeds for transfer of property have not been executed;
- the agreements to sell or conveyance deeds have not been registered in the land records maintained by the concerned Sub-Registrar of Assurances; or
- lease deeds have not been executed or have expired and have not been renewed.

These irregularities may have a material adverse affect on our business.

***47. We may face labour disruptions, employee protests that may interfere with our operations and adversely impact our business.***

We are exposed to the risk of strikes and other industrial action. As of January 31, 2010, we had 16,768 employees (including part-time employees). In the last 36 months there have been six industry-wide strikes. Our employees may participate in strikes, work stoppages and other industrial action in the future. Any such event may have a material adverse effect on our business, financial condition and results of operations. The United Bank of India Employees' Association Central Federation, United Bank of India Employees' Union and the United Bank of India Sramik Karmachari Samity have, by their letters, have expressed their opposition against the Issue.

**External Risk Factors**

***48. The Indian and global banking industry is very competitive and if we are unable to effectively respond to competitive pressures it may adversely affect our business and growth.***

We compete with public and private sector Indian commercial banks as well as foreign commercial banks. Many of our competitors are large institutions, which may have much larger customer and deposit bases, larger branch networks and more capital than we do. Some of the banks with which we compete may be more flexible and better positioned to take advantage of market opportunities than us. In particular, private banks in India may have operational advantages in implementing new technologies, rationalising branches and recruiting employees through incentive-based compensation. The Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government has also announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India and invest up to 74% in the equity of Indian private sector banks, which is likely to further increase competition in the Indian banking industry.

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

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

***49. Consolidation in the banking sector in India may adversely affect the Bank.***

The Government has expressed a preference for consolidation in the banking sector in India. Mergers among public sector banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. If there is liberalisation of the rules for foreign investment in private sector banks, this could result in consolidation in the banking sector. The Bank may face greater competition from larger banks as a result of such consolidation, which may adversely affect the Bank's future financial performance and the market price of the Equity Shares.

***50. You may be subject to Indian taxes arising out of capital gains.***

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian bank are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, do not limit India's ability to impose tax on capital gains. As a result, residents of certain countries may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

***51. Banking, compared to other industries, is subject to greater regulation and changes in the regulations that govern us could materially and 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. Any change in the laws and regulations governing the banking sector could materially and adversely affect the banking sector as a whole, 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 others.

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 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 purpose 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 of our shareholders.
- There are restrictions on payment of dividends and on rights relating to unclaimed dividends.
- Certain restrictions on opening a new place of business and transferring an existing place of business require the approval of the RBI, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75% of our net demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- There are no provisions 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.
- The GoI and the RBI have the right to appoint a majority of our Directors and to nominate the chairman of our Audit Committee.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act are not available to our shareholders.
- Any change in the laws and regulations governing the banking sector in India may materially and adversely affect our business, financial condition and results of operations.

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

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. For the past several years, coalition governments have governed India. The leadership of India and the composition of the coalition in power are subject to change and election results are sometimes not along expected lines. It is difficult to predict the economic policies that will be pursued by the Government. The rate of economic liberalization could change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

***53. Investing in securities that carry emerging market risks can be affected generally by volatility in the emerging markets.***

The markets for securities bearing emerging market risks, such as risks relating to India, are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions differ in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including India. Accordingly, the price and liquidity of our Equity Shares may be subject to significant fluctuations, which may not necessarily be directly or indirectly related to our financial performance.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of our Equity Shares.

***54. Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which has had, and may continue to have, a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.***

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2009. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. In the second half of fiscal year 2008, added concerns fuelled by the United States governments' bailout of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, the declared bankruptcy of Lehman Brothers Holdings Inc., the United States government's financial assistance to American International Group Inc., Citigroup Inc., Bank of America and other federal government interventions in the United States financial system led to increased market uncertainty and instability in both United States and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike and corresponding decreases in global infrastructure spending and commodity prices. Continued turbulence in the United States and international markets and economies and prolonged declines in business, consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers. These global market and economic conditions have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which may continue have a material adverse effect on our business, our financial performance and may adversely affect the prices of our Equity Shares***.***

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

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy. A slowdown in the Indian economy could materially and adversely affect our business. India's economy could be materially and adversely affected by a general rise in interest rates, weather conditions materially and adversely affecting agriculture, commodity and energy prices or various other factors. In addition, the Indian economy is in a state of transition. The share of the services sector in the economy is rising while that of the industrial, manufacturing and agricultural sectors is declining. It is difficult to gauge the impact of these fundamental economic changes on our business. Any slowdown in the Indian economy or future volatility in global commodity prices could materially and adversely affect our business, financial condition and results of operations.

***56. 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.***

Along with other banks in India, 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 nature and extent not typically faced in developed countries. Additionally, the credit risk of borrowers in India is higher than in developed countries. India's nationwide credit bureau is still developing, 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 materially and adversely affect our business, financial condition and results of operations.

***57. Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.***

Our financial statements are prepared in conformity with Indian GAAP, consistently applied during the periods stated and no attempt has been made to reconcile any of the information given in this Red Herring Prospectus to any other principles or to base it on any other standards. Indian GAAP and Indian auditing standards may differ from accounting principles and auditing standards with which prospective investors may be familiar in other countries. Significant differences exist between Indian GAAP and IFRS which may be material to the financial information contained in this Red Herring Prospectus. We have made no attempt to quantify the effect of any of these differences and Indian GAAP does not require such quantification. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information contained in this Offering Circular.

***58. Unlike several developed economies, a nation-wide credit bureau has become operational in India only recently.***

Unlike several developed economies, a nation-wide credit bureau, Credit Information Bureau (India) Limited ("CIBIL"), has become operational in India in the year 2000. CIBIL's database is in the process of evolving and it may be some time before comprehensive information pertaining to the credit history of borrowers, especially individuals and small businesses, is made available to us. Until such time, we may be more susceptible to higher NPAs compared to banks in more developed economies.

***59. Exchange rate fluctuations may have an impact on our financial condition and results of operations.***

As a financial organization we are exposed to exchange rate risk. Adverse movements in foreign exchange rates may impact our financial condition and results of operations.

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

The direct adverse impact of the global financial crisis on India has been the reversal of capital inflows and decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian Rupee vis-à-vis the US Dollar. Any increased intervention by the RBI in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business and our future financial performance.

***61. A significant change in the Government's economic liberalisation and deregulation policies could materially and adversely affect economic conditions in India and our business, financial condition, results of operations and the price of the Equity Shares.***

Nearly all our assets and customers are located in India. The Government 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. Any significant change in the Government's policies or any political instability in India could materially and adversely affect economic conditions in India and our business, financial condition, results of operations and the price of the Equity Shares.

***62. Trade deficits could materially and adversely affect the Bank's business and the price of the Bank's Equity Shares.***

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

***63. 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 monsoons in 2007 and 2008 resulted in floods in a number of rural and urban areas and had an adverse impact on agriculture in certain parts of the country. The below normal rainfall in 2009 was particularly bad for the agricultural sector and resulted in a sharp rise of prices of essential commodities. Furthermore, prolonged spells of abnormal rainfall or other natural calamities could have a negative impact on the Indian economy, materially and adversely affecting our business, financial condition and results of operations.

***64. We could be adversely affected by SARS, Avian flu, H1N1 and other infectious diseases.***

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities, which could have an adverse effect on our business. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia, the outbreak of avian influenza across Asia and Europe and at present the outbreak of Influenza A (H1N1) across the world have adversely affected a number of countries and companies including us. We can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have an adverse effect on our business.

***65. Civil unrest, acts of violence including terrorism or war involving India and other countries could materially and adversely affect the financial markets and our business.***

Civil unrest, acts of violence including terrorism or war, may negatively affect the Indian markets where our Equity Shares trade and also materially and 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 materially and adversely affect our business.

Diplomatic relations between the Government of India and neighbouring countries have suffered post the terrorist attacks of $26^{th}$ November 2008. While the Government of India has been trying to engage in conciliatory efforts any further tension or deterioration of relations might result in investor concern about stability in the region, which could materially and adversely affect the price of the Equity Shares.

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

***66. 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 materially and 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 the Equity Shares.

**Risks Relating to Our Equity Shares**

***67. You will not receive the Equity Shares you purchase in this Issue until 15 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 depositary participants until 15 working days from the Bid Closing Date. You can start trading your Equity Shares only after they have been credited to your demat account. 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. We will apply to the NSE and the BSE for final listing and trading approvals after the allotment of the Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time, or at all.

***68. There is no existing market for the Equity Shares, and we do not know if one will develop to provide you with adequate liquidity. We will need final listing and trading approvals from the NSE and the BSE before trading commences. Our stock price may fluctuate after the Issue and as a result, you could lose a significant part or all of your investment.***

Prior to the Issue, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the banking sector in India, and volatility in the Indian Stock Exchanges and securities markets elsewhere in the world.

***69. The Issue Price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue.***

The Issue Price of our Equity Shares will be determined by the Bank in consultation with the BRLMs through the Book Building Process. This price will be based on numerous factors (discussed in the section titled "Basis for Issue Price" on page 73 and may not be indicative of the market price for our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. There can be no assurance that the investor will be able to resell their Equity Shares at or above the Issue Price.

***70. Your ability to sell your Equity Shares to a resident of India may be subject to delays if RBI approval is required.***

Under current Indian regulations and practice, approval of the RBI is required for the sale of Equity Shares by a non-resident to a resident of India, unless the sale is made on a stock exchange in India through a stock broker or a merchant banker registered with SEBI, at the market price or in terms of the pricing guidelines specified by RBI in the case of an off-market transfer. If the Equity Shares are thinly traded, then certain other pricing guidelines specified by RBI must be followed. Prior to the repatriation of sale proceeds, certain filings must be made with an authorised dealer remitting the proceeds along with certain documents, including an undertaking from the resident buyer in the prescribed form stating that the pricing guidelines have been adhered to and a no objection/tax clearance certificate from the income tax authority or an accountant has been obtained. If any approvals are required from the RBI or any other government agency, they may not be obtained on terms favourable to a non-resident investor or at all. We cannot guarantee that any approval, if required, will be obtained in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realising gains during periods of price increases or limiting losses during periods of price declines.

***71. There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

Following the Issue, our listed Equity Shares will be subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, marketwide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges will not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance can be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

Prominent Notes:

1. The net worth of the Bank as of September 30, 2009 was Rs. 2769.87 crore and on March 31, 2009 was Rs. 2537.83 crore based on the restated financial statements of the Bank under Indian GAAP.
2. The net asset value per Equity Share of Rs. 10 each, as of September 30, 2009 was Rs. 94.58 and on March 31, 2009 was Rs. 14.93 based on the restated financial statements of the Bank under Indian GAAP.
3. The average cost of acquisition of or subscription to Equity Shares by the President of India, our promoter, acting through the Ministry of Finance, Government of India is Rs. 10.00 per Equity Share.
4. Except as disclosed in "Capital Structure" on page 63 of this Red Herring Prospectus, the Bank has not issued any Equity Shares for consideration other than cash.
5. The Bank has entered into certain related party transactions as disclosed in the section titled "Related Party Transactions" on page 201 of this Red Herring Prospectus.
6. Public issue of 5 crore Equity Shares of Rs. 10 each of the Bank for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] crore. The issue comprises Net issue to the public of 4.75 crore Equity Shares and a reservation for Eligible Employees of 25,00,000 Equity Shares. Further, the value of allotment to any Eligible Employee under the Employee Reservation cannot exceed Rs. 1,00,000.
7. In terms of Rule 19(2)(b) of the Securities Contracts Regulations Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to QIB Bidders. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above Issue price. If at least 60% of the Net Issue cannot be allocated to QIB Bidders, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further 25,00,000 Equity Shares shall be available for allocation on a proportionate bases to Eligible Employees.
8. Except as disclosed in "Objects of the Issue", "Our Management" and "Our Promoter and Associates" on pages 71, 183 and 196 of this Red Herring Prospectus, none of the Promoter, Directors and key managerial employees have any interest in the Bank except to the extent of any remuneration and reimbursement of expenses and to the extent of any Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.

9. The Bank has not made any loans or advances to any person or company in which the Directors are interested, except as disclosed in the section titled “Related Party Transactions” and “Financial Information” on pages 201 and 203, respectively, of this Red Herring Prospectus.
10. In case of oversubscription in the Issue, allotment would be made on a proportionate basis to Qualified Institutional Bidders, Non–Institutional Bidders, Retail Individual Bidders and Eligible Employees. For details refer to the section titled “Issue Procedure – Basis of Allotment” on page 437 of this Red Herring Prospectus.
11. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Bank in consultation with the BRLMs and the Designated Stock Exchange.
12. Any clarification or information shall be made available by the Bank 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.
13. Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.
14. Before making an investment decision in respect of the Issue, investors are advised to refer to “Basis for Issue Price” on page 73 of this Red Herring Prospectus.
15. Trading in Equity Shares for all investors shall be in dematerialized form only.

## SECTION III: INTRODUCTION

## SUMMARY OF INDUSTRY

*The information presented in this section has been obtained from publicly available documents from various sources, industry websites/publications and company estimates. Industry websites/publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and other data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed by us to be reliable, have not been verified by any independent agencies.*

### Introduction

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

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

- commercial banks;
- non-bank finance companies, including housing finance companies;
- long-term lending institutions;
- other specialised financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

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

This discussion presents a brief overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on the commercial banks and the long-term lending institutions. This is followed by a brief summary of the banking reform process and the recent credit measures as introduced by the RBI.

### Reserve Bank of India

The RBI, established in 1935, 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 Government and for the country's commercial banks.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long- term lending institutions and non-bank finance companies. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis.

**Commercial Banks**

As of September 30, 2009, there were 171 scheduled commercial banks in the country, with a network of 81,090 branches serving approximately Rs. 41,01,518 crore in deposit accounts and Rs. 28,81,898 crore in loan accounts. Scheduled commercial banks are banks listed in the schedule to the Reserve Bank of India Act, 1934, ("RBI Act") and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 63.2% 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 in the Indian banking system. They include the State Bank of India and its six associate banks, 19 nationalised banks and IDBI Bank Limited, 86 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 56,574 branches, and account for 74.2% of the outstanding gross bank credit and 74.3% of the aggregate deposits of the scheduled commercial banks as of September 30, 2009. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest public sector bank in India. As of September 30, 2009, the State Bank of India and its associate banks had 16,563 branches. They accounted for 23.8% of aggregate deposits and 23.7% of outstanding gross bank credit of all scheduled commercial banks.

As of September 30, 2009 there were 86 regional rural banks with 15,141 branches, accounting for 3.0% of aggregate deposits and 2.5% of outstanding gross bank credit of scheduled commercial banks.

**Private Sector 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 of 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. As of September 30, 2009, there were 22 private sector banks, of which 7 were "new" private sector banks and 15 were old private sector banks existing prior to July 1993.

New private sector banks have seen significant growth in both the assets and infrastructure during the last decade. The entry of new private sector banks has increased the industry competitiveness, enhanced customer service orientation, product innovation and technological advancement.

As of September 30, 2009, private sector banks accounted for approximately 17.1% of aggregate deposits and 17.8% of outstanding gross bank credit of the scheduled commercial banks. Private sector banks had a network of 9,094 branches, accounting for 11.2% of the total branch network of scheduled commercial banks in the country. A large part of this branch network is attributable to new private sector banks.

**Foreign Banks**

As of September 30, 2009, there were 31 foreign banks with 281 branches operating in India, accounting for 5.6% of aggregate deposits and 5.5% of outstanding gross bank credit of scheduled commercial banks. While the primary activity of most foreign banks in India has traditionally been in the corporate segment, some of the larger foreign banks have increasingly made consumer financing a larger part of their portfolios offering an array of products such as automobile finance, home loans, credit cards and household consumer finance.

Foreign banks operate in India through branches of the parent bank though certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. By a circular dated July 6, 2004, the RBI stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5% of the investee bank's equity capital. This also applies to holdings of foreign banks in Indian banks.

**Cooperative Banks**

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. Presently RBI is responsible for supervision and regulation of urban co-operative societies, and the NABARD for State Cooperative Banks and District Central Cooperative Banks.

The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, provides for the regulation of all cooperative banks by the RBI. A task force appointed by the Government to examine reforms in the cooperative banking system submitted its report in December 2004. The task force recommended several structural, regulatory and operational reforms of the cooperative banking system and recommended financial assistance by the Government to revitalise the sector. In the union budget for Fiscal 2006, the Finance Minister accepted the recommendations of the task force in principle and proposed that the State Government consult and begin to implement the recommendations. During Fiscal 2006, the RBI outlined a Medium-Term Framework for urban cooperative banks. Subsequently a task force for urban cooperative banks has been set up in certain States to identify and establish a time bound action plan for the revival of potentially viable urban cooperative banks and for a non-disruptive exit for non-viable urban cooperative banks.

**Long-Term Lending Institutions**

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group was created in 1999 to harmonise the role and operations of long-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 applicable to banks. In April 2001, the RBI issued operational and regulatory guidelines required to transition long-term lending institutions into universal banks. In April 2002, ICICI Limited merged with ICICI Bank Limited. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956, on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period from the SLR. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

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. In addition, long-term lending institutions also offer:

- fee-based activities such as investment banking and advisory services; and
- short-term lending activity including corporate finance and issuing working capital loans.

**Non-Bank Finance Companies**

As of June 30, 2009 there were 12,740 non-bank finance companies in India and out of these 336 were permitted to accept/ hold public deposits, mostly in the private sector. All non-bank finance companies are required to register with the RBI. The non-bank finance companies may be categorised into entities which take public deposits and those which do not. The companies which accept public deposits are subject to the strict supervision and capital adequacy requirements of the RBI. The scope and activities of non-bank finance companies have grown significantly over the years. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting.

**Housing Finance Companies**

Housing finance companies form a distinct subgroup of the non-bank finance companies. As a result of various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially. The National Housing Bank Act provides for the securitisation of housing loans, foreclosure of mortgages and establishment of the Mortgage Credit Guarantee Scheme. Housing loans up to certain limits prescribed by the RBI as well as mortgage-backed securities qualify as priority sector lending under the RBI's directed lending rules.

**Other Financial Institutions**

**Specialised Financial Institutions**

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

**State Level Financial Institutions**

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large sized enterprises.

**Insurance Companies**

As on December 15, 2009, there were 45 insurance companies registered with the IRDA in India. The total number of life insurers registered with the IRDA is 23, while the total number of general insurers registered with the IRDA is 22.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority (IRDA). The Insurance Regulatory and Development Authority Act, 1999 (IRDA Act) which amended the Insurance Act, 1938, opened up the Indian insurance sector for foreign and private participation by permitting foreign equity participation in new insurance companies of up to 26.00% for life insurance and 74% for general insurance.

**Mutual Funds**

SEBI issued the Securities and Exchange Board of India (Mutual Fund) Regulations, 1993, under which all mutual funds barring the Unit Trust of India were to be registered and governed. The industry is now regulated by the more comprehensive Securities and Exchange Board of India (Mutual Fund) Regulations, 1996, which replaced the Securities and Exchange Board of India (Mutual Fund) Regulations of 1993.

In the recent past, steps have been taken to improve governance practices in the industry, which have helped the growth of the mutual funds industry.

## SUMMARY OF OUR BUSINESS

*This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read this entire Red Herring Prospectus, including the information on 'Risk Factors' and our 'Financial Information' and related notes on page xii and page 203 of this Red Herring Prospectus, before deciding to invest in our Equity Shares.*

### OVERVIEW

We are a public sector banking institution with branches in 28 States and in 4 Union Territories in India. As of January 31, 2010, we had 1,505 branches, 270 ATMs, 28 regional offices, 10 extension counters and 1 representative office in Dhaka, Bangladesh. As of January 31, 2010, we had a workforce of 16,768 employees (including part-time employees).

United Bank of India is one of the 14 banks which were nationalised on July 19, 1969. On October 12, 1950, the name of Bengal Central Bank Limited (established in 1918 as Bengal Central Loan Company Limited) was changed to United Bank of India Limited for the purpose of amalgamation and on December 18, 1950, Comilla Banking Corporation Limited (established in 1914), the Comilla Union Bank Limited (established in 1922), the Hooghly Bank (established 1932) stood amalgamated with the Bank. Subsequently, other banks namely, Cuttack Bank Limited, Tezpur Industrial Bank Limited, Hindusthan Mercantile Bank Limited and Narang Bank of India Limited were merged with the Bank.

In Fiscal 2009, we made a net profit of Rs. 358.55 crore and had net assets of Rs. 61,500.78 crore and net worth of Rs. 2,537.83 crore. As of September 30, 2009, we made a net profit of Rs. 231.10 crore and had net assets of Rs. 71,952.25 crore and net worth of Rs. 2,769.87 crore. We have experienced growth in deposits and advances, with deposits growing at a compounded annual rate of 21.1% during the last five fiscal years and net advances growing at a compounded annual rate of 32.8% during the same period.

The Bank is currently wholly-owned by the Government of India.

Our business is principally divided into retail banking, corporate / wholesale banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance and mutual fund distribution, pension and tax collection services.

Our retail banking business provides financial products and services to our retail customers. We provide loans and advances for housing, trade, automobiles, consumer durables, education, personal loans and other retail products. We have various deposit products, such as current, savings and term deposits for our customers.

We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. Our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letter of credit and letter of guarantee.

We offer direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. As per RBI guidelines, we are required to lend at least 40% of our adjusted net bank credit or credit equivalent to off balance sheet exposure, whichever is higher to the priority sector, including atleast 18% to the agriculture sector. In consonance with national policies and priorities, we have given considerable thrust to lending to the priority sector, including the agriculture sector.

We also offer a wide range of general banking services to our customers including debit cards, cash management, remittance services and collection services. We distribute third party products such as life and non-life insurance policies and mutual funds on an agency basis. In addition, we act as an agent for various state governments and the Government of India on numerous matters including the collection of taxes and payment of salary and pension.

We deliver our products and services through our branches, extension counters, ATMs, internet banking and tele-banking.

As of January 31, 2010, our domestic branch network of 1,505 branches comprised 622 rural, 262 semi-urban, 333 urban and 288 metropolitan branches.

As of September 30, 2009, the Core Banking Solution (“**CBS**”), which is a suite of software applications that facilitate centralised operations through a single data base, has been implemented in all of our branches and extension counters, covering 100% of our business.

The following table sets forth the geographic distribution of our business activities in recent periods:

| | As of March 31, 2007 | | | As of March 31, 2008 | | | As of March 31, 2009 | | | As of September 30, 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Geographic Distribution | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branche s | Deposits (Rs. in crore) | Advances (Rs. in crore) |
| Central | 50 | 1,288.88 | 422.91 | 73 | 1,669.96 | 642.78 | 86 | 1,710.38 | 829.84 | 86 | 1,939.67 | 996.62 |
| Eastern | 903 | 23,511.39 | 10,759.51 | 924 | 29,911.20 | 12,744.13 | 935 | 35,287.68 | 13,536.28 | 936 | 43,644.19 | 14,686.20 |
| North Eastern | 247 | 5,268.65 | 1,513.84 | 249 | 6,206.85 | 1,895.83 | 250 | 7,504.12 | 1,849.20 | 250 | 8,075.32 | 2,170.64 |
| Northern | 45 | 3,095.60 | 4,118.45 | 62 | 4,419.90 | 4,303.38 | 68 | 5,511.21 | 6,669.97 | 68 | 5,908.99 | 8,679.25 |
| Southern | 37 | 1,316.05 | 2,363.10 | 45 | 1,267.86 | 3,175.40 | 56 | 1,695.16 | 4,090.39 | 57 | 1,742.09 | 4,578.85 |
| Western | 43 | 2.686.10 | 3,462.64 | 48 | 3,494.95 | 5,390.16 | 56 | 2,827.35 | 8,752.56 | 56 | 3,429.29 | 10,107.56 |
| **Total** | **1325** | **37,166.67** | **22,640.45** | **1,401** | **46,970.72** | **28,151.68** | **1451** | **54,535.90** | **35,728.24** | **1453** | **64,739.55** | **41,219.12** |

We sponsor 4 Regional Rural Banks (“RRBs”) in collaboration with the Central Government and the state governments of West Bengal, Assam, Manipur and Tripura. For more information on our sponsored RRBs, see the section titled “Our Promoter and Associates” on page 196 of this Red Herring Prospectus.

## AWARDS AND ACHIVEMENTS

Recently, we have been felicitated with the following awards:

- National Award (2006) for the second best performance in financing small scale units by Ministry of Small Scale Industries, Government of India on October 7, 2006.

- Golden Jubilee Award (2007) for the best bank in north east zone for excellence in the field of khadi and village industries from the Ministry of Micro, Small & Medium Enterprise (“MSME”), Government of India on November 20, 2007.

- Golden Jubilee Award (2007) for the best bank in east zone for excellence in the field of khadi and village industries from MSME, Government of India on November 20, 2007.

- National Award (2008) for the best bank for excellence in field of Khadi and village industries for east and north east zones from MSME, Government of India on August 30, 2008.

- National Award (2009) under Prime Minister Employment Guarantee Programme in north east zone from the Ministry of MSME, Government of India on August 28, 2009.

## COMPETITIVE STRENGTHS

We believe that our success can be attributed to a combination of the following competitive strengths:

### *Wide Distribution Network*

We have a pan India presence through 1,505 branches and 270 ATMs in 28 States and in 4 Union Territories in India as of January 31, 2010 and 1 representative office in Dhaka, Bangladesh. In particular, we have a large presence in eastern and north eastern regions with 973 and 258 branches respectively. Multiple delivery channels and large distribution infrastructure has resulted in giving us access to a large customer base spread across India particularly in eastern and north eastern regions.

***High Current and Saving Account (CASA) Deposits***

We have traditionally maintained high CASA deposits because of our large retail customer base spread across India particularly in eastern and north eastern regions. As of September 30, 2009, our share of CASA deposits was at 33.96% of total deposits, out of which saving deposits which are less volatile accounted for 26.41% of total deposits while current deposits accounted for 7.55% of total deposits. This provides us with significant cost advantages over our peers. According to RBI's report on 'profile of banks' (2008-2009), our cost of funds for Fiscal 2009 was 5.78%, which was lower than the average cost of funds of nationalised banks (6.18%) and all banks in India (6.05%) for the same period.

***We have implemented Core Banking Solution (CBS) in all of our branches***

We have implemented CBS in all of our branches, covering 100% of our business to facilitate centralised operations through a central data base. This has enabled us to introduce new product and service offering to our customers including internet banking, multi city cheque facility and multi branch banking. We have a Disaster Recovery Centre at Vashi, Mumbai which replicates all data on a real time basis for most critical applications.

***Disciplined risk management and robust controls, policies and procedures***

We have a separate risk management department to ensure that the business conducted within each division is consistent with the risk appetite of the Bank and to formulate and implement risk management policies, procedures and methodologies that are appropriate to the businesses within each division. We are periodically conducting audits to ensure that the risks on the portfolios are within the acceptable parameters. Our internal control system, which includes macro level portfolio analysis, migration of credit rating analysis and stress testing analysis is in place to continuously monitor our portfolios.

**BUSINESS STRATEGIES**

The main elements of our strategies are set forth below:

***Accelerate growth in loans and advances to the retail and corporate sectors.***

We plan to increase our credit portfolio by focusing on increasing our loans and advances to the corporate and retail sectors.

Although we have experienced significant growth in our loans and advances to the corporate sector over the last two fiscal years, with growth of 20.18% and 36.32% in Fiscal 2008 and Fiscal 2009, respectively, our aim is to continue growing our loans and advances by expanding our relationship with large corporates and large public sector organizations and by increasing our funding for infrastructure sector. A number of corporate houses in India have long standing banking relations with us. We propose to strengthen our relationship with these corporates by giving them various facilities at competitive terms and thereby expand our business growth. We also cater to some of the banking requirements of various public sector organizations. Our goal is to leverage these relationships for mutually beneficial business growth.

We have also identified the retail loan segment as a key area for increasing our credit portfolio. In Fiscal 2009, loans and advances to the retail sector (which includes housing loans) increased by 14.30% compared with a 7.42% increase in Fiscal 2008. However, as a share to our total (gross) loans and advances it represented 11.92% of our total outstanding loans as of March 31, 2009. Our aim is to substantially increase our loans and advances portfolio to the retail sector by simplifying our current processes, launching new products and services and developing our distribution channels. In addition, we plan to increase our portfolio of housing loans for which we have entered into tie-up agreements with Dewan Housing Finance Corporation Ltd. on August 22, 2009.

***Grow our pan India presence***

As of January 31, 2010, we had 1,505 branches out of which 973 and 258 were located in eastern and north eastern part of India respectively. We want to grow our pan India presence by opening new branches to develop and grow throughout the country.

***Reduce our gross NPA levels and to prevent slippages***

The reduction and recovery of impaired assets is our key focus area. The share of gross NPAs as a percentage of total advances declined from 4.66% as of March 31, 2006 to 2.86% as of March 31, 2009. Our strategies for reducing NPAs include improving the quality of credit by ensuring that our well documented loan sanction policies and procedures are complied with and by actively monitoring our loan accounts (particularly Special Mention Accounts (SMA)) and reassessing their credit ratings at least once a year or more frequently, if required. We organise recovery camps with the assistance of government to increase recovery of loans made under government sponsored schemes and other loans in priority sector to reduce our NPAs.

***Emphasize Risk Management Practices***

We believe that risk management policies, processes and controls are critical for long term sustainable competitive advantages in our business. Our risk management department is taking steps for establishing and implementing company-wide risk management policies, with a focus on enhancing asset quality. We continue to build on our credit risk management procedures, credit evaluation and rating methodology, credit risk pricing models, proprietary analysis and monitoring and control mechanisms. We seek to control credit risk in the retail loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection systems.

***Continue to develop our technological capabilities***

The development of efficient means of reaching customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth. To achieve this, we have taken initiatives including 100% implementation of the Core Banking Solutions through our wide area network, increasing the number of ATMs and developing alternate delivery channels (e.g., internet banking and tele-banking). All of our technology initiatives are aimed at enhancing value, offering customer convenience and improving service levels while optimizing costs. We expect to continue with our policy of making investments in technology to achieve a significant competitive advantage. The key objectives behind our information technology strategy continue to be:

- building a cost-efficient distribution network to accelerate the development of our retail and rural franchise;
- enhancing cross selling and client segmenting capability by using analytical tools and efficient data storage and retrieval systems;
- improving credit risk and market risk management;
- improving product and client profitability analysis; and
- leveraging our technology competencies and cost efficiencies.

***Maintain and enhance our franchise in the Micro and Small Enterprise ("MSE") Sector***

We have introduced products in MSE sector, which provide our customers with convenient and assured financing. For more information, please see the section titled "Business – Micro and Small Enterprise Sector" on page 107 of this Red Herring Prospectus. We intend to focus on giving loans to MSEs to facilitate their establishment, expansion and modernization of businesses. We have identified and created a separate business segment for MSEs to improve lending to this segment. We have set up a MSE care centre at all of our regional offices to improve lending and to redress the grievances of our customers under this sector. We have entered into a tie up arrangement with National Small Industries Corporation Ltd. (NSIC) to finance the MSE loan proposals sponsored by them. We are a Member Lending Institution(MLI) of Credit Guarantee  Fund Trust of Micro and Small Enterprises (CGTMSE) to extend collateral free loan to micro and small enterprises up to Rs.1.00 crore.

**Attract and Retain Talented Professionals**

We believe a key to our success will be our ability to continue to maintain and grow a pool of experienced professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Recruitment is a key management activity and we continue to attract graduates from the premier Indian business schools as well as employees with other professional qualifications. Recruitment and assimilation of talented professionals from other organizations is a key element of our strategy. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment.

**SUMMARY FINANCIAL INFORMATION**

**ANNEXURE A-I**

**SUMMARY STATEMENT OF REVISED RESTATED PROFIT AND LOSS ACCOUNT**

**(Rs.in Crore)**

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **A.** | **INCOME** | | | | | | |
| **1** | **Interest Earned** | **2,129.28** | **2,350.46** | **2,825.09** | **3,557.30** | **4,311.87** | **2,510.76** |
| 1.1 | Interest & Discount on advance/bills | 839.40 | 1,153.46 | 1,654.10 | 2,246.62 | 3,004.58 | 1,799.16 |
| 1.2 | Income on Investment | 1,242.33 | 1,155.48 | 1,109.94 | 1,293.51 | 1,279.11 | 700.41 |
| 1.3 | Interest on balance with RBI and other Inter Bank Lending | 23.29 | 25.25 | 41.11 | 7.41 | 8.57 | 6.83 |
| 1.4 | Interest on Income Tax Refund | 16.47 | 14.40 | 4.12 | 8.91 | 19.61 | - |
| 1.5 | Others | 7.79 | 1.87 | 15.82 | 0.85 | - | 4.36 |
| **2** | **OTHER INCOME** | **473.00** | **446.53** | **347.68** | **465.50** | **490.86** | **264.87** |
| 2.1 | Commission, Exchange & Brokerage | 90.04 | 99.19 | 115.71 | 124.52 | 136.27 | 65.15 |
| 2.2 | Profit on sale of Investments (Net) | 263.91 | 191.80 | 41.81 | 179.33 | 215.97 | 88.92 |
| 2.3 | Profit on sale of land, bldg & other assets (Net) | 0.12 | (0.01) | 1.03 | 0.03 | 0.04 | 0.07 |
| 2.4 | Profit on exchange transaction (Net) | 9.07 | 6.20 | 12.95 | 28.27 | 16.08 | 9.84 |
| 2.5 | Miscellaneous Income(Refer Annexure-H) | 109.86 | 149.35 | 176.18 | 133.35 | 122.50 | 100.89 |
| | **TOTAL INCOME** | **2,602.28** | **2,796.99** | **3,172.77** | **4,022.80** | **4,802.73** | **2,775.63** |
| **B.** | **EXPENDITURE** | | | | | | |
| **1** | **Interest Expended** | **1,217.73** | **1,339.51** | **1,675.20** | **2,652.69** | **3,150.36** | **1,891.91** |
| 1.1 | Interest on Deposits | 1,196.72 | 1,289.46 | 1,603.49 | 2,507.55 | 2,976.45 | 1,803.40 |
| 1.2 | Interest on RBI/Inter-Bank borrowings | 0.10 | 6.52 | 7.43 | 0.53 | 5.31 | 1.09 |
| 1.3 | Others | 20.91 | 43.53 | 64.28 | 144.61 | 168.60 | 87.42 |
| **2** | **Operating Expenses** | **694.91** | **813.63** | **778.47** | **903.17** | **975.14** | **504.65** |
| 2.1 | Payment to & provision for employees | 497.75 | 628.36 | 557.52 | 641.57 | 657.57 | 319.49 |
| 2.2 | Rent, Tax & Lighting | 32.23 | 34.57 | 38.39 | 43.65 | 54.54 | 32.09 |
| 2.3 | Printing & Stationery | 10.44 | 14.03 | 15.51 | 15.95 | 17.16 | 7.50 |
| 2.4 | Advertisement and publicity | 3.19 | 5.02 | 8.11 | 10.49 | 6.47 | 3.28 |
| 2.5 | Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve) | 20.44 | 22.34 | 27.94 | 49.23 | 63.98 | 43.69 |
| 2.6 | Director's fees, allowances and expenses | 0.45 | 0.50 | 0.52 | 0.74 | 1.07 | 0.43 |
| 2.7 | Auditor's Fees & Expenses | 4.66 | 4.02 | 7.01 | 8.03 | 10.65 | 3.55 |
| 2.8 | Law Charges | 1.39 | 1.27 | 1.51 | 2.51 | 2.90 | 0.88 |

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| 2.9 | Postage, Telegrams, Telephones, etc. | 6.57 | 7.08 | 10.52 | 10.72 | 13.36 | 6.13 |
| 2.10 | Repairs & Maintenance | 5.28 | 6.74 | 6.02 | 6.60 | 6.62 | 3.26 |
| 2.11 | Insurance | 18.46 | 25.85 | 29.24 | 36.74 | 47.92 | 26.51 |
| 2.12 | Other Expenditure | 94.05 | 63.85 | 76.18 | 76.94 | 92.90 | 57.84 |
| | **TOTAL EXPENDITURE** | **1,912.64** | **2,153.14** | **2,453.67** | **3,555.86** | **4,125.50** | **2,396.56** |

**ANNEXURE A-I (cont.)**

**SUMMARY STATEMENT OF REVISED RESTATED PROFIT AND LOSS ACCOUNT (contd.)**

**(Rs.in Crore)**

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| | **Operating Profit (before Provision & Contingencies** | **689.64** | **643.85** | **719.10** | **466.94** | **677.23** | **379.07** |
| | Less: Provisions & Contingencies (Other than Provision for Tax) | 285.46 | 371.29 | 416.49 | 289.83 | 259.59 | 64.97 |
| | **Profit Before Tax** | **404.18** | **272.56** | **302.61** | **177.11** | **417.64** | **314.10** |
| | Provision for Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | **Net Profit after tax** | **300.18** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| | Adjusted from Loss brought forward | 300.18 | - | - | - | - | - |
| | **Profit available for appropriation** | **-** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| a) | Statutory Reserve | - | 51.14 | 66.82 | 36.28 | 89.64 | - |
| b) | Capital Reserve | - | 17.62 | 5.07 | 12.78 | 147.21 | - |
| c) | Revenue and Other Reserves | - | 83.38 | 141.61 | 42.27 | 121.70 | - |
| d) | Dividend (excluding Dividend Tax) | - | 45.97 | 45.97 | 45.97 | - | - |
| e) | Tax on Dividend | - | 6.45 | 7.81 | 7.81 | - | - |
| | Balance of Profit carried forward | - | - | - | - | - | 231.10 |
| | **TOTAL** | **-** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| | **Break up of Miscellaneous Income*** | | | | | | |
| | Incidental charges | 8.11 | 9.29 | 13.94 | 16.87 | 18.84 | 9.23 |
| | Recovery in Bad Debts w/o | 48.73 | 87.08 | 77.85 | 57.32 | 33.37 | 40.64 |
| | Service Charges | 35.25 | 43.34 | 58.05 | 50.59 | 58.74 | 48.44 |
| | Others | 17.77 | 9.64 | 26.34 | 8.57 | 11.55 | 2.58 |
| | **Total Miscellaneous Income** | **109.86** | **149.35** | **176.18** | **133.35** | **122.50** | **100.89** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *items listed here are generally of recurring nature. | | | | | | |
| | **Break-up of Provisions and Contingencies** | | | | | | |
| | Provision for Non-Performing Advances | 106.61 | 134.15 | 231.54 | 134.99 | 198.82 | 85.11 |
| | Floating Provision for NPAs (in addition to norms) | - | - | - | 110.00 | - | - |
| | Prov. for Investment NPA | (34.65) | (9.38) | 0.60 | (1.46) | (4.69) | (2.54) |
| | Provision for Standard Advances | 10.27 | 27.54 | 60.73 | 20.80 | 4.67 | 18.65 |
| | Depreciation on Investments | 118.18 | 227.65 | 139.67 | 73.05 | 127.31 | (133.99) |
| | Provision for Restructured Standard Accounts | 5.18 | (5.36) | (3.22) | 3.19 | 38.91 | 0.77 |
| | Others | 79.87 | (3.31) | (12.83) | (50.74) | (105.43) | 96.97 |
| | **Provision & Contingencies (other than Provision for Tax)** | **285.46** | **371.29** | **416.49** | **289.83** | **259.59** | **64.97** |
| | Provision for Income Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | **TOTAL** | **389.46** | **439.29** | **451.82** | **321.83** | **318.68** | **147.97** |

**ANNEXURE A-II**

**SUMMARY STATEMENT OF REVISED RESTATED ASSETS & LIABILITIES**

**(Rs.in Crore)**

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| A | **ASSETS** | | | | | | |
| 1 | **Cash in Hand** | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 | 359.70 |
| | | | | | | | |
| 2 | **Balance with RBI** | 1,455.95 | 1,284.86 | 2,533.93 | 5,025.09 | 4,303.96 | 5,093.18 |
| 3 | **Balance with Banks** | | | | | | |
| | -In India | 349.88 | 303.01 | 491.20 | 617.82 | 336.79 | 259.55 |
| | -Outside India | - | - | 7.35 | 4.91 | 40.57 | 309.57 |
| 4 | **Money at Call and Short notice** | 192.47 | 1,040.00 | 1,100.00 | - | 1,500.58 | - |
| 5 | **Investments** | | | | | | |
| | -In India | 14,403.32 | 14,129.51 | 14,601.81 | 18,514.64 | 17,924.21 | 22,905.63 |
| | -Outside India | - | - | - | - | - | - |
| 6 | **Advances** | | | | | | |
| | -In India | 11,389.68 | 15,522.31 | 22,156.33 | 27,858.11 | 35,393.55 | 40,887.50 |
| | -Outside India | - | - | - | - | - | - |
| 7 | **Fixed Assets** | 201.28 | 205.07 | 605.22 | 622.81 | 624.21 | 616.35 |
| | Less: Revaluation Reserve | (135.46) | (133.36) | (506.35) | (487.17) | (468.95) | (460.27) |
| | **Net Fixed Assets** | **65.82** | **71.71** | **98.87** | **135.64** | **155.26** | **156.08** |
| 8 | **Other Assets** | 972.76 | 613.61 | 661.43 | 1,443.24 | 1,688.53 | 2,051.08 |
| | Less: Deferred Tax Asset (DTA) / Deferred Revenue Exp. | (18.74) | (19.27) | (24.17) | (29.97) | (70.98) | (70.04) |
| | Accumulated Loss | (278.44) | - | - | - | - | - |
| | **TOTAL - (A)** | **28,665.23** | **33,095.10** | **41,779.23** | **53,793.81** | **61,500.78** | **71,952.25** |
| B | **LIABILITIES** | | | | | | |
| 1 | **DEPOSITS** | | | | | | |
| | Demand Deposits | | | | | | |
| | -From Banks | 110.05 | 232.32 | 177.83 | 221.61 | 307.36 | 319.05 |
| | -From Others | 2,574.74 | 2,900.57 | 3,776.29 | 4,854.08 | 5,087.99 | 4,571.94 |
| 2 | **Saving Deposits** | 9,122.23 | 10,433.90 | 11,668.78 | 13,039.62 | 15,212.43 | 17,098.84 |
| 3 | **Term Deposits from Banks** | 698.90 | 932.79 | 782.80 | 829.84 | 1,513.05 | 1,812.84 |
| | **Term Deposits from Others** | 12,842.47 | 14,750.19 | 20,760.97 | 28,025.58 | 32,415.07 | 40,936.88 |
| 4 | **Borrowings** | | | | | | |
| | -In India | 26.99 | 249.62 | 399.72 | 1,149.35 | 420.42 | 231.84 |
| | -Outside India | - | 47.00 | - | 12.72 | 36.35 | 272.30 |
| 5 | **Other Liabilities and Provisions** | 1,325.29 | 1,332.53 | 1,628.07 | 2,415.72 | 2,445.28 | 2,413.69 |
| 6 | **Subordinate Debts (Tier II Bonds)** | 440.00 | 540.00 | 700.00 | 1,275.00 | 1,525.00 | 1,525.00 |
| | **TOTAL - (B)** | **27,140.67** | **31,418.92** | **39,894.46** | **51,823.52** | **58,962.95** | **69,182.38** |
| C | **NET WORTH (C=A-B)** | **1,524.56** | **1,676.18** | **1,884.77** | **1,970.29** | **2,537.83** | **2,769.87** |

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **D** | **Share Capital** | **1,810.87** | **1,532.43** | **1,532.43** | **1,532.43** | **1,782.43** | **516.43** |
| | Equity Share Capital | 1,810.87 | 1,532.43 | 1,532.43 | 1,532.43 | 1,532.43 | 266.43 |
| | Perpetual Non cumulative Preference shares | - | - | - | - | 250.00 | 250.00 |
| | | | | | | | |
| | | | | | | | |
| *Note:Reduced pursuant to Government of India letter no.11/25/2005-BOA dated 07/07/09 | | | | | | | |

**ANNEXURE A-II (cont.)**

**SUMMARY STATEMENT OF REVISED RESTATED ASSETS & LIABILITIES**

**(Rs.in Crore)**

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **E** | **RESERVE AND SURPLUS** | | | | | | |
| 1 | Statutory Reserve | 10.87 | 62.01 | 128.83 | 164.86 | 254.50 | 254.50 |
| 2 | Capital Reserve | - | 17.62 | 22.69 | 36.47 | 183.68 | 1,449.68 |
| 3 | Revaluation Reserve | 135.46 | 133.36 | 506.35 | 487.17 | 468.95 | 460.27 |
| 4 | Revenue & Other Reserve | - | 83.39 | 224.99 | 266.50 | 388.20 | 388.20 |
| 5 | Balance of Profit & Loss Account | - | - | - | - | - | 231.10 |
| | **TOTAL** | **146.33** | **296.38** | **882.86** | **955.00** | **1,295.33** | **2,783.75** |
| | Less: Revaluation Reserve | (135.46) | (133.36) | (506.35) | (487.17) | (468.95) | (460.27) |
| | Less: Deferred Tax Asset/ Deferred Revenue Expenditure | (18.74) | (19.27) | (24.17) | (29.97) | (70.98) | (70.04) |
| | Less: Profit & Loss (Dr.) | (278.44) | - | - | - | - | - |
| | **TOTAL - (E)** | **(286.31)** | **143.75** | **352.34** | **437.86** | **755.40** | **2,253.44** |
| | **NET WORTH (D+E)** | **1,524.56** | **1,676.18** | **1,884.77** | **1,970.29** | **2,537.83** | **2,769.87** |
| | | | | | | | |
| **F** | **Contingent Liabilities** | | | | | | |
| 1 | Claims against the Bank not acknowledged as debt | 3.17 | 3.19 | 3.15 | 3.10 | 8.38 | 7.86 |
| 2 | Liability for partly paid investments | 0.12 | 0.12 | 0.12 | 0.12 | 37.72 | 18.28 |
| 3 | Liability on account of outstanding forward exchange contracts | 961.93 | 963.14 | 3,062.24 | 3,156.49 | 2,305.07 | 2,946.03 |
| 4 | Guarantees given on behalf of constituents | | | | | | |
| | In India | 734.11 | 1,106.36 | 1,243.99 | 1,414.55 | 1,648.34 | 2,148.89 |
| | Outside India | 105.46 | 141.77 | 198.13 | 226.57 | 286.01 | 351.95 |
| 5 | Acceptance, Endorsements & other Obligations | 545.44 | 554.13 | 724.03 | 780.48 | 908.90 | 1,317.36 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 6 | Other items for which the Bank is contingently liable | 1.60 | 1.41 | 1.42 | 1.97 | 89.97 | 124.95 |
| | **TOTAL - (F)** | **2,351.83** | **2,770.12** | **5,233.08** | **5,583.28** | **5,284.39** | **6,915.32** |
| **G** | Bills for collection | 487.23 | 373.82 | 648.53 | 1,291.77 | 1,169.82 | 2,095.01 |
| | | | | | | | |
| *Note:Increased pursuant to Government of India letter no.11/25/2005-BOA dated 07/07/09 | | | | | | | |

ANNEXURE : A-III

# CASH FLOW STATEMENT

(Rs.in Crore)

| | | Year Ended | | | | | Half Year Ended |
|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept'09 |
| | | | | | | | |
| A | **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | |
| | | | | | | | |
| | **Net Profit after Tax** | 300.18 | 204.56 | 267.28 | 145.11 | 358.55 | 231.10 |
| | Add: Provision for Income Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | Profit before Tax | 404.18 | 272.56 | 302.61 | 177.11 | 417.64 | 314.10 |
| | | | | | | | |
| | **Adjustment for** | | | | | | |
| | Depreciation on Fixed Assets | 20.44 | 24.44 | 32.84 | 68.41 | 82.20 | 52.37 |
| | Less: Amount drawn from Revaluation Reserve | - | (2.10) | (4.90) | (19.18) | (18.22) | (8.68) |
| | Profit/Loss on Sale of Fixed Assets | 0.12 | (0.01) | 1.03 | 0.03 | 0.04 | 0.07 |
| | Depreciation/Provision for Investments | 83.53 | 218.27 | 140.27 | 71.59 | 122.62 | (136.53) |
| | Amortization of VRS Expenses | 63.50 | 46.04 | - | - | - | - |
| | Provision for Standard Assets | 15.45 | 22.18 | 57.51 | 23.99 | 43.58 | 19.42 |
| | Provision for NPA Advances | 106.61 | 134.15 | 231.54 | 244.99 | 198.82 | 85.11 |
| | Other Provisions (Net) | 79.87 | (3.31) | (12.83) | (50.74) | (105.43) | 96.97 |
| | Interest on Subordinated Bonds | 18.14 | 37.66 | 5.02 | 107.25 | 120.65 | 71.84 |
| | | | | | | | |
| | **Operating Profit before changes in Operating Assets & Liabilities** | **791.84** | **749.88** | **753.09** | **623.45** | **861.90** | **494.67** |
| | | | | | | | |
| | **Adjustment for net change in Operating Assets and Liabilities** | | | | | | |
| | | | | | | | |
| | Decrease/(Increase) in Investment | (170.02) | 55.54 | (611.97) | (3985.88) | 463.11 | (4924.42) |
| | Decrease/(Increase) in Advances | (3426.34) | (4266.78) | (6865.55) | (5946.78) | (7734.26) | (5579.06) |
| | Increase/(Decrease) in Deposits | 2590.17 | 3901.38 | 7916.89 | 9804.06 | 7565.18 | 10203.65 |
| | Increase/(Decrease) in Borrowings | (2.50) | 269.63 | 103.10 | 762.36 | (705.30) | 47.37 |
| | Decrease/(Increase) in Other Assets | (273.66) | (11.19) | (143.15) | (924.81) | (204.38) | (396.55) |
| | Increase/(Decrease) in Other Liabilities & Provisions | 669.83 | (11.63) | 250.27 | 815.85 | 96.03 | (68.59) |
| | | | | | | | |
| | **Cash Generated from Operating Activities** | **179.32** | **686.84** | **1402.68** | **1148.25** | **342.28** | **(222.93)** |
| | Tax (Paid) /Refund | (138.82) | (22.14) | 60.00 | 111.00 | (100.00) | (49.00) |
| | **Net Cash from Operating Activities (A)** | **40.50** | **664.69** | **1462.68** | **1259.25** | **242.28** | **(271.93)** |
| | | | | | | | |
| B | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | | |
| | | | | | | | |

| | | Year Ended | | | | | Half Year Ended |
|---|---|---|---|---|---|---|---|
| | | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| | Fixed Assets (Net) | (11.65) | (28.22) | (56.13) | (86.02) | (83.57) | (44.44) |
| | | | | | | | |
| | **Net cash from Investing Activities (B)** | **(11.65)** | **(28.22)** | **(56.13)** | **(86.02)** | **(83.57)** | **(44.44)** |
| | | | | | | | |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | | |
| | | | | | | | |
| | Return of Capital to GOI | - | - | - | - | - | - |
| | Capital from Government(PNCP) | - | - | - | - | 250.00 | - |
| | Subordinate Bonds Issued (Net) | - | 100.00 | 160.00 | 575.00 | 250.00 | (71.84) |
| | Interest on Subordinated Bonds | (18.14) | (37.66) | (5.02) | (107.25) | (120.65) | - |
| | Adjustment for dividend paid and tax thereon | - | (52.42) | (53.79) | (53.79) | - | - |
| | | | | | | | |
| | **Net cash from Financing Activities (C)** | **(18.14)** | **9.91** | **101.19** | **413.96** | **379.35** | **(71.84)** |
| | | | | | | | |
| | | | | | | | |
| **D** | **Net increase in cash and cash equivalents (A+B+C)** | **10.71** | **646.40** | **1507.73** | **1587.19** | **538.06** | **(388.21)** |
| | | | | | | | |
| | **Cash and cash equivalents at beginning of the year/ half year** | | | | | | |
| | Cash in hand | 138.58 | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 |
| | Balance with Reserve Bank of India | 923.09 | 1455.95 | 1284.86 | 2533.93 | 5025.09 | 4303.96 |
| | Balance with Banks and Money at Call and Short Notice | 1058.45 | 542.35 | 1343.01 | 1598.55 | 622.73 | 1877.94 |
| | | **2120.12** | **2130.83** | **2777.23** | **4284.96** | **5872.15** | **6410.21** |
| | **Cash and cash equivalents at end of the year / half year** | | | | | | |
| | Cash in hand | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 | 359.70 |
| | Balance with Reserve Bank of India | 1455.95 | 1284.86 | 2533.93 | 5025.09 | 4303.96 | 5093.18 |
| | Balance with Banks and Money at Call and Short Notice | 542.35 | 1343.01 | 1598.55 | 622.73 | 1877.94 | 569.12 |
| | | **2130.83** | **2777.23** | **4284.96** | **5872.15** | **6410.21** | **6022.00** |
| | **Note** : The above cash flows have been prepared on the basis of indirect method. | | | | | | |

## THE ISSUE

| | |
|---|---|
| Issue of Equity Shares | 5,00,00,000 Equity Shares |
| Employee Reservation Portion | 25,00,000 Equity Shares |
| Net Issue to the Public | 4,75,00,000 Equity Shares |
| QIB Portion | Atleast 2,85,00,000 Equity Shares |
| Of which: | |
| Available for Mutual Funds only | 14,25,000 Equity Shares |
| Balance of QIB Portion (available for QIBs including Mutual Funds) | 27,075,000 Equity Shares |
| Non-Institutional Portion | Not less than 47,50,000 Equity Shares# |
| Retail Portion | Not less than 1,42,50,000 Equity Shares# |
| **Pre and post-Issue Equity Shares** | |
| Equity Shares outstanding prior to the Issue | 26,64,30,800 Equity Shares |
| Equity Shares outstanding after the Issue | 31,64,30,800 Equity Shares |

**Use of Issue Proceeds**

See “Objects of the Issue” on page 71 of this Red Herring Prospectus for information about the use of the Issue Proceeds.

Allocation to all categories, including the Employee Reservation Portion, shall be made on a proportionate basis.

# Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion at the discretion of the BRLMs and the Bank. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Bank. If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

## GENERAL INFORMATION

**Head Office of the Bank**

**United Bank of India**
**United Tower**
11,Hemanta Basu Sarani
Kolkata – 700 001
Tel: (91 33) 2248 3857
Fax: (91 33) 2248 9391
E-Mail: investors@unitedbank.co.in
Website: www.unitedbankofindia.co.in

**Board of Directors**

The following table sets out the current details regarding our Board as on the date of filing of this Red Herring Prospectus.

| Sr. No. | Name, Designation and PAN | Address |
|---|---|---|
| 1. | Satish Chander Gupta<br>Chairman & Managing Director<br>*Non Independent Director*<br>PAN: ACDPG2536L | UBI House,<br>73E, Purna Das Road<br>Kolkata – 700029. |
| 2. | Tejendra Mohan Bhasin<br>Executive Director<br>*Non Independent Director*<br>PAN: AADPB4947Q | Flat - 5B, Juthika Apartments<br>11/1, Sunny Park, Ballygunge<br>Kolkata – 700019. |
| 3. | Sanjeev Kumar Jindal<br>GoI Nominee Director<br>*Non Independent Director*<br>PAN: AADPJ6043P | Deputy Secretary, Ministry of Finance, Banking Division<br>Jeevan Deep Building, Parliament Street<br>New Delhi – 110001. |
| 4. | Tulsidas Bandopadhyay<br>RBI Nominee Director<br>*Independent Director*<br>PAN: AADPB3157G | GC-184, Salt Lake,<br>Sector III<br>Kolkata – 700106. |
| 5. | Mr Soumitra Talapatra<br>Workmen Employee Director<br>*Non Independent Director*<br>PAN: ABIPT9929J | GC-26/2, Rabindrapally,<br>Jyangra, Baguiati<br>Kolkata - 700059 |
| 6. | Dr. Naina Sharma<br>Part-time Non-official Director<br>*Independent Director*<br>PAN: AGCPS7483D | L-4B, Maharani’s College Campus,<br>Diggi House<br>Jaipur - 302 004. |
| 7. | Suprita Sarkar<br>Officer Employee Director<br>*Non Independent Director*<br>PAN: AITPS5137M | United Bank of India, RRB Department<br>11 Hemanta Basu Sarani<br>Kolkata – 700001. |

For further details in relation to our Board and our Directors please refer to the section titled “*Our Management*” on page 183 of this Red Herring Prospectus.

| Company Secretary and Compliance Officer |
| --- |
| Bikramjit Shom<br>United Bank of India<br>United Tower<br>11 Hemanta Basu Sarani<br>Kolkata – 700001.<br>Tel: (91 33) 22487472<br>Fax: (91 33) 2248 5852<br>Email: investors@unitedbank.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 and refunds.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

**Issue Management Team**

**Book Running Lead Managers**

**SBI Capital Markets Limited**
202, Maker Tower ‘E’,
Cuffe Parade,
Mumbai 400 005
Tel: (91 22) 22178300
Fax: (91 22) 22188332
Email: unitedbankipo@sbicaps.com
Investor Grievance Id:
investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Abhishek Gupta
SEBI Registration No: INM000003531

**Edelweiss Capital Limited**
14th floor, Express Towers,
Nariman Point,
Mumbai 400 021
Tel: (91 22) 40863535
Fax: (91 22) 40863610
Email: ubi.ipo@edelcap.com
Investor Grievance Id: customerservice.mb@edelcap.com
Website: www.edelcap.com
Contact Person: Mr. Sumeet Lath / Ms. Dipti Samant
SEBI Registration No: INM0000010650

**Enam Securities Private Limited**
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: (91 22) 66381800
Fax: (91 22) 22846824
Email: unitedbankipo@enam.com
Investor Grievance Id: complaints@enam.com
Website: www.enam.com
Contact Person: Mr. Harish Lodha
SEBI Registration No: INM000006856

**Syndicate Members**

**SBICAP Securities Limited**
191, Maker Tower F
Cuffe Parade
Mumbai 400 005
Tel: (91 22) 3027 3309
Fax: (91 22) 3027 3402
Email: Prasad.chitnis@sbicapsec.com
Contact Person: Mr. Prasad Chitnis
Website: www.sbicapsec.com
SEBI Registration Nos: BSE: INB01105303;
NSE: INB231052938

**Edelweiss Securities Limited**
Office No. 303, 3rd Floor
Mayank Plaza, Opp. Green Park
Ameerpet
Hyderabad - 500 016, India
Telephone: +91 22 6747 1342
Facsimile: +91 22 6747 1347
E-mail: ubi.ipo@edelcap.com
Contact Person: Mr. Prakash Boricha
Website: www.edelcap.com
SEBI registration number: NSE: INB231193310)
BSE: INB011193332

**Self Certified Syndicate Banks**

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on the website of SEBI at www.sebi.gov.in./pmd/scsb/pdf For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI website.

**Legal Advisors to the Issue**

**Domestic Legal Counsel to the Bank**

**Khaitan & Co.**
One Indiabulls Centre,
13th Floor, 841 Senapati Bapat Marg,
Elphinstone Road,
Mumbai 400 013
Tel: (91 22) 6636 5000
Fax: (91 22) 6636 5050

**Domestic Legal Counsel to the Underwriters**

**Axon Partners LLP**
Suite No.603,
Silver Arch,
22, Feroz Shah Road,
New Delhi 110 001
Tel: (91 11) 4332 0000
Fax: (91 11) 4332 0015

**Registrar to the Issue**

**Link Intime Spectrum Registry Limited**
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0328
Email: ubi.ipo@intimespectrum.com
Contact Person: Mr. Sachin Achar

For all issue related queries and for redressal of complaints, investors may also write to the Registrar to the Issue or the Book Running Lead Managers.

**Escrow Collection Banks**

**United Bank of India**
CMS Hub,
Dharamtala Branch, 2nd Floor
39, Lenin Sarani (Dharamtala)
KOLKATA-700 013
Tel: (91 33) 22265573/74/75
Email: cmshub@unitedbank.co.in
Website: www.unitedbankofindia.com
Contact Person: Mr. Pradeep Mishra
SEBI Registration No: INB100000028

**State Bank of India***
Capital Market Branch
Ground Floor, Mumbai Main Branch Building
Mumbai Samachar Marg, Fort, Mumbai – 400 023
Tel: +91 22 2269 1561
+91 22 2266 2133
Fax: +91 22 2267 0745
+91 22 2266 4959
Email: vidya.krishnan@sbi.co.in
/rajeev.kumar@sbi.co.in
Website : www.sbi.co.in
Contact Person: Ms. Vidya Krishnan/ Mr. Rajeev Kumar
SEBI Registration No.: INBI00000038

**Standard Chartered Bank**
270, D.N. Road,
Fort, Mumbai 400 001
Tel: + 91 22 2268 3955
Fax: + 91 22 69 6067
Email: joseph.george@sc.com
Website : www.standardchartered.co.in
Contact Person: Mr. Joseph George
SEBI Registration No.: INBI00000885

**HDFC Bank Limited***
Lodha I - Think Techno Campus,
3rd Floor, Kanjur Marg,
Mumbai 400042
Tel: + 91 09324272185
Fax: + 91 22 2579 9801
Email: deepak.rane@hdfcbank.com
Website : www.hdfcbank.com
Contact Person: Mr. Deepak Rane
SEBI Registration No.: INBI00000063

* *Registration as Escrow Collection Banks has expired and application for renewal had been made.*

**Auditors**

**S. Ganguli & Associates**
Tashi House, 1st Floor,
74/ 2A, Golf club road,
Kolkata-700033
Tel: (91 33) 2423 5099
Fax: (91 33) 2423 5086
Email: sg_associates@vsnl.net

**Maheshwari & Associates**
Geetanjali Apartments
Flat No. 6A (6th Floor)
8B, Middleton street,
Kolkata-700071
Tel: (91 33) 2229 8936
Fax: (91 33) 22264140
Email: kolkata@maheshwariassociates.com

**G.P. Agrawal & Co**
7-A Kiran Shankar ray Road,
Kolkata-700001
Tel: (91 33) 2248 3941
Fax: (91 33) 2248 6814
Email: gpa@cal.vsnl.net.in

**Salarpuria Jajodia & Co**
Chartered Accountants,
209, Emarat Firdaus,
Opposite Punjab National Bank, Exhibition Road
Patna – 800 001
Tel: (91 612) 2320277
Email: sjajodco1@yahoo.co.in

**Tandon Seth & Co**
24/53, Birhana Road,
Kanpur-208001
Tel: (91 512) 2352560
Fax: (91 512) 2352560
Email: tandonsethaudit@hotmail.com

**H.S. Rustagi & Co.**
4654/21, Darya Gunj, II Floor,
New Delhi- 110002
Tel: (91 11) 23262356
Fax: (91 11) 2325 5967
Email: office@hsrustagiandco.com

**IPO Grading**

This Issue has been graded by CARE as CARE IPO grade 4 indicating above average fundamentals and by ICRA as ICRA IPO grade 3 indicating average fundamentals.

**Credit Rating**

As this is an Issue of Equity Shares there is no credit rating for this Issue.

**Trustees**

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

**Experts**

Except the reports of ICRA and CARE in respect of the IPO grading of this Issue annexed herewith, the Bank has not obtained any expert opinions.

**Monitoring Agency**

There is no requirement for a Monitoring Agency in terms of the SEBI Regulations since the Issue size is less than Rs. 500 crore.

**Appraising Agency**

None of the objects of the Issue have been appraised.

**Inter Se Allocation of Responsibilities between the BRLMs**

The responsibilities and co-ordination for various activities in this Issue are as follows:

| Sr. No. | Activity | Responsibility | Co-ordination |
|---|---|---|---|
| 1. | Capital Structuring with relative components and formalities such as composition of debt equity, type of instruments, etc. | All BRLMs | SBI Caps |
| 2. | Drafting and design of the offer document, including memorandum containing salient features of the offer document. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of offer document filing. | All BRLMs | SBI Caps |
| 3. | Drafting and approval of all statutory advertisement | All BRLMs | SBI Caps |
| 4. | Drafting and approval of all publicity material other than statutory advertisement as mentioned in 3 above including corporate advertisement, brochure etc. | All BRLMs | Edelweiss and Enam |

| Sr. No. | Activity | Responsibility | Co-ordination |
|---|---|---|---|
| 5. | Appointment of other intermediaries connected with the issue viz., Registrar's, Printers, Advertising Agency and Bankers to the Issue | All BRLMs | SBI Caps |
| 6. | Preparation of Road show presentation | All BRLMs | Enam |
| 7. | International Institutional Marketing strategy<br>* Finalise the list and division of investors for one to one meetings, in consultation with the Bank, and<br>* Finalizing the International road show schedule and investor meeting schedules<br>- Asia<br>- Europe<br>- Rest of the World | All BRLMs | Enam |
| 8. | Domestic institutions / banks / mutual funds marketing strategy<br>* Finalise the list and division of investors for one to one meetings, institutional allocation in consultation with the Bank.<br>* Finalizing the list and division of investors for one to one meetings, and<br>* Finalizing investor meeting schedules | All BRLMs | SBI Caps and Edelweiss |
| 9. | Non-Institutional and Retail marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for holding conferences of stock brokers, investors, etc., (iii) collection centres, (Iv) brokers to the issue, and (v) underwriters and underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure and deciding upon the quantum of issue material. | All BRLMs | Enam |
| 10. | Branch Training including identification of branches / centres, branch training material etc. | All BRLMs | Enam |
| 11. | Co-ordination with Stock Exchanges for Book Building Software, bidding terminals and mock trading. | All BRLMs | Edelweiss |
| 12. | Finalisation of Pricing, in consultation with the Bank | All BRLMs | Edelweiss |
| 13. | The post issue activities which shall involve essential follow-up steps including follow-up with bankers to the issue and Self Certified Syndicate Banks to get quick estimates of collection and advising the issuer about the closure of the issue, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, despatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as registrars to the issue, bankers to the issue, Self Certified Syndicate Banks, etc. | All BRLMs | Edelweiss |

**Book Building Process**

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised, by the Bank in consultation with the BRLMs, after the Bid/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(s);
5. Registrar to the Issue; and
6. SCSBs

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, as amended, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted on a proportionate basis to QIBs out of which 5% of the QIB portion shall be available for allocation to Mutual Funds only and the remaining QIB portion shall be available for allocation to all the QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 25,00,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

**In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay the QIB Margin Amount, representing not less then 10% of the Bid Amount, upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For details see the section "Issue Structure" on page** 63 **of this Red Herring Prospectus.**

The Bank will comply with the SEBI Regulations and any other ancillary directions issued by SEBI from time to time for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

**The process of Book Building under SEBI Regulations is subject to change from time to time and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

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

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

| Bid Quantity | Bid Price (Rs.) | Cumulative Quantity | Subscription |
|---:|---:|---:|---:|
| 500 | 24 | 500 | 16.67% |
| 1,000 | 23 | 1,500 | 50.00% |
| 1,500 | 22 | 3,000 | 100.00% |

| Bid Quantity | Bid Price (Rs.) | Cumulative Quantity | Subscription |
|---|---|---|---|
| 2,000 | 21 | 5,000 | 166.67% |
| 2,500 | 20 | 7,500 | 250.00% |

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

**Steps to be taken for bidding:**

1. Check eligibility for bidding, see the section titled "Issue Procedure – Who Can Bid?" on page 415 of this Red Herring Prospectus;

2. Ensure that the Bidder has an active demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

3. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction; and

4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

**Withdrawal of the Issue**

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares, and if so, the reason thereof shall be given as a public notice, within two days of the closure of the Issue, in two national newspapers (one each in English and Hindi) and in one Bengali newspaper.

**Bid/Issue Programme**

***Bidding Period/Issue Period***

| | |
|---|---|
| **BID/ISSUE OPENS ON** | **TUESDAY, February 23, 2010** |
| **BID/ISSUE CLOSES ON** | **THURSDAY, February 25, 2010** |

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs **except that on the Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 4.00 p.m. in case of Bids by QIBs bidding in the QIB Portion and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000; and (ii) until 5.00 p.m in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000 and Eligible Employees Bidding under the Employee Reservation Portion, where the Bid Amount is up to Rs. 1,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Managers to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Issue Closing Date, the Bidders, are advised to submit their Bids one Working Day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some

Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. If such Bids are not uploaded, our Bank, the Book Running Lead Managers and the Syndicate Members shall not be responsible. Bids will only be accepted on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSBs in the electronic system of the BSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, not later than the times mentioned above on the Bid/Issue Closing Date. All times mentioned in this Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLMs, Syndicate Members and the SCSB will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

The Bank reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

In case of revision of the Price Band, the Issue Period will be extended for three additional working days after revision of the Price Band subject to the total Bid /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the web site of the BRLMs and at the terminals of the Syndicate.

**Underwriting Agreement**

After the determination of the Issue Price and allocation of Equity Shares, but prior to filing of the Prospectus with the Designated Stock Exchange, our Bank intends to 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. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

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)*

| Name and Address of the Underwriters | Indicated Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. in crore) |
|---|---|---|
| [●] | [●] | [●] |
| [●] | [●] | [●] |

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●] and has been approved by the Board of Directors.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [•], has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Bank.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement.

## CAPITAL STRUCTURE

Our share capital as of the date of this Red Herring Prospectus is set forth below:

*(Rs. in crore, except share data)*

| | Particulars | Nominal Value | Aggregate value at Issue Price |
|---|---|---|---|
| **A** | **Authorised Capital** | | |
| | 2,20,00,00,000 Equity Shares of the face value of Rs 10 each | 2,200 | |
| | 80,000 Perpetual Non-cumulative Preference Shares of the face value of Rs 100,000 each | 800 | |
| | | | |
| **B** | **Issued, Subscribed and Paid Up Share Capital before the Issue** | | |
| | 26,64,30,800 Equity Shares of Rs 10 each | 266.43 | |
| | 25,000 Perpetual Non-cumulative Preference Shares of Rs 1,00,000 each | 250 | |
| | | | |
| **C** | **Present Issue in terms of this Red Herring Prospectus** | | |
| | 5,00,00,000 Equity Shares of Rs 10 each | 50 | [●] |
| | | | |
| **D** | **Out of which:** | | |
| 1. | Employee Reservation Portion – Up to 25,00,000 Equity shares# | [●] | [●] |
| 2. | Net Issue to the Public – 4,75,00,000 Equity Shares, comprising of: | | |
| 3. | Qualified Institutional Buyers portion of – At least 2,85,00,000 Equity Shares^ | [●] | [●] |

| | | | |
|---|---|---|---|
| | Of which:<br><br>(a) Mutual Fund Portion* of upto 14,25,000 Equity Shares*<br><br>(b) Other QIBs, including Mutual Funds is 2,70,75,000 Equity Shares* | | |
| 4. | Non-Institutional Bidders portion of not less than 4,750,000 Equity Shares* | [●] | [●] |
| 5. | Retail Individual Bidders portion of not less than 14,250,000 Equity Shares* | [●] | [●] |
| | | | |
| **E** | **Paid Up Equity Capital after the Issue** | | |
| | 31,64,30,800 Equity Shares of Rs 10 each | 316.43 | [●] |
| **F** | **Share Premium Account** | | |
| | Before the Issue | Nil | |
| | After the Issue** | [●] | |

** Available for allocation on a proportionate basis, subject to valid Bids being received at or above the Issue Price.*
*# Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Bank.*
***The securities premium account will be determined after completion of the Book Building Process and determination of the Issue Price.*
*^5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to QIBs (including Mutual Funds), subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than 14,25,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIBs in proportion to their Bids. Further, attention of all QIBs bidding under the QIB Portion is specifically drawn to the following: (a) QIBs will not be allowed to withdraw their Bid cum Application Forms after 3.00 p.m. on the Bid/ Issue Closing Date; and (b) each QIB, including a Mutual Fund is required to deposit a Margin Amount of at least 10% with its Bid cum Application Form. In the event of under-subscription in the Mutual Fund Portion, the unsubscribed portion would be added to the balance of the QIB Portion for allocation on a proportionate basis to the QIBs bidding in the QIB Portion.*

**History of change in authorized share capital of our Bank**

1. The authorized share capital of our Bank pursuant to nationalisation of the Bank on July 19, 1969 was Rs. 1500 crore.

2. The authorized share capital of our Bank was increased from Rs. 1500 crore to Rs. 3,000 crore, pursuant to the GoI notification F. No. 11/4/2009-BOA dated November 27, 2009.

**Notes to Capital Structure**

**Share Capital History of our Bank**

**1. Share Capital History of Our Bank**

**(a) The following is the history of the equity share capital of our Bank since incorporation:**

(Rs. in crore)

| Year | Increase/ Decrease in Capital | Nature of Consideration | Mode | Cumulative Paid up Capital |
|---|---|---|---|---|
| At the time of nationalization | - | - | Share capital acquired by the GoI on nationalisation | 2.69 |
| 1984 | 0. 12 | Cash | Contribution to capital by the GoI | 2.81 |
| 1985 | 12.19 | Other than Cash# | Contribution to capital by the GoI | 15.00 |
| 1985 | 10.00 | Other than Cash# | Contribution to capital by the GoI | 25.00 |
| 1986 | 75.00 | Other than Cash# | Contribution to capital by the GoI | 100.00 |
| 1989 | 23.00 | Other than Cash# | Contribution to capital by the GoI | 123.00 |
| 1990 | 140.00 | Other than Cash# | Contribution to capital by the GoI | 263.00 |
| 1991 | 100.00 | Other than Cash# | Contribution to capital by the GoI | 363.00 |

| Year | Increase/ Decrease in Capital | Nature of Consideration | Mode | Cumulative Paid up Capital |
|---|---|---|---|---|
| 1994 | 215 | Other than Cash# | Contribution to capital by the GoI | 578.00 |
| 1995 | 471.43 | Other than Cash# | Contribution to capital by the GoI | 1049.43 |
| 1995 | 67.44 | Other than Cash# | Contribution to capital by the GoI | 1116.87 |
| 1996 | 256.00 | Other than Cash# | Contribution to capital by the GoI | 1372.87 |
| 1997 | 338.00 | Other than Cash# | Contribution to capital by the GoI | 1710.87 |
| 1999 | 100.00 | Other than Cash# | Contribution to capital by the GoI | 1810.87 |
| 2006 | (278.44) | - | Adjustment of accumulated losses against capital* | 1532.43 |
| 2009 | - | - | Conversion of paid up capital to equity share capital (in demat form)^ | 1532.43 |
| 2009 | (1266.00) | - | Return of capital to GoI~ | 266.43 |

# Contribution to capital by the GoI through Recapitalisation Bonds/Special Securities

* The Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) vide letter No. F.No.11/25/2005-BOA (i) dated April 27, 2006 permitted the Bank to net off of the accumulated unabsorbed losses of Rs. 287.44 crore against its equity capital of Rs. 1810.87 crore with effect from March 31, 2006 and the capital after set off stood at Rs. 1532.43 crore.

^ The Government of India, Ministry of Finance, Department of Financial Services vide its letter No F. No. 7/133/2007-BOA dated January 03, 2008 requested the Bank to take necessary action for conversion of shares held by the Government of India in our Bank from physical to demat form. The Bank has taken corporate action on the same and instructed Central Depository Services (India) Limited to credit 1532430800 equity shares to account of the President of India, MoF, GoI.

~ As per Government of India letter no. 11/25/2005-BOA dated July 07, 2009, the Government has approved the restructuring of paid up equity capital of the Bank by returns of an amount of Rs 1266 crore to the Government of India and simultaneously infusion of this amount in the Capital Reserve of the Bank during this year 2009-2010, thereby reducing the paid-up equity capital of the Bank to Rs 266.43 crore. The paid up share capital of the Bank has been considered to be comprised of corresponding number of outstanding equity shares of Rs 10 each at each year/ period and considering (a) the provisions of section 3 (2A) of Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (as amended) by the Banking Companies (Acquisition and Transfer of Undertaking) and Financial Institution Laws (Amendment) Act, 2006 vide amendment dated September 25, 2006, effective October 16, 2006; (b) letter no. F.No. 7/133/2007-BOA dated January 3, 2008, issued by the Director, Department of Financial Services, Ministry of Finance, Government of India; (c) letter dated July 31, 2009 issued by United Bank of India to Central Depository services (India) Limited and (d) letter bearing no. CDSL/OPS/IPO-CA/2009-10/CA-90726 dated August 4, 2009 issued by Central Depository Services (India) Limited to United Bank of India.

**(b) The following is the history of the preference share capital of our Bank since incorporation*:**

| Date of Allotment | No. of perpetual non-cumulative preference shares | Face Value (in Rs.) | Nature of allotment | Cumulative preference share capital (in Rs.) |
|---|---|---|---|---|
| March 31, 2009 | 25,000 | 1,00,000 | Allotted to the President of India | 250 crore |

**Note: In terms of the Ministry of Finance, Government of India letter no. F.No.11/1/2009-BOD dated March 31, 2009 and realiasation of application money for Rs. 250 crore only, the Bank has allotted 25,000 shares Perpetual Non-Cumulative Preference Shares of Rs 1 Lac each aggregating to Rs 250 crore to the President of India on March 31, 2009.*

**2. Promoters Contribution and Lock-in**

Pursuant to the SEBI Regulations, an aggregate of 20% of the fully diluted post-Issue capital of the Bank held by the Promoter shall be locked in for a period of three years from the date of Allotment of Equity Shares in the Issue. Further, pursuant to the SEBI Regulations, the entire Pre-Issue capital, other than that locked in as minimum Promoter's contribution, shall be locked in for a period of one year from the date of Allotment of Equity Shares in the Issue. The Bank's issued share capital consists only of Equity Shares and Preference Shares issued to the GoI. The Equity Shares, which are being locked-in, are not ineligible for computation of Promoter's contribution under the SEBI Regulations. Equity shares offered by Promoters for minimum promoter contribution are not subject to pledge.

The promoter of the Bank being the President of India acting through Ministry of Finance, Government of India vide letter dated December 03, 2009 bearing notification number F.No.11/25/2005-BOA consented that the Government of India's shareholding shall not be below 51% at any point of time in terms of Section (2B) (c) of Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. The Bank vide its letter dated December 15, 2009 bearing number MDB/IPO/311/2009 requested the Ministry of Finance, Government of India to mark equity share capital of Rs. 63.29 crore representing 20% of the post-issue restructured share capital as locked-in for period of three years and the rest of the government shareholding for a period of one year. The Ministry of Finance, Government of India has, vide letter no. F. No. 11/25/2005BOA dated February 16, 2010 has given its consent for inclusion of securities as part of Promoters' Contribution subject to lock-in and that the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed/sold/ transferred by the promoters

In terms of Regulation 39, Locked-in Equity Shares held by the Promoter can be pledged with any scheduled commercial bank or public financial institution as collateral security for loans sanctioned by such banks or financial institutions provided a pledge of the Equity Shares is one of the terms of the sanction of the loan and such loan has been granted by the banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

In terms of Regulations 40, Equity Shares held by the Promoter may be transferred to and among the promoter group or to a new promoter or persons in control of the Bank subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Details of Equity Shares locked-in pursuant to Promoter's Contribution are as provided below::

| Name of Shareholder | Nature of consideration | No. of Equity Shares locked in* | Percentage of Pre Issue Paid-up Capital (%) | Percentage of Post-Issue Paid-up Capital (%) |
|---|---|---|---|---|
| The President of India, MoF, GoI | Other than Cash | 6,32,86,160 | 23.75% | 20% |

All our Equity Shares held by our Promoter are held in dematerialised form.

**3. Shareholders of our Bank**

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

(Equity Shares of face value Rs.10 each)

| Name of the shareholders | Pre-issue equity capital | | Post-issue equity capital | |
|---|---|---|---|---|
| | Number of Equity Shares | Percentage (%) | Number of Equity Shares | Percentage (%) |
| **Promoter** | | | | |
| **GoI (A)** | 26,64,30,800 | 100 | 26,64,30,800 | **84.20** |
| Eligible Employees **(B)** | - | - | 25,00,000 | 0.79 |
| Public (pursuant to the Issue) **(C)** | - | - | 4,75,00,000 | 15.01 |
| **Total (A) + (B) + (C)** | **26,64,30,800** | **100.00** | **31,64,30,800** | **100.00** |

**4.** On March 31, 2009, our Bank allotted 25,000 perpetual non-cumulative preference shares of Rs. 100,000 each to our Promoter, the President of India, acting through MoF, GoI. These perpetual non-cumulative preference shares have a floating coupon rate, benchmarked to repo rate plus 100 basis points, which would be readjusted annually based on the prevailing repo rate.

**5.** The list of top ten shareholders of the Bank and the number of Equity Shares held by them is as under:

***A.*** *As of the date of filing of the Red Herring Prospectus with SEBI:*

| Shareholder | No. of Equity Shares held | Percentage (%) |
|---|---|---|
| The President of India, MoF, GoI | 26,64,30,800 | 100 |

***B.*** *Ten days prior to, the date of filing this Red Herring Prospectus with SEBI:*

| Shareholder | No. of Equity Shares held | Percentage (%) |
|---|---|---|
| The President of India, MoF, GoI | 153,24,30,800 | 100 |

*C. Two years prior to the date of filing this Red Herring Prospectus with SEBI:*

Since our paid-up capital was converted into equity share capital with effect from July 23, 2009, we had no shareholders two years prior to the date of filing this Red Herring Prospectus with SEBI. The President of India, MoF, GoI held 100% of the paid-up capital of the Bank.

**6.** The Bank, the Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person being offered through this Issue.

**7.** None of the Book Running Lead Manegers and their associates hold any Equity Shares as on date of filing this RHP.

**8.** Our Bank has not granted any stock options to any of our employees as on date of this Red Herring Prospectus.

**9.** An over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of minimum bid lot while finalizing the basis of Allotment.

**10.** In terms of Rule 19 (2) (b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated to QIBs on a proportionate basis. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% and 30% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the Designated Stock Exchange.

**11.** There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the equity shares to be issued pursuant to the issue have been listed.

**12.** 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.

**13.** We have not raised any bridge loans against the proceeds of the issue.

**14.** There are no outstanding financial instruments or any rights, which would entitle the promoters or the shareholders or any other person any option to acquire any of the equity shares.

**15.** We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/Issue opening date by way of split or consolidation of the denomination of Equity Shares or further issue of equity (including issue of securities convertible into or exchangeable for, directly or indirectly, for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in our best interests.

**16.** Except as disclosed in the section titled "Our Management" on page 183 of this Red Herring Prospectus, none of our directors or key managerial personnel holds any of the equity shares.

**17.** The Equity Shares of our Bank and those to be offered through this Issue are fully paid up. There are no partly paid up shares of our Bank as on the date of this RHP.

**18.** Except as disclosed in the section titled "Financial Information" on page 203 of Red Herring Prospectus, the Bank has not revalued it reserves in the last five years.

**19.** As of date of this Red Herring Prospectus, our Bank has not issued Equity Shares as bonus to the existing shareholders of our Bank.

**20.** Our Promoter and Associates will not participate in the Issue.

**21.** The Promoter and the Directors of the Bank and their immediate relatives have not purchased or sold any Equity Shares during a period of six months preceeding the date on which this Red Herring Prospectus is filed with SEBI.

**22.** During the period of six months immediately preceding the date of filing of this Red Herring Prospectus, no financing arrangements existed whereby our Promoter, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

**23.** As per the RBI regulations, OCBs are not allowed to participate in this Issue.

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

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

**26.** As on the date of filing this Red Herring Prospectus, the President of India, MoF, GoI is our sole shareholder.

**27.** Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. Under-subscription, if any, in the Non-Institutional or Retail categories shall be allowed to be met with spill over from other categories or combination of categories by our Bank and the BRLMs in consultation with the Designated Stock Exchange and in accordance with applicable laws, rules, regulations and guidelines, subject to valid bids being received at or above the Issue Price.

**28.** Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion, on a competitive basis. The Bid/Application by Eligible Employees can also be made in the "Net Issue" and such Bids shall not be treated as multiple Bids.

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## OBJECT OF THE ISSUE

We are regulated by the RBI which requires us to maintain a minimum Capital Adequacy Ratio of 9% of risk weighted assets and our Tier I capital adequacy ratio should be at least 6% of risk weighted assets. Further, at no time should our Tier I capital be less than half of our total capital. As per our restated financial statements, as on September 30, 2009, our total capital adequacy ratio was 12.93% and our Tier I capital adequacy ratio was 7.61%.

The objects of the Issue are to augment our capital base to meet the future capital requirements arising out of the growth in our assets due to the growth of the Indian economy and for meeting the expenses of the Issue.

### Requirement and Sources of Funds

| **Requirement of Funds** | **Rs. Crore*** |
|---|---|
| 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 | [●] |
| General Corporate Purposes** | [●] |
| Issue expenses | [●] |
| **Total** | [●] |

**To be incorporated after finalisation of Issue Price*
*** Requirement of funds for General corporate purpose will not exceed 20% of the issue proceeds*

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

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

| **Sources of Funds** | **Rs. Crore*** |
|---|---|
| Net proceeds of the Issue | [●] |
| **Total** | [●] |

**To be incorporated after finalisation of Issue Price*

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.

The Bank is raising capital to meet future capital adequacy requirements and not for any specified project(s). Hence details of unutilized monies and monies utilized will not be separately available for disclosure in the balance sheet of the Bank. Further, the need to transfer funds to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956, amended shall not be applicable in case of the Bank.

### Issue Expenses

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

| **Activity** | **Expense* (Rs. in crore)** | **Expense* (% of total expenses)** | **Expense* (% of Issue Size)** |
|---|---|---|---|
| Lead merchant bankers (including underwriting commission, brokerage and | [●] | [●] | [●] |

| Activity | Expense* (Rs. in crore) | Expense* (% of total expenses) | Expense* (% of Issue Size) |
|---|---|---|---|
| selling commission) | | | |
| Registrars to the issue | [●] | [●] | [●] |
| Advisors | [●] | [●] | [●] |
| Bankers to issues | [●] | [●] | [●] |
| Underwriting commission, brokerage and selling commission | [●] | [●] | [●] |
| Others: | | | |
| Printing and Stationary | [●] | [●] | [●] |
| Listing fee | [●] | [●] | [●] |
| Advertising and marketing expenses | [●] | [●] | [●] |
| Fee for IPO grading | [●] | [●] | [●] |
| Total estimated Issue expenses | [●] | [●] | [●] |

**To be incorporated after finalisation of Issue Price*

In terms of section 13 of the Banking Regulation Act, a banking company is prohibited from paying out, directly or indirectly, by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate 2.5% of the paid up value of the shares. The Bank made an application dated July 31, 2009 to the Department of Economic Affairs (Banking Division), MoF, GoI seeking an exemption from the applicability of section 13. In terms of the letter from the MoF, GoI dated December 03, 2009; the Bank's request for exemption from applicability of section 13 of the Banking Regulation Act was approved, subject to a formal notification, which has been obtained by the Bank pursuant to Ministry of Finance, GOI, notification dated 16 December 2009.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Bank in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 each. The financial data presented in this section are based on the Bank's restated financial statements. Investors should also refer to the sections "Risk Factors" and "Financial Information" on pages xii and 203, respectively, of this Red Herring Prospectus to get a more informed view before making the investment decision.

***Qualitative Factors***

1. We are a public sector banking institution in India servicing customers across India.
2. As at January 31, 2010, we had 1,505 branches in India spread over 28 states and 4 union territories.
3. Our advances increased by 26.91% to Rs. 35,728.24 crore for the financial year ending March 31, 2009 from Rs. 28,151.68crore for the financial year ending March 31, 2008.
4. Our total deposits increased by 16.11% from Rs. 46,970.72 crore as of March 31, 2008, to Rs. 54,535.90 crore as of March 31, 2009.
5. We have implemented 100% CBS in all of our branches which fecilitates centralized operations from the centralized data base.
6. Our gross NPAs to net advances ratio declined from 4.66% as on March 31, 2006 to 2.48% as on September 30, 2009.

***Quantitative Factors***

**1.** ***Basic and Diluted Earnings Per Share ("EPS")***

| Period | Basic & Diluted EPS (Rs.) | Weightage |
|---|---|---|
| Year ended March 31, 2009 | 2.34* | 3 |
| Year ended March 31, 2008 | 0.95 | 2 |
| Year ended March 31, 2007 | 1.74 | 1 |
| **Weighted Average** | 1.78 | |

*The basic and diluted EPS for the six months ended September 30, 2009 is Rs. 2.47 (not annualized.)*

*Note: The profit available for equity shareholders is calculated as the Net Profit less preference share dividend and tax thereon. The weighted average number of Equity Shares has been considered for calculation of Basic & Diluted EPS. The EPS has been calculated as per Accounting Standard 20 of the ICAI.*

**Note. On December 29, 2009 the number of outstanding shares of the Bank stand changed to 26.64 crore from 153.24 crore. On the basis of the revised share capital of the Bank the EPS for the year ended March 31 2009 would have been Rs. 13.46.*

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

a. Based on the EPS of Rs. 2.34 for the year ended March 31, 2009, the P/E ratio is [●] at the lower end of the price band and [●] at the higher end of the price band
b. Based on the weighted average EPS of Rs. 1.78, the P/E ratio is [●] at the lower end of the price band and [●]at the higher end of the price band
c. Industry P/E[#]
   i) Highest: 12.8
   ii) Lowest: 4.5
   iii) Average: 6.224

[#] *Source: "Capital Markets Magazine, Volume XXIV, February 08-21, 2010"*

3. ***Return on Net Worth***

| Period | Return on Net Worth(%) | Weightage |
|---|---|---|
| Year ended March 31, 2009 | 14.13 | 3 |
| Year ended March 31, 2008 | 7.36 | 2 |
| Year ended March 31, 2007 | 14.18 | 1 |
| **Weighted Average** | 11.88 | |

*The Return on Net Worth for the six months ended September 30, 2009 is 8.34% (not annualized)*

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

4. ***Minimum Return on Increased Net Worth Required to maintain pre-Issue EPS.***

The minimum return on increased net worth required to maintain pre-Issue EPS of Rs. [●] is [●]% at the lower end of the price band and [●]% at the higher end of the price band.

5. ***Net Asset Value per Equity Share***

As of September 30, 2009: Rs. 94.58

As of March 31, 2009: Rs. 14.93

After the Issue: Rs. [●] at the lower end of the price band and Rs. [●] at the higher end of the price band. Issue Price per Equity Share will be determined on conclusion of the Book Building Process.

*Note: Net Asset Value per Equity Share has been computed by dividing the net worth, as restated, by the number of equity shares outstanding at the end of the year.*

*Note: On December 29, 2009 the number of outstanding Equity Shares of the Bank stand changed to26.64 crore.*

*Note. On December 29, 2009 the number of outstanding shares of the Bank stand changed to 26.64 crore from 153.24 crore. On the basis of the revised share capital of the Bank the book value / share as on March 31 2009 would have been Rs. 85.88*

6. ***Comparison of Accounting Ratios***

| | EPS (Rs.) | P/E | Return on Net Worth (%) | Book Value/ Share |
|---|---|---|---|---|
| **United Bank of India as of March 31, 2009** | **2.34** | [●] | **14.13** | **14.93** |
| **Peergroup** | | | | |
| Andhra Bank | **12.7** | **8.2** | **18.94** | **75.2** |
| Bank of Maharastra | **8.4** | **6** | **19.59** | **48** |
| Dena Bank | **14.5** | **5.7** | **24.05** | **67.9** |
| Indian Bank | **27.1** | **6.2** | **24.09** | **127.5** |
| Vijaya Bank | **5.9** | **8.7** | **11.86** | **53.5** |
| **Peergroup Average** | **20.9** | **6.6** | **26.3** | **121.0** |

*# Source: "Capital Market Online" for the category titled 'Banks-Public Sector' (Accessed on February 9, 2010).*

The peer group above has been determined on the basis of listed public-sector banks comparable in size to our Bank whose business portfolio is directly comparable with that of our business. The Issue Price of Rs. [●] is determined by the Bank, in consultation with the BRLMs, on the basis of assessment of market demand for the

Equity Shares through the Book Building Process and is justified based on the above accounting ratios. See the section titled “Risk Factors”, “Our Business” and “Financial Information” on pages xii, 97 and 203 of this Red Herring Prospectus to have a more informed view.

## STATEMENT OF TAX BENEFITS

**To,**
The Board of Directors,
United Bank of India
United Tower
Head Office
11,Hemanta Basu Sarani
Kolkata-700 001

Dear Sirs,

We hereby report that the enclosed annexure states the possible direct tax benefits available to United Bank of India (the **"Bank"**) and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Bank faces in the future, which the Bank may or may not choose to fulfill.

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

Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 ("the Act"). The income tax rates referred here are the existing tax rates based on the rates prescribed in the Finance (No. 2) Act, 2009 for the Financial Year 2009-10. All the provisions set out below are subject to conditions specified in the respective sections.

We do not express any opinion or provide any assurance as to whether:

i) the Bank or its shareholders will continue to obtain these benefits in future; or
ii) the conditions prescribed for availing the benefits have been/would be met with.

The contents of the enclosed *Annexure* are based on information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

| | | |
|---|---|---|
| For M/s Salarpuria Jajodia & Co.<br>Chartered Accountants<br>FRN- 001862C with ICAI | For M/s Maheshwari & Associates<br>Chartered Accountants<br>FRN-311008E with ICAI | For M/s G. P. Agrawal & Co.<br>Chartered Accountants<br>FRN-302082E with ICAI |
| Partner: CA Lalan Kumar<br>Membership No. 075101 | Partner: CA P.K.Roy Chowdhury<br>Membership No. 055924 | Partner: CA Ajay Agrawal<br>Membership No. 017643 |
| For M/s. S. Ganguli & Associates<br>Chartered Accountants<br>FRN-302192E with ICAI | For M/s Tandon Seth & Co.<br>Chartered Accountants<br>FRN-002340C with ICAI | For M/s. H. S. Rustagi & Co.<br>Chartered Accountants<br>FRN- 001890N with ICAI |
| Partner: CA S.K.Basu<br>Membership No. 059220 | Partner: CA Gyan Prakash Gupta<br>Membership No. 074195 | Partner: CA N.K.Rustagi<br>Membership No. 085676 |

Place: Kolkata
Dated: February 11, 2010

**ANNEXURE TO TAX BENEFITS**

**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE ISSUER BANK AND ITS SHAREHOLDERS**

**TO THE BANK**

***Special Tax Benefits***

1) As per the provisions of section 36(1)(iiia), the Bank is entitled to deduction in respect of pro rata amount of discount on a zero coupon bond, having regard to the period of life of such bond, calculated in the manner as may be prescribed by rules in this behalf. Zero coupon bond is defined under section 2(48) of the Income Tax Act, 1961 (hereinafter called "the Act") to mean a bond issued by any infrastructure capital company or infrastructure capital fund or public sector company on or after 1.6.2005 in respect of which no payment and benefit is received or receivable before maturity or redemption from infrastructure capital company/fund or public sector company and which is notified by the Central Government in this behalf.

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

3) In terms of Section 36(1) (viii) of the Act, the bank is allowed deduction at 20% of the profits derived from the business of long term finance for industrial and agricultural development or development of infrastructure facility in India or construction or purchase of houses in India for purposes computed in the manner specified under the Section and carried to the Special Reserve account from time to time not exceeding twice the paid-up capital and general reserves. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.

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

***General Tax Benefits***

1) In accordance with section 10(34), dividend income (referred to in Section 115-O) declared, distributed or paid will be exempt from tax and units of Mutual funds specified under section 10(23D) of the Act are exempt in the hands of the Bank.

2) As per provisions of Section 10(15)(i) of the Act, income by way of interest, premium on redemption or other payment on securities , bonds, deposits etc. notified by the Central Government is exempt from tax, subject to such conditions and limits as may be specified by Central Government in this behalf.

3) Income received in respect of the units of mutual fund specified under section 10(23D) or income received in respect of units from administrator of the specified undertakings or income received in respect of units from the specified company is exempt from tax in the hand of the Bank, under section 10(35) of the Act.

4) From assessment year beginning $1^{st}$ April, 2010, the amount of tax paid under Section 115JB by the Bank for any assessment year beginning on or after $1^{st}$ April 2006 will be available as credit for ten years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Section 115JAA.

5) In case of loss under the head “Profit and Gains from Business or Profession”, it can be set-off with other income and the excess loss after set-off can be carried forward for set-off – against business income of the next eight Assessment Years.

6) The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off with the income of future years.

7) In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be 20 per cent plus applicable surcharge and cess of the capital gains as computed after indexation of the cost; or 10 per cent of the capital gains as computed without indexation.

8) In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company where such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

**TO THE SHAREHOLDERS**

***Special Tax Benefits***

Nil

***General Tax Benefits***

*Residents*

1) In accordance with section 10(34), dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax. As per the provisions of Section 14A of the Act ,no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with the method as may be prescribed under Rule 8D subject to and in accordance with the provisions contained therein. Also, Section 94(7) of the Act provides that losses arising from the sale /transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as exempt by the shareholder.

2) Shares of the Bank held as capital asset for a period of more than twelve months preceeding the date of transfer will be treated as a long term capital asset.

3) In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in the Bank is not includible in the total income, if the transaction is chargeable to securities transaction tax including equity shares under this issue which is subject to securities transaction tax at the time of sale.

4) In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be 20 per cent plus applicable surcharge and cess of the capital gains as computed after indexation of the cost; or 10 per cent of the capital gains as computed without indexation.

5) In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a Bank where such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

6) In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Bank and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains, not exceeding Rs. 50 lacs are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI).

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified asset is transferred.

7) In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Bank held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available, if the individual or Hindu Undivided Family-

   - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

   - purchases another residential house within a period of one year after the date of transfer of the shares; or

   - constructs another residential house within a period of three years after the date of transfer of the shares; and

   - the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head "Income from House Property".

   If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.
   If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

8) For persons carrying on business or profession in shares and securities, securities transaction tax paid in respect of taxable securities transaction entered during the course of business will be available as deduction under section 36(1)(xv) of the Act while computing the taxable business income.

9) Tax on distributed profits of Banks.

   The tax rate is 30%, the surcharge on Income tax is at 10% and the education cess is 3%.

10) If an individual or HUF receives any property, which includes shares, without consideration, the aggregate fair market value of which exceeds Rs 50000, the whole of the fair market value of such property will be considered as income in the hands of the recipient. Similarly, if an individual or HUF receives any property, which includes shares, for consideration which is less than the fair market value of the property by an amount exceeding Rs 50000, the fair market value of such property as exceeds the consideration will be considered as income in the hands of the recipient.

*Non-Residents*

1) In accordance with section 10(34), dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax.

2) In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in the Bank is not includible in the total income, if the transaction is chargeable to securities transaction tax.

3) In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the Bank shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Bank.

4) As per the provisions of Section 90 of the Act, 1961, the provisions of Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial.

5) In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be at the rate of 20% plus applicable surcharge and cess. A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

6) In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in the Bank and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

***Non-Resident Indians***

1) A Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, which reads as under:

   In accordance with section 115E, income from investment or income from long-term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% plus cess. Income by way of long term capital gains in respect of a specified asset (as defined in Section 115C (f) of the Act), shall be chargeable at 10% plus cess.

   In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gains arising from transfer of shares of the Bank acquired out of convertible foreign exchange, and on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is invested within six months of the date of transfer in any specified asset.

   In accordance with section 115G, it is not necessary for a Non-Resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the Bank acquired out of convertible foreign exchange or income by way of long-term capital gains earned on transfer of shares of the Bank acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act.

   In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the Bank) will be computed and tax will be charged according to the other provisions of the Income-tax Act.

2) As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they are more beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country for avoidance of double taxation of income.

3) In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a Bank is not includible in the total income, if the transaction is chargeable to securities transaction tax.

4) In accordance with section 10(34), dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax.

5) In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a Bank where such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

6) In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Bank and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains, not exceeding Rs. 50 lacs, are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified assets notified for the purpose of investment are bonds of Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI).

   If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

   If the specified asset is transferred or converted into money at any time within a period of three years from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the specified asset is transferred.

7) In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Bank held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax, if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available, if the individual or Hindu Undivided Family-

   - owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or

   - purchases another residential house within a period of one year after the date of transfer of the shares; or

   - constructs another residential house within a period of three years after the date of transfer of the shares; and

   - the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from House Property”.

If only a part of the net consideration is so invested, so much of the capital gains as bears to the whole of the capital gain the same proportion as the cost of the new residential house bears to the net consideration shall be exempt.

If the new residential house is transferred within a period of three years from the date of purchase or construction, the amount of capital gains on which tax was not charged earlier, shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the residential house is transferred.

***Foreign Institutional Investors (FIIs)***

1) In accordance with section 10(34), dividend income declared, distributed or paid by the Bank (referred to in section 115-O) will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).

2) In accordance with section 115AD, FIIs will be taxed at 10% plus applicable surcharge and cess on long-term capital gains, if securities transaction tax is not payable on the transfer of the shares and at 15% plus applicable surcharge and cess on short-term capital gains arising on the sale of the shares of the Bank which is subject to securities transaction tax.

3) As per the provision of Section 90 of the Act, 1961, the provision of Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

4) In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in the Bank is not includible in the total income, if the transaction is chargeable to securities transaction tax.

5) In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in the Bank and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of the amount of income-tax calculated on such short term capital gains at the rate of 15% and the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

***Mutual Funds***

1) In accordance with section 10(23D), any income of a Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made there under and that of such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf, will be exempt from income-tax.

**Under the Wealth Tax Act**

1) 'Asset' as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, these are not liable to wealth-tax.

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.

3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2010 -11 .Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.

4. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.

5. The stated benefits will be available only to the sole/first named holder in case the share is held by joint holders.

6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.

7. The Bank has no unabsorbed losses or depreciation for carry forward to future years.

8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any person other than the Investor / Prospective Investor in The shares of The Bank.

## SECTION IV: ABOUT THE ISSUER

## THE INDIAN BANKING SECTOR

While we have compiled, extracted and reproduced this data from external sources, including the RBI, Insurance Regulatory and Development Authority ("IRDA"), Association of Mutual Funds in India ("AMFI"), trade, industry or general publications and other third party sources, we accept no responsibility for accurately reproducing such data. Further, neither we nor the BRLMs have independently verified this data and neither we nor the BRLMs make any representation regarding the accuracy or completeness of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and we cannot assure potential investors as to their accuracy.

### Introduction

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

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

- commercial banks;
- non-bank finance companies, including housing finance companies;
- long-term lending institutions;
- other specialised financial institutions and state-level financial institutions;
- insurance companies; and
- mutual funds.

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

This discussion presents a brief overview of the role and activities of the RBI and of each of the major participants in the Indian financial system, with a focus on the commercial banks and the long-term lending institutions. This is followed by a brief summary of the banking reform process and the recent credit measures as introduced by the RBI.

### Reserve Bank of India

The RBI, established in 1935, 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 Government and for the country's commercial banks.

The RBI issues guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long- term lending institutions and non-bank finance companies. The RBI requires these institutions to furnish information relating to their businesses to it on a regular basis.

**Commercial Banks**

As of September 30, 2009, there were 171 scheduled commercial banks in the country, with a network of 81,090 branches serving approximately Rs. 41,01,518 crore in deposit accounts and Rs. 28,81,898 crore in loan accounts. Scheduled commercial banks are banks listed in the schedule to the Reserve Bank of India Act, 1934, ("RBI Act") and are further categorised as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 63.2% 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 in the Indian banking system. They include the State Bank of India and its six associate banks, 19 nationalised banks and IDBI Bank Limited, 86 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 56,574 branches, and account for 74.2% of the outstanding gross bank credit and 74.3% of the aggregate deposits of the scheduled commercial banks as of September 30, 2009. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits. The State Bank of India is the largest public sector bank in India. As of September 30, 2009, the State Bank of India and its associate banks had 16,563 branches. They accounted for 23.8% of aggregate deposits and 23.7% of outstanding gross bank credit of all scheduled commercial banks.

As of September 30, 2009 there were 86 regional rural banks with 15,141 branches, accounting for 3.0% of aggregate deposits and 2.5% of outstanding gross bank credit of scheduled commercial banks.

**Private Sector 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 of 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. As of September 30, 2009, there were 22 private sector banks, of which 7 were "new" private sector banks and 15 were old private sector banks existing prior to July 1993.

New private sector banks have seen significant growth in both the assets and infrastructure during the last decade. The entry of new private sector banks has increased the industry competitiveness, enhanced customer service orientation, product innovation and technological advancement.

As of September 30, 2009, private sector banks accounted for approximately 17.1% of aggregate deposits and 17.8% of outstanding gross bank credit of the scheduled commercial banks. Private sector banks had a network of 9,094 branches, accounting for 11.2% of the total branch network of scheduled commercial banks in the country. A large part of this branch network is attributable to new private sector banks.

**Foreign Banks**

As of September 30, 2009, there were 31 foreign banks with 281 branches operating in India, accounting for 5.6% of aggregate deposits and 5.5% of outstanding gross bank credit of scheduled commercial banks. While the primary activity of most foreign banks in India has traditionally been in the corporate segment, some of the larger foreign banks have increasingly made consumer financing a larger part of their portfolios offering an array of products such as automobile finance, home loans, credit cards and household consumer finance.

Foreign banks operate in India through branches of the parent bank though certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. By a circular dated July 6, 2004, the RBI stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5% of the investee bank's equity capital. This also applies to holdings of foreign banks in Indian banks.

**Cooperative Banks**

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. Presently RBI is responsible for supervision and regulation of urban co-operative societies, and the NABARD for State Cooperative Banks and District Central Cooperative Banks.

The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, provides for the regulation of all cooperative banks by the RBI. A task force appointed by the Government to examine reforms in the cooperative banking system submitted its report in December 2004. The task force recommended several structural, regulatory and operational reforms of the cooperative banking system and recommended financial assistance by the Government to revitalise the sector. In the union budget for Fiscal 2006, the Finance Minister accepted the recommendations of the task force in principle and proposed that the State Government consult and begin to implement the recommendations. During Fiscal 2006, the RBI outlined a Medium-Term Framework for urban cooperative banks. Subsequently a task force for urban cooperative banks has been set up in certain States to identify and establish a time bound action plan for the revival of potentially viable urban cooperative banks and for a non-disruptive exit for non-viable urban cooperative banks.

**Long-Term Lending Institutions**

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group was created in 1999 to harmonise the role and operations of long-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 applicable to banks. In April 2001, the RBI issued operational and regulatory guidelines required to transition long-term lending institutions into universal banks. In April 2002, ICICI Limited merged with ICICI Bank Limited. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003, converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956, on September 27, 2004, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a certain period from the SLR. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005.

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. In addition, long-term lending institutions also offer:

- fee-based activities such as investment banking and advisory services; and
- short-term lending activity including corporate finance and issuing working capital loans.

**Non-Bank Finance Companies**

As of June 30, 2009 there were 12,740 non-bank finance companies in India and out of these 336 were permitted to accept/ hold public deposits, mostly in the private sector. All non-bank finance companies are required to register with the RBI. The non-bank finance companies may be categorised into entities which take public deposits and those which do not. The companies which accept public deposits are subject to the strict supervision and capital adequacy requirements of the RBI. The scope and activities of non-bank finance companies have grown significantly over the years. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting.

**Housing Finance Companies**

Housing finance companies form a distinct subgroup of the non-bank finance companies. As a result of various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially. The National Housing Bank Act provides for the securitisation of housing loans, foreclosure of mortgages and establishment of the Mortgage Credit Guarantee Scheme. Housing loans up to certain limits prescribed by the RBI as well as mortgage-backed securities qualify as priority sector lending under the RBI's directed lending rules.

**Other Financial Institutions**

**Specialised Financial Institutions**

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

**State Level Financial Institutions**

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large sized enterprises.

**Insurance Companies**

As on December 15, 2009, there were 45 insurance companies registered with the IRDA in India. The total number of life insurers registered with the IRDA is 23, while the total number of general insurers registered with the IRDA is 22.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority (IRDA). The Insurance Regulatory and Development Authority Act, 1999 (IRDA Act) which amended the Insurance Act, 1938, opened up the Indian insurance sector for foreign and private participation by permitting foreign equity participation in new insurance companies of up to 26.00% for life insurance and 74% for general insurance.

**Mutual Funds**

SEBI issued the Securities and Exchange Board of India (Mutual Fund) Regulations, 1993, under which all mutual funds barring the Unit Trust of India were to be registered and governed. The industry is now regulated by the more comprehensive Securities and Exchange Board of India (Mutual Fund) Regulations, 1996, which replaced the Securities and Exchange Board of India (Mutual Fund) Regulations of 1993.

In the recent past, steps have been taken to improve governance practices in the industry, which have helped the growth of the mutual funds industry.

**Impact of Liberalisation on the Indian Banking Sector**

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

**Banking Sector Reform**

Most large banks in India were nationalised in 1969 and were thereafter subject to a high degree of control until reform began in 1991. Due to restrictive regulations, the banks' profitability was low, and operational flexibility was hindered. The last decade has seen many positive developments in the Indian banking sector. The policy makers, which comprise the RBI, the Ministry of Finance and related government and financial sector regulatory entities, have made several notable efforts to improve regulation in the sector.

**Recent Amendments to Laws Governing Public Sector Banks**

The Indian Parliament recently amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity. The amendments also empower RBI to prescribe 'fit and proper' criteria for directors of these banks, and permit supercession of their boards and appointment of administrators in certain circumstances.

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

In Fiscal 2003, the Indian Parliament passed the SARFAESI Act. The SARFAESI Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI issued guidelines for asset reconstruction companies in respect of their establishment, registration and their licensing by the RBI, and operations.

**Corporate Debt Restructuring Forum**

To establish 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 restructuring the corporate debts of potentially viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporations that are affected by certain internal and external factors and minimise any losses to the creditors and other stakeholders through an orderly and coordinated restructuring programme. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

**Credit Policy Measures**

The RBI undertook various measures to combat rising inflationary pressures. However, the protracted global slowdown and its effects, combined with a tight monetary policy, resulted in a severe contraction of liquidity in domestic markets in October 2008. Since September 2008, the RBI adopted various measures to improve the liquidity position of the monetary system and ensure credit availability to revive the economy. Since October 2008, interest rates have declined across the term structure in the money and government securities markets. Call money rates have remained near or below the lower bound of the Liquidity Adjustment Facility ("LAF") corridor since November 2008, and primary yields on treasury bills have also moderated.

During 2009-10 so far (up to January 21, 2010), the rupee generally strengthened against the US dollar on the back of continued capital inflows, revival in growth performance of the Indian economy and general weakening of the US dollar in the international markets The average 6-currency trade-based Real effective Exchange Rate (base: 1993-94=100) appreciated by 9.7 per cent during April-November 2009, mainly on account of appreciation of the rupee against the US dollar and increase in inflation differential between India and its trading partners.

The BSE sensex also increased from 9,709 as of March 31, 2009 to 17,465 as of December 31, 2009. Market sentiments continued to remain positive during Q3 of 2009-10. After declining for a major part of December 2009, the markets moved up during the last week of December following optimism regarding growth and the Government's disinvestment plans. As at end-December, 2009, the BSE Sensex registered gains of about 2 per cent over end- September 2009 and 79.9 per cent over end-March 2009.

The RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. It issues a review of the annual policy statement on a quarterly basis.

**Banking Sector Trends**

**Operations and Performance of Commercial Banks**

The balance sheets of Scheduled Commercial Banks ("SCBs") in India remained robust against the backdrop of global financial crisis. In line with the policy initiatives undertaken by the Reserve Bank, the growth in credit by SCBs exhibited some moderation during the year. It is noteworthy that contrary to the trend in some advanced countries, the leverage ratio (Tier I capital to total assets ratio) in India has remained high reflecting the strength of the Indian banking system. However, the Indian banking sector was not completely insulated from the effects of the slowdown of the India economy. The consolidated balance sheets of SCBs, expanded by 21.2% as of March 31, 2009 as compared with 25.0% in the previous year.

***Consolidated Balance Sheet of Scheduled Commercial Banks***

(Amount in Rs. crore)

| Item | As at end-March | | | |
|---|---|---|---|---|
| | 2008 | | 2009 | |
| | Amount | Per cent to total | Amount | Per cent to total |
| 1 | 2 | 3 | 4 | 5 |
| 1. Capital | 39,963 | 0.9 | 44,037 | 0.8 |
| 2. Reserve and Surplus | 2,75,524 | 6.4 | 3,24,218 | 6.2 |
| 3. Deposits | 33,20,061 | 76.7 | 40,63,203 | 77.5 |
| 3.1. Demand Deposits | 4,42,056 | 10.2 | 4,72,578 | 9.0 |
| 3.2. Savings Bank Deposits | 7,44,051 | 17.2 | 8,74,539 | 16.7 |
| 3.3. Term Deposits | 21,33,953 | 49.3 | 27,16,084 | 51.8 |
| 4. Borrowings | 3,02,629 | 7.0 | 3,23,184 | 6.2 |
| 5. Other Liabilities and Provisions | 3,87,987 | 9.0 | 4,86,685 | 9.3 |
| **Total Liabilities/Assets** | **43,26,166** | **100** | **52,41,330** | **100** |
| 1. Cash and Balances with RBI | 3,22,971 | 7.5 | 2,97,263 | 5.7 |
| 2. Balances with Banks and Money at Call and Short Notice | 1,09,109 | 2.5 | 1,98,581 | 3.8 |
| 3. Investments | 11,77,329 | 27.2 | 14,49,474 | 27.7 |
| 3.1 Government Securities (a+b) | 9,25,723 | 21.4 | 11,64,444 | 22.2 |
| a) In India | 9,20,165 | 21.3 | 11,58,714 | 22.1 |
| b) Outside India | 5,558 | 0.1 | 5,730 | 0.1 |
| 3.2 Other Approved Securities | 10,587 | 0.2 | 8,153 | 0.2 |
| 3.3 Non-Approved Securities | 2,41,017 | 5.6 | 2,76,876 | 5.3 |
| 4. Loans and Advances | 24,76,936 | 57.3 | 30,00,906 | 57.3 |
| 4.1 Bills purchased and Discounted | 1,50,988 | 3.5 | 1,73,910 | 3.3 |
| 4.2 Cash Credits, Overdrafts, *etc.* | 8,88,882 | 20.5 | 11,13,556 | 21.2 |
| 4.3 Term Loans | 14,37,065 | 33.2 | 17,13,439 | 32.7 |
| 5. Fixed Assets | 42,394 | 1.0 | 48,361 | 0.9 |
| 6. Other Assets | 1,97,425 | 4.6 | 2,46,743 | 4.7 |

**Note:** Data for 2007-08 are as reported in the balance sheets of banks for 2008-09 and hence may not match with those reported in the *Report on Trend and Progress of Banking in India, 2007-08*, as the figures for 2007-08 were revised by some banks.

***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**Priority Sector Lending**

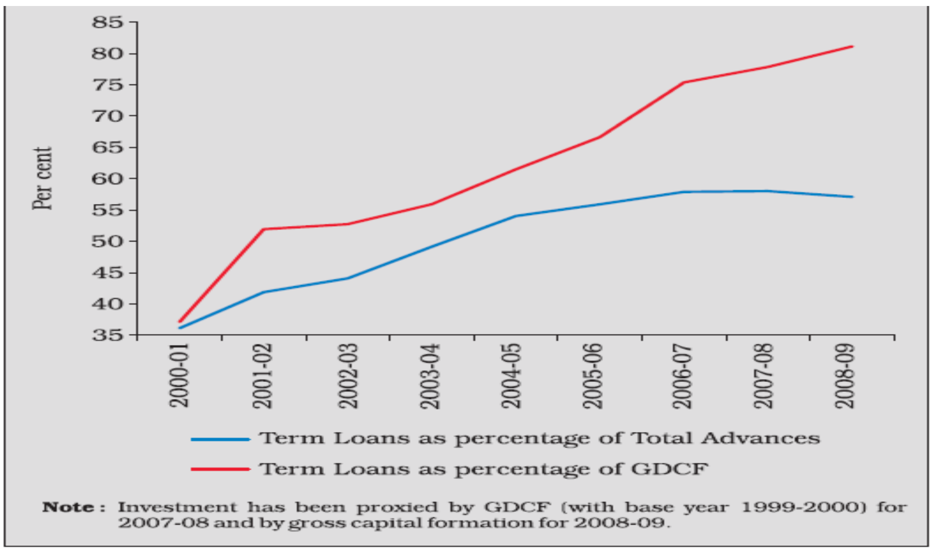
The Reserve Bank has taken several initiatives in recent years to enhance the credit flow to the sectors considered to be constrained by the inadequate credit availability. The priority sector definition was modified from time to time to take into account the structural changes in the economy. As per the revised guidelines, the priority sector broadly comprises agriculture, small enterprises sector, micro credit, education and housing.

The outstanding priority sector advances of public sector banks increased by 18.0% during 2008-09 as compared to 17.1% during 2007-08 and formed 42.5% of Adjusted Net Bank Credit ("ANBC"). Similarly, in the case of private sector banks, the priority sector advances increased by 15.9% during 2008-09 as compared to 13.5% during the last year and formed 46.8% of ANBC. It is noteworthy that this increase in priority sector lending at an accelerated pace has come against the backdrop of general slowdown in the economy and a decelerating in total bank credit. In contrast to the trend witnessed in the case of public sector banks and private sector banks, growth rate of lending to the priority sector by foreign banks decelerated to 10.4% as of March 30, 2009, as compared to 32.8% last year. Advances to micro and small enterprises sector by Public Sector Banks has increased from Rs. 1, 51,137 crore in 2007-08 to approximately Rs. 1,91,307 crore in 2008-09. In case of agriculture, the advances by public sector banks have grown from Rs. 2,49,397 crore in 2007-08 to approximately Rs. 2,98,211 crore in 2008-09.

**Bank Credit**

The growth rate of loans and advances of SCBs, which was as high as 33.2% as of March 31, 2005 has been witnessing a slowdown since then. In continuation of the trend, the growth rate of aggregate loans and advances of SCBs decelerated to 21.2% as of March 31, 2009 from 25.0% in the previous year. Apart from cyclical factors which lead to slowdown in growth after a period of high credit growth, the deceleration was accentuated this year due to the overall slowdown in the economy in the aftermath of global financial turmoil. Notwithstanding the deceleration in growth of the term loans, their share in investment in the economy increased to 81.0 % in the Fiscal 2009 from 77.8 % in the previous year.

***Term Loan and Investments***

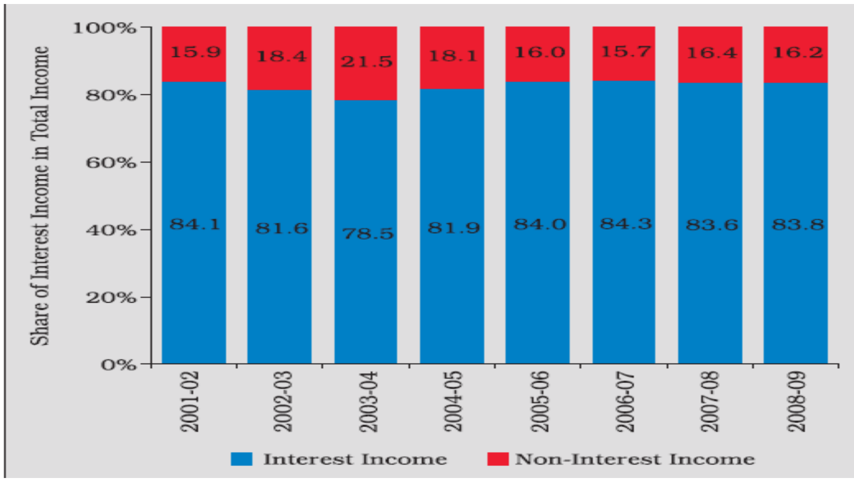



***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**Income**

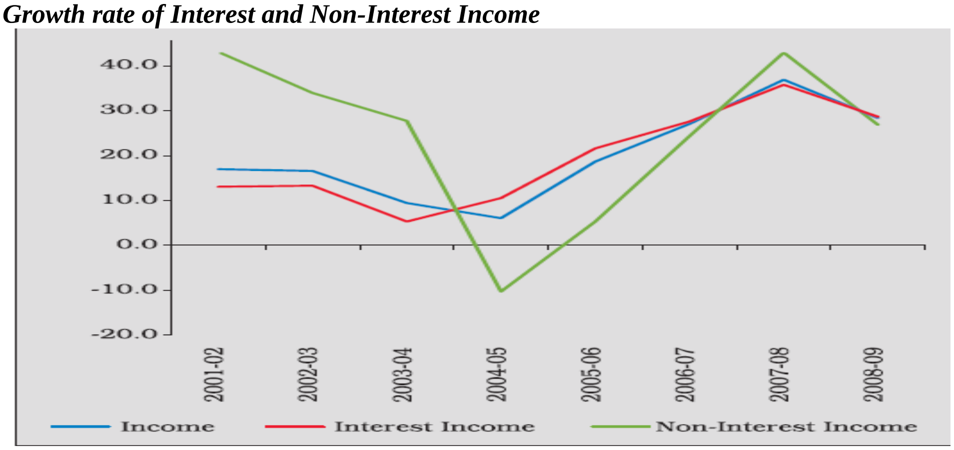
Growth of income of SCBs during the Fiscal 2009 decelerated to 25.7% from 34.3% in the previous year, but was higher than the growth rate of 24.4% in the Fiscal 2007. The income to assets ratio improved marginally to 8.8% from 8.5% last year. Reflecting the lower lending rates, growth of interest income of SCBs as of March 31, 2009 decelerated to 26.0% as compared with 33.2% in the previous year. The share of non-interest income in total income was gradually increasing during the period 2002-2004 but declined in the subsequent period i.e. 2005-07. For the last two years however this share is again witnessing a rise, with a corresponding decline in share of interest income. The non-interest income witnessed acceleration at a higher pace as compared to the growth rate of both the interest income as well as total income during the period 2004-05 to 2007-08. In a reversal of this trend, the deceleration in growth of non-interest income during 2008-09 was much sharper than that of the other two series.

***Share of Interest and Non Interest income of SCBs***




***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

***Growth rate of Interest and Non-Interest Income***




***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**Interest Rate Margins**

Deposit and lending rates of SCBs across various bank groups showed a generally upward movement during the first half of the year 2008-09. Subsequent to the Reserve Bank's monetary policy announcements, the SCBs reduced their deposit and lending rates in the second half of 2008-09. In the first half of 2009-10, (upto September 11, 2009), the deposit and lending rates of SCBs have declined further. From the year ending 2008-09 till the first half of 2009-10, (upto September 11, 2009), the public sector banks reduced the maximum rate on term deposits of all maturities (100 to 175 basis points). For the corresponding period, the private sector banks reduced the maximum rate on term deposits of all maturities (150 to 225 basis points).

***Movements in Deposit and Lending Interest Rates***

(Per cent)

| Interest Rates | March 2007 | March 2008 | October 2008 | March 2009 | June 2009 | Sept. 2009** |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| **Term Deposit Rates** | | | | | | |
| **Public Sector Banks** | | | | | | |
| a) Up to 1 year | 2.75-8.75 | 2.75-8.50 | 2.75-10.25 | 2.75-8.25 | 1.00-7.00 | 1.00-6.75 |
| b) 1 year up to 3 years | 7.25-9.50 | 8.25-9.25 | 9.50-10.75 | 8.00-9.25 | 6.50-8.00 | 6.50-7.50 |
| c) Over 3 years | 7.50-9.50 | 8.00-9.00 | 8.50-9.75 | 7.50-9.00 | 6.75-8.50 | 6.50-8.00 |
| **Private Sector Banks** | | | | | | |
| a) Up to 1 year | 3.00-9.00 | 2.50-9.25 | 3.00-10.50 | 3.00-8.75 | 2.00-7.50 | 2.00-7.00 |
| b) 1 year up to 3 years | 6.75-9.75 | 7.25-9.25 | 9.00-11.00 | 7.50-10.25 | 6.00-8.75 | 5.25-8.00 |
| c) Over 3 years | 7.75-9.60 | 7.25-9.75 | 8.25-11.00 | 7.50-9.75 | 6.00-9.00 | 5.75-8.25 |
| **Foreign Banks** | | | | | | |
| a) Up to 1 year | 3.00-9.50 | 2.25-9.25 | 3.50-10.75 | 2.50-8.50 | 1.80-8.00 | 1.25-8.00 |
| b) 1 year up to 3 years | 3.50-9.50 | 3.50-9.75 | 3.50-11.25 | 2.50-9.50 | 2.25-8.50 | 2.25-8.50 |
| c) Over 3 years | 4.05-9.50 | 3.60-9.50 | 3.60-11.00 | 2.50-10.00 | 2.25-9.50 | 2.25-8.50 |
| **BPLR** | | | | | | |
| Public Sector Banks | 12.25-12.75 | 12.25-13.50 | 13.75-14.75 | 11.50-14.00 | 11.00-13.50 | 11.00-13.50 |
| Private Sector Banks | 12.00-16.50 | 13.00-16.50 | 13.75-17.75 | 12.75-16.75 | 12.50-16.75 | 12.50-16.70 |
| Foreign Banks | 10.00-15.50 | 10.00-15.50 | 10.00-17.00 | 10.00-17.00 | 10.50-16.00 | 10.50-16.00 |
| **Actual Lending Rates*** | | | | | | |
| Public Sector Banks | 4.00-17.00 | 4.00-17.75 | – | 3.50-18.00 | 3.50-17.50 | – |
| Private Sector Banks | 3.15-25.50 | 4.00-24.00 | – | 4.75-26.00 | 4.10-26.00 | – |
| Foreign Banks | 5.00-26.50 | 5.00-28.00 | – | 5.00-25.50 | 2.76-25.50 | – |

– : Not Available.

* : Interest rate on non-export demand and term loans above Rs.2 lakh excluding lending rates at the extreme five per cent on both sides.

** : As on September 11, 2009

**Source:** Special Fortnightly (VI-B, VI-AB) / Quarterly (VI-AC) Returns received from banks.

***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**Deposits**

The growth rate of aggregate deposits of SCBs decelerated to 22.4% as of March 31 2009 from 23.1 % as of March 31 2008 and that of 24.6 % in the previous year. The importance of Certificates of Deposit (CDs) as means of raising resources continued during Fiscal 2009, albeit with some deceleration in growth rate. CDs outstanding as percentage of aggregate deposits stood at 4.7 %.

In terms of bank's group wise share in deposits, the public sector banks not only continued to be the leaders, their share also increased, while that of other bank groups witnessed a decline. The current account and saving account (CASA) deposits are an important source of raising resources at a lower rate for the banks. Recently however, the growth rate of CASA deposits has decelerated and their share in total deposits has also declined, posing a challenge for the banking sector.

*Bank Group wise share of CASA deposits in total deposits*

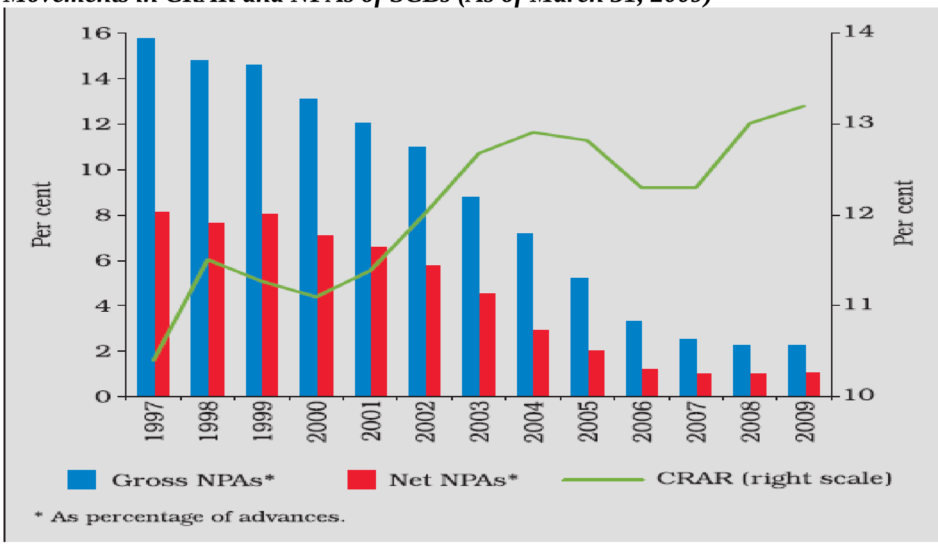
| | | | | |
|---|---|---|---|---|
| | | | | (per cent) |
| | End-March | | | |
| Bank Groups | 2006 | 2007 | 2008 | 2009 |
| 1 | 2 | 3 | 4 | 5 |
| State Bank of India & its associates | 43.4 | 42.9 | 42.0 | 38.6 |
| Nationalised Banks | 38.2 | 35.4 | 33.0 | 29.9 |
| Private Banks | 30.4 | 29.8 | 32.8 | 32.9 |
| Foreign Banks | 50.5 | 45.1 | 44.7 | 41.7 |
| **All Scheduled Commercial Banks** | **38.6** | **36.6** | **35.7** | **33.2** |

***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**CRAR & NPAs**

A sound and efficient banking system is a sine qua non for maintaining financial stability. Therefore, considerable emphasis has been placed on strengthening the capital requirements in recent years. The capital to risk-weighted assets ratio (CRAR) of Schedule Commercial Banks (SCBs), a measure of the capacity of the banking system to absorb unexpected losses, improved further to 13.2% at March 31, 2009 from 13.0% at March 31, 2008. Asset quality of SCBs also improved consistently in the past few years as reflected in the decline in nonperforming assets (NPAs) as percentage of total advances. The gross NPAs to gross advances ratio for SCBs remained constant at 2.3%. The gross NPA to gross advances ratio of public sector banks declined but that of private and foreign banks increased. The net NPA ratio (net NPAs as percentage of net advances) increased marginally in case of SCBs.

***Movements in CRAR and NPAs of SCBs (As of March 31, 2009)***




***Source: RBI's Report of Trend and Progress of Banking in India 2008-09***

**Banking Sector Reform**

Most large banks in India were nationalized in 1969 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, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or SLR bonds to fulfill statutory liquidity requirements.

As a result, bank profitability was low, impaired 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 (The 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 organizational issues, accounting practices and operating procedures, were implemented by the Government of India. The major recommendations that were implemented included the following:

- with fiscal stabilization 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;
- similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with RBI was reduced from 15.0% in the pre-reform period to low of 4.5%. Cash Reserve Ratio has since been increased to 6.5%.
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits;
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs. 21750 crore. The stronger public sector banks were given permission to issue equity to further increase capital

**Committee on Banking Sector Reform (Narasimham Committee II)**

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

**Basel II Framework**

During 2007-08, significant progress was made towards implementation of the 'New Capital Adequacy Framework (Basel II) evolved by the Basel Committee on Banking Supervision (BCBS). Foreign banks operating in India and Indian banks having operational presence outside India migrated to the revised framework from March 31, 2008. While all other commercial banks, except RRBs and local area banks, are required to migrate to these approaches not later than March 31, 2009. Banks are required to maintain a minimum capital to risk-weighted assets ratio (CRAR) of 9.0% on an ongoing basis.

The Basel II Framework has three Pillars. The Pillar 1 is the minimum capital requirements while the Pillar 2 and Pillar 3 relate to the supervisory review process (SRP) and market discipline, respectively. The Pillar 2 of the framework makes the Basel II much more comprehensive in its coverage of the universe of various risks to which the banks are exposed vis-à-vis the Basel I Framework of 1988, which addressed only the credit risk and market risk. While the guidelines on Pillar 1 and Pillar 3 were issued by the Reserve Bank in April 2007, the guidelines regarding the Pillar 2, comprising the SRP and internal capital adequacy assessment process (ICAAP), were issued in March, 2008. While the basic elements of Basel II framework have been put in place, the banks and the supervisors need to build in capabilities for adoption of advanced approaches under Basel II.

**Basel II norms**

Implementation of the ‘New Capital Adequacy Framework’ was undertaken in March 2008. The amendments, inter alia, included the following:

- Investment in Central/ State Government securities, other direct loan/credit/overdraft exposures, if any, by banks to the Central/State Governments would attract zero risk weight for credit risk.
- The counterparty exposure in respect of the personal loans secured by gold and gold jewellery could be worked out under the comprehensive approach treating the gold as the risk mitigant.
- In respect of application of haircut on the exposure, it was clarified that since the purpose was to capture market volatility inherent in the value of exposures, and the exposures acquired by way of loan disbursal/investment would be a ‘cash transaction’, the haircut need not be applied on the same. The banks were, however, advised that they need to make upward adjustment in respect of exposures arising out of repo style transactions, as the value of the securities sold/lent/pledged in the repo transactions would be subject to market volatility and attract the haircut.
- Banks could recognise the collaterals by way of deposits held with them, even if the tenor of such deposits was less than three months or there was a maturity mismatch of deposits vis-à-vis the exposures, provided explicit consent of the depositor was obtained for adjusting the maturity proceeds of such deposits against the outstanding loan or for renewal of such deposits till the full repayment of the underlying loan.
- Banks were advised to calculate the capital charge for equities based on their current market value in bank’s trading book.
- In respect of exposures against non-scheduled banks, risk weights ranging from 100% to 625%, linked to their level of CRAR were prescribed. In case of banks where no capital adequacy norms were prescribed by the Reserve Bank, the banks were advised to calculate the CRAR notionally, by obtaining the necessary information from the investee banks, using the capital adequacy norms as applicable to the commercial banks.
- In view of the excessive volatility in the stock market across the world, the equities were removed from the list of eligible financial collaterals.
- Standard supervisory haircut for exposures and collaterals, which are obligations of foreign central sovereigns/corporates were provided.
- Banks were also advised of the capital adequacy framework applicable for repo/reverse repo style transaction.
- Detailed guidelines were incorporated for measuring the capital charge for interest rate risk (specific risk) in debt securities and other interest rate related instruments in the available for sale (AFS) and held for trading (HFT) categories.

Apart from investment in State Government securities, other direct loan/credit/overdraft exposures, if any, by banks to the State Government, the following are the risk weight applicable to other domestic sovereigns:

- Both fund based and non-fund based claims on the central government will attract a zero risk weight. Central Government guaranteed claims will also attract a zero risk weight.
- The risk weight applicable to claims on central government exposures will also apply to the claims on the RBI, DICGC and Credit Guarantee Fund Trust for Small Industries (CGTSI). The claims on ECGC and State guaranteed claims will attract a risk weight of 20.0%.
- The above risk weights for both direct claims and guaranteed claims will be applicable as long as they are classified as ‘standard’ / performing assets. Where these sovereign exposures are classified as non-performing, they would attract risk weight as applicable to NPAs.
- The amount outstanding in the account styled as ‘Amount receivable from Government of India under the Agricultural Debt Waiver Scheme, 2008’ shall be treated as a claim on the Government of India and would attract zero risk weight for the purpose of capital adequacy norms.

**Financial Sector Technology Vision**

IT usage by banks in India has come of age. The financial sector of the country has become more IT savvy and the Banking sector in particular is one of the largest users of IT and IT enabled services.

Information Technology (IT) continues to be the single largest facilitating force behind the successful transformation of transactions and analytical processing of banking business in the country. Developments which have taken place during the last few years all have IT as the pivotal centre-point. Since the launch of the Financial Sector Technology (FST) Vision in July, 2005, there have been significant changes in the banking sector of the country, as far as IT implementation is concerned. Some of the major developments which have taken place since then are as follows:

- The introduction of Core Banking Systems (CBS) which was at its nascent stages has become full blown and all banks are at varying stages of implementation of Core Banking Systems in their branches. It has resulted - as a natural offshoot - in the computerization and networking of branches of banks in a larger scale since these are essential pre-requisites for the implementation of Core Banking. There has been an explosive growth in the use of payment and settlement systems for funds transfers, with a substantial value of funds getting settled using electronic means, implying the commencement of a gradual shift away from traditional paper based transaction flows.

- One of the major developments during the period was the introduction of new delivery channels for customers, by banks. Internet Banking, Mobile Banking, Mobile Automated Teller Machines (ATMs), multi-functional ATMs, shared ATM services, large scale usage of Real Time Gross Settlement (RTGS) for quick, immediate funds transfer and smart card based cards as part of initiatives aimed at Financial Inclusion are some of the landmark developments aimed at improving customer service facilitation using innovative systems.

***Third Quarter review of the Monetary Policy 2009 - 2010***

In its third quarter review of the Monetary Policy 2009-10 announced on January 29, 2010, the RBI has decided to:

- Increase the CRR of scheduled banks by 75 basis points in two stages from 5.0 percent to 5.75 percent of their net demand and time liabilities. As a result of the CRR increase, about 36,000 crore of excess liquidity will be absorbed from the system.
- Retain the bank rate at 6.0%
- Retain both the repo rate and the reverse repo rate under the Liquidity Adjustment Facility ("**LAF**") at 4.75% and 3.25% respectively

## OUR BUSINESS

*The financial figures used in this section, unless otherwise stated, have been derived from the Bank's restated financial statements and audit reports for the relevant years and the Bank's reporting to the RBI.*

### OVERVIEW

We are a public sector banking institution with branches in 28 States and in 4 Union Territories in India. As of January 31, 2010, we had 1,505 branches, 270 ATMs, 28 regional offices, 10 extension counters and 1 representative office in Dhaka, Bangladesh. As of January 31, 2010, we had a workforce of 16,768 employees (including part-time employees).

United Bank of India is one of the 14 banks which were nationalised on July 19, 1969. On October 12, 1950, the name of Bengal Central Bank Limited (established in 1918 as Bengal Central Loan Company Limited) was changed to United Bank of India Limited for the purpose of amalgamation and on December 18, 1950, Comilla Banking Corporation Limited (established in 1914), the Comilla Union Bank Limited (established in 1922), the Hooghly Bank (established 1932) stood amalgamated with the Bank. Subsequently, other banks namely, Cuttack Bank Limited, Tezpur Industrial Bank Limited, Hindusthan Mercantile Bank Limited and Narang Bank of India Limited were merged with the Bank.

In Fiscal 2009, we made a net profit of Rs. 358.55 crore and had net assets of Rs. 61,500.78 crore and net worth of Rs. 2,537.83 crore. As of September 30, 2009, we made a net profit of Rs. 231.10 crore and had net assets of Rs. 71,952.25 crore and net worth of Rs. 2,769.87 crore. We have experienced growth in deposits and advances, with deposits growing at a compounded annual rate of 21.1% during the last five fiscal years and net advances growing at a compounded annual rate of 32.8% during the same period. Total buisness of the Bank for second quarter of the FY 2010 was Rs.1,05,959 crore.

The Bank is currently wholly-owned by the Government of India.

Our business is principally divided into retail banking, corporate / wholesale banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance and mutual fund distribution, pension and tax collection services.

Our retail banking business provides financial products and services to our retail customers. We provide loans and advances for housing, trade, automobiles, consumer durables, education, personal loans and other retail products. We have various deposit products, such as current, savings and term deposits for our customers.

We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. Our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letter of credit and letter of guarantee.

We offer direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. As per RBI guidelines, we are required to lend at least 40% of our adjusted net bank credit or credit equivalent to off balance sheet exposure, whichever is higher to the priority sector, including atleast 18% to the agriculture sector. In consonance with national policies and priorities, we have given considerable thrust to lending to the priority sector, including the agriculture sector.

We also offer a wide range of general banking services to our customers including debit cards, cash management, remittance services and collection services. We distribute third party products such as life and non-life insurance policies and mutual funds on an agency basis. In addition, we act as an agent for various state governments and the Government of India on numerous matters including the collection of taxes and payment of salary and pension.

We deliver our products and services through our branches, extension counters, ATMs, internet banking and tele-banking. As of January 31, 2010, our domestic branch network of 1,505 branches comprised 622 rural, 262 semi-urban, 333 urban and 288 metropolitan branches.

As of September 30, 2009, the Core Banking Solution ("**CBS**"), which is a suite of software applications that facilitate centralised operations through a single data base, has been implemented in all of our branches and extension counters, covering 100% of our business.

The following table sets forth the geographic distribution of our business activities in recent periods:

| | As of March 31, 2007 | | | As of March 31, 2008 | | | As of March 31, 2009 | | | As of September 30, 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Geographic Distribution | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) | Number of Branches | Deposits (Rs. in crore) | Advances (Rs. in crore) |
| Central | 50 | 1,288.88 | 422.91 | 73 | 1,669.96 | 642.78 | 86 | 1,710.38 | 829.84 | 86 | 1,939.67 | 996.62 |
| Eastern | 903 | 23,511.39 | 10,759.51 | 924 | 29,911.20 | 12,744.13 | 935 | 35,287.68 | 13,536.28 | 936 | 43,644.19 | 14,686.20 |
| North Eastern | 247 | 5,268.65 | 1,513.84 | 249 | 6,206.85 | 1,895.83 | 250 | 7,504.12 | 1,849.20 | 250 | 8,075.32 | 2,170.64 |
| Northern | 45 | 3,095.60 | 4,118.45 | 62 | 4,419.90 | 4,303.38 | 68 | 5,511.21 | 6,669.97 | 68 | 5,908.99 | 8,679.25 |
| Southern | 37 | 1,316.05 | 2,363.10 | 45 | 1,267.86 | 3,175.40 | 56 | 1,695.16 | 4,090.39 | 57 | 1,742.09 | 4,578.85 |
| Western | 43 | 2.686.10 | 3,462.64 | 48 | 3,494.95 | 5,390.16 | 56 | 2,827.35 | 8,752.56 | 56 | 3,429.29 | 10,107.56 |
| **Total** | **1325** | **37,166.67** | **22,640.45** | **1,401** | **46,970.72** | **28,151.68** | **1451** | **54,535.90** | **35,728.24** | **1453** | **64,739.55** | **41,219.12** |

We sponsor 4 Regional Rural Banks ("RRBs") in collaboration with the Central Government and the state governments of West Bengal, Assam, Manipur and Tripura. For more information on our sponsored RRBs, see the section titled "Our Promoter and Associates" on page 196 of this Red Herring Prospectus.

**AWARDS AND ACHIVEMENTS**

Recently, we have been felicitated with the following awards:

- National Award (2006) for the second best performance in financing small scale units by Ministry of Small Scale Industries, Government of India on October 7, 2006.

- Golden Jubilee Award (2007) for the best bank in north east zone for excellence in the field of khadi and village industries from the Ministry of Micro, Small & Medium Enterprise ("MSME"), Government of India on November 20, 2007.

- Golden Jubilee Award (2007) for the best bank in east zone for excellence in the field of khadi and village industries from MSME, Government of India on November 20, 2007

- National Award (2008) for the best bank for excellence in field of Khadi and village industries for east and north east zones from MSME, Government of India on August 30, 2008.

- National Award (2009) under Prime Minister Employment Guarantee Programme in north east zone from the Ministry of MSME, Government of India on August 28, 2009.

**COMPETITIVE STRENGTHS**

We believe that our success can be attributed to a combination of the following competitive strengths:

***Wide Distribution Network***

We have a pan India presence through 1,505 branches and 270 ATMs in 28 States and in 4 Union Territories in India as of January 31, 2010 and 1 representative office in Dhaka, Bangladesh. In particular, we have a large presence in eastern and north eastern regions with 973 and 258 branches respectively. Multiple delivery channels and large distribution infrastructure has resulted in giving us access to a large customer base spread across India particularly in eastern and north eastern regions.

***High Current and Saving Account (CASA) Deposits***

We have traditionally maintained high CASA deposits because of our large retail customer base spread across India particularly in eastern and north eastern regions. As of September 30, 2009, our share of CASA deposits was at 33.96% of total deposits, out of which saving deposits which are less volatile accounted for 26.41% of total deposits while current deposits accounted for 7.55% of total deposits. This provides us with significant cost advantages over our peers. According to RBI's report on 'profile of banks' (2008-2009), our cost of funds for Fiscal 2009 was 5.78%, which was lower than the average cost of funds of nationalised banks (6.18%) and all banks in India (6.05%) for the same period.

***We have implemented Core Banking Solution (CBS) in all of our branches***

We have implemented CBS in all of our branches, covering 100% of our business to facilitate centralised operations through a central data base. This has enabled us to introduce new product and service offering to our customers including internet banking, multi city cheque facility and multi branch banking. We have a Disaster Recovery Centre at Vashi, Mumbai which replicates all data on a real time basis for most critical applications.

***Disciplined risk management and robust controls, policies and procedures***

We have a separate risk management department to ensure that the business conducted within each division is consistent with the risk appetite of the Bank and to formulate and implement risk management policies, procedures and methodologies that are appropriate to the businesses within each division. We are periodically conducting audits to ensure that the risks on the portfolios are within the acceptable parameters. Our internal control system, which includes macro level portfolio analysis, migration of credit rating analysis and stress testing analysis is in place to continuously monitor our portfolios.

**BUSINESS STRATEGIES**

The main elements of our strategies are set forth below:

***Accelerate growth in loans and advances to the retail and corporate sectors.***

We plan to increase our credit portfolio by focusing on increasing our loans and advances to the corporate and retail sectors.

Although we have experienced significant growth in our loans and advances to the corporate sector over the last two fiscal years, with growth of 20.18% and 36.32% in Fiscal 2008 and Fiscal 2009, respectively, our aim is to continue growing our loans and advances by expanding our relationship with large corporates and large public sector organizations and by increasing our funding for infrastructure sector. A number of corporate houses in India have long standing banking relations with us. We propose to strengthen our relationship with these corporates by giving them various facilities at competitive terms and thereby expand our business growth. We also cater to some of the banking requirements of various public sector organizations. Our goal is to leverage these relationships for mutually beneficial business growth.

We have also identified the retail loan segment as a key area for increasing our credit portfolio. In Fiscal 2009, loans and advances to the retail sector (which includes housing loans) increased by 14.30% compared with a 7.42% increase in Fiscal 2008. However, as a share to our total (gross) loans and advances it represented 11.92% of our total outstanding loans as of March 31, 2009. Our aim is to substantially increase our loans and advances portfolio to the retail sector by simplifying our current processes, launching new products and services and developing our distribution channels. In addition, we plan to increase our portfolio of housing loans for which we have entered into tie-up agreements with Dewan Housing Finance Corporation Ltd. on August 22, 2009.

***Grow our pan India presence***

As of January 31, 2010, we had 1,505 branches out of which 973 and 258 were located in eastern and north eastern part of India respectively. We want to grow our pan India presence by opening new branches to develop and grow throughout the country.

***Reduce our gross NPA levels and to prevent slippages***

The reduction and recovery of impaired assets is our key focus area. The share of gross NPAs as a percentage of total advances declined from 4.66% as of March 31, 2006 to 2.86% as of March 31, 2009. Our strategies for reducing NPAs include improving the quality of credit by ensuring that our well documented loan sanction policies and procedures are complied with and by actively monitoring our loan accounts (particularly Special Mention Accounts (SMA)) and reassessing their credit ratings at least once a year or more frequently, if required. We organise recovery camps with the assistance of government to increase recovery of loans made under government sponsored schemes and other loans in priority sector to reduce our NPAs.

***Emphasize Risk Management Practices***

We believe that risk management policies, processes and controls are critical for long term sustainable competitive advantages in our business. Our risk management department is taking steps for establishing and implementing company-wide risk management policies, with a focus on enhancing asset quality. We continue to build on our credit risk management procedures, credit evaluation and rating methodology, credit risk pricing models, proprietary analysis and monitoring and control mechanisms. We seek to control credit risk in the retail loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection systems.

***Continue to develop our technological capabilities***

The development of efficient means of reaching customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth. To achieve this, we have taken initiatives including 100% implementation of the Core Banking Solutions through our wide area network, increasing the number of ATMs and developing alternate delivery channels (e.g., internet banking and tele-banking). All of our technology initiatives are aimed at enhancing value, offering customer convenience and improving service levels while optimizing costs. We expect to continue with our policy of making investments in technology to achieve a significant competitive advantage. The key objectives behind our information technology strategy continue to be:

- building a cost-efficient distribution network to accelerate the development of our retail and rural franchise;
- enhancing cross selling and client segmenting capability by using analytical tools and efficient data storage and retrieval systems;
- improving credit risk and market risk management;
- improving product and client profitability analysis; and
- leveraging our technology competencies and cost efficiencies.

***Maintain and enhance our franchise in the Micro and Small Enterprise ("MSE") Sector***

We have introduced products in MSE sector, which provide our customers with convenient and assured financing. For more information, please see the section titled "Business – Micro and Small Enterprise Sector" on page 108 of this Red Herring Prospectus. We intend to focus on giving loans to MSEs to facilitate their establishment, expansion and modernization of businesses. We have identified and created a separate business segment for MSEs to improve lending to this segment. We have installed a dedicated toll free telephone connection at our head office to address all queries of entrepreneurs in the MSE sector. We have set up a MSE care centre at all of our regional offices to improve lending and to redress the grievances of our customers under this sector. We have entered into a tie up arrangement with National Small Industries Corporation Ltd. (NSIC) to finance the MSE loan proposals sponsored by them. We are a Member Lending Institution(MLI) of Credit Guarantee  Fund Trust of Micro and Small Enterprises (CGTMSE) to extend collateral free loan to micro and small enterprises up to Rs.1.00 crore.

**Attract and Retain Talented Professionals**

We believe a key to our success will be our ability to continue to maintain and grow a pool of experienced professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Recruitment is a key management activity and we continue to attract graduates from the premier Indian business schools as well as employees with other professional qualifications. Recruitment and assimilation of talented professionals from other organizations is a key element of our strategy. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment.

**LENDING OPERATIONS**

We had total (gross) outstanding loans of Rs. 41,219.12 crore as of September 30, 2009. As of March 31, 2009, we had outstanding total (gross) loans amounting to Rs. 35,728.24 crore an increase of 26.91% compared with Rs. 28,151.68 crore as of March 31, 2008.

The following table presents our outstanding loans by business sector and the proportion of these loans to our outstanding total loans as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

**(Rs. in Crore)**

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| Retail | 3,469.72 | 15.33 | 3,727.22 | 13.24 | 4,260.36 | 11.92 | 4,818.16 | 11.69 |
| Corporate | 13,032.09 | 57.56 | 15,661.44 | 55.63 | 21,349.41 | 59.76 | 23,583.49 | 57.21 |
| Others (including priority sector) | 6,138.64 | 27.11 | 8,763.02 | 31.13 | 10,118.47 | 28.32 | 12,817.47 | 31.10 |
| **Total Outstanding Loans** | **22,640.45** | **100.00** | **28,151.68** | **100.00** | **35,728.24** | **100.00** | **41,219.12** | **100.00** |

The table below sets forth our loans and advances by product type and as a percentage of total advances as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| **Product Type** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** |
| Term Loans | 13,983.65 | 61.76 | 19200.56 | 68.20 | 25991.64 | 72.80 | 30,648.08 | 74.35 |
| Cash Credit/Overdraft and others | 7,670.84 | 33.88 | 7,848.00 | 27.88 | 8,320.87 | 23.24 | 9,070.04 | 22.00 |
| FCNR (B) Loan | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Export Credit | 556.36 | 2.46 | 441.10 | 1.57 | 567.33 | 1.58 | 599.71 | 1.45 |
| Bills Purchases / Bills discounted | 429.60 | 1.90 | 662.02 | 2.35 | 848.40 | 2.37 | 901.29 | 2.19 |
| **Total** | **22,640.45** | **100.00** | **28151.68** | **100.00** | **35,728.24** | **100.00** | **41,219.12** | **100.00** |

**DEPOSITS**

Our deposits are broadly classified into current (also known as demand) deposits, savings deposits and term deposits, which are briefly discussed as under:

- Current deposits are non-interest bearing deposits;
- Savings deposits are deposits that accrue interest at a fixed rate set by the RBI (currently 3.5%) and upon which cheques can be drawn;
- Term deposits are deposits on which interest is paid, either on maturity or at stipulated intervals depending upon the deposit schemes under which money is placed. Term deposits are classified as:
  - Retail term deposit, where amount of deposit is below Rs. 1 crore; and
  - Bulk term deposit, where amount of deposit is Rs. 1 crore and above.

  Term deposits mainly include:

  - Term deposits on which a fixed rate of interest is paid at fixed, regular intervals;
  - Re-investment deposits, under which the interest is compounded quarterly and paid on maturity, along with the principal amount of the deposit; and
  - Recurring deposits, under which a fixed amount is deposited at regular intervals for a fixed term and the repayment of principal and interest is made at the end of the term.

The average cost (interest expense divided by average of fortnightly balances) of savings deposits was 3.15% as of September 30, 2009, 3.18% in Fiscal 2007, 3.12% in Fiscal 2008 and 3.22% in Fiscal 2009. The average cost of term deposits was 8.13% as of September 30, 2009, 7.24% in Fiscal 2007, 8.85% in Fiscal 2008 and 8.93% in Fiscal 2009. The average cost of total deposits was 6.47% as of September 30, 2009, 5.17% in Fiscal 2007, 6.36% in Fiscal 2008 and 6.52% in Fiscal 2009. Current 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:

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** |
| **Current deposits (A)** | **3,954.11** | **10.64%** | **5,075.69** | **10.81%** | **5,395.35** | **9.89%** | **4,890.99** | **7.55%** |
| -From banks | 177.83 | 0.48% | 221.61 | 0.47% | 307.36 | 0.56% | 319.05 | 0.49% |
| -From others | 3,776.28 | 10.16% | 4,854.08 | 10.33% | 5,087.99 | 9.33% | 4,571.94 | 7.06% |
| **Savings deposits (B)** | **11,668.78** | **31.40%** | **13,039.61** | **27.76%** | **15,212.43** | **27.89%** | **17,098.84** | **26.42%** |
| **Term deposits (C)** | **21,543.77** | **57.97%** | **28,855.42** | **61.43%** | **33,928.13** | **62.21%** | **42,749.72** | **66.03%** |
| -From | 782.80 | 2.11% | 829.84 | 1.77% | 1,513.05 | 2.77% | 1,812.84 | 2.80% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| banks | | | | | | | | |
| -From others | 20,760.97 | 55.86% | 28,025.58 | 59.67% | 32,415.07 | 59.44% | 40,936.88 | 63.23% |
| **Total deposits A+B+C** | **37,166.66** | **100.00%** | **46,970.72** | **100.00 %** | **54,535.90** | **100.00%** | **64,739.55** | **100.00%** |

**CORPORATE BANKING**

Our products for corporate customers include term loans and advances for the creation or improvement of assets and also working capital funding. We also provide finance to corporates through the syndication of loans done by various financial institutions. We also offer fee-based services, such as cash management and remittance services.

In order to give focused attention to corporate clients and to reduce our response time to their loan applications, we have a specialised corporate business cell at our Head Office, Kolkata, which exclusively caters to the credit requirements of corporate clients over Rs. 50 crore through our corporate branches in Mumbai, Delhi, Hyderabad, Madras and Bhubaneswar.

We offer the following range of loan and advance products to assist our corporate customers in meeting their financial needs:

***Term Loans***

Our term loans primarily finance the creation and improvement of assets, including project finance. These loans are typically secured by the project assets and personal property financed, as well as by other assets of the borrower wherever required. Repayment is made in instalments over the loan period with a moratorium on a case to case basis depending on the nature of the respective term loan.

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

Cash credit facilities are the most common form of working capital financing in India. We offer revolving credit facilities secured by working capital assets, such as inventory and receivables. We may take additional security in the form of lien on fixed assets on an exclusive or pari passu basis, including mortgages of immovable property, pledges or hypothecation of marketable securities and personal guarantees. We also provide overdrafts, working capital demand loans, working capital term loans and bill discounting facilities to our corporate borrowers.

***Foreign Currency Loans***

We provide loan facilities in foreign currencies to our customers. Foreign currency-denominated loans in India are granted out of the Bank's FCNR (B) funds or borrowing from the inter-bank markets pursuant to RBI guidelines.

***Export Credit***

We offer both pre and post-shipment credit to Indian exporters through Rupee denominated loans as well as foreign currency loans in India. Foreign currency loans are extended out of our FCNR (B) funds or funds borrowed from the inter-bank markets. We also have access to U.S. dollar denominated funds through syndicated loans and other foreign currency loans for the purposes of export credit in foreign currency.

***Import Finance***

We provide various types of credit facilities and other services to importers in their import business. The various facilities provided include collecting import bills, establishing import letters of credit, arranging short-term foreign currency loans through our correspondent banks and issuing guarantees on behalf of importers.

*Letters of Credit*

We provide letter of credit facilities, with our fee varying with the term of the facility and the amount of commitment. Letter of credit facilities are often partially or fully secured by assets, including cash deposits, documents of title to goods, stocks and receivables. These facilities are generally provided as part of a package of working capital financing products or term loans.

*Guarantees*

We issue guarantees on behalf of our customers to guarantee their financials, performance and bid bond obligations.

These are generally secured by account indemnities, counter guarantees and/or a fixed or floating charge on the assets of the borrower, including cash deposits.

**RETAIL BANKING**

Retail banking is one of our core business activities. We are focused on providing our retail customers with quick and convenient service. Our retail banking services include:

- Retail loans, including housing loans, education loans, car loans and personal loan schemes; and
- Debit card services.

**Loans and Advances**

We have identified the growth of our loans and advances to the retail sector as a priority initiative for the past few years. As of September 30, 2009, we had total (gross) outstanding retail loans of Rs. 4,816.12 crore which represented 11.69% of our total (gross) outstanding loans and advances as of that date. Our total (gross) outstanding retail loans were Rs. 4,260.36 crore as of March 31, 2009, compared with Rs. 3,727.22 crore as of March 31, 2008, which represented 11.92% and 13.24% of our total (gross) outstanding loans and advances as of March 31, 2009 and March 31, 2008 respectively.

The following table classifies our outstanding retail loans and advances as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| **Schemes** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** | **Amount outstanding in Rs. crore** | **% of total outstanding** |
| Housing Finance | 1418.57 | 40.88% | 1453.67 | 39.00% | 1591.42 | 37.35% | 1740.28 | 36.12% |
| Car Loan | 70.18 | 2.02% | 80.07 | 2.15% | 146.81 | 3.44% | 214.15 | 4.44% |
| Personal Loan | 384.46 | 11.08% | 425.11 | 11.41% | 548.24 | 12.87% | 774.35 | 16.07% |
| Education Loan | 224.99 | 6.48% | 276.84 | 7.43% | 335.07 | 7.86% | 378.57 | 7.86% |
| Others | 1371.52 | 39.54% | 1491.53 | 40.01% | 1638.82 | 38.48% | 1708.77 | 35.51% |
| **Total** | **3469.72** | **100.00%** | **3727.22** | **100.00%** | **4260.36** | **100.00%** | **4816.12** | **100.00%** |

We have introduced various retail products over the years to cater to the needs of the general public and to provide quick and easy access to us. The following is a brief description of our principal retail loan products and our other retail loan products:

**Housing Finance Scheme**

***United Housing Finance Scheme***

This scheme provides loan against mortgage of property to individuals for the construction of houses and flats, acquiring new or existing houses and flats and the repair, renovation or alteration of existing houses and flats. The maximum loan amount under this scheme is Rs. 50 lac, Rs. 40 lac, Rs. 25 lac and Rs. 15 lac for metropolitan, urban, semi-urban and rural locations respectively.

**Car Loan**

***United Car Loan Scheme***

This scheme provides loan up to Rs. 12 lac for new cars and Rs. 6 lac for used cars to salaried persons, professional and self employed having minimum net monthly income of Rs. 5000.

***United Car Loan Scheme for Pensioners***

This scheme provides loan up to Rs. 4 lac to pensioners drawing minimum monthly pension of Rs. 5000 from our branches.

**Personal Loan**

***United Personal Loan Scheme for Salaried Persons***

This scheme provides loan up to Rs. 3 lac to permanent employees of government, corporate houses and educational institutions who have been in employment for minimum 3 years.

***United Personal Loan Scheme for Pensioners***

This scheme provides loan up to Rs. 2 lac to certain categories of pensioners drawing pension from our branches.

**Education Loan**

***United Educational Loan Scheme***

This scheme provides loans to students for pursuing higher studies in India or abroad. The maximum loan amount under this scheme is Rs. 10 lac for pursuing higher studies in India and Rs. 20 lac for pursuing higher studies outside India.

***United Education Loan Scheme for Commercial Pilot***

This scheme provides loan up to Rs. 20 lac to students for pursuing commercial pilot training course in India or abroad.

***United Excel Education Loan Scheme***

This scheme provides loans up to Rs. 10 lac to students from certain business schools, medical colleges and engineering institutes in India for pursuing certain management, medical and technology courses.

**Others**

***United Consumer Loan Scheme***

This scheme provides loans up to Rs. 4 lac to salaried, professional and self employed persons having minimum net monthly income of Rs. 5000.

***United Cash Rental Scheme***

This scheme provides loan up to Rs. 10 crore (subject to maximum 85% of post-tax monthly rent) to individuals, firms, companies owning house, flat or warehouse which is let out or leased out to banks, insurance companies and multi-national companies.

***United Mortgage Loan***

This scheme provides loans up to Rs. 15 lac (subject to a maximum of 50% of value of property and 24 times of net monthly income) to individuals, firms and companies owning house, flat or commercial property. Also, under this scheme an overdraft facility maybe extended upto Rs. 25 lac to be utilised for business purposes.

***United Trade Credit Scheme***

This scheme provides loans up to Rs. 50 lac (subject to a maximum of 20% of the annual sales of preceding year) for working capital purposes in the form of Overdrafts or term loans to individuals, firms and companies having existing business and profits for the last two years.

***United Demand Loan Scheme***

This scheme provides loan in the form of Overdrafts or term loans to any legal entity up to 90% of Surrender Value (SV) of insurance policy, or 85% of maturity value of National Saving Certificate (NSC), Kisan Vikas Patra (KVP), or 95% of our term deposits.

***United Festival Loan Scheme***

This scheme provides loans up to Rs. 25,000 to persons who receive salary from government, premier educational institutions and corporates (which provide superannuation benefits to their employees).

**United Smart Loan Scheme**

This scheme provides loans up to Rs. 1 lac in the form of term loans or Overdrafts to existing housing loan borrowers having completed minimum two years of regular repayment and who according to us have a good repayment capacity, for the purchase of furniture, fixtures and interior decoration of the house.

***United Housing Loan Scheme for Pensioners***

This scheme provides loan up to Rs. 2 lac to certain categories of pensioners of drawing minimum monthly pension of Rs. 5000 from our branches, for the purpose of purchase, construction, repair of their house or securing shelter in any old age home.

***United Nari Samman Yojona***

This scheme provides loan up to Rs. 1 lac to working and self-employed women aged 18 years and above with minimum monthly salary of Rs.5,000 having two years of regular service, business or profession. Loan is provided for purchase of gold and consumer durables and secured by providing undertaking from the employer, or third party guarantee having sufficient net worth.

***Special Housing Loan Scheme for Slum Dwellers under BSUP / IHSDP***

Basic Service to the Urban Poor (BSUP) and Integrated Housing and Slum Development programme (IHSDP) scheme under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) were introduced for improvement of slums in the cities and towns. These schemes provide financial assistance to slum dwellers with a minimum annual family income of Rs. 24,000 for refurbishments or construction of housing units who do not possess adequate shelter and reside in dilapidated condition. The maximum loan amount under BSUP and IHSDP is Rs 20,000. Any loan provided under these schemes carries an interest rate of 4.00% per annum.

***United Reverse Mortgage Loan Scheme***

This scheme provides loan up to Rs. 50 lac to senior citizens and married couples who own residential property.

**United Salaried Payment – Overdraft facility**

This scheme provides loan in the form of Overdraft facility to certain employees of government department, local bodies and profit making public sector undertakings, companies, multi-national companies and educational institutions who maintain a salary payment account with our branch.

## BANK'S PERFORMANCE UNDER PRIORITY SECTOR CREDIT

The RBI's guidelines state that banks should extend at least 40% of their adjusted net bank credit to the priority sector, which includes the agriculture sector and the MSE sector, among others. In addition, under the RBI guidelines, banks should extend 18% of their adjusted net bank credit to the agriculture sector. In case of any shortfall, they are required to place the difference between the required lending level and the actual amount lent in the priority sector and agriculture sector in an account with the National Bank for Agriculture and Rural Development under Rural Infrastructure Development Fund scheme, where the applicable interest rates are generally found to be lower than market rates for lending to the priority sector.

We are required to report our priority sector lending figures to the RBI as at the last Friday of each quarter. The following table presents data on our outstanding priority sector lending, including as a percentage of our adjusted net bank credit, as at the last Friday of the months indicated. As such, the amounts in the table below may differ from the amounts set forth in our balance sheet, which are calculated as of March 31 of each year:

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| | **Amount outstanding in Rs. crore** | **% of Adjusted Net Bank Credit** | **Amount outstanding in Rs. crore** | **% of Adjusted Net Bank Credit** | **Amount outstanding in Rs. crore** | **% of Adjusted Net Bank Credit** | **Amount outstanding in Rs. crore** | **% of Adjusted Net Bank Credit** |
| Agriculture Credit | 2,713 | 12.00 | 3,139 | 13.86 | 3,928 | 13.95 | 4,290 | 12.00 |
| MSE Credit | 1,778 | 7.87 | 2,389 | 10.55 | 3,221 | 11.44 | 4,971 | 13.91 |
| Other Priority Sector Credit(1) | 4,925 | 21.79 | 4,494 | 19.85 | 4,608 | 16.37 | 3,608 | 10.10 |
| **Total** | **9416** | **41.66** | **10,022** | **44.26** | **11,757** | **41.76** | **12,869** | **36.02** |

(1) Includes loans for retail trade, housing and education.

## MICRO AND SMALL ENTERPRISE (MSE) SECTOR

With a view to enlarge our credit exposure in the MSE sector, we have initiated several sector friendly measures at highly competitive interest rates based on the enactment of the government on Micro, Small & Medium Enterprises Development (MSMED) Act 2006.

A sizable share of our total lending is allocated to this sector. Our outstanding loan portfolio was Rs. 4,970.81 crore in this sector as of September 30, 2009, representing 12.06% of our total gross advances as at that date. As of March 31, 2009, we had an outstanding loan portfolio of Rs.3,220.63 crore, compared with Rs.2,388.74 crore as of March 31, 2008, representing year-on-year growth of 34.83%.

We offer a wide variety of product and schemes to cater to the needs of this sector. Set forth below are the details of our main products and schemes:

***United Shilpi Card***

Under this scheme we provide credit up to Rs.10 lac to all shilpis (i.e. artisans) engaged in productive and creative activities under credit guarantee scheme of Credit Guarantee Fund Trust of MSE (CGTMSE).

***Artisan Credit Card***

This scheme provides credit up to Rs. 2 lac to artisans to meet their working capital and investment requirement.

***United Udyogshree Yojana***

We provide loan to all existing borrowers under MSE category and to the dependent female family members of such borrowers for (i) setting up new units, (ii) expansion of existing units, (iii) purchase of two/four wheelers for conveyance, (iv) marketing and transport of input and output, (v) repair, renovation, or expansion of factory shed and (vi) marketing of products.

***Laghu Udhyami Credit Card Scheme***

This scheme provides credit up to Rs.10 lac to the existing regular borrowers who have availed credit facilities for small business, retail trade, micro and small manufacturing and service activities and have a satisfactory track record for the last three years.

***Credit Linked Capital Subsidy Scheme***

We have entered into an agreement with SIDBI and NABARD to provide 15% credit linked capital subsidy upto to Rs. 100 lac on the purchase of plant and machinery for technology up-gradation undertaken by existing MSE.

***Transport Loan***

This scheme provides credit to purchase of vehicle for commercial and captive purpose by way of term loan.

***Credit Guarantee Scheme of CGTMSE***

We are a member lending institution of CGTMSE to provide collateral free loan to micro and small enterprises up to Rs.1 crore.

***Prime Minister Employment Generation Scheme***

This scheme provides employment opportunities by setting up micro enterprise through bank loan and Government subsidy. The maximum project or unit cost allowed under this scheme is Rs.25 lac for manufacturing activities and Rs. 10 lac for service activities. Khadi and Village Industries Commission (KVIC) is the nodal agency of the Government under this scheme. KVIC and Khadi Village Industries Board (KVIB) are the implementing agencies in rural areas and District Industries Centre (DIC) is an implementing agency in both rural and urban areas. Subsidy is available at the rate of 25% of the project cost in rural areas and 15% in urban areas. In case of special category of borrowers which includes schedule caste, schedule tribe, other backward classes, minority community, women, ex-servicemen, physically handicapped and entrepreneurs from hilly and boarder areas and north eastern region, the rate of subsidy is 35% for rural areas and 25% for urban areas. A Borrower has to contribute 10% of the project cost (5% in case of special category borrower). The remaining amount of the project cost is facilitated through bank loans.

**AGRICULTURE SECTOR**

We had successfully implemented Government of India's "Agricultural Debt Waiver & Debt Relief Scheme, 2008" on June 30, 2008, which benefited 1,41,290 beneficiaries amounting to Rs. 211.19 crore. In view of the importance of agriculture in India's economy, a sizable share of our total lending is allocated to this sector. Our outstanding loan portfolio was Rs. 4,290 crore in this sector as of September 30, 2009, representing 10.41% of our total outstanding loans as of that date. As of March 31, 2009, we had an outstanding loan portfolio of Rs. 3,928 crore of our total outstanding loans and advances as of that date, compared with Rs. 3,139 crore as of March 31, 2008, representing year-on-year growth of 25.14%.

The table below sets forth the number of accounts and the amount loaned for some of our major schemes for the agriculture sector as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

| | **As of 31 March 2007** | | **As of 31 March 2008** | | **As of 31 March 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| **Schemes** | **Number of Accounts** | **Amount in Rs. crore** | **Number of Accounts** | **Amount in Rs. crore** | **Number of Accounts** | **Amount in Rs. crore** | **Number of Accounts** | **Amount in Rs. crore** |
| United Kisan credit card | 3,06,291 | 549.88 | 3,79,547 | 814.56 | 4,73,936 | 1042.30 | 4,67,692 | 972.59 |
| Self Help Groups | 36,238 | 21.36 | 42,824 | 28.99 | 55,269 | 34.17 | 57,968 | 36.64 |
| Credit linkage | 31,846 | 50.93 | 39,878 | 66.88 | 42,590 | 80.34 | 43,234 | 81.55 |
| Credit linkage to women | 20,334 | 30.52 | 27,309 | 42.80 | 33,391 | 58.92 | 36,675 | 65.18 |
| Swarna Jayanti Gram Swarojgar Yojana | 11,733 | 86.99 | 11,311 | 87.61 | 15,521 | 125.73 | 16,449 | 134.62 |
| Individual | 6,714 | 23.50 | 6,108 | 21.03 | 7,805 | 27.67 | 8,070 | 28.27 |
| Groups | 5,019 | 63.49 | 5,203 | 66.58 | 7,716 | 98.06 | 8,379 | 106.35 |
| Farm Mechanization | 5,658 | 80.25 | 8,589 | 173.02 | 9,316 | 193.73 | 9,515 | 198.50 |
| Minor Irrigation | 12,798 | 8.14 | 15,471 | 63.40 | 16,013 | 73.91 | 16,503 | 76.30 |
| Horticulture /plantation loans | 12,796 | 404.69 | 12,088 | 501.91 | 13,485 | 494.90 | 14,519 | 585.88 |
| Loan for activities allied to agriculture | 62,469 | 156.64 | 72,620 | 370.12 | 84,398 | 506.52 | 90,025 | 570.30 |
| Dairy & Poultry | 26,202 | 74.67 | 52,562 | 142.75 | 59,413 | 181.34 | 64,806 | 200.25 |
| Fishery & aquaculture | 10,615 | 23.92 | 10,741 | 45.19 | 11,796 | 68.43 | 13,052 | 76.30 |
| Other allied activities | 25,652 | 58.05 | 9,317 | 182.18 | 13,189 | 256.75 | 14,538 | 288.80 |

We offer a wide variety of products and schemes under agricultural financial services, including both direct and indirect advances. We have various area-specific schemes suitable to different agro-climatic conditions and agricultural practices, including the provision of credit for tea plantation, short term credit for seasonal agricultural operations and working capital limits to allied activities of agriculture. We provide credit facilities to farmers for the purchase of three wheelers and four wheelers. We also lend money to small and marginal farmers for the purchase of agricultural land. In addition, we provide farmers with credit facilities for the rescheduling and rephasing of existing loans if they are unable to repay their existing loans due to various reasons, including natural calamities.

Set forth below are details of our main products aimed at our agricultural customers.

***United Kisan Credit Card***

This scheme provides farmers with cash credit and term loans for agriculture and allied activities. This scheme also has in-built provision for post-harvest expenditure, consumption needs and repayment of dues from non-institutional lenders.

***United Krishi Sahayak Yojana***

This scheme provides financial assistance to farmers for purchasing tractor or power tiller used for tillage operation, transportation of inputs and outputs and custom hiring. The scheme also provides self employment to rural youth for taking up custom hiring as well as tillage of his own land.

***United Krishi Laghu Paribahan Yojana***

This scheme provides credit to the farmers for acquiring three wheelers used for carrying agricultural inputs and farm produce.

***United Gramyashree Yojana***

This scheme provides credit to (i) existing medium term borrowers who are farmers with good track record for the last 3 years and their family members who are women, or (ii) any existing depositor maintaining an average balance of Rs.25,000 or above for the last three years, for agriculture and allied activities with emphasis on minor irrigation, farm mechanisation, horticulture, plantation, dairy, poultry, fishery, sericulture, bio-gas and purchase of land.

***Gramin Bhandaran Yojana***

This scheme provides financial assistance for meeting the capital requirements of construction projects of rural godowns. The purpose of this scheme is (i) to create scientific storage capacity with allied activities in rural areas to meet the storage need of farmers for farm produce, consumer articles and agriculture inputs, (ii) to promote grading, standardization and quality control of produce for improving their marketability and preventing distress sale and (iii) to promote pledge financing and marketing credit and to strengthen agricultural marketing infrastructure for introduction of a national system of warehouse receipts in respect of agricultural commodities stored in such godowns.

***Advances against Warehouse Receipts***

We provide advances to farmers against warehouse receipts for agricultural produce. The purpose of these loans is to prevent the distress sale of the produce and to enable the farmers to get the market price for the produce. These loans are extended against warehouse receipts issued by the central warehousing corporation, state warehousing corporations and private godowns/cold storages financed by us.

***Financing for Setting up of Agri-clinics and Agri-business Centres***

This scheme is aimed at providing employment to graduates in agriculture and related subjects by providing input supplies and services to needy farmers at an affordable cost. The maximum ceiling for the cost of the project by an individual is fixed at Rs. 10 lac and for a group at Rs. 50 lac. NABARD has issued guidelines for providing capital and interest subsidies to all entrepreneurs who set up their centres with the help of bank credit.

***Loan for Purchase of Land***

We provide loans to small and marginal farmers, share croppers and tenant farmers for (i) purchase of land for agriculture and allied activities purposes or (ii) purchase of fallow and waste land for development and cultivation purposes.

***Financing of LPG connection in rural areas***

We provide loan to the small and marginal farmers for the security deposit to be made for (i) LPG connections for regulator, cylinders and other accessories and (ii) purchase of single burner stove. The purpose of this scheme is to improve the living conditions of small and marginal farmers and to save wood, which is a precious natural resource used for cooking.

***Loans to Self Help Groups***

Self help groups are unregistered groups of 10 to 20 people from a homogenous class (generally from the rural poor and mainly women). We provide credit in bulk directly to self help groups, which in turn on-lend money to their members on terms agreed mutually among the members. The quantum of credit is linked to the savings mobilised by the group. The savings to credit ratio may vary from 1:1 to 1:4 based on our assessment of a group's repayment capabilities.

***United Gramin Sahaj Credit Card***

The purpose of this scheme is to provide credit up to Rs. 25,000 to rural and semi urban sectors for any purpose without insisting on collateral security in line with issuing general credit card.

***United Mahajan Mukti Yojana***

We provide loan to the farmers up to Rs. 25,000 to redeem their loan with the non-institutional lender to bring them into the institutional source.

***United Bhumiheen Kisan Credit Card***

This scheme provides production credit up to Rs. 25, 000 coupled with the provision of consumption credit and credit for liquidation of loan from informal sector and for meeting needs of the farmers who are landless tenant farmers, oral lessees, bargadars and share croppers for availing working capital assistance related to agriculture and allied activities including dairy, poultry, fishery, piggery, duckery, horticulture, nursery, ornamental fishery, vegetable orchard and bee-keeping.

***United Swarna Krishi Yojana***

This scheme provides credit to individuals for carrying on agriculture and allied activities against the security of pledge of gold ornaments. Under this scheme, loan is available for 75% of market value of the gold ornament or Rs.1000 per gram, whichever is lower, subject to ceiling of Rs.1 lac.

***Swarna Jayanti Gram Swarozgar Yojana ("SGSY")***

The objective of SGSY is to uplift the families in rural areas whose total income is below the poverty line by providing them income generating assets through a mix of bank credit and government subsidy. The size of a loan under SGSY depends on the nature of the project. The subsidy is a grant given by the Government through the District Rural Development Agency and is equal to a certain percentage, which varies according to the recipient of the loan. The percentage is 30% for general category, 50% for the scheduled castes or scheduled tribes or physically handicapped persons, and 50% for self help group borrowers with maximum exposure of Rs. 1.25 lac.

**TREASURY OPERATIONS**

Our Treasury Department manages our treasury operations on a day-to-day basis subject to oversight by our Investment Committee and ultimately by our Board of Directors. Through our treasury operations, we manage our funds, invest in debt and equity products and maintain required regulatory reserves. We also run a proprietary trading book in debt, equity and foreign exchange within the framework of our treasury policy. Our treasury operations also include a range of products and services for corporate customers, such as forward contracts, currency swaps and foreign exchange products and services.

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

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| **Securities** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** |
| **SLR** | | | | | | | | |
| Government securities | 10,858.05 | 71.74% | 13,227.28 | 69.31% | 14,545.22 | 78.23% | 17,895.85 | 76.44% |
| Other approved Securities | 217.67 | 1.44% | 132.62 | 0.69% | 78.35 | 0.42% | 70.92 | 0.30% |
| **Sub total** | **11,075.72** | **73.18%** | **13,359.90** | **70.00%** | **14,623.56** | **78.65%** | **17,966.77** | 76.74% |
| **Non-SLR** | | | | | | | | |
| Subsidiaries and Joint Ventures | - | - | - | - | - | - | - | - |
| Debentures and Bonds | 1,001.13 | 6.61% | 1,007.76 | 5.28% | 1,197.47 | 6.44% | 1,824.82 | 7.79% |
| Re-cap bonds (including Special Securities ) | 1,121.63 | 7.41% | - | - | - | - | - | - |
| Shares | 107.98 | 0.71% | 203.82 | 1.07% | 196.81 | 1.06% | 230.53 | 0.98% |
| Other | 1,829.03 | 12.08% | 4,513.20 | 23.65% | 2,575.49 | 13.85% | 3,391.02 | 14.48% |
| **Sub total** | **4,059.77** | **26.82%** | **5,724.78** | **30.00%** | **3,969.77** | **21.35%** | **5,446.37** | **23.26%** |
| **Total** | **15,135.49** | **100.00%** | **19,084.68** | **100.00%** | **18,593.33** | **100.00%** | **23,413.14** | **100.00%** |

The following table sets forth, as of the dates indicated, the category wise allocation of our investment portfolio:

| | **As of March 31, 2007** | | **As of March 31, 2008** | | **As of March 31, 2009** | | **As of September 30, 2009** | |
|---|---|---|---|---|---|---|---|---|
| **Securities** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** |
| Held to | 10,405.32 | 68.75% | 11,639.31 | 60.99% | 13,239.95 | 71.21% | 14,856.42 | 63.45% |

| | As of March 31, 2007 | | As of March 31, 2008 | | As of March 31, 2009 | | As of September 30, 2009 | |
|---|---|---|---|---|---|---|---|---|
| **Securities** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** | **Amount in Rs. crore** | **%** |
| Maturity (HTM) | | | | | | | | |
| Available for Sale (AFS) | 4,730.17 | 31.25% | 7,432.26 | 38.94% | 5,353.38 | 28.79% | 8,532.80 | 36.44% |
| Held for Trading (HFT) | - | - | 13.11 | 0.07% | - | - | 23.92 | 0.11% |
| **Total** | **15,135.49** | **100.00%** | **19,084.68** | **100.00%** | **18,593.33** | **100.00%** | **23,413.14** | **100.00%** |
| Yield | 8.15% | - | 7.98% | - | 7.95% | - | 7.21% | - |
| Modified Duration HFT | - | - | 7.99 | - | - | - | 6.69 | - |
| Modified Duration HTM | 7.05 | - | 6.82 | - | 7.26 | - | 6.52 | - |
| Modified Duration AFS | 2.34 | - | 2.21 | - | 4.11 | - | 2.91 | - |

For details on how we categorise our investment portfolio, see the section titled "Regulations and Policies–Banks" on page 126 of this Red Herring Prospectus

**GENERAL BANKING SERVICES**

We offer a wide range of general banking services to our retail, corporate and priority sector customers, including those services described below.

**Debit Cards**

Our debit card issued under the brand "United International Visa Debit Cards" is a convenient and secure way for our customers to access their accounts globally from all visa enabled ATMs. Our debit cards can also be used at Point of Sale (POS).

As of January 31, 2010, our card base was at 10.50 lac. We had 270 ATMs with total number of ATM transactions per day hovering around 30,000-35,000 and all such transactions are centrally reconciled through mechanized system.

**Integrated Cash Management Services**

We had introduced Integrated Cash Management Services ("CMS") on March 28, 2008.

Set forth below are details of our products and services under our integrated cash management services, as on January 31, 2010.

- Local cheque collection with predefined process flows
- Upcountry Cheque Collection at over 1,186 locations on clear funds as well as guaranteed credit basis
- Electronic Collection Services (ECS and Direct Debits)

- PDC Management Services
- Bulk paper-based Payment Services (DD/PO) with remote printing facility
- Bulk Electronic Payments (RTGS/NEFT/ECS/Direct Credits)
- DDs issued by correspondent banks drawn on our locations
- Liquidity Management Services
- Interest/Dividend Warrant Management Services and At Par Instruments/Customer Cheques

All of our above services provide our customers with enhanced liquidity and better cash management and help them in reducing their operational and administrative costs. Our above services are also suitable for handling IPO/NFO collections.

Our income from service charges under Integrated Cash Management Services is Rs. 0.66 crore as of December 18, 2009 and Rs. 0.57 crore as of March 31, 2009.

**Depository Services**

We introduced our depository services in 2007. We are registered as a participant with the CDSL. Through our depository service scheme, our customers at our Nodal branch at Kolkata are able to hold securities in dematerialised (or "demat") form. We earn fees for maintaining the accounts as a depository participant of CDSL, as well as for related services.

**FOREIGN EXCHANGE OPERATIONS**

We undertake foreign exchange transactions for our customers through one 'A' category authorised dealer office, 38 'B' category authorised dealer branches and 181 'C' category authorised dealer branches. All of our 'B' and 'C' category authorised dealer branches are under the CBS network. We have 17 SWIFT centres to facilitate foreign exchange operations across India. We maintain 18 accounts with banks outside India (our correspondent banks) in various currencies to facilitate our foreign exchange business.

Our turnover from foreign exchange operations through our customers was Rs. 4,248 crore as of September 30, 2009. As of March 31, 2009, our turnover from foreign exchange operations through our customers amounted to Rs. 7,971 crore, compared with Rs. 7,109 crore as of March 31, 2008, representing a growth of 12.13%.

Under bilateral trade agreement between India and Myanmar, we have accounts of 3 banks of Mynamar which recorded turnover of Euro 0.119 crore and SGD 0.199 crore.

**DISTRIBUTION OF THIRD PARTY PRODUCTS**

**Bancassurance**

We distribute life insurance products and general insurance products through our branches. We have entered into corporate agency agreements with Tata AIG Life Insurance Company Ltd., Bajaj Allianz General Insurance Company Ltd. and Export Credit Guarantee Corporation of India Ltd. to distribute their various insurance products, for which we are paid a commission. The staff involved in selling these insurance products have been authorised by the Insurance Regulatory & Development Authority (IRDA) to act as specified persons for selling insurance products. Our income from bancassurance business was Rs. 7.95 crore for Fiscal 2007, Rs. 15.38 crore for Fiscal 2008 and Rs. 20.39 crore for Fiscal 2009 and Rs. 10.97 crore as of September 30, 2009.

**Mutual Funds**

We have entered into agreements with UTI Asset Management Company Private Limited, Franklin Templeton Asset Management (India) Private Limited, Reliance Capital Asset Management Limited, HDFC Asset Management Company Limited, ICICI Prudential Asset Management Company Limited, Kotak Mahindra Asset Management Company Limited, SBI Funds Management Private Limited and Principal PNB Asset Management Company Private Limited for marketing their mutual fund units.

## DELIVERY CHANNELS AND ACCESSIBILITY

Our customers in metropolitan and rural areas can access a range of delivery methods to take advantage of our products and services. These include access to physical branches and extension counters. Round the clock access to select banking services are offered through ATMs and internet banking.

As of Janaury 31, 2010, we had 270 ATMs. Our ATM card holders and debit card holders can access those ATMs worldwide which accept Visa cards.

## TIE-UP ARRANGEMENTS

Recently, we have entered into agreements with:

- Government of West Bengal on August 8, 2009 for providing housing loans to its employees.

- Dewan Housing Finance Corporation Ltd (DHFL) on August 22, 2009 for providing residential housing finance under an arrangement of syndicated loan structure.

- UAE Exchange & Financial Services Ltd. on May 8, 2008 for providing overseas inward remittance services through two products, namely XpressMoney and MoneyGram. XpressMoney deals with the remittances from Gulf countries and MoneyGram deals with the remittances from other countries.

- Housing and Urban Development Corporation Limited (HUDCO) on October 26, 2009 for implementation of Scheme of Interest Subsidy for Housing the Urban Poor (ISHUP) and for the purpose of providing housing loans to economically weaker sections and low income groups.

- VE Commercial Vehicle limited (a Volvo Group and Eicher Motors Joint Venture) on 2 February 2009 for financing EICHER brand trucks and buses.

- National Small Industries Corporation Ltd. (NSIC), a Government of India enterprise for providing finance to entrepreneurs under micro and small enterprise sector sponsored by NSIC.

## TECHNOLOGY

As of September 30, 2009, the CBS had been implemented in all of our branches and extension counters, covering 100% of our business. We have appointed Ernst & Young as the consultant and Hewlett-Packard India Sales Private Limited as the system integrator for the implementation of CBS. We have appointed HCL Comnet Limited for network integration.

We have implemented CBS through an application called FINACLE that has the capability to connect all our multiple delivery channels to a common platform. CBS facilitates networking of branches, which enables customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where that customer maintains their account.

We have a dedicated data centre at our head office in Kolkata and a Disaster Recovery Centre (DRC) at Vashi, Mumbai. We have implemented several RBI-led technology projects designated to facilitate greater inter-bank connectivity and speedier clearing and settlement. We have implemented Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) in all of our branches. We have also implemented the imaged based Cheque Truncation System (CTS) in Delhi.

### Connectivity Infrastructure

All of our branches and extension counters are connected with our Multiprotocol Label Switching (MPLS) based on Virtual Private Network (VPN). Last mile connectivity in the branches is provided through leased lines, Integrated Services Digital Networks (ISDNs) and Very Small Aperture Terminals (VSATs). As part of Wide Area Network (WAN) infrastructure, we have implemented Voice over IP (VOIP) for all of our offices and branches in India. Our offices and branches are having LAN in place which is integrated with our WAN.

Our WAN is interfaced with RBI INFINET, customs and Internet for running of applications, requiring these networks.

**System Controls**

We have initiated suitable control measures to protect our IT assets. We have set up a data centre in Kolkata with access card control technology. We have a disaster recovery centre at Vashi (Mumbai). Our information technology security policy takes into account our CBS and ATM network. A suitable disaster recovery mechanism and business continuity plan is also in place. An information system audit of our IT implementation is under process. We also have in place appropriate provisions for backing-up data at offsite locations in case of loss at a primary location.

## NPA MANAGEMENT

Our quantum of gross NPA has increased from Rs. 744 crore as on March 31, 2006 to Rs. 1,020 crore as at March 31, 2009 and at Rs 1,023 crore as on September 30, 2009. However, our percentage of gross NPA has reduced from 4.66% as on March 31, 2006 to 2.86% as on March 31, 2009 and 2.48% as on September 30, 2009.

The table below sets forth the details of reduction of our NPAs during the last five years:

(Rs. in crore)

| Year | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Cash recovery | 86 | 92 | 97 | 69 | 122 |
| Upgradation | 9 | 3 | 47 | 38 | 274 |
| Write off | 115 | 142 | 189 | 275 | 156 |
| Total | 210 | 237 | 333 | 382 | 552 |

In case of irregular accounts where there exist economic viability and technical feasibility, we are rephasing and restructuring those accounts depending upon their cash flows. We have a Recovery Department at our Head Office and all of our regional offices have their respective recovery cells, which focuses exclusively on the recovery of NPAs. We refer our cases to Lok Adalats for settlement of impaired assets. As on September 30, 2009, we had referred 4,128 cases to Lok Adalats out of which 2,245 cases have been settled involving Rs. 26.77 crore out of which Rs. 12.45 crore has been recovered.

We utilize the RBI's revised guidelines for one time settlement and out of court settlement of debts. We have our own recovery policy which exclusively deals with impaired assets of different segments. From the level of our branch head to the top executives, all are empowered to take decisions within their discretionary power to settle any debt.

We rely on the provisions of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) as an effective tool for NPA recovery. We have issued 3,871 notices and have taken possession of the properties in 1,203 accounts as of September 30, 2009, in accordance with the SARFAESI. As of September 30, 2009, we have recovered Rs. 205.91 crore in 2,406 accounts under the SARFAESI.

In order to stop fresh generation of NPAs, we actively monitor our loans through early warning signal mechanism and assess their credit ratings once a year or more frequently if they are at risk. In addition, we maintain internal policy guidelines concerning exposure to individual industries and concentration of loans.

**Recovery from written off accounts**

To improve our profitability, we make concerted efforts to increase recoveries from written off accounts. The table

below sets forth our recovery from written off accounts for each of the last five years ended March 31, 2009:
(Rs. in crore)

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---|---|---|---|---|
| Amount recovered from written off accounts | 49 | 87 | 79 | 62 | 33 |

We have advised all of our branches to hold at least two recovery camps every month through our branches exclusively for written off accounts. In addition, we are holding the recovery camps on every Saturday at branch level and centralized recovery camps at regular intervals at different centres as per direction of Regional Authorities.

**RISK MANAGEMENT**

Our risk management system comprises policies, procedures, organisational structures and control systems for the identification, measurement, monitoring and control of various risks. Our risk management policy documents are in line with RBI requirements and have evolved over time to meet the changing needs of our business.

The three main risk exposures we face are credit risk, market risk and operational risk. We have implemented the Basel-II framework for computation of capital requirements under credit risk, market risk and operational risk. We have appointed ICRA Management and Consultancy Services (IMaCS) as our consultant for risk management.

**Credit Risk**

***Lending Policy***

We have a credit risk management system, as a part of our lending policy, which is reviewed from time to time and circulated to all our branches, regional offices and head office (including all its departments). The policy and procedures under this system have been prepared on the basis of and in compliance with Basel-II guidelines.

The main objective of the policy is to ensure that the operations are in line with the expectation of the management and the strategies of the top management are translated into meaningful directions to the operational level. The policy aims at ensuring that there is no undue deterioration in quality of individual assets within the portfolio. It also aims at continued improvement of the overall quality of assets at the portfolio level, by establishing a commonality of approach regarding credit basics, appraisal skills, documentation standards and awareness of institutional concerns and strategies, while leaving enough room for flexibility and innovation.

Credit Risk Management encompasses identification, assessment, measurement, monitoring and control of the credit risk.

***Credit Risk Rating Model***

In the processes of identification and assessment of credit risk, we have developed and refined the credit risk rating models to assess counterparty risk, by taking into account various risks categorized broadly into financial, business, industry, project and management risks.

The management of credit risk includes setting up exposure limits to achieve a well-diversified portfolio across dimensions such as companies, group companies, industries, collateral type, and geography. For better risk management and avoidance of concentration of credit risks, internal guidelines on prudential exposure norms in respect of individual and group borrower, industry-wise exposure limit, sensitive sectors including capital markets and real estate are in place. We follow a multi layered discretionary power structure for sanction of credit facilities.

We have process and control in place for the various aspects of credit risk management including appraisal, pricing, credit approval authority, documentation, reporting and monitoring, review and renewal of credit facilities, managing of problem loans, credit monitoring and loan review mechanism.

***Macro Level Analysis***

The Macro level analysis of the whole credit portfolio is done at quarterly intervals to assess the quality of the credit portfolio vis-à-vis yield on position of accounts in sub-BPLR, BPLR and above BPLR interest segments. Portfolio analysis of major industries or sectors at regular intervals is being undertaken to study the impact of that particular industry or sector on our credit portfolio, and on the prevalent market scenario.

***Stress Testing Policy and Analysis***

We have a stress testing policy and perform stress testing analysis on liquidity risk, interest rate risk and credit risk, which impacts on our capital adequacy requirements and profitability.

***Risk Rating Migration Analysis***

We are conducting analysis on risk rating migration for large borrowal accounts. We are reviewing various exposure norms fixed by RBI and by our Board of Directors on half-yearly basis. We have developed a software based credit risk rating model with the technical assistance of ICRA Management and Consultancy Services (IMaCS) for rating of our borrowal accounts. The model generates a risk scoring sheet under financial risk, management risk, industry risk, business risk which is used and relied upon by the management while making a decision.

***Credit Risk Mitigation Techniques and Collateral Management Policy***

We have a policy on Credit Risk Mitigation Techniques and Collateral Management with an objective (i) to mitigate the credit risks and to enhance awareness on identification of appropriate collateral taking into account the spirit of Basel II or RBI guidelines and (ii) to optimize the benefit of credit risk mitigation in computation of capital charge as per rules and regulations laid down in Basel II or RBI guidelines.

***Credit Audit Policy***

We have a credit audit policy for credit audit. On-site credit audit is being conducted by visiting the branch, scrutiny of the processed notes, operation in the account and verification of fulfilment of the terms of sanction as per policy. We also have a system in place for identification of credit weaknesses, for tracking early warning signals of credit weaknesses and for the surveillance and monitoring approach to be adopted at various stages of our lending operations.

***Credit Risk in Investments***

In addition to market risks, there is also a significant magnitude of credit risk in investments in non-SLR securities. Proposals for such investments are subject to the same degree of credit risk analysis as any loan proposal.

**Market Risk**

We have asset liability management policy and investment policy for management of market risk. Risk Management and reporting is based on parameters including modified duration, maximum permissible exposures, net open position limits, gap limits and Value at Risk (VaR) in line with the industry practices.

Our market risks are essentially managed by our treasury department, which is responsible for our treasury operations. The treasury department has clear-cut demarcations between its front office functions, mid office functions and back office functions. The mid office is responsible for the model and implementation of our interest rate risk management system, which is independent from our business units and reports directly to our senior management and also to the ALCO.

***Interest Rate Risk***

Interest rate risk refers to fluctuations in our net interest income and the value of the Bank's assets and liabilities arising from internal and external factors. Internal factors include the composition of the our assets and liabilities, quality, maturity, interest rate and re-pricing period of deposits, borrowings, loans and investments. Rising or falling interest rates impact us depending on our balance sheet positioning. Interest rate risk is prevalent on both the asset as well as the liability sides of our balance sheet.

***Asset - Liability Management***

The Asset - Liability Management Committee (ALCO) periodically monitors and controls the risks and returns, funding and deployment, setting our lending and deposit rates, and directing our investment activities. We identify the risks associated with the changing interest rates i.e. earnings at risk, which is computed based on the traditional gap analysis on a static position.

We have adequate contingency plan for financing liquidity gap in an adverse situation including cash and bank balance, liquid mutual fund, liquid money market securities, easily marketable securities, surplus SLR securities, export refinance and special refinance / repo.

The RBI has stipulated monitoring of interest rate risk at monthly intervals through a statement of interest rate sensitivity to be prepared as the last reporting friday of each month. ALCO reviews interest rate sensitivity statement on monthly basis.

As per the suggestion of IMaCS, we are in the process of procuring a software model having capacity to compute capital for market risk under Standardised Duration Approach (SDA) and flexibility to switch over to Internal Model Approach with minimal customisation. We have issued the Request For Proposal (RFP) for procurement and implementation of automated capital calculator model for market risk. In response to the RFP, we have received bids from interested vendors and the evaluation of eligibility and technical bids is in the process.

**Operational Risk**

We have formulated an operational risk management policy.

The operational risk management policy adopted by us outlines organization structure and detailed processes for management of operational risk. The basic objective of the policy is to closely integrate operational risk management system into our day-to-day risk management processes by clearly assigning roles for effectively identifying, assessing, monitoring and controlling, mitigating operational risks and by timely reporting of operational risk exposures, including material operational losses. Our operational risks are managed through internal control frameworks.

For migration to Advance Measurement Approach (AMA), we have initiated the process of identifying the loss events and collecting the necessary data on such events in a format designed by us as per Basel II requirement.

***Pillar 2 - Supervisory Review Process***

In line with the RBI guidelines, we have taken the following steps:

Committee Structure:

- A risk management committee has been set up at the apex level (comprising of certain directors), which functions as a supervisory body.
- In addition to the above, a in-house risk management committee of executives has also been set to monitor, control, mitigate and manage our risk profile.
- Credit policy committee has been set up to consider various policies on managing and mitigating credit risk and fix prudential limits to individual, group borrowers, industry/sector wise exposure limit and risk rating structure.
- Our asset liability management committee has been set up to analyze our risk profiles in respect of liquidity risk, interest rate risk, and forex.

- Operational risk management committee has been set up in order to control, mitigate and manage our operational risk.

We have also implemented a policy on Internal Capital Adequacy Assessment Process (ICAAP).

***Pillar 3 – Market Discpline***

- We have revised the disclosure policy as per Basel – II disclosures required by RBI.

- We are disclosing financial results at quarterly basis and disclosing various other qualitative and quantitative parameters like composition of capital structure, NPA position, movement of NPA, capital adequacy, Risk category-wise country exposure, single/group borrower limits in a defined Management Information System (MIS) system.

**Other Information**

We maintain capital to cushion the risk of loss in value of exposure and businesses so as to protect the depositors and general creditors against losses. We have a Internal Capital Adequacy Assessment Policy (ICAAP) to evaluate and document different risks and substantiate appropriate capital allocation.

The capital requirement is affected by the economic environment, the regulatory requirement and by the risk arising from our activities. The purpose of our capital planning is to ensure the adequacy of capital at the times of changing economic conditions, even at times of economic recession. Our capital planning process reviews:

- Our current capital requirement
- The targeted and sustainable capital in terms of business strategy and risk appetite.
- The future capital planning is done on a three-year outlook.

The capital plan is revised on an annual basis. We have a policy to maintain capital to take care of the future growth in business so that the minimum capital required is maintained on continuous basis. On the basis of the estimation, we raise capital in Tier-1 or Tier-2 with the approval of our Board of Directors. Our capital adequacy position is reviewed by our Board of Directors on quarterly basis.

**Basel-II Requirements**

We are Basel – II compliant related to computation of capital requirement under credit risk, market risk and operational risk with effect from March 31, 2009. The minimum capital requirement of our bank as per Basel – II framework as of September 30, 2009 is as follows.

(Rs. in crore)

| | |
|---|---|
| (1) Capital requirements for credit risk @ 9% of RWA | |
| • Portfolios subject to standardised approach: | 2,750.21 |
| • Securitisation exposures: | 0.00 |
| (2) Capital requirements for market risk: | |
| • Standardised duration approach; | |
| - Interest rate risk: | 227.46 |
| - Foreign exchange risk (including gold): | 0.45 |
| - Equity risk: | 80.66 |
| (3) Capital requirements for operational risk: | |
| • Basic indicator approach: | 217.69 |
| (4) Total capital ratio (%): | 12.93% |
| Tier 1 capital ratio (%): | 7.61% |

We are using the credit rating assigned by four external credit rating agencies accredited by RBI namely CARE, CRISIL, ICRA and FITCH India for risk weight purpose of borrowal accounts with a threshold limit of Rs.10 crore and above.

**Interest Rate Risk in the Banking Book**

The earnings or economic value changes are the main focus of the banking book. We currently have in place measurement systems to assess the effect of rate changes on both earnings and economic value such as gap analysis for addressing changes in net interest income and duration gap analysis for addressing changes in economic value.

**Liquidity Risk**

Liquidity risk is the "potential for loss" to the Bank arising from either its inability to meet its obligations or to fund assets as they fall due without incurring unacceptable cost or losses. Thus, Liquidity or Fund management involves estimating and satisfying liquidity needs in the most effective possible way and without unduly sacrificing income potential.

Our liquidity risk management system includes:

- Analysis of liquidity by tracking cash flow mismatches.
- Establishment of limits for mismatches and cumulative gaps for all other time buckets, limits for prudential liquidity ratios and monitoring as per the RBI's requirements.
- Measuring and managing our net funding requirements by the use of a maturity ladder and the calculation of cumulative surplus or deficit of funds at different maturity dates, as recommended by the RBI.
- Estimating the liquidity profile on a dynamic basis by giving due recognition to seasonal patterns of deposits and loans and the potential liquidity needs for meeting loan commitments.

**Foreign Exchange Risk**

Foreign exchange rate risk is the risk that we may suffer losses as a result of adverse foreign exchange rate movements during a period in which we have an open position, either spot or forward or a combination of both in an individual currency. Foreign exchange rate risk can arise out of changes on foreign exchange spot and forward rates. Foreign exchange open positions are managed through limits fixed at the individual currency level as well as aggregate currencies as follows: (a) Intra-day limit, (b) overnight limit and (c) stop loss limits for our trading book.

Foreign exchange forward rate risk caused due to gaps or mismatches in merchant trading transactions and the corresponding cover operations in respect of maturities and quantum is managed by individual gap limits, aggregate gap limits and by assessing the value at risk on a daily basis. Foreign exchange sensitive gaps are measured using the value at risk model developed by Foreign Exchange Dealers' Association of India (FEDAI) and is monitored on a daily basis. Besides setting appropriate limits for both open positions and gaps, we monitor our foreign risk exposures through maturity pattern statements and interest rate sensitivity statements, which are prepared and submitted to the RBI on a monthly basis.

**Commodity Risk**

At present, we are not facing any commodity price risk as we are not dealing in any commodity directly. We may face commodity risk indirectly through our borrowers who deal in commodities like metal, gold, etc. Such risks are mitigated by fixing prudential limits on exposure.

**Equity Price Risk**

Exposure to capital market automatically attracts equity price risk. We periodically review the exposure in capital market in the light of changing circumstances and its expectations about future movements in prices. We monitor the movement in prices on a daily basis.

**INTERNAL CONTROL SYSTEM**

We have a separate Audit and Inspection Department which subjects all the branches including international division, investment cell, service branches and every department of the administrative office to regular inspection. Audit Committee of the Board (ACB) has been constituted in line with the RBI guidelines. Our Audit Committee reviews the adequacy of the audit and compliance function, including the policies, procedures, techniques and other regulatory requirements as prescribed by Reserve Bank of India.

In compliance with RBI guidelines, we do a Risk Based Internal Audit (RBIA) of all our branches to promote effective operations, reliable reporting and safeguarding of assets, ensure compliance with regulations and policies and (c) assess and measure various risks and their direction on an ongoing basis.

We have a compliance function which ensures observance to statutory and regulatory guidelines, internal procedures and policies. The compliance function is overseen by the ACB."

## CUSTOMER CARE AND RELATIONSHIP MANAGEMENT

As directed by the RBI, we have constituted a Board Committee chaired by our Chairman and Managing Director and a Standing Committee chaired by our Executive Director. These committees assess the complaints from our customers, and provide necessary directions, from time to time, to improve our customer services.

We have introduced a number of marketing and customer service initiatives in order to maintain a high standard of customer service:

***Citizens' Charter***

We have a citizens' charter in place that outlines our code of conduct in relation to our customers and provides information on our various activities. This document is available at our branches and on our website.

***Customer Education Material***

We have created a range of materials in booklet and brochure format that outline the salient features of our products and delivery channels.

***Customer Complaints***

We have a customer complaint management system in place that allows us to log complaints and to address them promptly and efficiently. During Fiscal 2009 we received 1, 577 complaints. Concerted efforts have been made to redress the complaints at the earliest. 123 complaints were pending as of January 31, 2010, which is receiving our constant attention for redressal. We have also adopted the standard code of "Banking Code and Standards Board of India" ("BCSBI"), detailing the various products of the Bank, charges levied, grievances redressal mechanism, etc. This has been also displayed on the Bank's website. A copy of the BCSBI is also available at all the branches.

We have "Online Grievance Redressal Mechanism" to expedite redressal of customer grievances.

***Fair Practice Code***

We have adopted the Fair Practice Code drafted by the IBA and intended to be followed by the entire banking system in dealing with individual customers. Important characteristics of the code include standards for fair banking practices. Copies of the Fair Practice Code are available at our branches.

## CORPORATE AND SOCIAL RESPONSIBILITY

As of January 31, 2010, we had 5 rural development and self employment training institutes - one in Udaipur (Tripura), one in Silchar (Assam) and three in West Bengal, to impart skill and entrepreneurship development training to unemployed youth, women and people belonging to weaker sections of the society to enable them to set up their own venture for self employment. We are providing loans to the trained entrepreneurs for setting up their units.

We have set up a trust named United Bank Socio-Economic Development Foundation (UBSEDF) Trust with a corpus of Rs.2 crore with an objective of improving the standard of living of the weaker section of the society with an emphasis on distressed women and children through augmenting their income level and improving health, hygiene and education facility.

**LEAD BANK RESPONSIBILITY**

The RBI has assigned us with "lead bank" responsibility in 30 districts, which are located in the economically backward areas of West Bengal (10 districts), Assam (12 Districts), Tripura (4 districts) and Manipur (4 districts). We also have "lead bank" responsibility for the states of West Bengal and Tripura and are the Convenor of the State Level Bankers' Committee for those states. Our assigned lead bank responsibilities are discharged by maintaining inter-institutional coordination in the preparation and implementation of various development programmes in each district.

**HUMAN RESOURCES**

As of January 31, 2010, we had 16,768 employees (including part-time employees). The following table sets forth the number of our employees as of March 31, 2007, March 31, 2008, March 31, 2009, September 30, 2009 and January 31, 2010:

| | **March 31, 2007** | **March 31, 2008** | **March 31, 2009** | **September 30, 2009** | **January 31, 2010** |
|---|---|---|---|---|---|
| Officers | 5,266 | 5,349 | 5,031 | 5,301 | 5,915 |
| Clerks | 7,704 | 7,135 | 6,748 | 6,190 | 6,391 |
| Sub Staff | 3,823 | 3,525 | 3,332 | 3,158 | 3,144 |
| PTSK* | 1,255 | 1,246 | 1,178 | 1,261 | 1,318 |
| **Total** | **18,048** | **17,255** | **16,289** | **15,910** | **16,768** |

**Part Time Safai Karamchari*

**COMPETITION**

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

***Corporate Banking***

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

***Retail Banking***

In retail banking, our principal competitors are the public sector banks, as well as existing and new private sector banks, foreign banks and cooperative banks that offer retail loan products. Other public sector banks like us have large deposit bases and extensive branch networks, including the State Bank of India Group. Although foreign banks have a small market penetration, they have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans. Private sector and foreign banks compete through a wider product range offering and greater technological sophistication. Cooperative banks compete on the basis of their regional strengths and proximity to the customer.

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, RRBs and cooperative banks. This is due to the extensive physical presence of public sector banks and RRBs, throughout India via their large branch networks and their focus on agriculture and priority sectors.

***Treasury***

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

**SYSTEMS AND PROCEDURES**

We have adopted certain policies and procedures for our day-to-day functioning. The corporate directives are periodically brought to the notice of the branches and staff through circulars. These circulars are also posted on our intranet for ready reference by our staff. In addition, a quarterly synopsis of these circulars is issued to staff members.

We prepare manuals on various subjects such as deposits, agriculture, collection and remittance as reference material for branch-level employees, which are revised periodically. These manuals define the jobs to be carried out for the various activities described therein. The prescribed systems and procedures are subject to audit checks during inspection.

We have appointed Ernest & Young to study our existing operating practices and, keeping in view the capability of the CBS software, suggest changes in processes, procedures and work flows that would help us to attain our objectives of enhanced operational efficiency, timely service delivery and thereby, improved customer satisfaction.

We are in the continuous process of reviewing and updating our existing systems and procedures through IBA, RBI and Government Departments.

**SECURITY**

We have a security mechanism synergized with our operational risk management. We have instituted modern security systems to protect our assets, confidential information and property. We train our staff on security procedures and awareness on a regular basis.

**INTELLECTUAL PROPERTY**

Our logo and trade name as appearing on the cover page of this Red Herring Prospectus is not a registered trademark. We have recently filed applications dated December 18, 2009 with the Trade Marks Registry, Kolkata for registration of our (i) logo and (ii) trade name under class 36.

**PROPERTIES**

Our head office (central office) is located at Kolkata. The table below sets forth the number of different properties we owned and leased as of January 31, 2010:

| Property Type | Owned (a) | On long term lease for 33 years and more (b) | On lease for less than 33 years (c) | Total (a+b+c) |
|---|---|---|---|---|
| Head office | 01 | - | - | 01 |
| Regional offices | 07 | 01 | 20 | 28 |
| Branches | 21 | 13 | 1,481 | 1,515* |
| Other offices | 03 | - | 01 | 04 |
| Residential property | 55 | 08 | 01 | 64 |
| Vacant sites | - | 03 | 01 | 04 |
| **Total** | **87** | **25** | **1,504** | **1,616** |

***Branches include extension counters**

**INSURANCE**

We maintain various insurance policies to insure our assets including buildings, furniture, office machinery, electrical fittings, ATMs, computers, motor car and printing and stationery. In addition, we maintain (i) Group Accident Policy to insure our permanent employees, (ii) Third Party Insurance to insure persons other than our staff and (iii) Bankers' Indemnity Policy to insure cash holding, cash in transit and cash at ATM. We believe our insurance coverage is appropriate to protect us from material loss in light of the activities we conduct.

## REGULATIONS AND POLICIES

The main legislation governing commercial banks, the Banking Regulation Act, applies to public sector banks such as United Bank of India, only to a limited extent. Sections 34A, 36AD and section 51 of the Banking Regulation Act are applicable to corresponding new banks constituted under the Bank Acquisition Act. In turn, section 51 of the Banking Regulation Act makes some of its sections applicable to corresponding new banks. The Bank, as a corresponding new bank, is governed primarily by the provisions of the Bank Acquisition Act, 1970. The Nationalised Bank Scheme and the Bank Regulations also governs our operations. Other important laws include the Reserve Bank of India Act, 1934. Additionally, the RBI, from time to time, issues guidelines, regulations, policies, notifications, press releases, circulars, etc. to be followed by us and supervises our compliance with these guidelines.

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

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

***Comparative Table of Rights of Shareholders under Companies Act, 1956 and under Bank Regulations, Banking Regulation Act, Bank Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as applicable to Corresponding New Banks***

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
|---|---|---|---|
| 38 | Not to be bound by an alteration made in the memorandum of association/articles of association after the date of becoming a member, so far as the alteration requires him to subscribe for more shares, or increases his liability to contribute to the share capital, or otherwise to pay money to the company. | No corresponding provision | |
| 39 | To require a company to send within seven days of the requisition, a copy of each of the following documents as in force for the time being:<br><br>(a) the Memorandum of Association; | No corresponding provision | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | (b) the Articles of Association; and<br><br>(c) every agreement and every resolution referred to in section 192, if in so far as they have not been embodied in the memorandum or articles. | | |
| 49 | To inspect the register of investments, where theInvestments are not held in the name of the company and to petition the Government if the inspection is refused. | No corresponding provision | |
| 53 | To be served with a document by<br><br>the company. | Regulation 46 | Regulation 46.1 Service of notice of document to share holders;<br><br>The Bank may serve a notice or a document on any Shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any, within India supplied by him to the Bank for giving of notice to him. |
| 62 | To sue directors, promoters or persons who have authorised the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus. | No corresponding provision | |
| 71 | To avoid irregular allotment of shares/debentures. | No corresponding provision | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| 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 duplicate if the original is lost or damaged | Regulation 14 and 15 | Issue of Share Certificates. Issue procedure of share certificate and joint share certificates, duplicate share certificates detailed. |
| 87 | Voting rights on a poll in proportion to the share of the paid-up equity capital of the company. | Regulation 53, 62 and Sections 3(2BBA) (a) and 3(2E) | **Regulation 53:Voting at general meetings**<br><br>53.1 At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.<br><br>53.2 Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes.<br><br>53.3 Unless a poll is demanded under sub-regulation 53.1, 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. |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | 53.4 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 / or 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 tenth of the total voting power in respect of the resolution or holding Share on which an aggregate sum of not less than Rs 50,000 ( Rupees Fifty Thousand) has been paid up.<br><br>53.5 The demand for a poll may be withdrawn at any time by the person or persons who made the demand.<br><br>53.6 A poll demanded on a question of adjournment or election of Chairman of the meeting shall be taken forthwith.<br><br>53.7 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.<br><br>53.8 The decision of the Chairman of the meeting as to the qualification of any person to vote, and also in the case of |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | poll, as to the number of votes any person is competent to exercise shall be final.<br><br>**Regulation 62 Determination of voting rights.**<br><br>62.1 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.<br><br>62.2 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 62.1<br><br>Explanation – For this Chapter, "**Company**" means any body corporate.<br><br>62.3 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 |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | the meeting.<br><br>Section 3(2BBA)(a)<br><br>A corresponding new bank may from time to time and after any paid-up capital him been raised by public issue or preferential allotment or private placement under clause (c) of subsection(2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way.<br><br>Section 3(2E)<br><br>No shareholder of the corresponding new bank, other than the 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. Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one percent of the total voting rights of all the |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | shareholders holding preference share capital only. |
| 91 | To have calls on shares on a uniform basis on all the shares falling under the same class. | Regulation 22 | **Regulation 22 Calls on shares**<br><br>22 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. |
| 94 | To consolidate all or any of its share capital into shares of larger amount and to subdivide its shares into shares of smaller amount. | Regulation 16 | **Regulation 16: Consolidation and sub-division of shares**<br><br>16 On a written application made by the Shareholder(s), the Board or the Committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation / sub-division as the case may be and issue a new certificate (s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter. |
| 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. | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | |
| 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. | Regulation 3, 17, And Section 3(2D) | **Regulation 3 : Nature of Shares**<br>3.1 The Shares of the Bank shall be movable property, transferable in the manner provided under these regulations.<br>Section 3(2D)<br>The shares of every corresponding new bank not held by the central Government shall be freely transferable:<br>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.<br>**Regulation 17 Transfer of shares**<br>17.1 Subject to the provisions of the Act and these regulations, no transfer of shares of the Bank shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | transferor and by or on behalf of the transferee has been delivered to the Bank in Form `A' annexed hereto, or in such other form as my be approved by the Bank from time to time, along with the relative share certificate.<br><br>17.2 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.<br><br>17.3 Upon receipt, the Board or the Committee of the Board designated for the purpose shall forward the instrument of transfer along with the share certificate to the Registrar or Share Transfer Agent for the purpose of verification that the technical requirements are complied with. The Registrar shall return the instrument and the share certificate to the transferee unless the instrument of transfer is duly stamped, properly executed and is accompanied by the certificate of shares to which it relates as such other evidence as the Board may require to show the title of the transferor to make such transfer.<br><br>17.4 Unless the transfer of shares is refused under Regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days from the date of lodging of the instrument of transfer.<br><br>17.5 In case of a transfer of shares or other marketable securities where the Bank has not issued any share |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | certificates and where such shares or securities are being held in electronic form, the provisions of the Depositories Act, 1996 shall apply. |
| 110 | To apply for the registration of transfer of shares. | Regulation 18 And 19 | **18. Power to suspend transfers**<br><br>18 The Board or the Committee designated by the Board shall not register any transfer during any period in which the register is closed.<br><br>**19 Board's right to refuse registration of transfer of shares**<br><br>19.1 The Board or Committee may refuse transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other grounds:<br><br>19.1.1 the transfer of shares is in contravention of the provisions of the Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with ;<br><br>19.1.2 the transfer of shares, in the opinion of the Board, is prejudicial to the interests of the Bank or to public interest;<br><br>19.1.3 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; or<br><br>19.1.4 an individual or company resident outside India or any |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | company incorporated under any law not in force in India or any branch of such company whether resident outside India or not will on the transfer being allowed hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% (twenty) of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette.<br><br>19.2 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 19.1<br><br>19.2.1 If it has formed the opinion that such registration ought not to be so refused, effect such registration; and<br><br>19.2.2 If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-regulation 19.1 intimate the same to the Transferor and the Transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the Listing Agreement with the concerned Stock Exchange. |
| 111, 111A | To make a petition to the National Company Law Tribunal against | No corresponding | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | refusal by the company for the registration of transfer of shares or rectification of the register of members. | provision | |
| 112 | To have the share certificate delivered within the time limit stipulated. | Regulation 16 | **Regulations 16. Consolidation and sub-division of shares**<br><br>16.1 On a written application made by the Shareholder(s), the Board or the Committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation / sub-division as the case may be and issue a new certificate (s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter. |
| 113 | To serve on the company a notice, requiring it to make good any default in delivering share/ debenture/ stock certificates. | No corresponding provision | |
| 113 | To apply to the Central Government in the event of the company's failure to make good any default as above. | No corresponding provision | |
| 117A | To inspect debenture trust deed and obtain a copy thereof. | No corresponding provision | |
| 118 | To request the company to forward a copy of a debenture trust deed. | No corresponding provision | |
| 118 | To apply to the Central Government to direct the company to forward a copy of the debenture trust deed | No corresponding provision | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | forthwith. | | |
| 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. | Regulation 15 and 16 | **Share register maintained under Regulation 15 and Section 3(2F)**<br><br>**11 Inspection of Register**<br><br>11.1 The register shall, except when closed under Regulation 12, be open to Inspection of any Shareholder, free of charge, at the place where it is maintained during business hours subject to such reasonable restrictions as the Board may impose, from time to time, so that not less than two hours in each working day shall be allowed for inspection.<br><br>11.2 Any Shareholder may make extracts of any entry in the register or computer prints free of charge or if he requires a copy or computer prints of the register or any part |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | thereof, the same will be supplied to him on pre-payment at the rate of Rs. 5/- or at such rate as the Board may decide for every 1000 words or fractional part thereof required to be copied.<br><br>11.3 Notwithstanding anything contained in sub-regulation 11.2 hereinabove, any duly authorised officer of the Government, SEBI or such other statutory or regulatory bodies shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof. |
| 163 | To apply to the central Government for compelling inspection of the registers of shareholders and debenture-holders and annual returns. | No corresponding provision | |
| 165 | To receive a copy of the statutory report and to attend the statutory meeting. | No corresponding provision | |
| 165 | To discuss at the statutory meeting, any matter relating to the formation of the company or arising out of the statutory report, without giving a previous notice therefore. | No corresponding provision | |
| 165 | To have accessible, a list of members with details, during the continuation of the statutory meeting. | No corresponding provision | |
| 166, 169 | To attend the annual general meeting and extra-ordinary general meeting. | Regulation 52 | **Persons entitled to attend general meetings**<br><br>52.1 All directors, all Shareholders, Preference Shareholders and all |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | Auditors of the Bank shall, subject to the provisions of Regulation 56.2 be entitled to attend a general meeting.<br><br>52.2 A Shareholder (not being the Central Government) or a Director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman containing particulars relating to:<br><br>(a) his full name and registered address;<br><br>(b) the distinctive numbers of his shares, client ID and Depository Participant ID in case of dematerialised Shares<br><br>(c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorised representative. |
| 169 | To requisition an extraordinary | Regulation 49 | **Regulation 49 Extraordinary** |

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
|---|---|---|---|
| | General meeting. | | **General Meeting**<br><br>49.1 Any general meeting other than the AGM shall be called Extraordinary General Meeting (“**EGM**”).<br><br>49.2 The EGM shall be called by giving not less than 21 clear days notice to the member.<br><br>49.3 The meeting may take place at any place, at any convenient time on any day including a public holiday.<br><br>49.4 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 EGMof 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 the Shareholders.<br><br>49.5 The requisition referred in sub-regulation 53.4 shall state the purpose for which the Extra Ordinary General Meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists.<br><br>49.6 Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and effect as if it had been signed by all |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
|---|---|---|---|
| | | | of them.<br><br>49.7 The time, date of place of the Extra Ordinary General Meeting shall be decided by the Board :<br><br>**Provided** that the Extra Ordinary General Meeting convened on the requisition by the Central Government or other Shareholder shall be convened not later than 45 days of the receipt of the requisition.<br><br>49.8 If the Chairman and Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation 53.7, the meeting may be called by the requisitionist themselves within three months from the date of the requisition :<br><br>**Provided** that nothing in this sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period.<br><br>49.9 A meeting called under sub-regulation 49.8 by the requisitionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the Board. |
| 169 | To hold an extra-ordinary general meeting if the board of directors fails to convene a meeting on the requisition, within the time limit | Regulation 49 | As above |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | stipulated. | | |
| 169 | To have reimbursed, the expenses incurred for convening/ holding the extraordinary general meeting, on failure of the board as aforesaid. | No corresponding provision | |
| 171,172 | To receive a notice of every general meeting. | Regulation 48 | **Regulation 48: Annual General Meeting**<br><br>48.1 The Bank shall in each year hold in addition to other meetings a general meeting as its Annual General Meeting ("AGM") and specify the meeting as such in the notice calling it.<br><br>48.2 Not more than 15 months shall elapse between the dates of two AGMs. The AGM shall be held before the expiry of six weeks from the date on which the balance sheet and profit and loss account and auditors report are forwarded to the Central government or RBI whichever is earlier.<br><br>48.3 A notice signed by CMD or ED or any officer not below the rank of scale grade VII or Company Secretary convening an AGM shall be sent to the Shareholder at least 21 clear days prior to the date of the meeting.<br><br>48.4 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 21 clear days before the meeting in one English, one Hindi and one Bengali newspapers having wide |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | circulation in India.<br><br>48.5 Every such notice shall state the time, date and place of such meeting and also the business that shall be transacted at that meeting.<br><br>48.6 The Meeting shall take place on a normal working day during business hours, at the Registered office of the Bank or at a place within same city/town/village where the Registered office of the Bank is situated.<br><br>48.7 If the AGM has to adjourned for some reason, the adjourned meeting shall take place at the same place and time on a subsequent date to be announced at the time of adjournment, whether such date is a public holiday or not.<br><br>48.8 The AGM along with the adjourned AGM shall be completed within the period mention in clause 48.2 |
| 173 | To have the notice of a general meeting annexed with corresponding an explanatory statement. | No corresponding provision | |
| 174 | To be counted for the purpose of constituting a quorum at a general meeting. | Regulation 50 | **Regulations 50 Quorum of general meeting**<br><br>50.1 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.<br><br>50.2 If within half an hour after the time appointed for the holding of a |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | 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.<br><br>50.3 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 :<br><br>**Provided** that no annual general meeting shall be adjourned to a date later than the date within which such annual general meeting shall be held in terms of Section 10A(1) of the Act and if adjournment of the meeting to the same day in the following week would have this effect, the annual general meeting shall not be adjourned but 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 |

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
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| | | | form the quorum. |
| 176 | To appoint a proxy to attend and vote at a general meeting of a company. | Regulation 64 | Regulation 64.1 Any member of the Bank entitled to attend and vote at the meeting shall be entitled to appoint another person, whether a member or not as his proxy to attend and vote instead of himself. |
| 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 meetingof the company. | Regulation 53.1 | **Regulation 53.1**<br><br>At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands. |
| 182 | Not to be prohibited from exercising the voting right on the ground that the shares or other interest in the company has not been held for any specified period or on any other ground than the one specified in Section 181 | No corresponding provision | |
| 183 | To use votes on a poll differently, for or against the resolution. | No corresponding provision | |
| 184 | To be appointed as a scrutineer at a poll. | Regulation 54 | **Regulation 54 Scrutinisers at Poll**<br><br>54.1 Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinisers to scrutinize the votes given on the poll and to report thereon to him.<br><br>54.2 The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutiniser |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | from the office and to fill the vacancy in the office of the scrutinisers arising from such removal or from any other cause.<br><br>54.3 Of the two scrutinisers 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 63 | **Regulation 63 Voting by duly authorised representative**<br><br>63.1 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.<br><br>63.2 No person shall attend or vote at any meeting of the Shareholders |

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
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| | | | of the Bank as the duly authorised representative of a company unless a copy of the resolution appointing him as a duly authorised 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. |
| 187A | To be represented at a general meeting of a company (if the member to be represented, is the President or Governor of a State). | Regulation 63 | **Regulation 63**<br><br>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 | |
| 196 | To inspect and be furnished with a copy of the minutes of any general meeting. | Regulation 56 | **Regulation 56.7**<br><br>On written request made by a Shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the Bank shall allow the inspection or furnish the copy of the minute, as the case may be, to the Shareholder. |
| 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 | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 203 | To apply to the Court/National Company Law Tribunal to restrain Fraudulent persons from managing companies. | No corresponding provision | |
| 205A, 205B | To claim any dividend which remains unpaid or unclaimed. | Section 10B | **Section 10B**: Transfer of Unpaid or unclaimed dividend to Unpaid Dividend Account:<br><br>(1) Where after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be called "Unpaid Dividend Account"<br><br>(2) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub- section (1) of section 205C of the |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | Companies Act 1956. |
| 206 | To receive dividend declared. | No corresponding provision | |
| 206A | To have the dividend transferred to the special account where the transfer of shares has not been registered by the company. | No corresponding provision | |
| 206A | To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company. | No corresponding provision | |
| 210 | To require the balance sheet and profit and loss account to be laid before the company at every annual general meeting | Section 10A(2) | **Section 10A(2): Annual General Meetings –**<br><br>The shareholders present at an annual general meeting shall be entitled to discuss, approve and adopt 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. |
| 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 | No corresponding provision | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | documents. | | |
| 219 | To require a company to furnish the full accounts where the company has sent abridged accounts. | No corresponding provision | |
| 224 | To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting. | No corresponding provision | |
| 225 | To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be reappointed. | No corresponding provision | |
| 227 | To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company. | Section 30(2)<br><br>Banking Regulation Act, 1949 | Section 30(2): The auditor shall discharge the duties and be subject to the Liabilities imposed on auditors of companies by Section 227 of the Companies Act, 1956.<br><br>This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act. |
| 230 | To inspect the auditors' report at the general meeting where it is laid. | Section 10A | Section 10A(2): Annual General Meetings –<br><br>The shareholders present at an annual general meeting shall be entitled to discuss, approve and adopt the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the |

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
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| | | | 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. |
| 250 | To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases. | No corresponding provision | |
| 257 | To stand for election for directorship at a general meeting | Section 9(3);<br><br>Regulation 57 | **Regulation 57 Directors to be elected at general meeting**<br><br>57.1 A director(s) 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.<br><br>57.2 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. |
| 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 59 | **59 Nomination of candidates for election**<br><br>59.1 No nomination of a candidate for election as a director under clause (i) of sub-section (3) of Section 9 of the Act shall be valid |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| | | | unless:<br><br>59.1.1 He is a Shareholder holding not less than 500 (five hundred ) shares in the Bank;<br><br>59.1.2 He is a person who is a qualified post-graduate or professionally qualified with industry experience of more than twenty years;<br><br>59.1.3 He is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;<br><br>59.1.4 He has paid all calls in respect of the shares of the Bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;<br><br>59.1.5 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 |

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| | | | 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;<br><br>59.1.6 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 Reserve Bank of India 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;<br><br>59.1.7 No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the Bank on a working day not less than fourteen days before the date fixed for the meeting. |
| 257 | To be informed of the candidature for director-ship or the intention of a member to propose such person for directorship. | No corresponding provision | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 265 | To vote for appointing a director by the proportional represention system. | No corresponding provision | |
| 284 | To give a special notice to the company proposing a resolution at a general meeting for removal of a director and appointment of a person as director in place of the removed director. | Clause 11A | Clause 11A: Removal from office of an elected director-<br><br>The shareholders other than the Central Government may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such share-holders, remove any director elected by the shareholders and elect in his stead another person to fill the vacancy. |
| 301 | To inspect, to take copies of the register of contracts, etc kept under this Section. | No corresponding provision | |
| 302 | To receive an abstract of the terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested. | No corresponding provision | |
| 304 | To inspect the register of directors. | No corresponding provision | |
| 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 | |

| Section of Companies Act | Rights available to shareholders of a company | Corresponding Provision* | Rights available to shareholders of a Corresponding New Bank |
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| 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-(1) of this Section. | No corresponding provision | |
| 393 | To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement. | No corresponding provision | |
| 393 | To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member. | No corresponding provision | |
| 395 | Of dissenting share-holders, where a scheme or contract involving the transfer of shares to another | No corresponding provision | |

| **Section of Companies Act** | **Rights available to shareholders of a company** | **Corresponding Provision*** | **Rights available to shareholders of a Corresponding New Bank** |
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| | company has been approved by at least nine-tenths in value of the shares whose transfer is involved, to receive a notice within two months of such approval of the transferee's desire to acquire shares of the dissenting shareholders. | | |
| 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 | |
| 395 | To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, and to receive compensation in case such interests or rights are reduced. | No corresponding provision | |
| 396 | If aggrieved by any assessment of compensation, to prefer an appeal to the National Company Law Tribunal. | No corresponding provision | |
| 397, 398 | To apply to the National Company Law Tribunal if he is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest or in a manner oppressive to any member. | No corresponding provision | |

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| 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, by a special resolution 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 provision. 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 | |
| 490 | To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to be paid to the liquidator. | No corresponding provision. | |
| 492 | To fill the vacancy occurred by the death, resignation or otherwise in the office of the liquidator appointed by the company, in a general meeting and convene a general meeting for this purpose. | No corresponding provision | |
| 511 | To have distributed to himself on the winding-up, the assets of the company according to his rights and interests in the company. | No corresponding provision | |

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| 545 | To have the opportunity of making a statement in writing to the registrar and being heard thereon, in case he is being prosecuted as a delinquent member. | No corresponding provision | |
| 621 | To make a complaint in a court regarding offence under the Companies Act. | No corresponding provision | |

**Please note the following for the above table:*

1. *All references to **Sections** are references to Sections of the Bank Acquisition Act, except where otherwise specified.*
2. *All references to **Clauses** are references to provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970*
3. *All references to **Regulations** are references to provisions of draft United Bank of India (Shares and Meetings) Regulations, 2009. Our Bank has recently formulated the United Bank of India (Share and Meetings) Regulations, 2009 (the "Regulations"). However, in terms of Section 19 of the Banking Companies (Acquisitions and Transfer of Undertakings) Act, 1970 these Regulations are subject to approval of the Government of India in consultation with the Reserve Bank of India. The Reserve Bank of India has given its no objection to the draft United Bank of India (Shares and Meetings) Regulations, 2009. For further details see Section titled 'Risk Factors' on page xii of the Red Herring Prospectus.*
4. *The above rights are in addition to the rights that may be available to the shareholders, present as well as prospective, under the listing agreements that we have entered into with the Stock Exchanges.*

### *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 to corresponding new banks. Accordingly, the Bank does not require a licence in order to carry out banking activities.

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

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

### *Capital Adequacy Requirements*

We are subject to the capital adequacy requirements of the RBI, which are based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1988. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, i.e. the core capital (ordinary shares), provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital, Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I Capital, perpetual non-cumulative preference shares eligible for inclusion as Tier I and reserves consisting of any statutory reserves, disclosed 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 includes provision for standard assets, revaluation reserves, hybrid debt capital instruments (which combine certain features of both equity and debt securities and are able to support losses on an ongoing basis without triggering liquidation), and subordinated debt. As per the Master Circular on Prudential Norms on Capital Adequacy-Basel I Framework, any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.00% of Tier I capital. Tier II capital cannot exceed Tier I capital. The Banking Regulation Act does not allow banks established on or after January 15, 1937 to issue preferred equity.

With a view to enable the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in Held for Trading and Available for Sale categories. Investment fluctuation reserve is included in Tier II capital. Though investment fluctuation reserve is also considered in the general provision for Tier II, the same is not subjected to the ceiling of 1.25% of risk-weighted assets. In terms of RBI Mid-Term Review of Annual Policy for the year 2005-06, banks are permitted to treat Investment Fluctuation Reserve (IFR) as part of Tier-I capital, if they maintain capital of at least 9% in respect of investment under 'Held for Trading' and 'Available for sale'.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of funded and non-funded exposures. Degrees of credit risk expressed as percentage weights are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. All foreign exchange and gold open position limits carry a 100.0% risk weight. A risk weight of 2.5 % to cover market risk has to be assigned in respect of the entire investments portfolio over and above the risk weight for credit risk. Banks are required to assign a 100.0% risk weight for all state Government guaranteed securities issued by defaulting entities. The aggregate risk weighted assets are taken into account for determining the capital adequacy Ratio. As per the RBI circular dated June 24, 2004 to cover market risk, capital has to be calculated in respect of the entire investments portfolio over and above the risk weight for credit risk.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9.0%. However, as per RBI guidelines issued in September 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 11%.

In January 2006, the RBI has issued guidelines permitting banks to issue perpetual debt with a call option which may be exercised after not less than 10 years, with its prior approval, for inclusion in Tier I capital up to a maximum of 15.00% of total Tier I capital. The RBI also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the RBI issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies.

In April 2007, the RBI issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that became effective year-end Fiscal 2008, for banks with presence outside India and 2009, for banks without a presence outside India. The guidelines for the capital adequacy framework include an increase in the minimum Tier I CAR from 4.50% to 6.00% and the introduction of capital for operational risk as per Basel II.

***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:

i. interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
ii. the account remains "out-of-order" (as described below) for a period of more than 90 days in respect of an overdraft or cash credit;
iii. the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
iv. installment of principal or interest remains overdue for two harvest seasons for short duration crops,
v. instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006; or
vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

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.

**Out-of-Order**

An account should be treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but 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, these accounts should be treated as **'out of order'.**

**Asset Classification**

Non-performing assets are classified as described below:

- *Sub-standard assets*: With effect from 31 March 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

- *Doubtful assets*: With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

- *Loss assets*: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

There are separate guidelines for projects under implementation, which are based on the achievement of financial closure and the date of approval of the project financing.

The RBI had issued separate guidelines for restructured assets under the corporate debt restructuring mechanism and under other mechanisms. A fully secured standard asset can be restructured by reschedulement of principal repayments and/ or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets, and to doubtful assets, in the case of restructuring of assets under the corporate debt restructuring mechanism. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment 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**

  i) As a countercyclical measure, the provisioning requirements for all types of standard assets stands amended as below, w.e.f November 15, 2008. Banks should make general provision for standard assets at the following rates for the funded outstanding on global loan portfolio basis:

  (a) direct advances to agricultural and SME sectors at 0.25 per cent;
  (b) all other loans and advances at 0.40 per cent

  (ii) The revised norms would be effective prospectively but the provisions held at present should not be reversed. However, in future, if by applying the revised provisioning norms, any provisions are required over and above the level of provisions currently held for the standard category assets, these should be duly provided for.

  (iii) While the provisions on individual portfolios are required to be calculated at the rates applicable to them, the excess or shortfall in the provisioning, vis-a-vis the position as on any previous date, should be determined on an aggregate basis. If the provisions on an aggregate basis required to be held w.e.f November 15, 2008 are less than the provisions already held, the provisions rendered surplus should not be reversed to P&L and should continue to be maintained at the existing level. In case of shortfall determined on aggregate basis, the balance should be provided for by debit to P&L.

  (iv) The provisions on standard assets should not be reckoned for arriving at net NPAs.

  (v) The provisions towards Standard Assets need not be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' under 'Other Liabilities and Provisions Others' in Schedule 5 of the balance sheet

- **Sub-Standard Assets**: A general provision of 10.0% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10%, i.e. a total of 20% on the outstanding balance.

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

  - Up to one year: 20.0% provision

- One to three years: 30.0% provision
- More than three years:

1. In respect of outstanding stock of non-performing assets as on March 31, 2004: 50.0% provisions which has become 60 % with effect from March 31, 2007, 75 % with effect from March 31, 2008 and 100 per cent with effect from March 31, 2009.

2. In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision has been raised to 100% with effect from March 31, 2007.

- **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.

In June 2006, the RBI issued prudential norms on the creation and utilisation of floating provisions (i.e. provisions which are not made in respect of specific NPAs or made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the board of directors and with the prior permission of the RBI.

Floating provisions cannot be reversed by credit to the profit and loss account. They can only be utilised for making specific provisions in extraordinary circumstances as mentioned above. Until such utilisation, these provisions, till the year 2008-09, could have either been netted off from gross NPAs to arrive at disclosure of net NPAs, or treated as part of Tier II capital within the over all ceiling of 1.25 % of total risk weighted assets.

However, from the year 2009-10 onwards, Floating Provisions cannot be netted from gross NPAs to arrive at net NPAs, but can only be reckoned as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets.

**Law relating to Recovery of NPAs**

As a part of the financial sector reforms, the GoI promulgated SARFAESI Act. SARFAESI Act provides banks and other lenders increased powers in the recovery of the collateral underlying NPAs.

***Regulations relating to sale of assets to asset reconstruction companies***

The SARFAESI 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 sale of the financial assets to the 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. These assets are to be sold on a 'without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangements and at least 75% by value of the total loans to the borrower are classified as non performing and at least 75% by the value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. No credit for expected profit will be taken until profit materializes on actual sale. Whilst 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 arrangement where more than 75% by values of the banks or financial intuitions 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.

The RBI has issued guidelines on the securitisation of standard assets with effect from February 1, 2006. The guidelines provide that for a transaction to be treated as a securitisation, a two stage process must be followed. In the first stage there should be a pooling and transferring of assets to a bankruptcy remote vehicle i.e. a SPV and in the second stage repackaging and selling the security interests representing claims on incoming cash flows from the pool of assets to the third party investors should be effected. Further, for enabling the transferred assets to be removed from the balance sheet of the seller in securitisation structure, the isolation of assets or "true sale" from the seller or originator to the SPV is an essential prerequisite. Also, an arms length relation shall be maintained between the originator or seller and the SPV.

The SARFAESI Act allows acquisition of financial assets by SC/RC from any bank/ FI on such terms and conditions as may be agreed upon between them. This provides for sale of the financial assets on 'without recourse' basis, i.e., with the entire credit risk associated with the financial assets being transferred to SC/ RC, as well as on 'with recourse' basis, i.e., subject to unrealized part of the asset reverting to the seller bank/ FI. Banks/ FIs are, however, directed to ensure that the effect of the sale of the financial assets should be such that the asset is taken off the books of the bank/ FI and after the sale there should not be any known liability devolving on the banks/ FIs.

Certain regulatory norms for capital adequacy, valuation, profit and loss on sale of assets, income recognition and prudential norms for investment in securities issued by the SPV, provisioning for originators and service providers like credit enhancers, liquidity support providers, underwriters, as well as investors and also the accounting treatment for securitisation transactions and disclosure norms have been prescribed. Quarterly reporting to the audit sub committee of the board by originating banks of the securitisation transactions has also been prescribed. Apart from banks, these guidelines are also applicable to financial institutions and non banking financial institutions.

**Guidelines on Sale and Purchase of NPAs**

In July 2005, the RBI issued guidelines on sale and purchase of non performing assets between banks, financial institutions and non bank finance companies. These guidelines require the board of directors of the bank to establish a policy for purchase and sale of NPAs. Purchase and sale of NPAs must be without recourse to the seller and on cash basis and, with the entire consideration being paid upfront. An asset must have been classified as non performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the NPA on its books for at least 15 months before it can sell the assets to another bank. The asset cannot be sold back to the original seller.

***Regulations relating to Making Loans***

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

- The RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.

- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by RBI from time to time. Banks are free to determine their own lending rates but each bank must declare its benchmark prime lending rate as approved by its board of directors. Benchmark prime lending rate is determined on the basis of various parameters, which inter alia, include actual cost of funds, operating expenses, a minimum margin to cover the regulatory requirement of provisioning, capital charge and profit margin. Each bank should also indicate the maximum spread over the benchmark prime lending rate for all credit exposures other than retail loans over Rs.200,000. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than most retail loans) must not exceed the benchmark prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exporters on the basis of a transparent and objective policy approved by their boards. Interest rates for certain categories of advances are regulated by the RBI. Banks are also free to stipulate lending rates without reference to their own benchmark prime lending rates in respect of certain specified categories of loans.

- In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances on the security of its own shares. A bank is also prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the Section provides that 'loans or advances' shall not include any transaction which the RBI may specify by general or special order as not being a loan or advance for the purpose of such Section. We are in compliance of this requirement.

Legislation introduced in the Indian Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company.

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

***Directed Lending***

**Priority Sector Lending**

The RBI requires commercial banks to lend a certain percentage of their net bank credit to the priority sectors, broadly consisting of agriculture (direct and indirect finance), small enterprises (including small and micro enterprises) under the manufacturing sector with original investment ceilings in plant and machinery not exceeding Rs. 5 crore and Rs. 0.25 crore respectively and small and micro enterprises under service sector with investment ceilings in original equipment not exceeding Rs. 2 crore and Rs.0.1 crore respectively), micro credit (directly or indirectly through a Self Help Group ("SHG") or Joint Liability Group ("JLG") mechanism to NBFCs or MFIs for on lending up to Rs. 0.005 crore per borrower), educational loans (up to Rs. 0.1 crore for studies in India and Rs. 0.2 crore for studies abroad) and housing loans (up to Rs.0.2 crore to individuals for purchase or construction of dwelling unit per family and loans given for repairs to the damaged dwelling units of families up to Rs. 0.010 crore in rural and semi-urban areas and Rs. 0.020 crore in urban and metropolitan areas).

Total priority sector advances should be 40% of Adjusted Net Bank Credit ("ANBC") with agricultural advances up to 18% of ANBC and advances to weaker sections up to 10% of ANBC. 1% of total advances outstanding as at the end of the previous year is required to be lent under Differential Rate of Interest Scheme. Domestic scheduled commercial banks having a shortfall in achieving priority sector target (40% of ANBC) and/or agriculture target (18% of ANBC) as well weaker section target shall be allocated amounts for contribution to the RIDF established with NABARD, such investment was eligible under indirect agriculture finance till fiscal 2007.

Fresh investments made by banks with NABARD in lieu of non-achievement of priority sector lending targets will no longer be considered as indirect finance subsequent to end Fiscal 2007. However, the existing investments in such bonds would continue to be classified as indirect agriculture finance till 2010. As per the Master Circular on Priority Sector Lending issued on July 1, 2009, export credit will not form a part of priority sector for domestic banks.

**Export Credit**

The RBI also requires foreign banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a foreign bank's adjusted net bank credit is required to be in the form of export credit. Export credit is not a part of the priority sector for domestic commercial banks. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

**Credit Exposure Limits**

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

The limits set by the RBI are as follows:

- Exposure ceiling for a single borrower is 15% of capital funds effective March 31, 2002. Group exposure limit is 40% of capital funds effective March 31, 2002. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another five per cent, 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). In May 2004, the RBI permitted banks to increase exposure to a borrower by a further five per cent of capital funds (i.e., 20% for single borrowers and 45% for group borrowers) and by a further 10% for financing infrastructure projects, with the specific approval of the board of directors. Capital fund 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. Such additional exposure can be taken, subject to the consent of the borrower to disclose their names in a bank's balance sheet.

- 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 outstanding, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be reckoned at 100% of the limit or outstanding, whichever is higher.

- Credit exposure is the aggregate of:

- all types of funded and non-funded credit limits; and

- facilities extended by way of equipment leasing, hire purchase finance and factoring services. Investment exposure comprises 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;

- investments in public sector undertaking bonds through direct subscription, devolvement arising out of underwriting obligations or purchase made in the secondary market;

- investments in commercial papers issued by corporate bodies or public sector undertakings;

- investments in debentures, bonds, security receipts and, pass through certificates issued by a securitization or reconstruction company. However, initially, since only a few securitization and reconstruction companies are being set up, banks will be allowed to exceed prudential exposure on account of such investments on a case-to-case basis;

- bank loan for financing promoters' contribution towards equity capital of new companies;

- bridge loan against equity flows/issues; and

- financing of initial public offerings.

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.

**Risk Management**

The RBI has issued detailed guidelines on country risk management that cover bank's exposure to those countries to which they have a net funded exposure of two per cent of the funded assets, no provision is maintained on such country exposure. The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100.00%.

In September 2009, the RBI has issued further guidelines on fraud risk management systems for banks, highlighting the need for the same in light of the increasing incidence of bank frauds. The RBI has designated the responsibility of increasing a Bank's focus on effective fraud investigation to its top officials such as the CEO, members of the Board and Audit Committee members. Banks are also required to frame internal risk management and investigation policies, which are to be appraised by their senior management. The RBI has also recommended operational measures for minimization of risks such as follow-up investigation in large value frauds, forensic audit measures and post-facto fraud investigation.

***Regulations relating to Investments and Capital Market Exposure Limits***

As per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, a bank's exposure to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 40.00% of its net worth on a standalone and consolidated basis. Within this limit direct investments in shares, convertible bonds/ debentures, units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20.00% of their net worth.

In November 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 and as per the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks issued by the RBI on July 1, 2009, 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 10.00% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may exceed the limit of 10.00%, by an additional 10.00%, provided the investment is on account of investment in securitisation papers issued for infrastructure projects, and bonds/debentures issued by Securitisation Companies and Reconstruction Companies set up under the SARFEASI Act and registered with the RBI. 'Unlisted non-Statutory Liquidity Ratio securities' for computing compliance with the prudential limits do not include investments in security receipts issued by securitization or reconstruction companies registered with the RBI and asset backed securities and mortgage backed securities with a minimum investment grade credit rating.

As per the Master Circular on Exposure Norms, the RBI has imposed a ceiling of 10.00% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100.00% risk weight for credit risk for capital adequacy purposes. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds five per cent of the investee bank's equity capital.

### *Consolidated Supervision Guidelines*

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2002, and the principal features thereof are:

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

### *Banks' Investment Classification and Valuation Norms*

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

- The entire investment portfolio is required to be classified under three categories: (a) Held to Maturity; (b) Held for Trading; and (c) Available for Sale. Banks should decide the category of investment at the time of acquisition.
- Held to Maturity investments compulsorily include (a) recapitalization bonds received from the GoI, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to Maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds, investment in subsidiaries and joint ventures and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognized in the profit and loss account.
- Investments under the Held for Trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the Available for Sale category with the approval of the Board / ALCO.
- Profit or loss on the sale of investments in both Held for Trading and Available for Sale categories is taken in the profit and loss account.
- Shifting of investments from or to Held to Maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from Available for Sale to Held for Trading may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from Held for Trading to Available for Sale is generally not permitted.

In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 24.0% of their demand and time liabilities. Meanwhile, the Reserve Bank of India has permitted banks to exceed the limit of 24.0% of investments for the held to maturity category provided the excess comprises only statutory liquidity ratio investments and the aggregate of such investments in the held to maturity category do not exceed 24.0% of the demand and time liabilities. The Reserve Bank of India has permitted banks to transfer additional securities to the held to maturity category as a one time measure during fiscal 2007, in addition to the transfer permitted under the earlier guidelines. The transfer would be done at the lower of acquisition cost, book value or market value on the date of transfer.

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

Securities classified as Available for Sale or Held for Trading are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the Available for Sale and Held for Trading categories is aggregated. Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for.

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

***Restrictions on Investments in a Single Company***

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

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

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5.0% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

***Restriction on Short-Selling***

The RBI permits intra-day short selling of Government securities by banks provided the banks have adequate risk management systems and also provided that they have an internal policy in place. The SCBs will be allowed to short sell subject to the short position being covered within a maximum period of five trading days, including the day of trade cover their short positions within an extended period of five trading days. As this arrangement may result in carrying short positions across settlement cycles, the participants will be permitted to deliver a shorted security by borrowing it through the repo market.

***Regulations Relating to Deposits***

As per the Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident and Non-Resident (External) Accounts issued by the RBI on July 1, 2009, banks are permitted to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.50% per annum on savings deposits. In respect of savings and time deposits accepted from employees, banks are permitted by the RBI to pay an additional interest of one per cent over the interest payable on deposits from the public.

***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 a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks should frame their KYC policies incorporating the following four key elements:

a) Customer Acceptance Policy;
b) Customer Identification Procedures;

c) Monitoring of Transactions; and
d) Risk Management

Banks are required to have customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing banking relationship or carrying out a financial transaction or when the banks have doubts about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In August 2005, the RBI simplified the Know Your Customers procedures for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 in a year in order to ensure that the implementation of the Know Your Customer guidelines do not result in denial of the banking services to those who are financially or socially disadvantaged.

In a bid to prevent money laundering activities, GoI enacted the Prevention of Money Laundering Act, 2002. The Prevention of Money Laundering Act, 2002 seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in money laundering and for incidental matters connected herewith. In February 2006, the RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002.
The RBI also issued anti money laundering guidelines to other entities such as NBFCs and authorised money changers. The Prevention of Money Laundering Act, 2002 stipulates that banking companies, financial institutions and intermediaries shall maintain a comprehensive record of all their transactions, including the nature and value of such transactions. Further, it mandates verification of the identity of all their clients and also requires the banks and financial institutions to maintain records of their respective clients. These details are to be provided to the authority established under the Prevention of Money Laundering Act, who is empowered to order confiscation of property where the authority is of the opinion that a crime as recognized under Prevention of Money Laundering Act has been committed.

***Legal Reserve Requirements***

**Cash Reserve Ratio**

A banking company such as ours 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 is 5.00% of the demand and time liabilities with effect from April 28, 2009.

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, amounts received from the DICGC / ECGC / Court Receiver, amounts received from insurance companies on ad hoc settlement of claims pending judgment of the Court, liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF) and specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- Paid up capital, reserves, any credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions like NABARD, SIDBI, Export-Import Bank of India, National Housing Bank etc.;
- Amount of provision for income tax in excess of the actual/estimated liabilities;
- Amount received from Deposit Insurance and Credit Guarantee Corporation towards claims and held by banks pending adjustments thereof;
- Amount received from Export Credit Guarantee Corporation of India by invoking the guarantee;
- Amount received from insurance company on ad-hoc settlement of claims pending judgment of a court;
- Amount received from the court receiver; and

- The liabilities arising on account of utilization of limits under Bankers Acceptance Facility (BAF).

The RBI pays no interest on the CRR balances maintained by scheduled commercial banks with effect from March 31, 2009. The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight.

**Statutory Liquidity Ratio**

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, and it was fixed at a minimum of 25.00% and a maximum of 40.00% pursuant to Section 24 of the Banking Regulation Act. The Banking Regulation (Amendment) Act, 2007 has removed the minimum Statutory Liquidity Ratio stipulation, thereby giving the RBI the freedom to fix the Statutory Liquidity Ratio below this level. On November 3, 2008, the RBI reduced the SLR from 25.00% to 24.00% of the net demand and time liabilities of a bank. However as on November 7, 2009 the SLR has been increased from 24.00% to 25.00% of the net demand and time liabilities of a bank.

***Regulations on Asset Liability Management***

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 monthly 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. In respect of other time periods, up to one year, the RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the RBI issued draft guidelines on improvements to banks' asset liability management framework.

In March 2007, the RBI issued guidelines regarding prudential limits for interbank liabilities. Interbank liabilities of a bank cannot exceed 200.00% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However banks whose capital to risk assets ratio is at least 25.00% more than the minimum capital to risk assets ratio (currently nine per cent) i.e. 11.25% as on the last day of the previous fiscal year are allowed a higher limit with respect to inter-bank liability of upto 300.00% of their net worth. It may be noted that the limits prescribed above would include only fund based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India) and inter-bank liabilities outside India are excluded. The RBI guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

***Foreign Currency Dealership***

The RBI has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our designated branches.

Our Foreign Exchange operations are subjected to guidelines issued by the RBI under Foreign Exchange Management Act , (FEMA) 1999 and directions issued by the RBI / Central Government from time to time , Foreign Trade Policy in force, guidelines issued by DGFT , provisions of UCPDC and various guidelines issued by ICC in regard to guarantees , collection, reimbursement , etc., provisions of Income Tax Act wherever applicable and any other applicable statues / guidelines etc;

As an Authorised Dealer, we have enrolled as a member of the Foreign Exchange Dealers Association of India (FEDAI) which prescribes rules relating to conduct of Foreign Exchange business in India. Authorised Dealers are required to determine their limits on open positions and maturity gaps in accordance with the RBI guidelines and these limits are approved by the RBI. Further, the Authorised Dealers are permitted to undertake derivatives transactions to hedge foreign currency exposure of Indian Corporations in the form of Interest Rates Swaps, Options, Currency Swaps, Forward Rate Agreement, etc;

Authorized dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and these limits are approved by the RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

***Statutes Governing Foreign Exchange and Cross-Border Business Transactions***

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all nonresident 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 Non Resident Shareholding cannot exceed 20% of the paid up capital of the bank in terms of Section 3 of the Bank Acquisition Act.

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. For further details, please see "History and Certain Corporate Matters" on page 179 of this Red Herring Prospectus.

***Reserve Fund***

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25% 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 of such appropriation, explaining the circumstances leading to such appropriation. The GoI may, on the recommendation of the RBI, exempt a bank from the requirements relating to reserve fund.

***Restrictions on Payment of Dividends***

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

Only those banks, which comply with the following minimum prudential requirements, would be eligible to declare dividends:

i. The Bank should have:

   - Capital-To-Risk-Weighted Assets Ratio ("CRAR") of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend
   - Net NPA less than 7%

   In case any bank does not meet the above CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, it would be eligible to declare dividend provided its net NPA ratio is less than 5%.

ii. The Bank should comply with sections 15 and 17 of the Banking Regulation Act.

iii. The bank should comply with the prevailing regulations/ guidelines issued by the RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc. The proposed dividend should be payable out of the current year's profit

iv. The RBI should not have placed any explicit restrictions on the bank for declaration of dividends.

In case any bank does not meet the above eligibility criteria no special dispensation shall be available from the Reserve Bank.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- The dividend pay out ratio does not exceed 40%; the maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net nonperforming asset ratio

- The proposed dividend is payable from the current year’s profit

- In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio; and

- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payment ratio

In case we fulfil the conditions stated above, we can declare dividends without the consent of 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.

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

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

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

The paid up capital of corresponding new banks may be increased by such amounts as the board of directors of the corresponding new bank may, after consultation with the RBI and with the previous sanction of the government, raise by public issue or preferential allotment or private placement, of equity shares or preference shares in such manner as may be prescribed, provided that the 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 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.

Further, a preference share-holder may vote only on resolutions which directly affect rights attached to his preference shares.

***Regulatory Reporting and Examination Procedures***

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

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

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

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

Directors on the Board of Directors of our Bank are appointed by the Government in terms of Section 9 of the Bank Acquisition Act. The Chairman and Managing Director and Executive Director (whole time directors) are appointed by the Government in consultation with the RBI. At present, a maximum of four whole time directors may be so appointed. The other Directors nominated/ appointed by the Government include one director possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, an official of the GoI and one Director representing the non-workmen employees of the Bank. Further, a specified number of Directors are elected by the shareholders. The wholetime Directors appointed by the Government and the officials of the Government who serve as the nominee directors of the Government and RBI cannot be a director of any other corresponding new bank. Further, a person is ineligible for appointment as a director unless he has fit and proper status based on track record, integrity and other such criteria to be notified by the RBI. The RBI also has the power to appoint an additional director if it is of the opinion that it is necessary to do so in the interests of banking policy or of the bank concerned or its depositors or in the public interest.

For the text of Section 9 of the Bank Acquisition Act, see the section titled "Main Provisions of Constitutional Documents" on page 457 of this Red Herring Prospectus.

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

***Penalties***

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

### *Assets to be Maintained in India*

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

### *Subsidiaries and other investments*

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

### *Restriction on Creation of Floating Charge*

Prior approval of the RBI is required for creating floating charge on our undertaking or our property.

### *Maintenance of Records*

We are required to maintain our books, records and registers as per the Banking Companies (Period of Preservation of Records) Rules, 1985. These rules specify that banks shall preserve in good order, certain books, accounts and documents (such as cheque book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to period of not less than eight years immediately preceding the current calendar year. The Know Your Customer Guidelines framed by the RBI also provide for certain records to be maintained for a minimum period of five years. Further, the RBI has issued guidelines dated June 27, 2002 on the record maintenance policy of banks which provides *inter alia* that prior approval of the RBI is required for offshore maintenance of its records.

### *Secrecy Obligations*

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

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

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

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

### *Regulations governing Offshore Banking Units*

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

- Permission of the RBI is required for setting up offshore banking units
- No separate assigned capital is required. However, the parent bank is required to provide a minimum of U.S.$ 10 million to its offshore banking unit.
- Offshore banking units are exempt from CRR requirements.
- Banks are required to maintain the SLR. However, the RBI may exempt a bank's offshore banking unit from SLR 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, merchant banking, as well as our banker to the issue, custodial 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 corresponding new banks is subject to an overall statutory limit of 20% of the paid up capital. The aggregate investment within the 20% limit may be prescribed by the GoI by a notification. 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. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

***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 have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

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

The Securitization 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 Securitization 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.

The IRDA has issued detailed guidelines for the licensing of entities to act as corporate agents or composite corporate agents for selling insurance products. The guidelines stipulate that soliciting or procuring insurance business as a corporate agent should be contained in the constitutional documents of the entity as one of its main objects. The guidelines further provide that the personnel of the entity should possess the prescribed qualifications and should not suffer from any disqualifications under the Insurance Act, 1938.

**Regulations Governing our International Business**

Our international business operations would be governed by regulations in the countries in which we have a presence. We are required to obtain a license from the concerned regional office of the RBI prior to setting 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. The Bank has applied to the RBI for permission to open representative offices abroad, in Dubai, Singapore and Hong Kong.

**Income Tax Benefits**

As a banking company, the Bank is entitled to certain tax benefits under the Indian Income Tax Act including the following:

- The Bank's dividend income is exempt from income tax.
- The Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.50% of the Bank's total business income, computed before making any deductions prescribed under Section 36(1)(viii)(a) of the Indian Income Tax Act, and to the extent of 10.00% of the aggregate average advances made by our rural branches computed in the manner prescribed.

**Corporate Governance**

The Bank needs to adhere to certain corporate governance requirements as prescribed by clause 49 of the Listing Agreements with the Stock Exchanges, including, ensuring the minimum number of independent directors on the Board, and composition of various committees such as audit committee and remuneration committee.

**The Banking Ombudsman Scheme**

The Banking Ombudsman Scheme, 2006 was introduced with effect from January 1, 2006 and provides for an enlarged extent and scope of the authority and functions of the banking ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. In February 3, 2009, the said scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the scheme.

**Payment and Settlement Act**

The Payment and Settlement Systems Act, 2007 was introduced to provide for the regulation and supervision of payment systems by the RBI. The said act authorizes the RBI to permit the setting up and continuance of payment and settlement systems, to set standards, to call for returns and information, to audit and inspect, to issue directions, and to impose penalties and initiate prosecution for violations of the said act. On August 12, 2008, the RBI notified two regulations under the said act, namely, the Board for Regulation and Supervision of Payment and Settlement Systems Regulation, 2008 and the Payment and Settlement Systems Regulations, 2008 which provided for the constitution of a board to oversee the implementation of the said act and procedures for service providers to obtain approval for providing their payment services.

***The RRB Act, 1976***

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

The RRB Act stipulates the limit of the paid-up capital of an RRB and further stipulates that the shares shall always be fully paid up shares of one hundred rupees each, 50% of such shares shall be subscribed to by the GoI, 15% by the concerned state government and 35% by the sponsor bank. The issued capital can be changed by the board of directors of the RRB (with the prior approval of the GoI) after consultation with NABARD, the concerned state government and the sponsor bank.

The RRB Act further requires that the board of directors shall consist of the following:

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

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

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

RRBs are not eligible to get tax benefits in terms of section 80P of the I.T. Act from the assessment year 2007-2008. Further, the GoI is empowered to give directions to the RRBs and the RRBs shall have to obey and follow such directions.

## HISTORY AND CERTAIN CORPORATE MATTERS

United Bank of India was constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on July 19, 1969. The Head Office of the Bank was set up at 4 Clive Ghat Street (presently known as N. C. Dutta Sarani, Kolkata 700 001 which was shifted to its present location at 11 Hemanta Basu Sarani, Kolkata – 700001 in 1972 for operational efficiency.

United Bank of India is one of the 14 banks which were nationalised on July 19, 1969. On October 12, 1950, the name of Bengal Central Bank Limited (established in 1918 as Bengal Central Loan Company Limited) was changed to United Bank of India Limited for the purpose of amalgamation and on December 18, 1950, Comilla Banking Corporation Limited (established in 1914), the Comilla Union Bank Limited (established in 1922), the Hooghly Bank (established 1932) stood amalgamated with the Bank. Subsequently, other banks namely, Cuttack Bank Limited, Tezpur Industrial Bank Limited, Hindusthan Mercantile Bank Limited and Narang Bank of India Limited were merged with the Bank.

***Main Objects of the Bank***

Section 3(5) of the Bank Acquisition Act 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, hund is, 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 Government may, by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage."*

Section 3 (7) of Chapter II of the Bank Acquisition Act provides for the Bank to act as an Agent of the RBI.

*(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.*

*(2) The terms and conditions on which any such agency business shall be carried on by the corresponding new Bank on behalf of the Reserve Bank shall be such as may be agreed upon.*
*(4) The corresponding new Bank may transact any business or perform any function entrusted to it under Clause (I) by itself or through any agent approved by the Reserve Bank.*

***Changes in Memorandum of Association***

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

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.

***Changes in our Head Office***

The Head Office of our Bank was set up at 4 Clive Ghat Street (presently known as N. C. Dutta Sarani, Kolkata 700 001 which was shifted to its present location at 11 Hemanta Basu Sarani, Kolkata – 700001 in 1972 for operational efficiency.

*Key Milestones*

| Sr. No. | Year | Details |
|---|---|---|
| 1. | 1961 | The Cuttack Bank Limited and The Tezpur Bank Limited merged with our Bank |
| 2. | 1964 | Staff Training college at Kolkata (then Calcutta) was setup |
| 3. | 1969 | Our Bank was nationalised by GoI |
| 4. | 1970 | Mobile branches were set up by our Bank |
| 5. | 1973 | Hindusthan Mercantile Bank Limited merged with our Bank |
| 6. | 1976 | Narang Bank of India Limited merged with our Bank |
| 7. | 1980 | Appointed as convenor of State Level Bankers' Committee in West Bengal, Tripura and Manipur |
| 8. | 1993 | First branch brought under total branch mechanism |
| 9. | 1995 | Crossed business level of Rs. 10,000 crore |
| 10. | 2006 | Crossed business level of Rs. 50,000 crore |
| 11. | 2007 | Rolled out first CBS branch |
| 12. | 2007 | Setup United Bank Socio – Economic Development Foundation Trust in 2007 for rendering assistance to the weaker and under priviledge sections of the society |
| 13. | 2007 | Setup the first Rural Development & Self Employment Training Institute to provide residential training to small farmers and unemployed youth free of cost |
| 14. | 2009 | Achieved 100% CBS for all its branches |
| 15. | 2009 | Crossed business level of Rs. 100,000 crore |

***Awards/ certifications received by the Bank***

| Year | Award and Recognition |
|---|---|
| 2006 | National Award for the second best performance in financing small scale units by Ministry of Small Scale Industries, Government of India |
| 2007 | Golden Jubilee Award for the best bank in north east zone for excellence in the field of khadi and village industries from the Ministry of MSME, Government of India |
| 2007-2008 | Best Bancassurance partner byTata AIG |
| 2008 | National Award for the best bank for excellence in field of Khadi and village industries for east and north east zones from the Ministry of MSME, Government of India |
| 2008-2009 | Pinnacle Partner of the year by Tata AIG |
| 2008-2009 | Highest contibutor to lives insured by Tata AIG |
| 2009 | National Award under Prime Minister Employment Guarantee Programme in north east zone from the Ministry of MSME, Government of India |

***Promoters and Associates***

We have four Associate RRBs sponsored by Bank.

| Name of the RBBs | Location of Head Office |
|---|---|
| Bangiya Gramin Vikash Bank | Berhampur, West Bengal |
| Assam Gramin Vikash Bank | Guwahati, Assam |
| Tripura Gramin Bank | Agartala, Tripura |

| Name of the RBBs | Location of Head Office |
|---|---|
| Manipur Rural Bank | Imphal, Manipur |

For further details regarding our Promoters and Associates, please see "*Our Promoters and Associates*" on page 196 of this Red Herring Prospectus.

***Strategic or Financial Partners***

We do not have any strategic or financial partners.

## OUR MANAGEMENT

**Board of Directors**

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

| Name, Father's Name, Address, Occupation and PAN | Age | Status of Director in our Bank | Other Directorships |
|---|---|---|---|
| Mr. Satish Chander Gupta<br>(S/o) Prakash Chand Gupta<br><br>UBI House,<br>73E, Purna Das Road<br>Kolkata – 700029.<br><br>Professional Banker<br><br>PAN: ACDPG2536L | 59 | Chairman<br>and Managing Director<br><br>*Non Independent Director* | None |
| Mr. Tejendra Mohan Bhasin<br>(S/o) M. L. Bhasin<br><br>Flat - 5B, Juthika Apartments<br>11/1, Sunny Park, Ballygunge<br>Kolkata – 700019.<br><br>Professional Banker<br><br>PAN: AADPB4947Q | 53 | Executive Director<br><br>*Non Independent Director* | None |
| Mr. Sanjeev Kumar Jindal<br>(S/o) Hira Lal Jindal<br><br>Deputy Secretary, Ministry of Finance,<br>Banking Division, Jeevan Deep Building,<br>Parliament Street<br>New Delhi – 110001.<br><br>Deputy Secretary, Ministry of Finance,<br>Government of India<br><br>PAN: AADPJ6043P | 44 | Government of India Nominee Director<br><br>*Non Independent Director* | • IFCI Limited;<br>• Tourisim Finance Company of India Limited;<br>• Irrigation and Water Resources Finance Corpoation Limited |
| Mr. Tulsidas Bandyopadhyay<br>(S/o) Late Saktipada Bandopadhyay<br><br>GC-184, Salt Lake,<br>Sector III<br>Kolkata – 700106.<br><br>Ex-Chief General Manager of RBI<br><br>PAN: AADPB3157G | 69 | RBI Nominee Director<br>*Independent Director* | None |

| Name, Father's Name, Address, Occupation and PAN | Age | Status of Director in our Bank | Other Directorships |
|---|---|---|---|
| Mr. Suprita Sarkar<br>(S/o) Suprakash Chandra Sarkar<br><br>United Bank of India, RRB Department<br>11 Hemanta Basu Sarani<br>Kolkata – 700001.<br><br>Employee of the Bank<br><br>PAN: AITPS5137M | 57 | Officers' Employee Director<br><br>*Non Independent Director* | None |
| Dr. Naina Sharma<br>(D/o) Late K. N. Sharma<br><br>L-4B, Maharani's College Campus,<br>Diggi House<br>Jaipur- 302 004<br><br>Academician<br><br>PAN: AGCPS7483D | 56 | Part-time Non Official Director<br><br>*Independent Director* | None |
| Mr. Soumitra Talapatra<br>(S/o) Late Bidhu Bhushan Talapatra<br><br>GC-26/2, Rabindrapally,<br>Jyangra, Baguiati<br>Kolkata - 700059<br><br>Employee of the Bank<br>PAN: ABIPT9929J | 55 | Workmen Employee Director<br><br>*Non Independent Director* | None |

***Brief Profile of the Directors***

**Mr. Satish Chander Gupta is** Chairman and Managing Director of the Bank. He holds degree in Mechanical Engineering and also in LLB & CAIIB. He is a professional banker with more than 35 yrs of experience in India and abroad, and exposure in all the areas of commercial banking like credit, foreign exchange, international banking, recovery etc. Mr. Gupta has been a professional banker, having started his career with Bank of India in the year 1972 as a probationary officer. Prior to joining the Bank Mr. Gupta was Executive Director of Bank of Baroda since June' 2007. He had been the head of various controlling offices and held positions of Regional Heads at Varanasi (UP), Gwalior (MP) & Delhi, Zonal Heads in UP, Punjab, West Bengal & Delhi. Also he had been Corporate Functional Head, in Hongkong Branch and as head of European operations in Bank of India. Mr. Gupta also served as director on the boards of Indo-Zambia Bank Limited, Zambia and Bank of Baroda (Kenya) Limited.

**Mr. Tejendra Mohan Bhasin** is Executive Director in the Bank. He holds Masters Degree in Botany and also LLB, CAIIB, MBA (Finance) from Faculty of Management Studies University of Delhi and holds a Diploma in Criminology & Forensic Science. He is a professional banker with more than 30 years of experience encompassing all aspects of banking and finance. Before joining the Bank, he was working as General Manager in Oriental Bank of Commerce.

**Mr. Sanjeev Kumar Jindal** is Govt. of India Nominee Director and serving as Deputy Secretary in the Ministry of Finance. He is a Bachelor of Commerce and holds a Master degree in Business Administration (Finance) from Punjab University and Masters in Programme on International Development Policy from Duke University, USA. He functioned at various senior government positions for the last 18 years.

**Mr. Tulsidas Bandyopadhyay** is RBI Nominee Director in the Bank. He is a Post Graduate and has done CAIIB also. He has 35 years of experience. Before joining RBI he served as Lecturer in Government College under the West Bengal Government Education Service. He joined RBI in September 1965. During 1991-93 he worked in Commercial and Overseas Branches of SBI in Mumbai as Deputy General Manager under the RBI Exchange of Officers Programme. In 1998 he was appointed as Executive Director (CVO) of IDBI by the Government of India. He retired from the post of Chief General Manager of RBI in October 2000.

**Mr. Suprita Sarkar** is Officers' Employee Director in the Bank. He has approximately 37 years in the Banking Industry, he holds a Master degree in arts and also CAIIB. He is presently working as a Manager in the Bank.

**Dr. Naina Sharma** is a part-time Non Official Director in the Bank. She holds a P.h.D in Sociology. She is currently working as a Professor of Sociology in University of Rajastan. She has approximately 15 years of experience in the teaching profession.

**Mr. Soumitra Talapatra** is Workmen Employee Director on the Board of the Bank. He is a graduate in Arts and is in the services of the Bank for approximately 29 years. Presently he is designated as Cashier-cum-Clerk and working in the Credit Policy Planning Monitoring & Implementation (CPPMI) Department at the Head Office of the Bank.

**Details of appointment and expiry of term of the Directors**

| Name of Directors | Date of Appointment | Date of expiry of term |
|---|---|---|
| Mr. Satish Chander Gupta | November 06, 2008 | February 28, 2010 or until further orders from the GoI, whichever is earlier |
| Mr. Tejendra Mohan Bhasin | November 07, 2007 | November 06, 2012 or until further orders from the GoI, whichever is earlier |
| Mr. Sanjeev Kumar Jindal | May 12, 2009 | Until further orders from the GoI |
| Mr.Tulsidas Bandyopadhyay | February 27, 2007 | Until further orders from the GoI |
| Mr. Suprita Sarkar | November 23, 2007 | November 22, 2010 or until further orders from the GoI, whichever is earlier |
| Dr. Naina Sharma | July 15, 2008 | July 14, 2011 or until further orders from the GoI, whichever is earlier |
| Mr. Soumitra Talapatra | January 13, 2010 | January 12, 2013 or until further orders from the GoI, whichever is earlier |

**Details of Remuneration of the Directors**

**Remuneration of Directors**

**Mr. Satish Chandra Gupta, Chairman & Managing Director**

*Salary & dearness pay:* Satish Chandra Gupta is entitled to a salary of Rs.80,000 per month and dearness pay of Rs. 17,600 per month as remuneration during his term as Chairman & Managing Director.

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

During the financial year 2009 he was paid Rs. 3,74,871 (from November 06, 2008 to March 31, 2009)

**Mr. Tejendra Mohan Bhasin, Executive Director**

*Salary & dearness pay:* Tejendra Mohan Bhasin is entitled to a salary of Rs.68, 960 per month and dearness pay of Rs. 18,619 per month as remuneration during his term as Executive Director.

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

During the financial year 2009 he was paid Rs. 9,52,088.

**Sitting Fees**

The sitting fee payable to our directors is Rs.5,000 per meeting for attending Board Meetings and Rs.2,500 per meeting for attending committee meetings.

**Payments and Other Benefits to Officers of the Bank**

Except as stated above in the "Details of Remuneration of the Directors" , 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, Employees of the bank.

***Corporate Governance***

The Bank was in compliance with the listing requirements of the applicable regulations, including the Listing Agreement to be entered in to with the Stock Exchanges and the SEBI Regulations, in respect of corporate governance including constitution of the Board and Committees thereof as on date of the Draft Red Herring Prospectus filed with SEBI. Subsequently, the term of four independent directors has ended. Presently, the Board has seven directors of which two are executive directors, one whole time officer employee director, one director nominated by Government of India, one workmen employee director and two independent directors. The Bank has undertaken that it shall ensure compliance with the provisions of Clause 49 of the equity listing agreement with respect to the number of independent directors on its Board by July 1, 2010. The Bank has applied to the GoI for the appointment of independent directors for vacant seats on our board. Except as stated above, the Bank shall comply with the requirements of the applicable regulations, including the Listing Agreement to be entered in to with the Stock Exchanges and the SEBI Regulations, in respect of corporate governance including constitution of the Board and Committees thereof. Corporate Governance is administered through the Board and the committees of the Board. Additionally, the primary responsibility of upholding high standards of corporate governance and providing necessary disclosures within the framework of legal provisions and institutional conventions with commitment to enhance shareholders' value, vests with the Board.

**Committees of the Board**

We have constituted the following committees of the Board of Directors:

1. Audit Committee;
2. Shareholders' Committee
3. Management Committee of Board;
4. Risk Management Committee;
5. Remuneration Committee;
6. High Power Committee of the Board
7. Customer Service Committee of Board; and
8. IT Sub Committee of Board.

## 1. Audit Committee

The Audit Committee was originally re-constituted on October 30, 2009.

Members: Dr. Naina Sharma, (Chairman)
Mr. Tejendra Mohan Bhasin
Mr. Tulsidas Bandyopadhyay
Mr. Sanjeev Kumar Jindal

Clause 49 of the listing agreements with the Stock Exchanges requires that the audit committee of the Board should comprise of two-third independent directors and its chairman should be an independent director.

*Terms of Reference / Scope of the Audit Committee*

- Providing direction as well as overseeing the operation of the total audit function of the Bank, which includes the organization, operationalization and quality control of internal audit and inspection within the Bank and follow-up on the statutory/external audit of the Bank and inspections of the RBI;
- Reviewing, in respect of internal audit, the internal inspection/audit function in the Bank, with specific focus on the follow-up on inter-branch adjustment accounts, unreconciled long outstanding entries in inter-bank accounts and nostro accounts, arrears in balancing of books at various branches, frauds and all other major areas of house-keeping;
- Obtaining and reviewing half yearly reports from the compliance officers appointed in the Bank in terms of the instructions of the RBI;
- Following-up, in respect of statutory audits, on all the issues raised in the Long Form Audit Report and interacting with the external auditors before finalization of the annual/semi-annual financial accounts and reports;
- Reviewing regularly the accounts, accounting policies and disclosures;
- Reviewing the major accounting entries based on exercise of judgment by management and reviewing any significant adjustments arising out of the audit;
- Reviewing qualifications in the draft audit report;
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and reviewing the quarterly, half-yearly and annual financial statements before submission to the Board;
- To have post-audit discussions with the auditors to ascertain any area of concern;
- Establishing the scope and scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy or internal control systems;
- To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors;
- Compliance with the Stock Exchanges' legal requirements concerning financial statements, to the extent applicable;
- To look into any related party transactions, i.e., transactions of the Bank of a material nature, with promoters or management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Bank at large; and
- Such other matters as may from time to time be required by any statutory, contractual or regulatory requirements to be attended to by the Audit Committee.

## 2. Shareholders' Committee

The Shareholders' Committee was constituted on December 23, 2009.

Members: Dr. Naina Sharma (Chairman)
Mr Suprita Sarkar
Mr. Tejendra Mohan Bhasin

Terms of Reference / Scope of the Shareholders' Committee

The Committee performs inter alia the role/ functions as are set out in Clause 49 of the Listing Agreement with the stock exchanges. The Committee was constituted to look into the redressal of shareholders' and investors' complaints, including but not limited to, transfer of Equity Shares, non-receipt of balance sheet, non-receipt of dividends, and any other grievance that a shareholder or investor of the Bank may have against the Bank.

**3. Management Committee of the Board**

The Management Committee was re-constituted on October 26, 2009.

| | |
|---|---|
| Members: | Mr. Tejendra Mohan Bhasin (Chairman) |
| | Mr. Tulsidas Bandyopadhyay |
| | Dr. Naina Sharma |
| | Mr Suprita Sarkar |

*Terms of Reference / Scope of the Management Committee*

Management Committee exercises 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 GoI, which approval is given by the GoI after consultation with the RBI. The Management Committee may exercise all the powers vested in the Board in respect of:

- Sanctioning of credit proposals (funded and non-funded);
- Loan compromise/write-off proposals;
- Proposals for approval of capital and revenue expenditure;
- Proposals relating to acquisition and hiring of premises including deviation from norms for acquisition and hiring of premises;
- Filing of suits/appeals, defending them, etc;
- Investments in government and other approved securities, shares and debentures of companies, including underwriting;
- Donations; and
- Any other matter referred to the Management Committee by the Board.

**4. Risk Management Committee**

The Risk Management Committee was formed on September 04. 2004.

| | |
|---|---|
| Members: | Mr. Satish Chander Gupta |
| | Mr. Tejendra Mohan Bhasin |
| | Mr. Sanjeev Kumar Jindal |
| | Mr. Tulsidas Bandyopadhyay |

*Terms of Reference / Scope of the Risk Management Committee*

- To take both long term and short term view of risks faced by the Bank;
- Keeping the long term interest and implication in mind, to articulate and proactively update the risk philosophy of the Bank;
- To review, from an operational perspective, the risk profile of the Bank and issue instructions/guidelines to appropriate entities to better manage risk;
- To be the apex committee for convergence of various risk management efforts and policy guidelines and to provide broad direction on articulating the risk management philosophy of the Bank and also review the risk profile of the Bank and provide guidelines.
- To take an integrated view of the risk the Bank is willing to take and provide broad directions for indicating the risk appetite of the Bank;

- To review the credit risk management policies to ensure that they are compatible with the risk philosophies and risk preferences.
- Creating and building organization-wide awareness and appreciation of risk management policies.
- To review periodically the policies and guiding principles for managing the Bank's operational risk and also to review periodically information to monitor compliance with the policies;
- Creating awareness and appreciation of asset liability management issues through the Bank by issuing appropriate guidelines in the areas of balance sheet structure, funding structure, pricing and corporate planning so as to maintain the Bank's desired risk preferences and balance sheet profile;
- To review periodically the instructional mechanism that is put in place for attending to the functions of risk management and risk based supervision; and
- To devise the policy and strategy for integrated risk management containing various risk exposures of the Bank including credit risk.

**5. Remuneration Committee**

The Remuneration Committee was reconstituted on April 29, 2009.

| | |
|---|---|
| Members: | Mr. Sanjeev Kumar Jindal (Chairman)<br>Mr. Tulsidas Bandyopadhyay |

*Terms of Reference / Scope of the Remuneration Committee*

- Statement of intent, targets set by Government of India and achievement in this regard by the Bank;
- Priority sector targets;
- Weightage on the profit and loss position of the Bank;
- Other performance related issues.

**6. High Power Committee of the Board**

The High Power Committee of the Board was formed on October 24, 1990.

| | |
|---|---|
| Members: | Mr. Satish Chander Gupta (Chairman)<br>Mr. Tulsidas Bandyopadhyay<br>Mr. Tejendra Mohan Bhasin<br>Mr. Sanjeev Kumar Jindal |

*Terms of Reference / Scope of the High Power Committee*

- To review disciplinary cases of the employee of the Bank for both vigilance and non-vigilance cases;

**7. Special Committee of the Board to Monitor Large Value Fraud**

The committee was reconstituted on July 30, 2009.

| | |
|---|---|
| Members: | Mr. Satish Chander Gupta (Chairman)<br>Mr. Tejendra Mohan Bhasin<br>Mr. Sanjeev Kumar Jindal<br>Mr. Suprita Sarkar |

*Terms of Reference / Scope of the Remuneration Committee*

- Identify the systemic lacunae, if any, that facilitate the perpetration of the fraud and to put inplace measures to address the same;

- Identify the reasons for delay in detection, if any, reporting to the top management of the Bank and the RBI;
- Monitor progress of Bureau of Investigation/police investigation and recovery position;
- Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed without loss of time;
- Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and
- Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

**8. Customer Service Committee of Board**

The Customer Service Committee was constituted on October 17, 2007.

| | |
|---|---|
| Members: | Mr. Satish Chander Gupta (Chairman)<br>Mr. Tejendra Mohan Bhasin<br>Mr. Tulsidas Bandyopadhyay |

*Terms of Reference / Scope of the Customer Service Committee*

- To bring about ongoing improvements in the quality of customer service provided by the Bank;
- To ensure compliance with the recommendations of the Committee on Procedures and Performance Audit on Public Services in Banks; and
- To initiate innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele at all levels.

**9. IT Sub-Committee of the Board**

| | |
|---|---|
| Members: | Mr. Tejendra Mohan Bhasin (Chairman)<br>Mr. Suprita Sarkar |

*Terms of Reference / Scope of the IT Sub-Committee*

The function of this committee is to monitor all the information technology projects being implemented in the Bank or to be implemented in the Bank in the future. The Supervisory Committee of the Board for Monitoring of Information Technology Projects.

**Interests of Directors**

All Directors of the Bank may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Constitutional Documents and notifications by RBI affixing their remuneration. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Bank. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of dividend payable to them and other distributions in respect of the said Equity Shares. None of our Directors are interested in any advances or facilities that have been provided by the Bank to their relatives or persons in which such relatives are interested. None of our Directors hold equity shares of our Bank as on date of this RHP. None of our Directors have entered into any arrangements or undertakings with major shareholders, customers, or others pursuant to which the Director was selected as a Director or a member of the senior management. None of the Directors of our Bank are related to each other.

There are no service contracts have been entered into by the Directors with the Bank for providing benefits upon termination of employment.

**Borrowing Powers of our Directors**

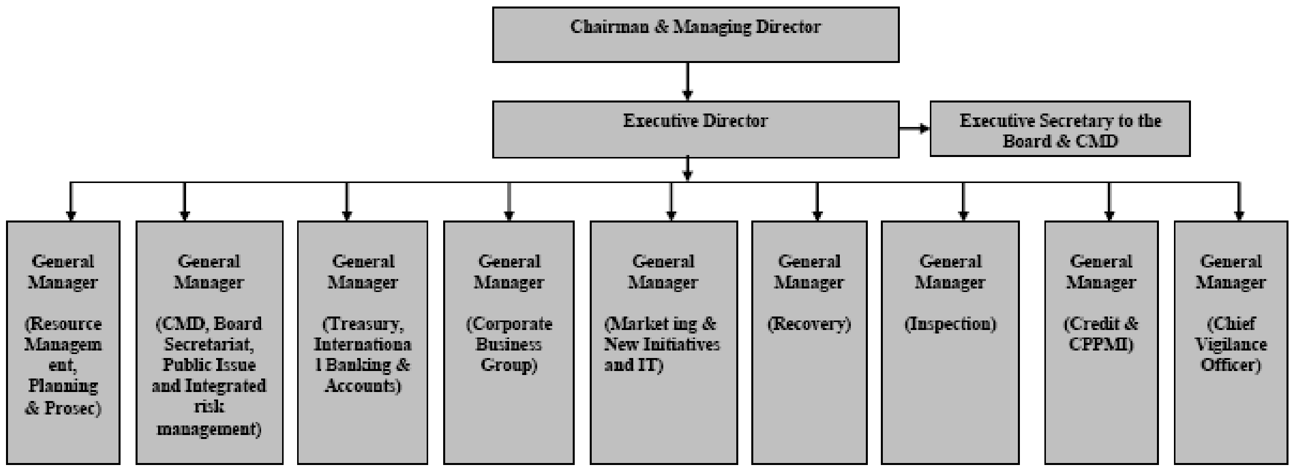
Under our Constitutional Documents, the Directors do not have any borrowing powers and all borrowings by the Bank are typically approved by the Board of Directors.

**Changes in our Board of Directors during the last three years**

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

| Name of Director | **Date of Appointment / Re-appointment** | **Date of cessation** | **Reason** |
|---|---|---|---|
| Mr. Soumitra Talapatra | January 13, 2010 | - | Government notification |
| Mr. Manzoor Ahmed Ansari | January 02, 2007 | January 1, 2010 | End of term |
| Dr. R. K. Agrawal | January 02, 2007 | January 1, 2010 | End of term |
| Ms. Anusuya Sharma | January 02, 2007 | January 1, 2010 | End of term |
| Mr. Praveen Davar | January 02, 2007 | January 1, 2010 | End of term |
| Dr. Naina Sharma | July 15, 2008 | - | Government notification |
| Mr.Sanjeev Jindal | May 12, 2009 | - | Government notification |
| Dr. Sanjay Singh | June 10, 2008 | January 05, 2009 | End of term vide Government notification. |
| Mr. Suprita Sarkar | November 23, 2007 | - | Government notification. |
| Mr.Debasish Bannerjee | - | August 24, 2007 | End of term |
| Mr.P C Zoram Sangliania | - | December 08, 2008 | Resignation |
| Mr.Paban Singh Ghatowar | January 02, 2007 | March 31, 2009 | Resignation. |
| Mr.Abdul Rasheed | - | September 17, 2007 | Resignation. |
| Mr.P K Gupta | May 1, 2005 | September 30, 2008 | Superannuation. |
| Mr.Satish Chander Gupta | November 6, 2008 | - | Government notification. |
| Mr.Tejendra Mohan Bhasin | November 7, 2007 | - | Government notification. |
| Ms. Sunanda Lahiri | - | August 30, 2007 | Superannuation. |
| Mr.Alok Bhatnagar | - | June 9, 2008 | End of term vide Government notification. |
| Mr. Tulsidas Bandopadhyay | February 27, 2007 | - | Government notification. |
| Mr. Vijay Chug | - | February 27,2007 | Government notification. |
| Mr. Biswajit Kakoti | February 27, 2004 | September 15, 2009 | End of term vide Government notification. |

## ORGANISATIONAL STRUCTURE



**Key Managerial Personnel of the Bank**

**Deb Jiban Basu**, General Manager, aged 57 years, joined our Bank on December 23, 1976. He holds a bachelor's degree in Engineering from Jadavpur University and completed CAIIB. He has been in charge of our Corporate Business Group Department alongwith Treasury, International Banking and Accounts. Presently, he is in charge of Treasury, International Banking and Accounts. The gross salary paid to him in fiscal 2009 was Rs 5,89,146. His term of office expires on January 31, 2012.

**Sankar Lal Ghosal**, General Manager, aged 59 years, joined our Bank on October 01, 1977. He holds a bachelor's degree in Engineering, completed a Computer Technique diploma and a Post Graduate Diploma in Management. He has been in charge of our Integrated Risk Management Department at Head Office. Presently he heads our Kolkata (South) Region. The gross salary paid to him during fiscal 2009 was Rs. 5,95,750. His term of office expires on December 31, 2010.

**Akum Amer Chubamayang**, General Manager, aged 58 years, joined our Bank on July 06, 1976. He holds a bachelor's degree in Arts. He has been in charge of our North India Region, Delhi. Presently, he heads our Central Assam Region, Guwahati. The gross salary paid to him in fiscal 2009 was Rs. 5,90,965. His term of office expires on February 28, 2011.

**Ranjan Kumar Mohanty**, General Manager, aged 56 years, joined our Bank on March 12, 1977. He holds a master's degree in Arts. He is in charge of Human Resources Management and bank's Priority Sector Department of our Bank. He is also in charge of implementation of the Bank's Official language Policy. The gross salary paid to him in fiscal 2009 was Rs.5,19,064. His term of office expires on April 30, 2013.

**Ambarisha Nanda**, General Manager, aged 55 years, joined our Bank on March 10, 1977. He holds a master's degree in Arts and completed CAIIB. He has been in charge of Recovery Department at Head Office. Presently he heads our North India Region from Delhi. The gross salary paid to him in fiscal 2009 was Rs.5,48, 224. His term of office expires on March 31, 2015.

**Kaustabh Mani Sarkar**, General Manager, aged 59 years, joined our Bank on March 03, 1977. He holds a bachelor's degree in Engineering. He has been in charge of our Information Technology Department at Head Office as AGM and subsequently took over the charge of the staff training college as its Principal. Presently he heads our Western Region from Mumbai. The gross salary paid to him in fiscal 2009 was Rs.5, 72, 710. His term of office expires on August 31, 2010.

**Ram Deo Yadav**, General Manager, aged 59 years, joined our Bank on January 31, 1972. He holds a master's degree in Agricultural Science and has completed CAIIB. He has been in charge of our Regional Rural Bank viz. Mallabhum Gramin Bank and Assam Gramin Bank. Presently he is in charge of our Recovery Department at Head Office. The gross salary paid to him in fiscal 2009 was Rs.5, 48, 721. His term of office expires on April 30, 2010.

**Prabir Kumar Dutta**, General Manager, aged 57 years, joined our Bank on April 17, 1973. He holds a master's degree in Commerce from Calcutta University, M.B.A. from Calcutta University, and L.L.B. from Calcutta University and has also completed CAIIB. He has been in charge of our Credit Policy Planning, Monitoring & Information Department at the Head Office. Presently he is in charge of our Corporate Business Group Department at Head Office. The gross salary paid to him in fiscal 2009 was Rs. 5, 25, 152. His term of office expires on January 31, 2012.

**Pradip Kumar Dutta**, General Manager, aged 56 years, joined our Bank on September 10, 1976. He holds a bachelor's degree in Engineering from Calcutta University. He has been in charge of the Department of Corporate Business Group. Presently he is in charge of Credit Department at Head Office. The gross salary paid to him in fiscal 2009 was Rs. 5,20, 017. His term of office expires on January 31, 2013.

**Pratap Kumar Ghosh**, General Manager, aged 58 years, joined our Bank on June 06, 1972. He holds a master's degree in Science from Calcutta University, completed CAIIB and has also completed Diploma in Financial Service. He has been in charge of our Investment & Fund Management Department at Head Office. Presently he oversees CMD's Department and heads the department for this Initial Public Offering as well as Integrated Risk Management. The gross salary paid to him in fiscal 2009 was Rs. 5,39,799. His term of office expires on September 30, 2011.

**Siddhartha Mahapatra**, General Manager, aged 58 years, joined our Bank on October 01, 1975. He is a Chartered Accountant and holds a bachelor's degree in Commerce. He has been in charge of Corporate Accounts Department at Head Office. Presently he is in charge of Inspection Department at Head Office. The gross salary paid to him in fiscal 2009 was Rs. 4,73,909. His term of office expires on January 31, 2011.

**Pramod Kumar Sinha**, General Manager, aged 59 years, joined our Bank on May 20, 1972. He holds a master's degree in Commerce and completed CAIIB. He has been in charge of the Central Region, Lucknow Zone of our Bank and presently in charge of our Marketing, New Initiative and Information Technology Department at Head Office. The gross salary paid to him in fiscal 2009 was Rs. 5,60,651. His term of office expires on February 28, 2010.

**Pranab Roy**, General Manager, aged 58 years, joined our Bank on March 05, 1974. He holds a bachelor's degree in Agricultural Science and has completed CAIIB and also has a Diploma in Computer Application. Presently he heads our Southern Region, Chennai. The gross salary paid to him in fiscal 2009 was Rs. 5,64,699. His term of office expires on October 31, 2011.

**Samar Sengupta,** General Manager, aged 58 years, joined our Bank on March 06, 1975. He holds a master's degree in Agricultural Science. Presently he is in charge of Bangiya Gramin Bikash Bank as Chairman. The gross salary paid to him in fiscal 2009 was Rs.4,83,046. His term of office expires on December 31, 2011.

**Change in our key managerial personnel during the last three years:**

| Name | Date of becoming key managerial personnel | Date of cessation | Reason for changes |
|---|---|---|---|
| Mr. Sankar Kumar Bandyopadhyay | January 01, 2008 | March 31, 2009 | Superannuation |
| Mr. Tarun Kanti Ghosh | January 29, 2007 | March 31, 2009 | Superannuation |
| Mr. Amitava Raychoudhuri | November26, 2005 | September 30, 2009 | Superannuation |
| Mr. Shyamal Kumar Mazumder | June 27, 2009 | October31, 2009 | Superannuation |
| Mr. Asoke Kumar Roy | February 14, 2004 | February 28, 2009 | Superannuation |
| Mr. Ashoke Banerjee | May 02, 2000 | January 31, 2008 | Superannuation |
| Mr. Shantanu Guha | May 02, 2000 | December 31, 2007 | Superannuation |
| Mr. Anup Shankar Battacharyya | Febuary 02, 2004 | October 15, 2008 | On elevation to the post of executive director of Indian Bank |
| Mr Tapan Kumar Mukherjee | November 26, 2005 | June 30, 2009 | Superannuation |
| Mr. Nirode Gopal Saha | February 14, 2004 | January 31, 2009 | Superannuation |
| Mr. Swapan Biswas | February 14, 2004 | August 31, 2009 | Superannuation |

**Bonus or profit sharing plan of the key managerial personnel and directors**

There is no bonus or profit sharing plan for our key managerial personnel or directors. There is no employee stock option scheme or employee stock purchase scheme for any our employees or Directors.

**Relationship of the key managerial personnel**

None of the key managerial personnel of our Bank are related to each other.

**Interest of key managerial personnel**

The key managerial personnel of our Bank do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. None of our key managerial personnel have been paid any consideration of any nature by the Bank, other than their remuneration. All our key managerial personnel may also be deemed to be interested to the extent of Equity Shares, if any, that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. As of the date of this Red Herring Prospectus, none of our key managerial personnel holds any Equity Shares. None of our key managerial personnel have entered into any arrangements or undertakings with major shareholders, customers, or others pursuant to which the key managerial personnel was selected as a key managerial personnel.

# OUR PROMOTER AND ASSOCIATES

## Promoter

Our Promoter is the President of India, acting through the Ministry of Finance, Government of India, which holds 100% of the pre-Issue paid up equity share capital of our Bank and shall hold 84.20% of the fully diluted post-Issue paid up equity share capital of our Bank. As our Promoter is the President of India acting through the Ministry of Finance, disclosure of our 'group companies' cannot be provided.

## Our Associates

The Regional Rural Banks Act, 1976 provides for the incorporation, regulation and functioning of the RRBs with a view to develop the rural economy. In order to provide banking services in rural areas in pursuance of GoI policies, our Bank has sponsored the following RRBs:

1. Bangiya Gramin Vikash Bank;
2. Assam Gramin Vikash Bank;
3. Tripura Gramin Bank;
4. Manipur Rural Bank.

The RRB Act stipulates the limit of paid-up capital of an RRB and further stipulates that 50 per cent of such capital would be contributed by the GoI, 35 per cent by the sponsor bank and 15 per cent by the relevant state government. Each of the RRBs is governed independently by a board of directors comprising the following directors appointed in accordance with the RRB Act:

1. Chairman, who will be appointed by the sponsor bank;
2. One director, who is an officer of the RBI and nominated by RBI;
3. One director, who is an officer of the NABARD and nominated by the NABARD;
4. Two directors who are not officers of the GoI, the state government, the RBI, the NABARD, the sponsor bank or any other bank, and nominated by the GoI;
5. Two directors, who are officers of the relevant state government and nominated by the relevant state government; and
6. Two directors, who are officers of the sponsor bank and nominated by the sponsor bank.

The details of the RRBs sponsored by the Bank are given below:

### 1. Bangiya Gramin Vikash Bank

Bangiya Gramin Vikash Bank was set up on February 21, 2007 by amalgamation of the five RRBs sponsored by United Bank of India namely, Gaur Gramin Bank, Mallabhum Gramin Bank, Sagar Gramin Bank, Nadia Gramin Bank and Murshidabad Gramin Bank under the provisions of section 23(A) of the RRB Act. Bangiya Gramin Vikash Bank has a branch network of 550 Branches covering 11 out of 18 districts of the State. Objective of Bangiya Gramin Vikash Bank is to develop rural economy by providing credit for the purpose of agriculture, trade, industry and other productive activities, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs etc. and also to transact business as defined in Section 18(2) of the RRB Act, 1976 and Section 6(1) of Banking Regulation Act, 1949.The Head Office of Bangiya Gramin Vikash Bank is at Chuapur, NH-34, Berhampore, District: Murshidabad – 742 101, West Bengal

The Directors of Bangiya Gramin Vikash Bank are as under:

| Director | Designation |
| --- | --- |
| Mr. Samar Sengupta | Chairman |
| Mr. Amitava Chakraborty | Nominee of Government of India |
| Ms. Soghra Azeez | Nominee of Government of India |
| Mr. K Bala Subrahmanyam | RBI Nominee |
| Mr. S. Krishnan | Nominee of NABARD |
| Mr. Ranjan Kumar Mohanty | Nominee of United Bank of India |
| Mr. Bikash Kumar Mandal | Nominee of United Bank of India |
| Dr. Manabendra Nath Ray | Nominee of Govt. of West Bengal |
| Mr. A.K. Das | Nominee of Govt. of West Bengal |

The shareholding pattern of Bangiya Gramin Vikash Bank as on March 31, 2009 is as follows:

Amount in Rs. Crore (except as specified otherwise)

| Share Holders | Issued/Called up | Paid up | Calls Unpaid |
| --- | --- | --- | --- |
| Government of India | 2.50 | 2.50 | Nil |
| Government of West Bengal | 0.75 | 0.75 | Nil |
| United Bank of India | 1.75 | 1.75 | Nil |
| **TOTAL** | **5.00** | **5.00** | **Nil** |

The summary audited financial statements for the last three Fiscals are as follows:

Amount in Rs. Crore (except as specified otherwise)

| **Particulars** | **For the year ended** | | |
| --- | --- | --- | --- |
| | **March 31, 2009** | **March 31, 2008** | **March 31, 2007** |
| Share Capital | 5.00 | 5.00 | 5.00 |
| Share Capital Deposit | 373.80 | 136.95 | 103.28 |
| Reserves* | 1.53 | 1.53 | 1.53 |
| Total Income | 390.19 | 306.77 | 216.41 |
| Total Expenditure | 377.84 | 299.34 | 384.26 |
| Profit after tax | 12.35 | 7.42 | (167.86) |
| EPS(Rs.)# | 247.06 | 148.50 | (3357.13) |
| BV per share (Rs.)# | (6980.48) | (7227.55) | (7376.04) |

* *Excluding revaluation reserves*
*#Face value of Rs. 100 each*

### 2. *Assam Gramin Vikash Bank*

Assam Gramin Vikash Bank, the only restructured RRB of the N.E. Region was set up on January 12, 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank and Subansiri Gaonlia Bank under the provisions of section 23(A) of the RRB Act. Assam Gramin Vikash Bank is having a net work of 355 Branches covering 25 districts out of 27 districts in the State of Assam. The Head Office of Assam Gramin Vikash Bank is at G.S. Road, Bhangagarth, Guwahati – 781 005, Assam. Assam Gramin Vikash Bank gives emphasis for developing the rural economy by providing credit to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, SHGs, etc. and also to transact business as defined in Section 18(2) of the RRB Act, 1976 and Section 6(1) of Banking Regulation Act, 1949

The Directors of Assam Gramin Vikash Bank are as under:

| Director | Designation |
|---|---|
| Mr. Ram Deo Yadav | Chairman |
| Mr. Sharif-uz-Zaman Laskar | Nominee of Government of India |
| Mr. P. L. Dev Mahanta | Nominee of Government of India |
| Mr. H. K. Venkatasubramanya | RBI Nominee |
| Mr. H.K. Pande | Nominee of NABARD |
| Mr. R.K. Mohanty | Nominee of United Bank of India |
| Mr. A.C. Akum | Nominee of United Bank of India |
| Mr. S.P. Nandy | Nominee of Govt. of Assam |
| Ms. R.D. Kalita | Nominee of Govt. of Assam |

The shareholding pattern of Assam Gramin Vikash Bank as on March 31, 2009 is as follows:

Amount in Rs. Crore (except as specified otherwise)]

| Share Holders | Issued/Called up | Paid up | Calls Unpaid |
|---|---|---|---|
| Government of India | 2.00 | 2.00 | Nil |
| Government of Assam | 0.60 | 0.60 | Nil |
| United Bank of India | 1.40 | 1.40 | Nil |
| **TOTAL** | **4.00** | **4.00** | **Nil** |

The summary audited financial statements for the last three Fiscals are as follows:

Amount in Rs. Crore (except as specified otherwise)]

| **Particulars** | **For the year ended** | | |
|---|---|---|---|
| | **March 31, 2009** | **March 31, 2008** | **March 31, 2007** |
| Share Capital | 4.00 | 4.00 | 4.00 |
| Share Capital Deposit | 85.63 | 85.63 | 85.63 |
| Reserves | 12.38 | 0.50 | 0.50 |
| Total Income | 243.34 | 190.12 | 164.54 |
| Total Expenditure | 217.84 | 170.88 | 162.53 |
| Profit after tax | 20.64 | 19.24 | 2.01 |
| EPS (Rs.)# | 516.01 | 480.92 | 50.12 |
| BV per share (Rs.)# | 409.50 | (106.50) | (587.42) |

* *Excluding revaluation reserves*
*#Face value of Rs. 100 each*

### 3. *Tripura Gramin Bank*

Tripura Gramin Bank was set up on December 21, 1976. Tripura Gramin Bank is having a net work of 103 Branches and 3 extension counters covering four districts of the State. Tripura Gramin Bank has been attaching topmost priority in implementation of micro credit, particularly direct lending to SHG groups form mostly be women entrepreneurs. The Head Office of Tripura Gramin Bank is at Airport Road, Abhoynagar, Agartala – 799 005, Tripura – (W).

The Directors of Tripura Gramin Bank are as under:

| Director | Designation |
|---|---|
| Mr. N. Gangopadhyay | Chairman |
| Mr. S.C. Chakdar | Nominee of United Bank of India |
| Ms. K. Jindal | Nominee of NABARD |
| Mr. Sukha Ranjan Das | Nominee of Government of India |
| Mr. Kajal Das | Nominee of Government of India |
| Mr. S. Mahapatra | Nominee of United Bank of India |
| Mr. M.R. Mundari | RBI Nominee |
| Mr. L.N. Rokhum | Nominee of Govt. of Tripura |

The shareholding pattern of Tripura Gramin Bank as on March 31, 2009 is given below:

Amount in Rs. Crore (except as specified otherwise)

| Share Holders | Issued/Called up | Paid up | Calls Unpaid |
|---|---|---|---|
| Government of India | 0.50 | 0.50 | Nil |
| Government of Tripura | 0.15 | 0.15 | Nil |
| United Bank of India | 0.35 | 0.35 | Nil |
| **TOTAL** | **1.00** | **1.00** | **Nil** |

The summary audited financial statements for the last three Fiscals are as follows:

Amount in Rs. Crore (except as specified otherwise)

| **Particulars** | **For the year ended** | | |
|---|---|---|---|
| | **March 31, 2009** | **March 31, 2008** | **March 31, 2007** |
| Share Capital | 1.00 | 1.00 | 1.00 |
| Share Capital Deposit | 132.61 | 132.61 | 41.42 |
| Reserves | - | - | |
| Total Income | 112.46 | 84.46 | 70.06 |
| Total Expenditure | 91.75 | 79.53 | 68.93 |
| Profit after tax | 20.71 | 4.92 | 1.13 |
| EPS (Rs.) | 2071.02 | 492.46 | 113.11 |
| BV per Share (Rs.) | (10597.38) | (12668.53) | (13160.99) |

*_Excluding revaluation reserves*
*#Face value of Rs. 100 each*

### *4. Manipur Rural Bank*

Manipur Rural Bank was established on May 28, 1981 as a joint undertaking of Government of India, Government of Manipur and United Bank of India (Sponsor Bank) by contributing share capital at the ratio 50:15:35 respectively. The bank started its operation with an objective of economic development of the rural state, particularly the weaker sections by participating in different poverty alleviation programmes of Central & State governments.The area of operation covers the entire State of Manipur. The Manipur Rural Bank is having a net work of 27 Branches covering 9 districts of the State. The Head Office of the Manipur Rural Bank is at Keisampat, Imphal.

The Directors of Manipur Rural Bank are as under:

| Director | Designation |
|---|---|
| Mr. Umesh Prasad Singh | Chairman |
| Mr. P. Tongthang Zou | Nominee of Government of India |
| Ms. S.L. Gangte | Nominee of Government of India |
| Mr. S. K. Singh | RBI Nominee |
| Mr. A.B. Das | Nominee of NABARD |
| Mr. R. D. Yadav | Nominee of United Bank of India |
| Mr. Ramendu Bhattacharjee | Nominee of United Bank of India |
| Mr. HT Ranjit Singh | Nominee of Govt. of Manipur |
| Mr. P Premjit Khuman | Nominee of Govt. of Manipur |

The shareholding pattern of Manipur Rural Bank as on March 31, 2009 is given below:

Amount in Rs. Crore (except as specified otherwise)

| Shareholders | Issues/ Called up Capital | Paid up | Calls Unpaid |
|---|---|---|---|
| From Government of India | 0.50 | 0.50 | Nil |
| From Government of Manipur | 0.15 | 0.15 | Nil |
| United Bank of India | 0.35 | 0.35 | Nil |
| **TOTAL** | **1.00** | **1.00** | **Nil** |

The summary audited financial statements for the last three Fiscals are as follows:

| Particulars | For the year ended | | |
|---|---|---|---|
| | March 31, 2009 | March 31, 2008 | March 31, 2007 |
| Share Capital | 1.00 | 1.00 | 1.00 |
| Share Capital Deposit | 22.02 | 9.00 | 9.00 |
| Reserves* | 0.06 | 0.05 | 0.05 |
| Total Income | 4.07 | 3.75 | 3.97 |
| Total Expenditure | 7.40 | 7.14 | 7.33 |
| Profit after tax | 3.32 | 3.39 | 3.36 |
| EPS (Rs.)# | (332.61) | (339.29) | (336.13) |
| BV per share (Rs.)# | (2,772.07) | (2440.39) | (2102.02) |

*_Excluding revaluation reserves_
_#Face value of Rs. 100 each_

**Litigation**

For details relating to the legal proceeding involving the Associates, see "Outstanding Litigation and Defaults" on page 371 of the Red Herring Prospectus.

## RELATED PARTY TRANSACTIONS

For details of the related party transactions, see "Financial Information – Summary of Significant Transactions with Related Parties" on page 201 of the Red Herring Prospectus.

Transactions with the Associates have not been disclosed in view of Para 9 of AS-18 Related Party Disclosures, which exempts state controlled enterprises from making any disclosure pertaining to their transactions with other related parties that are also state controlled. Further, as per RBI guideline DBOD. No. BP. BC. 89/ 21.04.018/2002-03 dated March 29, 2003, nationalised banks need not disclose their transaction with their subsidiaries as well as the RRBs sponsored by them.

For details of Associates of Our Bank please refer chapter titled "Our Promoter and Associates" on Page 196 of this Red Herring Prospectus.

## DIVIDEND POLICY

As per the provisions of Section 15 of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalised expenses (including preliminary expenses, organization expenses, 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. The Bank has made an application no. MBD/ IPO/311/2009 dated December 15, 2009 to the Ministry of Finance, Government of India seeking an exemption from the applicability of Section 15 of Banking Regulation Act. This exemption if granted will permit the Bank to pay dividends, if any, to the shareholders in the Issue without writing off all its capitalized expenses. However, before we pay any dividends on the Equity Shares, we must first pay the dividend due on the Preference Shares, the rate of which is the prevailing repo-rate plus 100 basis points. For further details, see the sections titled "Risk Factors" and "Regulations and Policies – Restrictions on Payment of Dividends" on pages xii and 172, respectively, of this Red Herring Prospectus.

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

**(Rs. in Crore)**

**For Equity Shares:**

| Year Ended/Half Year Ended | Equity Capital | Rate of Dividend (Percent) | Amount of Dividend |
|---|---|---|---|
| 31.03.2005 | 1810.87 | Nil | N.A. |
| 31.03.2006 | 1532.43 | 3% | 45.97 |
| 31.03.2007 | 1532.43 | 3% | 45.97 |
| 31.03.2008 | 1532.43 | 3% | 45.97 |
| 31.03.2009 | 1532.43 | Nil | N.A. |
| 30.09.2009 | 1532.43 | Nil | N.A. |

**For Perpetual Non-Comulative Preference Shares:**

**(Rs. in Crore)**

| Year Ended/Half Year Ended | Preference Capital | Applicable Rate of Dividend (Percent) | Amount of Dividend |
|---|---|---|---|
| 31.03.2009 | 250.00 | Repo rate+1.00% | Nil |
| 30.09.2009 | 250.00 | Repo rate+1.00% | Nil. |

## SECTION V: FINANCIAL INFORMATION

## AUDITORS' REPORT

### "AUDITORS REPORT ON REVISED RESTATED FINANCIAL INFORMATION"

**To,**

**The Board of Directors,**
**United Bank of India,**
**Head Office,**
**11, Hemanta Basu Sarani,**
**Kolkata – 700 001**

**Dear Sirs,**

Re: Proposed Initial Public Offer of 5 crore Equity Shares having a face value of Rs.10/- each.

We have been engaged to examine and report on the Restated Financial Information of United Bank of India (the Bank), which have been prepared in accordance with the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2009 (SEBI Regulations) issued by the Securities and Exchange Board of India (SEBI) on August 26, 2009 and related clarifications issued by SEBI from time to time.

The Board of Directors had in their meeting held on 23rd Dec.,2009 approved the Restated Financial Information, however, such Restated Financial Information were revised on 29th Dec.,2009 to incorporate certain changes, accordingly we issued revised report dated 29th Dec.,2009. Such revised Restated Financial Information were further revised and approved by the Board of Directors vide Resolution by Circulation dated 6th February,2010, to incorporate certain changes based on observations made by SEBI, consequently this report is being issued thereby superseding our earlier reports. The first revision was resulted to give effect to Auditors' Qualification in the Financial Statements for the half year ended 30th Sept.,2009, the effect thereof on the Restated Financial Information being decrease in share capital by Rs.1266 crores with corresponding effect of increase in capital Reserve. The second revision is resulted to incorporate Notes on Accounts for all the five preceding financial years and the half year ended 30th September, 2009 as also modifications in Annexure A-V i.e. Notes to adjustment carried out.

The preparation and presentation of this Revised Restated Financial Information is the responsibility of Bank and approved by the Board of Directors. We have examined and reported on the above statements on the basis of information and explanations provided by the management, books & records produced to us, so as to obtain a reasonable assurance that such statements are free of material misstatements. This Revised Restated Financial Information is proposed to be included in the offer document of the Bank in connection with its proposed public offer of equity shares of the Bank.

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, 2005, 2006, 2007, 2008 and 2009 which were audited and reported upon by the respective auditors, names of whom and the years of their audit are furnished below:

| Year | Name of Auditors |
|---|---|
| 2004-05 | M/s Kalyansundaram & Co, M/s Bhattacharya Das & Co, M/s Gopal Gupta & Co, M/s D K Chhajer & Co , M/s George Read & Co, M/s Singhvi, Dev & Unni |
| 2005-06 | M/s Bhattacharya Das & Co, M/s Gopal Gupta & Co, M/s D K Chhajer & Co.,M/s George Read & Co, M/s Singhvi, Dev & Unni |
| 2006-07 | M/s Bhattacharya Das & Co, M/s Gopal Gupta & Co, M/s D K Chhajer & Co.,M/s George Read & Co, M/s Singhvi, Dev & Unni |
| 2007-08 | M/s Salarpuria Jajodia & Co, M/s Maheshwari & Associates, M/s G P Agrawal & Co, M/s. S Ganguli & Associates M/s Tandon Seth & Co |
| 2008-09 | M/s Salarpuria Jajodia & Co, M/s Maheshwari & Associates, M/s G P Agrawal & Co, M/s. S Ganguli & Associates M/s Tandon Seth & Co, M/s. H S Rustagi & Co |

b) The financial statements of the Bank for the half-year ended September 30, 2009 were audited by us. The aforesaid financial statements incorporated the relevant returns of 20 branches audited by us and 198 branches audited by the concurrent auditors and other empanelled auditors specially appointed for this purpose and unaudited returns in respect of 1235 branches. These audit reports covered (i) 86.03 % of the advances portfolio of the Bank excluding outstanding food credit and (ii) 72.45% of non-performing advances.

Since no financial statements have been audited subsequent to September 30, 2009 till date, the said audited financial statements of the Bank for the half year ended September 30, 2009 have been incorporated.

2. The audit of the financial statements for the years referred to in paragraphs 1(a) & (b) 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. 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 audited financial information with the Bank's audited financial statements for the years 2004-2005 to 2008-2009 and audited financial statements for the half year ended September 30, 2009 as prepared by the Bank.

4. We report that the profits of the Bank as restated for the financial years ended March 31, 2005, 2006, 2007, 2008, 2009 and half Year Ended September 30, 2009 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 and are to be read with accounting policies and notes thereon furnished.

5. We report that the assets and liabilities of the Bank as restated as at the financial year ended March 31, 2005, 2006, 2007, 2008, 2009 and half Year Ended September 30, 2009 are also as set out in Annexure A after making such adjustments and regroupings as in our opinion were appropriate and are to be read with the accounting policies and notes thereon.

6. The Annexure A as referred to in paragraphs 4 & 5 above consists of the following:

   a. Summary statement of Restated Profit and Loss (Annexure A-I).
   b. Summary statement of Assets and Liabilities as restated (Annexure A-II).
   c. Statement of Cash Flows as restated (Annexure A-III).

d. Significant Accounting Policies and Notes to Accounts for Financial Years 2004-05,2005-06,2006-07,2007-08,2008-09 and for the half year ended September 30, 2009(Annexure A-IV).

e. Notes to adjustments carried out (Annexure A-V).

f. Adjustments not carried out in the Statements of Profit & Loss and Assets and Liabilities (Annexure A-VI).

g. Summary of significant transaction with Related Parties for the years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and half year ended 30th September 2009 (Annexure A-VII).

h. Segment Reporting for the years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and the half year ended September 30, 2009 (Annexure A-VIII).

i. Statement of Advances (Annexure A-IX)

j. Statement of Investments (Annexure A-X)

7. 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, 2009 and the half year ended 30th September,2009 are as set out in Annexure B(I) &(II).

8. We report that the Bank does not have any subsidiary.

9. We have also examined the following financial information relating to the Bank proposed to be included in the offer documents, 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 as set out in Annexure C.
ii. Capitalization Statement as at September 30, 2009 of the Bank as set out in Annexure D.
iii. Statement of Tax Shelter as set out in Annexure E.
iv. Statement of Borrowings as set out in Annexure F.
v. Key Financial Indicators as set out in Annexure G.
vi. Details of Other Income which exceeds 20%of NPBT as set out in Annexure H.

10 a) In our opinion, the Revised Restated 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 A-VI*, have been prepared in accordance with the SEBI Regulations.

10 b) In our opinion, the Revised Restated Financial Information as annexed in Annexure A to H for the years ended March 31, 2005, 2006, 2007, 2008 & 2009 and half year ended September 30, 2009 have been correctly prepared in accordance with the SEBI Regulations *subject to consequential adjustments not carried out as described in Annexure A-VI.*

11. 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.

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

| | | |
|---|---|---|
| For M/s Salarpuria Jajodia & Co. | For M/s Maheshwari & Associates | For M/s G. P. Agrawal & Co. |
| Chartered Accountants | Chartered Accountants | Chartered Accountants |
| FRN- 001862C with ICAI | FRN-311008E with ICAI | FRN-302082E with ICAI |

| | | |
|---|---|---|
| Partner: CA Lalan Kumar<br>Membership No. 075101 | Partner: CA P.K.Roy Chowdhury<br>Membership No. 055924 | Partner: CA Ajay Agrawal<br>Membership No. 017643 |
| For M/s.S.Ganguli & Associates<br>Chartered Accountants<br>FRN-302192E with ICAI | For M/s Tandon Seth & Co.<br>Chartered Accountants<br>FRN-002340C with ICAI | For M/s. H. S. Rustagi & Co.<br>Chartered Accountants<br>FRN- 001890N with ICAI |
| Partner: CA S.K.Basu<br>Membership No. 059220 | Partner: CA Gyan Prakash Gupta<br>Membership No. 074195 | Partner: CA N.K.Rustagi<br>Membership No. 085676 |

KOLKATA
February 11, 2010

ANNEXURE A-I

SUMMARY FINANCIAL INFORMATION

SUMMARY STATEMENT OF REVISED RESTATED PROFIT AND LOSS ACCOUNT

(Rs.in Crore)

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **A.** | **INCOME** | | | | | | |
| **1** | **Interest Earned** | **2,129.28** | **2,350.46** | **2,825.09** | **3,557.30** | **4,311.87** | **2,510.76** |
| 1.1 | Interest & Discount on advance/bills | 839.40 | 1,153.46 | 1,654.10 | 2,246.62 | 3,004.58 | 1,799.16 |
| 1.2 | Income on Investment | 1,242.33 | 1,155.48 | 1,109.94 | 1,293.51 | 1,279.11 | 700.41 |
| 1.3 | Interest on balance with RBI and other Inter Bank Lending | 23.29 | 25.25 | 41.11 | 7.41 | 8.57 | 6.83 |
| 1.4 | Interest on Income Tax Refund | 16.47 | 14.40 | 4.12 | 8.91 | 19.61 | - |
| 1.5 | Others | 7.79 | 1.87 | 15.82 | 0.85 | - | 4.36 |
| **2** | **OTHER INCOME** | **473.00** | **446.53** | **347.68** | **465.50** | **490.86** | **264.87** |
| 2.1 | Commission, Exchange & Brokerage | 90.04 | 99.19 | 115.71 | 124.52 | 136.27 | 65.15 |
| 2.2 | Profit on sale of Investments (Net) | 263.91 | 191.80 | 41.81 | 179.33 | 215.97 | 88.92 |
| 2.3 | Profit on sale of land, bldg & other assets (Net) | 0.12 | (0.01) | 1.03 | 0.03 | 0.04 | 0.07 |
| 2.4 | Profit on exchange transaction (Net) | 9.07 | 6.20 | 12.95 | 28.27 | 16.08 | 9.84 |
| 2.5 | Miscellaneous Income(Refer Annexure-H) | 109.86 | 149.35 | 176.18 | 133.35 | 122.50 | 100.89 |
| | **TOTAL INCOME** | **2,602.28** | **2,796.99** | **3,172.77** | **4,022.80** | **4,802.73** | **2,775.63** |
| **B.** | **EXPENDITURE** | | | | | | |
| **1** | **Interest Expended** | **1,217.73** | **1,339.51** | **1,675.20** | **2,652.69** | **3,150.36** | **1,891.91** |
| 1.1 | Interest on Deposits | 1,196.72 | 1,289.46 | 1,603.49 | 2,507.55 | 2,976.45 | 1,803.40 |
| 1.2 | Interest on RBI/Inter-Bank borrowings | 0.10 | 6.52 | 7.43 | 0.53 | 5.31 | 1.09 |
| 1.3 | Others | 20.91 | 43.53 | 64.28 | 144.61 | 168.60 | 87.42 |
| **2** | **Operating Expenses** | **694.91** | **813.63** | **778.47** | **903.17** | **975.14** | **504.65** |
| 2.1 | Payment to & provision for employees | 497.75 | 628.36 | 557.52 | 641.57 | 657.57 | 319.49 |
| 2.2 | Rent, Tax & Lighting | 32.23 | 34.57 | 38.39 | 43.65 | 54.54 | 32.09 |
| 2.3 | Printing & Stationery | 10.44 | 14.03 | 15.51 | 15.95 | 17.16 | 7.50 |
| 2.4 | Advertisement and publicity | 3.19 | 5.02 | 8.11 | 10.49 | 6.47 | 3.28 |
| 2.5 | Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve) | 20.44 | 22.34 | 27.94 | 49.23 | 63.98 | 43.69 |
| 2.6 | Director's fees, allowances and expenses | 0.45 | 0.50 | 0.52 | 0.74 | 1.07 | 0.43 |
| 2.7 | Auditor's Fees & Expenses | 4.66 | 4.02 | 7.01 | 8.03 | 10.65 | 3.55 |
| 2.8 | Law Charges | 1.39 | 1.27 | 1.51 | 2.51 | 2.90 | 0.88 |
| 2.9 | Postage, Telegrams, | 6.57 | 7.08 | 10.52 | 10.72 | 13.36 | 6.13 |

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| | Telephones, etc. | | | | | | |
| 2.10 | Repairs & Maintenance | 5.28 | 6.74 | 6.02 | 6.60 | 6.62 | 3.26 |
| 2.11 | Insurance | 18.46 | 25.85 | 29.24 | 36.74 | 47.92 | 26.51 |
| 2.12 | Other Expenditure | 94.05 | 63.85 | 76.18 | 76.94 | 92.90 | 57.84 |
| | **TOTAL EXPENDITURE** | **1,912.64** | **2,153.14** | **2,453.67** | **3,555.86** | **4,125.50** | **2,396.56** |

**ANNEXURE A-I (cont.)**

**SUMMARY STATEMENT OF REVISED RESTATED PROFIT AND LOSS ACCOUNT (contd.)**

**(Rs.in Crore)**

| Sl. No. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| | **Operating Profit (before Provision & Contingencies** | **689.64** | **643.85** | **719.10** | **466.94** | **677.23** | **379.07** |
| | Less: Provisions & Contingencies (Other than Provision for Tax) | 285.46 | 371.29 | 416.49 | 289.83 | 259.59 | 64.97 |
| | **Profit Before Tax** | **404.18** | **272.56** | **302.61** | **177.11** | **417.64** | **314.10** |
| | Provision for Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | **Net Profit after tax** | **300.18** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| | Adjusted from Loss brought forward | 300.18 | - | - | - | - | - |
| | **Profit available for appropriation** | **-** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| a) | Statutory Reserve | - | 51.14 | 66.82 | 36.28 | 89.64 | - |
| b) | Capital Reserve | - | 17.62 | 5.07 | 12.78 | 147.21 | - |
| c) | Revenue and Other Reserves | - | 83.38 | 141.61 | 42.27 | 121.70 | - |
| d) | Dividend (excluding Dividend Tax) | - | 45.97 | 45.97 | 45.97 | - | - |
| e) | Tax on Dividend | - | 6.45 | 7.81 | 7.81 | - | - |
| | Balance of Profit carried forward | - | - | - | - | - | 231.10 |
| | **TOTAL** | **-** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| | **Break up of Miscellaneous Income*** | | | | | | |
| | Incidental charges | 8.11 | 9.29 | 13.94 | 16.87 | 18.84 | 9.23 |
| | Recovery in Bad Debts w/o | 48.73 | 87.08 | 77.85 | 57.32 | 33.37 | 40.64 |
| | Service Charges | 35.25 | 43.34 | 58.05 | 50.59 | 58.74 | 48.44 |
| | Others | 17.77 | 9.64 | 26.34 | 8.57 | 11.55 | 2.58 |
| | **Total Miscellaneous Income** | **109.86** | **149.35** | **176.18** | **133.35** | **122.50** | **100.89** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *items listed here are generally of recurring nature. | | | | | | |
| | **Break-up of Provisions and Contingencies** | | | | | | |
| | Provision for Non-Performing Advances | 106.61 | 134.15 | 231.54 | 134.99 | 198.82 | 85.11 |
| | Floating Provision for NPAs (in addition to norms) | - | - | - | 110.00 | - | - |
| | Prov. for Investment NPA | (34.65) | (9.38) | 0.60 | (1.46) | (4.69) | (2.54) |
| | Provision for Standard Advances | 10.27 | 27.54 | 60.73 | 20.80 | 4.67 | 18.65 |
| | Depreciation on Investments | 118.18 | 227.65 | 139.67 | 73.05 | 127.31 | (133.99) |
| | Provision for Restructured Standard Accounts | 5.18 | (5.36) | (3.22) | 3.19 | 38.91 | 0.77 |
| | Others | 79.87 | (3.31) | (12.83) | (50.74) | (105.43) | 96.97 |
| | **Provision & Contingencies (other than Provision for Tax)** | **285.46** | **371.29** | **416.49** | **289.83** | **259.59** | **64.97** |
| | Provision for Income Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | **TOTAL** | **389.46** | **439.29** | **451.82** | **321.83** | **318.68** | **147.97** |
| | | | | | | | |
| | | | | | | | |

**ANNEXURE A-II**

## SUMMARY STATEMENT OF REVISED RESTATED ASSETS & LIABILITIES

**(Rs.in Crore)**

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| A | **ASSETS** | | | | | | |
| 1 | **Cash in Hand** | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 | 359.70 |
| | | | | | | | |
| 2 | **Balance with RBI** | 1,455.95 | 1,284.86 | 2,533.93 | 5,025.09 | 4,303.96 | 5,093.18 |
| 3 | **Balance with Banks** | | | | | | |
| | -In India | 349.88 | 303.01 | 491.20 | 617.82 | 336.79 | 259.55 |
| | -Outside India | - | - | 7.35 | 4.91 | 40.57 | 309.57 |
| 4 | **Money at Call and Short notice** | 192.47 | 1,040.00 | 1,100.00 | - | 1,500.58 | - |
| 5 | **Investments** | | | | | | |
| | -In India | 14,403.32 | 14,129.51 | 14,601.81 | 18,514.64 | 17,924.21 | 22,905.63 |
| | -Outside India | - | - | - | - | - | - |
| 6 | **Advances** | | | | | | |
| | -In India | 11,389.68 | 15,522.31 | 22,156.33 | 27,858.11 | 35,393.55 | 40,887.50 |
| | -Outside India | - | - | - | - | - | - |
| 7 | **Fixed Assets** | 201.28 | 205.07 | 605.22 | 622.81 | 624.21 | 616.35 |
| | Less: Revaluation Reserve | (135.46) | (133.36) | (506.35) | (487.17) | (468.95) | (460.27) |
| | **Net Fixed Assets** | **65.82** | **71.71** | **98.87** | **135.64** | **155.26** | **156.08** |
| 8 | **Other Assets** | 972.76 | 613.61 | 661.43 | 1,443.24 | 1,688.53 | 2,051.08 |
| | Less: Deferred Tax Asset (DTA) / Deferred Revenue Exp. | (18.74) | (19.27) | (24.17) | (29.97) | (70.98) | (70.04) |
| | Accumulated Loss | (278.44) | - | - | - | - | - |
| | **TOTAL - (A)** | **28,665.23** | **33,095.10** | **41,779.23** | **53,793.81** | **61,500.78** | **71,952.25** |
| B | **LIABILITIES** | | | | | | |
| 1 | **DEPOSITS** | | | | | | |
| | Demand Deposits | | | | | | |
| | -From Banks | 110.05 | 232.32 | 177.83 | 221.61 | 307.36 | 319.05 |
| | -From Others | 2,574.74 | 2,900.57 | 3,776.29 | 4,854.08 | 5,087.99 | 4,571.94 |
| 2 | **Saving Deposits** | 9,122.23 | 10,433.90 | 11,668.78 | 13,039.62 | 15,212.43 | 17,098.84 |
| 3 | **Term Deposits from Banks** | 698.90 | 932.79 | 782.80 | 829.84 | 1,513.05 | 1,812.84 |
| | **Term Deposits from Others** | 12,842.47 | 14,750.19 | 20,760.97 | 28,025.58 | 32,415.07 | 40,936.88 |
| 4 | **Borrowings** | | | | | | |
| | -In India | 26.99 | 249.62 | 399.72 | 1,149.35 | 420.42 | 231.84 |
| | -Outside India | - | 47.00 | - | 12.72 | 36.35 | 272.30 |
| 5 | **Other Liabilities and Provisions** | 1,325.29 | 1,332.53 | 1,628.07 | 2,415.72 | 2,445.28 | 2,413.69 |
| 6 | **Subordinate Debts (Tier II Bonds)** | 440.00 | 540.00 | 700.00 | 1,275.00 | 1,525.00 | 1,525.00 |
| | **TOTAL - (B)** | **27,140.67** | **31,418.92** | **39,894.46** | **51,823.52** | **58,962.95** | **69,182.38** |
| C | **NET WORTH (C=A-B)** | **1,524.56** | **1,676.18** | **1,884.77** | **1,970.29** | **2,537.83** | **2,769.87** |

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **D** | **Share Capital** | **1,810.87** | **1,532.43** | **1,532.43** | **1,532.43** | **1,782.43** | **516.43** |
| | Equity Share Capital | 1,810.87 | 1,532.43 | 1,532.43 | 1,532.43 | 1,532.43 | 266.43 |
| | Perpetual Non cumulative Preference shares | - | - | - | - | 250.00 | 250.00 |
| | | | | | | | |
| | | | | | | | |
| *Note:Reduced pursuant to Government of India letter no.11/25/2005-BOA dated 07/07/09 | | | | | | | |

**ANNEXURE A-II (cont.)**

**SUMMARY STATEMENT OF REVISED RESTATED ASSETS & LIABILITIES**

**(Rs.in Crore)**

| Sl. | | AUDITED | | | | | |
|---|---|---|---|---|---|---|---|
| No. | | FINANCIAL YEAR ENDED 31ST MARCH | | | | | Half-year ended |
| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept' 09 |
| **E** | **RESERVE AND SURPLUS** | | | | | | |
| 1 | Statutory Reserve | 10.87 | 62.01 | 128.83 | 164.86 | 254.50 | 254.50 |
| 2 | Capital Reserve | - | 17.62 | 22.69 | 36.47 | 183.68 | 1,449.68 |
| 3 | Revaluation Reserve | 135.46 | 133.36 | 506.35 | 487.17 | 468.95 | 460.27 |
| 4 | Revenue & Other Reserve | - | 83.39 | 224.99 | 266.50 | 388.20 | 388.20 |
| 5 | Balance of Profit & Loss Account | - | - | - | - | - | 231.10 |
| | **TOTAL** | **146.33** | **296.38** | **882.86** | **955.00** | **1,295.33** | **2,783.75** |
| | Less: Revaluation Reserve | (135.46) | (133.36) | (506.35) | (487.17) | (468.95) | (460.27) |
| | Less: Deferred Tax Asset/ Deferred Revenue Expenditure | (18.74) | (19.27) | (24.17) | (29.97) | (70.98) | (70.04) |
| | Less: Profit & Loss (Dr.) | (278.44) | - | - | - | - | - |
| | **TOTAL - (E)** | **(286.31)** | **143.75** | **352.34** | **437.86** | **755.40** | **2,253.44** |
| | **NET WORTH (D+E)** | **1,524.56** | **1,676.18** | **1,884.77** | **1,970.29** | **2,537.83** | **2,769.87** |
| | | | | | | | |
| **F** | **Contingent Liabilities** | | | | | | |
| 1 | Claims against the Bank not acknowledged as debt | 3.17 | 3.19 | 3.15 | 3.10 | 8.38 | 7.86 |
| 2 | Liability for partly paid investments | 0.12 | 0.12 | 0.12 | 0.12 | 37.72 | 18.28 |
| 3 | Liability on account of outstanding forward exchange contracts | 961.93 | 963.14 | 3,062.24 | 3,156.49 | 2,305.07 | 2,946.03 |
| 4 | Guarantees given on behalf of constituents | | | | | | |
| | In India | 734.11 | 1,106.36 | 1,243.99 | 1,414.55 | 1,648.34 | 2,148.89 |
| | Outside India | 105.46 | 141.77 | 198.13 | 226.57 | 286.01 | 351.95 |
| 5 | Acceptance, Endorsements & other Obligations | 545.44 | 554.13 | 724.03 | 780.48 | 908.90 | 1,317.36 |
| 6 | Other items for which the Bank is contingently liable | 1.60 | 1.41 | 1.42 | 1.97 | 89.97 | 124.95 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **TOTAL - (F)** | **2,351.83** | **2,770.12** | **5,233.08** | **5,583.28** | **5,284.39** | **6,915.32** |
| **G** | Bills for collection | 487.23 | 373.82 | 648.53 | 1,291.77 | 1,169.82 | 2,095.01 |
| | | | | | | | |
| *Note:Increased pursuant to Government of India letter no.11/25/2005-BOA dated 07/07/09 | | | | | | | |

**ANNEXURE : A-III**

# CASH FLOW STATEMENT

**(Rs.in Crore)**

| | | Year Ended | | | | | Half Year Ended |
|---|---|---|---|---|---|---|---|
| | | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| | | | | | | | |
| **A** | **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | | |
| | | | | | | | |
| | **Net Profit after Tax** | 300.18 | 204.56 | 267.28 | 145.11 | 358.55 | 231.10 |
| | Add: Provision for Income Tax | 104.00 | 68.00 | 35.33 | 32.00 | 59.09 | 83.00 |
| | Profit before Tax | 404.18 | 272.56 | 302.61 | 177.11 | 417.64 | 314.10 |
| | | | | | | | |
| | **Adjustment for** | | | | | | |
| | Depreciation on Fixed Assets | 20.44 | 24.44 | 32.84 | 68.41 | 82.20 | 52.37 |
| | Less: Amount drawn from Revaluation Reserve | - | (2.10) | (4.90) | (19.18) | (18.22) | (8.68) |
| | Profit/Loss on Sale of Fixed Assets | 0.12 | (0.01) | 1.03 | 0.03 | 0.04 | 0.07 |
| | Depreciation/Provision for Investments | 83.53 | 218.27 | 140.27 | 71.59 | 122.62 | (136.53) |
| | Amortization of VRS Expenses | 63.50 | 46.04 | - | - | - | - |
| | Provision for Standard Assets | 15.45 | 22.18 | 57.51 | 23.99 | 43.58 | 19.42 |
| | Provision for NPA Advances | 106.61 | 134.15 | 231.54 | 244.99 | 198.82 | 85.11 |
| | Other Provisions (Net) | 79.87 | (3.31) | (12.83) | (50.74) | (105.43) | 96.97 |
| | Interest on Subordinated Bonds | 18.14 | 37.66 | 5.02 | 107.25 | 120.65 | 71.84 |
| | | | | | | | |
| | **Operating Profit before changes in Operating Assets & Liabilities** | **791.84** | **749.88** | **753.09** | **623.45** | **861.90** | **494.67** |
| | | | | | | | |
| | **Adjustment for net change in Operating Assets and Liabilities** | | | | | | |
| | | | | | | | |
| | Decrease/(Increase) in Investment | (170.02) | 55.54 | (611.97) | (3985.88) | 463.11 | (4924.42) |
| | Decrease/(Increase) in Advances | (3426.34) | (4266.78) | (6865.55) | (5946.78) | (7734.26) | (5579.06) |
| | Increase/(Decrease) in Deposits | 2590.17 | 3901.38 | 7916.89 | 9804.06 | 7565.18 | 10203.65 |
| | Increase/(Decrease) in Borrowings | (2.50) | 269.63 | 103.10 | 762.36 | (705.30) | 47.37 |
| | Decrease/(Increase) in Other Assets | (273.66) | (11.19) | (143.15) | (924.81) | (204.38) | (396.55) |
| | Increase/(Decrease) in Other Liabilities & Provisions | 669.83 | (11.63) | 250.27 | 815.85 | 96.03 | (68.59) |
| | | | | | | | |
| | **Cash Generated from Operating Activities** | **179.32** | **686.84** | **1402.68** | **1148.25** | **342.28** | **(222.93)** |
| | Tax (Paid) /Refund | (138.82) | (22.14) | 60.00 | 111.00 | (100.00) | (49.00) |
| | **Net Cash from Operating Activities (A)** | **40.50** | **664.69** | **1462.68** | **1259.25** | **242.28** | **(271.93)** |

| | | Year Ended | | | | | Half Year Ended |
|---|---|---|---|---|---|---|---|
| | | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| | | | | | | | |
| **B** | **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | | |
| | | | | | | | |
| | Fixed Assets (Net) | (11.65) | (28.22) | (56.13) | (86.02) | (83.57) | (44.44) |
| | | | | | | | |
| | **Net cash from Investing Activities (B)** | **(11.65)** | **(28.22)** | **(56.13)** | **(86.02)** | **(83.57)** | **(44.44)** |
| | | | | | | | |
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | | |
| | | | | | | | |
| | Return of Capital to GOI | - | - | - | - | - | - |
| | Capital from Government(PNCP) | - | - | - | - | 250.00 | - |
| | Subordinate Bonds Issued (Net) | - | 100.00 | 160.00 | 575.00 | 250.00 | (71.84) |
| | Interest on Subordinated Bonds | (18.14) | (37.66) | (5.02) | (107.25) | (120.65) | - |
| | Adjustment for dividend paid and tax thereon | - | (52.42) | (53.79) | (53.79) | - | - |
| | | | | | | | |
| | **Net cash from Financing Activities (C)** | **(18.14)** | **9.91** | **101.19** | **413.96** | **379.35** | **(71.84)** |
| | | | | | | | |
| | | | | | | | |
| **D** | **Net increase in cash and cash equivalents (A+B+C)** | **10.71** | **646.40** | **1507.73** | **1587.19** | **538.06** | **(388.21)** |
| | | | | | | | |
| | **Cash and cash equivalents at beginning of the year/ half year** | | | | | | |
| | Cash in hand | 138.58 | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 |
| | Balance with Reserve Bank of India | 923.09 | 1455.95 | 1284.86 | 2533.93 | 5025.09 | 4303.96 |
| | Balance with Banks and Money at Call and Short Notice | 1058.45 | 542.35 | 1343.01 | 1598.55 | 622.73 | 1877.94 |
| | | **2120.12** | **2130.83** | **2777.23** | **4284.96** | **5872.15** | **6410.21** |
| | **Cash and cash equivalents at end of the year / half year** | | | | | | |
| | Cash in hand | 132.53 | 149.36 | 152.48 | 224.33 | 228.31 | 359.70 |
| | Balance with Reserve Bank of India | 1455.95 | 1284.86 | 2533.93 | 5025.09 | 4303.96 | 5093.18 |
| | Balance with Banks and Money at Call and Short Notice | 542.35 | 1343.01 | 1598.55 | 622.73 | 1877.94 | 569.12 |
| | | **2130.83** | **2777.23** | **4284.96** | **5872.15** | **6410.21** | **6022.00** |
| | **Note** : The above cash flows have been prepared on the basis of indirect method. | | | | | | |

## ANNEXURE: A - IV

### ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2005

### A. SIGNIFICANT ACCOUNTING POLICIES

1. **General**

The accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the statutory provisions and prevailing practices.

2. **Recognition of Income and Expenditure**

2.1. The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2. Income on performing assets is recognised on accrual basis and income from non-performing assets is accounted for on realization and the amount realised during the year is appropriated first to current year's income on Sub-standard Assets and those Doubtful Assets, which are under specific reconstruction or rehabilitation or nursing programme. Amounts realised/recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are adjusted against outstanding balances.

2.3. Income accounted for in the previous year in respect of advances classified as NPA in the current year and remaining unrealised, is reversed or provided for.

2.4. Commission (except on Govt. transactions), exchange, brokerage, insurance claim and locker rent are accounted for on cash basis.

2.5. Interest on Matured Term Deposits is provided for on renewal.

3. **Transactions involving Foreign Exchange**

In terms of the AS-11 (Revised) issued by the ICAI:

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by FEDAI. Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

3.4. Foreign currency deposits i.e. FCNR(B) / EEFC / RFC etc. and interest accrued thereon, wherever applicable, are recorded at closing spot rate announced by FEDAI.

4. **Investments**

4.1. The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others.

4.2. In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'.

4.3. In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4. The valuation of Investments is done in accordance with the guidelines issued by the Reserve Bank of India as under :

4.4.1. Investments under 'Held to Maturity' category are carried at cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored RRBs classified as Joint Ventures (JV) are valued at carrying cost.

4.4.2. Investments under 'Available for Sale' category are marked to market and are valued as under :

a) Central Govt. Securities:
As per price list declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b) State Govt. Securities, Other Approved Securities, PSU Bonds & Debentures:
After appropriate mark up over YTM of Central Govt. Securities declared by FIMMDA & PDAI.

c) Mutual Funds Units:
As per market quotation, if available, otherwise on repurchase price. In the absence of market quotation and repurchase price, on NAV basis. If the above is not available, valuation is done at cost.

d) Treasury Bills, Commercial Paper and Zero Coupon Bonds:
At cost.

e) Shares:

(i) Equity: As per last traded quotation. In cases where last traded quotation is not available, on the basis of book value as per company's latest Balance Sheet. In the absence of both, at Re.1/- per company.

(ii) Preference: By appropriate mark up over YTM of Central Govt. Securities. Where dividend is in arrear the valuation is made by discounting as under :
- Dividend in arrear for one year - 15%
- Dividend in arrear for more than one year - 20%
- In case where latest Balance Sheet is not available the shares are valued at Re.1/- per company.

Based on above valuation, under each sub-category of 'Available for Sale' if net result is appreciation, the same is ignored and if it is depreciation, the same is charged to Profit and Loss Account and individual scrip is carried at book value.

4.4.3. Investments under 'Held for Trading' category are valued at market price declared by FIMMDA and PDAI and in each sub-category if net result is appreciation, the same is ignored while depreciation, if any, is charged to Profit and Loss Account without changing book value of securities.

4.5. Income from Zero Coupon Bonds is recognised on a time proportion basis being the difference between cost and face value.

4.6. Transfer of scrips from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for, without changing book value of scrips.

4.7. For calculating the surplus / deficit on sale of securities, weighted average method is adopted.

4.8. For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9. Brokerage/Commission/Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10. Brokerage/Commission/Broken-period interest paid is charged to Profit & Loss Account.

4.11. Provision for NPI in Investment portfolio is made as per RBI prudential norms.

**5. <u>Advances</u>**

5.1. Advances are classified as Performing and Non-Performing Assets. Provisions are made as per the prudential norms prescribed by the RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

6. **<u>Fixed Assets</u>**

6.1. Premises, including leasehold and other fixed assets, are stated at historical cost. In case of revaluation, the same are stated at the revalued amounts and the appreciation is credited to Revaluation Reserve.

6.2 Software are capitalized with computers.

6.3.1 Depreciation on assets other than computers is provided for under written down value method as per the rates prescribed under Schedule XIV to the Companies Act, 1956 and is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.3.2 Leasehold assets are amortised over the period of lease.

6.3.3 Depreciation on computers and software are provided on straight-line method @ 33.33% on pro rata basis from the date of acquisition.

7. **<u>Staff Benefits</u>**

7.1. In respect of employees who have opted for Provident Fund Scheme, matching contribution is made. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation at the year end.

7.2 Annual contribution to Gratuity Fund is on the basis of actuarial valuation at the year end.

7.3. Liability towards Leave Encashment is provided based on actuarial valuation at the year end.

8. **<u>Voluntary Retirement Scheme</u>**
The expenditure incurred under VRS is amortised over a period of 5 years as per RBI guidelines.

9. **<u>Provisions and Contingencies</u>**

The Net Profit disclosed in the Profit and Loss Account is after:

a) Provision for taxes on income and wealth;

b) Provision for advances, investments and other assets;
c) Adjustment effects on valuation of investments; and
d) Other usual and necessary provisions.

**B. NOTES FORMING PART OF THE ACCOUNTS**

1. The accounts with other banks / institutions and inter branch transactions are reconciled and elimination of outstanding entries is in progress.
Adjustment / matching of outstanding entries of NOSTRO A/cs are in progress. Pending such final adjustment / matching, the net credit is appearing in the Balance Sheet under the head 'Others' in "Other Liabilities & Provisions".

In the opinion of the management, consequential impact of the above on accounts is not material.

2.a) A general provision @ 0.30% has been made on performing advances against the RBI prescribed minimum provision @ 0.25%. Further a floating provision of Rs. 51.00 crore (previous year Rs.75.00 crore) has been made during the year in respect of non-performing advances over and above the specific provisions made as per prudential norms; with a view to improve the overall financial stability of the Bank.

b) Changes made during the year in the Accounting Policies/Procedures as to advances in compliance with RBI Directives are as under:

i) In terms of the RBI guidelines, Bank has made 20% provision against unsecured portion of Sub-standard Assets and 60% provision against secured portion of the doubtful assets more than 3 years as on 31.03.2004. NPA classified as Doubtful – 3 category on or after 01.04.2004 has been provided for at 100% on outstanding balance as on 31.03.2005.

ii) Irrespective of invocation of guarantee, asset classification and provisioning in respect of the State Government guaranteed accounts has been made following the prudential norms.

iii) An asset has been classified as doubtful less than one year (i.e. D-1) if it remained in sub-standard category for a period beyond 12 months as on 31.03.2005.

3.a) The Bank has 20.81% of the investments under 'Held to Maturity' category (excluding securities under exempted categories as per RBI guidelines) as against the ceiling of 25% prescribed by RBI.

b) The Bank has shifted Rs.1507.10 crore (FV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs.120.16 crore during the year.

c) Matured Debentures of book value Rs.35.75 crore (previous year Rs.111.15 crore) are included under the head "Investments" for which full provision has been made.

4. In view of accumulated losses, the Bank has not created any reserve including Statutory Reserve, Capital Reserve and Investment Fluctuation Reserve as clarified by RBI.

5.a) Premises include properties of Rs.5.45 crore (net of depreciation) [cost –Rs.3.52 crore, revalued at Rs.8.49 crore] in respect of which registration formalities are pending.

b) Premises include leased properties amounting to Rs.10.95 crore (net of depreciation) (previous year Rs. 11.34 crore).

6. In accordance with RBI guidelines, the total expenditure on account of Voluntary Retirement Scheme (VRS) offered by the Bank aggregating to Rs. 317.50 crore is amortised over a period of 5 years considering the future benefit arising therefrom. Accordingly, an amount of Rs.63.50 crore (previous year Rs. 63.50 crore) has been charged to current year's Profit and Loss Account and the balance unamortised amount of Rs.46.04 crore is included under 'Other Assets'.

7. Bank has made an adhoc provision of Rs.80.00 crore (previous year Rs.10.00 crore) towards wage revision.

8. Disclosure in terms of Accounting Standards (AS) issued by the ICAI read with RBI guidelines:

i) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**

There are no material prior period items included in the Profit & Loss A/c required to be disclosed as per Accounting Standards (AS-5) issued by the ICAI read with RBI guidelines.

ii) **Accounting for the Effects of Changes in Foreign Exchange Rates (AS-11)**
In terms of AS-11 (Revised) Bank has applied closing spot rate of exchange announced by FEDAI for revaluation at the year end and the effect of changes is considered not material.

iii) **Segment Reporting (AS-17)**
The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments**

**(Rs. in crore)**

| **Business Segments** | **Treasury Operations** | | **Other banking Operations** | | **Total** | |
|---|---|---|---|---|---|---|
| Particulars | **2004-05** | **2003-04** | **2004-05** | **2003-04** | **2004-05** | **2003-04** |
| Revenue | 1539 | 1702 | 938 | 792 | 2477 | 2494 |
| Result | 594 | 619 | 239 | 183 | 833 | 802 |
| Unallocated expenses net of unallocated income | | | | | (143) | (189) |
| Operating Profit | | | | | 690 | 613 |
| Provisions & Contingencies | | | | | (286) | (164) |
| Income-tax | | | | | (104) | (134) |
| Extraordinary profit/loss | | | | | - | - |
| **Net Profit** | | | | | **300** | **315** |
| OTHER INFORMATION | | | | | | |
| Segment assets | 16534 | 16036 | 11390 | 7963 | 27924 | 23999 |
| Unallocated assets | | | | | 831 | 1138 |
| **Total assets** | | | | | **28755** | **25137** |
| Segment liabilities | 15503 | 15368 | 11486 | 8673 | 26989 | 24041 |
| Unallocated liabilities | | | | | 1766 | 1096 |
| **Total liabilities** | | | | | **28755** | **25137** |

**Part B: Geographical Segment – Not Applicable**

iv) **Related Party Disclosures (AS-18)**

Details pertaining to Related Party transactions are disclosed as under:

**Key Management Personnel**

| **Sl. No** | **Name** | **Designation** | **Item** | **Period** | **Amount (in Rupees)** |
|---|---|---|---|---|---|
| 1. | Sri Parkash Singh | Chairman & Managing Director | Salary and emoluments | From 01.04.2004 to 31.03.2005 | 5,05,570/= |

| | | | | | |
|---|---|---|---|---|---|
| 2. | Sri K.N. Prithviraj | Executive Director | Salary and emoluments | From 01.04.2004 to 31.03.2005 | 4,69,471/= |

v) **Consolidated Financial Statement (AS-21)**

The Bank does not have any subsidiary and as such no consolidation is required.

vi) **Accounting for Taxes on Income (AS-22)**

Major components of Deferred Tax Assets/Liabilities are as follows:

(Rs in crore)

| | 2005 | 2004 |
|---|---|---|
| Deferred Tax Assets | | |
| Leave encashment | 18.74 | 16.65 |
| | 18.74 | 16.65 |
| Deferred Tax Liability | | |
| Depreciation on fixed assets | 2.61 | 2.21 |
| | 2.61 | 2.21 |

As a prudent measure, Bank has not recognised Deferred Tax Asset of Rs. 145.87 crore (previous year Rs.161.23 crore) on account of uncertainty as to the time of reversal.

vii) **Impairment of Assets (AS-28)**

The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) issued by the ICAI.

9. **Additional Disclosure and Business Ratios:**

a) In terms of RBI guidelines the following additional disclosures have been made.

Amt. Rs. in crore

| | | | 31.3.2005 | 31.3.2004 |
|---|---|---|---|---|
| a) | Capital to Risk Weighted Asset Ratio | | | |
| | Tier I Capital | | 14.15% | 15.04% |
| | Tier II Capital | | 4.01% | 2.00% |
| | Tier (I + II) Capital | | 18.16% | 17.04% |
| b) | Share holding of the Government of India | | 100% | 100% |
| c) | Subordinated debt raised for Tier II Capital | | 300.00 | Nil |
| d) | Percentage of net NPA to net advance | | 2.43% | 3.75% |
| e) | Provisions and contingencies debited / credited to Profit & Loss Account include | | | |
| | i) | Provision made towards NPAs<br>a) Advances<br>b) Investments | <br>106.61<br>(34.07) | <br>169.07<br>2.82 |
| | ii) | Provision against Standard Assets | 10.27 | 9.20 |
| | iii) | Provision for Depreciation on Investment | 118.18 | (14.64) |
| | iv) | Provision for Income Tax | 104.00 | 134.01 |
| | v) | Others | 84.47 | (2.24) |
| | Total : | | 389.46 | 298.22 |
| f) | Interest Income as a percentage to average working funds | | 7.93% | 8.41% |
| g) | Non-interest income as a percentage to average working funds | | 1.78% | 2.05% |
| h) | Operating profit as a percentage to average working funds | | 2.56% | 2.49% |
| i) | Return on Assets | | 1.04% | 1.25% |

| | | 31.3.2005 | 31.3.2004 |
|---|---|---|---|
| j) | Business (Deposits excluding inter-bank deposits plus Advances) per employee (Rs. in crore) | 2.08 | 1.69 |
| k) | Net Profit per employee (Rs. in lac) | 1.72 | 1.76 |

b) **Maturity profile of assets and liabilities in India:**

Amt. Rs. in crore

| | **1-14 days** | **15-28 days** | **29 days upto 3 months** | **Over 3 months to 6 months** | **Over 6 months upto 1 year** | **Over 1 year upto 3 years** | **Over 3 years upto 5 years** | **Over 5 years** | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| Loans & Advances | 1263.85 | 185.57 | 957.63 | 599.63 | 1009.80 | 5624.60 | 957.64 | 790.96 | 11389.68 |
| Investments & Securities | 1207.95 | 0.00 | 139.91 | 120.98 | 349.54 | 1695.95 | 2015.87 | 8873.12 | 14403.32 |
| Deposits | 1151.32 | 277.60 | 896.44 | 1549.13 | 3385.34 | 6915.93 | 1339.24 | 9833.39 | 25348.39 |
| Borrowings | 0.16 | 0.00 | 0.76 | 4.72 | 5.28 | 9.56 | 5.87 | 0.64 | 26.99 |

c) **Maturity profile of foreign currency assets and liabilities**:

(Rs in crore)

| | **1-14 days** | **15-28 days** | **29 days upto 3 months** | **Over 3 months to 6 months** | **Over 6 months upto 1 year** | **Over 1 year upto 3 years** | **Over 3 years upto 5 years** | **Over 5 years** | **TOTAL** |
|---|---|---|---|---|---|---|---|---|---|
| LIABILITIES | 176.94 | 17.53 | 222.28 | 141.07 | 21.91 | 15.54 | - | - | **595.26** |
| ASSETS | 176.45 | 31.76 | 171.57 | 188.03 | 27.79 | - | - | - | **595.60** |

The classification of Assets and Liabilities (in b and c above) in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioural maturity pattern.

d) **Movement in NPAs-Advances**

(Rs. in crore)

| | | 31.03.2005 | 31.03.2004 |
|---|---|---|---|
| | Gross NPAs | | |
| | Opening Balance | 764.18 | 959.08 |
| | Add : (i) Inclusion of Govt. guaranteed NPA hither to treated Standard Assets for asset classification purpose | 26.74 | - |
| | (ii) Additions during the year | 145.45 | 156.10 |
| | Total : | 936.37 | 1115.18 |
| | Less : Reductions during the year | 210.00 | 351.00 |
| | Closing Balance | **726.37** | **764.18** |
| | Net NPAs | | |
| | Opening Balance | 298.55 | 406.06 |
| | Closing Balance | **277.09** | **298.55** |

e) **Movement of Provisions held towards NPA - Advances**

| | | | |
|---|---|---|---|
| | Opening Balance | 458.06 | 539.30 |
| | Add : Provisions made during the year | 106.61 | 169.07 |

| | | | |
|---|---|---|---|
| | Less : Payment made to DICGC | 4.36 | - |
| | Less : Write off /write back of excess provisions during the year | 111.03 | 250.31 |
| | Closing balance | **449.28** | **458.06** |

f) **Movement of Provisions held towards Non-performing Investments (NPI)**

| | | | |
|---|---|---|---|
| | Opening Balance | 63.90 | 71.80 |
| | Add : Provisions made during the year | 13.27 | 2.10 |
| | | 77.17 | 73.90 |
| | Less : Write off/ write back of excess provisions during the year | 38.23 | 10.00 |
| | **Closing Balance** | **38.94** | **63.90** |

g) **Movement of provisions for depreciation on Investments**

(Rs. in crore)

| | | 31.03.2005 | 31.03.2004 |
|---|---|---|---|
| | Opening Balance | 2.23 | 16.87 |
| | Add : Provisions made during the year | 120.40 | - |
| | Less : Write off/write back of excess provisions during the year | 2.22 | 14.64 |
| | **Closing Balance** | **120.41** | **2.23** |

h) **Movement of Amortisation on Investments**

| | | | |
|---|---|---|---|
| | Opening Balance | 0.62 | 0.26 |
| | Add : Amortisation made during the year | 9.28 | 0.36 |
| | Less : Adjusted for sale/redemption during the year | - | - |
| | **Closing balance** | **9.90** | **0.62** |

i) **Lending to sensitive sectors**:

| | | | |
|---|---|---|---|
| | **i) Advances to Capital Market Sector** | 28.39 | 14.27 |
| | **ii) Advances to Real Estate Sector** | 117.12 | 4.35 |
| | iii) Advances to Commodity Sector | 57.22 | 47.46 |
| | **Total :** | **202.73** | **66.08** |

j) **Financing of Equities and Investments in Shares**:

| | | | |
|---|---|---|---|
| | i) Investment in shares, convertible debentures and unit of equity oriented mutual funds (Book Value) | 98.56 | 81.82 |
| | ii) Aggregate advances against shares | 0.72 | 0.31 |

k) **Information in respect of Restructuring etc.(Non-CDR) undertaken during the year**

| | | | |
|---|---|---|---|
| | i) **Advances** | | |
| | Total amount of Loan Asset subjected to restructuring etc. | 132.48 | 77.10 |
| | a) Total amount of Standard Assets subjected to re-structuring etc. | | |
| | b) Total amount of Sub-Standard Assets subjected to restructuring etc. | 132.48 | 77.10 |

| | | | |
|---|---|---|---|
| | ii) **Investments**<br>Total amount of Investment subjected to restructuring etc.<br>a) Total amount of Standard Assets subjected to re-structuring etc.<br>b) Total amount of sub-standard Assets subjected to restructuring etc. | NIL<br><br><br>- | NIL<br><br><br>82.78 |
| | | - | 82.78 |

l) **Corporate Debt Restructuring undertaken during the year**

| | | **31.03.2005** | **31.03.2004** |
|---|---|---|---|
| | i) **Advances** | | |
| | The total amount of Loan Assets subjected to restructuring under CDR (a+b+c) | 33.94 | 182.36 |
| | a) Amount of Standard Assets subjected to CDR | 33.94 | 182.36 |
| | b) Amount Sub-Standard Assets subjected to CDR | NIL | NIL |
| | c) Amount of Doubtful Assets subjected to CDR | NIL | NIL |
| | ii) **Investments** | | |
| | The total amount of Investment subjected to restructuring under CDR (a+b+c) | 5.00 | 99.85 |
| | a) Amount of Standard Assets subjected to CDR | 5.00 | 82.78 |
| | b) Amount Sub-Standard Assets subjected to CDR | - | - |
| | c) Amount of Doubtful Assets subjected to CDR | - | 17.07 |

m) **Country Risk Exposures and the adequacy of provisions**

| | | | |
|---|---|---|---|
| | The net funded exposure of the Bank in respect of Foreign Exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision and disclosure is required to be made as per RBI Circular DBOD.BP.BC.96/21/.04.103/2003-04 dated 17.06.2004. | - | - |

n) **The particulars of repo/reverse repo transactions are as under**:

The Bank has not undertaken any repo / reverse repo transaction other than with Reserve Bank of India under the Liquidity Adjustment Facility (LAF) during 2004-05.

o) **i) Issuer composition of Non-SLR Investments**

(Rs. in crore)

| **No.** | **Issuer** | **Amount** | **Extent of private placement** | **Extent of 'below investment grade' securities** | **Extent of 'unrated' securities** | **Extent of 'unlisted' securities** |
|---|---|---|---|---|---|---|
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | PSUs | 657.51 | 657.51 | - | 33.50 | 17.84 |
| 2 | FIs | 542.79 | 542.79 | - | 0.00 | 130.36 |
| 3 | Banks | 134.15 | 134.15 | - | 23.00 | 15.00 |
| 4 | Private Corporates | 133.19 | 133.19 | - | 0.36 | 59.52 |
| 5 | Subsidiaries/Joint ventures | 14.90 | 14.90 | - | 0.00 | 3.85 |
| 6 | Others (Mutual Fund) | 98.56 | 98.56 | - | 0.00 | 21.57 |
| 7 | Provision held towards depreciation / NPI | 35.11 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | **1545.99** | **1581.10** | **-** | **56.86** | **248.14** |

**ii) Non-performing Non-SLR Investments**

**Amount (Rs. crore)**

| Particulars | 2004-05 | 2003-04 |
|---|---|---|
| Opening balance | 84.77 | 88.04 |
| Additions during the year since 1st April | 17.00 | 6.73 |
| Reductions during the above period | 49.91 | 10.00 |
| Closing balance | 51.86 | 84.77 |
| Total provisions held | 34.87 | 63.89 |

p) **Exposure beyond the prudential ceiling up to 5% of the Capital Fund**:
As at 31.03.2005, the Bank accepted additional exposure beyond the prudential ceiling of 5% of the Capital Fund in respect of four (4) number of borrowal accounts (all under Standard category) involving a total exposure of Rs.1101.84 crore.

q) The Bank raised Tier II Bonds (Second issue) of Rs. 300.00 crore during the year.

r) The Bank has not entered into any transaction in the derivatives sector and hence no disclosure regarding the risk exposure is considered necessary.

10. Previous year's figures have been regrouped / rearranged wherever considered necessary.

## ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2006

### B. SIGNIFICANT ACCOUNTING POLICIES

1. **General**

The accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting practices, applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and prevailing practices in banking industry.

2. **Recognition of Income and Expenditure**

2.1. The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2. Income on performing assets is recognised on accrual basis and income from non-performing assets is accounted for on realization and the amount realised during the year is appropriated first to current year's income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing programme. Amounts realised/recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are adjusted against outstanding balances.

2.3. Income accounted for in the previous year in respect of advances classified as NPA in the current year and remaining unrealised, is reversed or provided for.

2.4. Commission (except on Govt. transactions), exchange, brokerage, insurance claim and locker rent are accounted for on cash basis.

2.5. Interest on Matured Term Deposits is provided for on renewal.

2.6. In respect of compromise and settlement proposals, accounting for write-off, if any, is done on realization of settled dues.

3. **Transactions involving Foreign Exchange**

In terms of the AS-11 (Revised) issued by the Institute of Chartered Accountant of India (ICAI) :

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by FEDAI. Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

4. **Investments**

4.1 The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as " Held to Maturity". "Held for Trading" category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under "Available for Sale". The above categorization is done by the Bank at the time of acquisition of the securities.

4.3 In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4 The valuation of Investments is done in accordance with the guidelines issued by the Reserve bank of India ( RBI) as under :

4.4.1 Investments under 'Held to Maturity' category are carried at cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored RRBs classified as Joint Ventures (JV) are valued at carrying cost.

4.4.2 Investments under 'Available for Sale' category are marked to market and are valued at quarterly or more frequent intervals as under:

a) Central Govt. Securities:
As per price list declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b) State Govt. Securities, Other Approved Securities, PSU Bonds & Debentures:
After appropriate mark up over YTM of Central Govt. Securities declared by FIMMDA & PDAI.

c) Mutual Funds Units:
As per market quotation, if available, otherwise on repurchase price. In the absence of market quotation and repurchase price, on Net Asset Value (NAV) basis. If the above is not available, valuation is done at cost.

d) Treasury Bills, Commercial Paper and Zero Coupon Bonds:
At carrying cost.

e) Shares:
(i) Equity: As per last traded quotation. In cases where last traded quotation is not available, on the basis of book value as per company's latest Balance Sheet. In the absence of both, at Re.1/- per company.

(ii) Preference: By appropriate mark up over YTM of Central Govt. Securities. Where dividend is in arrear the valuation is made by discounting as under :
- Dividend in arrear for one year - 15%
- Dividend in arrear for more than one year – 20%
- In case where latest Balance Sheet is not available the shares are valued at Re.1/- per company.

Based on above valuation, under each sub-category of 'Available for Sale' if net result is appreciation, the same is ignored and if it is depreciation, the same is charged to Profit and Loss Account and individual scrip is carried at book value.

4.4.3 Investments under 'Held for Trading' category are valued on a monthly basis or more frequent intervals at market price declared by FIMMDA and PDAI and in each sub-category if net result is appreciation, the same is ignored while depreciation, if any, is charged to Profit and Loss Account without changing book value of securities.

4.5 Income from Zero Coupon Bonds is recognised on a time proportion basis being the difference between cost and face value.

4.6 Transfer of scrips from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for, without changing book value of scrips.

4.7 For calculating the surplus / deficit on sale of securities, weighted average method is adopted.

4.8 For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9 Brokerage/Commission/Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10 Brokerage/Commission/Broken-period interest paid is charged to Profit & Loss Account.

4.11 Provision for Non-Performing Investments (NPI) in the investment portfolio is made as per RBI prudential norms.

5. **Advances**

5.1. Advances classified as Performing and Non-Performing Assets and provisions therefore are as per the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

6. **Fixed Assets and Depreciation**

6.1. Premises, including leasehold and other fixed assets, are stated at historical cost. In case of revaluation, the same are stated at the revalued amounts and the appreciation is credited to Revaluation Reserve.

6.2 Software are capitalized with computers.

6.3 Depreciation on assets other than computers is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.4 Leasehold assets are amortised over the period of lease.

6.5 Depreciation on computers and software are provided on straight-line method @ 33.33% on pro rata basis from the date of acquisition as per RBI guidelines.

7. **Staff Retirement Benefits**

7.1. In respect of employees who have opted for Provident Fund Scheme, matching contribution is made. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation at the year-end.

7.2 Annual contribution to Gratuity Fund and liability towards leave encashment are made on the basis of actuarial valuation at the year-end.

8. **Voluntary Retirement Scheme (VRS)**

The expenditure incurred under VRS is amortised over a period of 5 years as per RBI guidelines.

9. **Provision for taxation**

Provision for taxation is made on the basis of estimated tax liability and deferred tax liability/asset in terms of Accounting Standard 22 issued by ICAI.

10. **Provisions and Contingencies**

The Provisions and Contingencies disclosed in the Profit and Loss Account includes:

a) Provision for Income Tax, Fringe Benefit Tax and Wealth Tax;

b) Provision for advances, investments and other assets;

c) Adjustment effects on valuation of investments; and

d) Other usual and necessary provisions.

**B. NOTES FORMING PART OF THE ACCOUNTS**

1. Inter branch transactions are reconciled and elimination of outstanding entries is in progress. The accounts with other banks / institutions are also reconciled, excepting in a few cases and matching of outstanding entries of NOSTRO Accounts are in progress.

Pending such final adjustment / matching, the net credit is appearing in the Balance Sheet under the head 'Others' in "Other Liabilities and Provisions".

In the opinion of the management, consequential impact of the above on accounts is not material.

2. During the year the RBI has increased provisioning requirement on performing assets from 0.25% to 0.40% on the funded outstanding amount, with the exception of direct advances to agricultural and SME sectors. However, the Bank has made no distinction of performing direct advances to agricultural and SME sectors and provided for such assets at 0.40% also. In the opinion of the management, consequential impact of the above on accounts is not material.

3.a) Bank's SLR investments under 'Held to Maturity' (HTM) category was Rs.5301.46 Crore (Previous year :Rs.3032.30 Crore) representing 18.18% (Previous year 11.65%) of Demand and Time Liability (DTL) as against ceiling of 25% (Previous year : 25%) prescribed by RBI.

b) The Bank has shifted Rs.593.87 Crore (Previous year: Rs.1,507.10 Crore) of investments at Face Value (FV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs. 57.37 Crore (Previous year: Rs.120.16 Crore) during the year.

4. a) The Govt. of India, vide their letter F.No.11/25/2005-BOA(i), dated April 27,2006, has permitted the Bank to net off the accumulated unabsorbed losses of Rs.278.44 Crore(as on March 31, 2005) against the Equity

Capital of Rs.1810.87 Crore with effect from March 31, 2006. Consequently, the Equity Capital of the Bank after set off stands at Rs.1532.43 Crore.

b) During the year the Bank has appropriated Rs.51.14 Crore (Previous year: Rs. Nil) representing 25% (Previous year: Nil) of the net profit to the Statutory General Reserve and Rs.17.63 Crore (Previous year: Nil) to the Capital Reserve being the profit on sale of HTM securities. Out of the balance of Rs.135.80 Crore (Previous year: Nil), Rs. 45.97 Crore (Previous Year: Nil) has been provided towards dividend payable to the Government of India, tax on dividends Rs. 6.45 Crore (Previous Year: Nil) and appropriated the balance of Rs. 83.38 Crore (Previous Year: Nil) to Revenue and other reserves.

c) Provisions and Contingencies include reversal of a sum of Rs.9.76 Crore (Previous Year –NIL) representing a provision made in earlier years no longer required.

5.a) Premises include properties of Rs.2.65 Crore (Previous year: Rs. 5.45 Crore) (net of depreciation) [cost – Rs.2.25 Crore (Previous year: Rs. 3.52 Crore), revalued at Rs.3.66 Crore ( Previous year : Rs. 8.49 Crore)] in respect of which registration formalities are pending.

b) Premises include leased properties amounting to Rs.10.49 crore (net of depreciation) (Previous year: Rs. 10.95 Crore).

6. During the year Rs. 46.04 Crore (Previous year: Rs.63.50 Crore), representing the remaining unamortised expenditure on Voluntary Retirement Scheme (VRS) has been charged to the Profit and Loss account.

7. a**) Capital Adequacy**

| Items | 2005-06 | 2004-05 |
|---|---|---|
| i) CRAR (%) | 13.12 | 18.16 |
| ii) CRAR-Tier I capital (%) | 10.01 | 14.15 |
| iii) CRAR-Tier II Capital (%) | 3.11 | 4.01 |
| iv) Percentage of the shareholding of the Govt. of India. | 100% | 100% |
| v) Amount of subordinated debt raised as Tier-II Capital ( Rs. in Crore) | 100 | 300 |

**b) Investments**

**(Rs. in Crore)**

| **Items** | **2005-06** | **2004-05** |
|---|---|---|
| (1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 14530.64 | 14572.55 |
| (b) Outside India, | 0.02 | 0.02 |
| (ii) Provisions for Depreciation* | | |
| (a) In India | 401.14 | 169.24 |
| (b) Outside India | 0.01 | 0.01 |
| (iii) Net Value of Investments | | |
| (a) In India | 14129.50 | 14403.31 |
| (b) Outside India. | 0.01 | 0.01 |
| (2) Movement of provisions held towards depreciation on investments. | | |
| (i) Opening balance | 120.41 | 2.23 |

| | | |
|---|---|---|
| (ii) Add: Provisions made during the year | 227.52 | 120.40 |
| (iii)Less: Write-off/ write-back of excess provisions during the year. | 0.24 | 2.22 |
| (iv) Closing balance. | 347.69 | 120.41 |

*Provision for Depreciation includes Amortization and NPI provision.

**c) Repo/reverse repo transactions**

The Bank has not undertaken any repo/reverse repo transaction other than with Reserve Bank of India under the Liquidity Adjustment Facility (LAF) during 2005-06.

**d) Non-SLR investment portfolio**

**i) Issuer composition of Non-SLR Investments**

**(Rs. in crore)**

| No. | Issuer | Amount | Extent of private placement | Extent of 'below investment grade' securities | Extent of 'unrated' securities | Extent of 'unlisted' securities |
|---|---|---|---|---|---|---|
| 1 | PSUs | 467.58 | 467.58 | - | 12.98 | 22.60 |
| 2 | FIs | 525.29 | 525.29 | - | 0.00 | 125.58 |
| 3 | Banks | 110.15 | 110.15 | - | 20.00 | 10.00 |
| 4 | **Private Corporates** | 70.48 | 70.48 | - | 0.36 | 25.01 |
| 5 | Subsidiaries/Joint ventures | 3.86 | 3.86 | - | 0.00 | 3.86 |
| 6 | Others (Mutual Fund) | 685.79 | 591.59 | - | 0.00 | 591.59 |
| 7 | Provision held towards depreciation / NPI | 24.01 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | 1839.14 | 1768.95 | - | 33.34 | 778.64 |

**ii) Non-performing Non-SLR Investments**

**(Rs. in crore)**

| Particulars | 2005-06 | 2004-05 |
|---|---|---|
| Opening balance | 51.86 | 84.77 |
| Additions during the year since 1st April | - | 17.00 |
| Reductions during the above period | 24.26 | 49.91 |
| Closing balance | 27.60 | 51.86 |
| Total provisions held | 24.01 | 34.87 |

**e). Derivatives**

During the year, the Bank has not dealt with in Derivatives. Consequently, the disclosures relating to Forward Rate Agreement/Interest Rate Swap, Interest Rate Derivatives and risk exposure in derivatives are not applicable. The policy on derivatives is under formulation.

**f). Asset Quality**

**i) Non-Performing Assets**

**(Rs. in Crore)**

| Items | 2005-2006 | 2004-2005 |
|---|---|---|
| (i) Net NPAs to Net Advances (%) | 1.95 | 2.43 |

| | | |
|---|---|---|
| (ii) Movement of NPAs (Gross)<br>a) Opening Balance<br>b) Additions during the year<br>c) Reductions during the year<br>d) Closing balance | <br>726.37<br>254.93<br>237.00<br>744.30 | <br>764.18<br>172.19<br>210.00<br>726.37 |
| iii) Movement of Net NPAs<br>a) Opening Balance<br>b) Additions during the year<br>c) Reductions during the year<br>d) Closing balance | <br>277.09<br>203.00<br>177.00<br>303.09 | <br>298.55<br>94.54<br>116.00<br>277.09 |
| iv) Movement of provisions for NPAs<br>(excluding provisions on standard assets)<br>a) Opening Balance<br>b) Provisions made during the year<br>c) Write Off/Write back during the year<br>d) Closing balance | <br><br>449.28<br>134.15<br>142.28<br>441.15 | <br><br>458.06<br>106.61<br>115.39<br>449.28 |

**ii) Loan Assets subjected to Restructuring**

**(Rs. in crore)**

| Items | 2005-2006 | 2004-2005 |
|---|---|---|
| (i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation<br>- of which under CDR | 91.02<br><br>(25.25) | 166.42<br><br>(33.94) |
| (ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation<br>- of which under CDR | 91.02<br><br>(25.25) | 166.42<br><br>(33.94) |
| (iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation<br>- of which under CDR | NIL<br><br>NIL | NIL<br><br>NIL |
| (iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation<br>- of which under CDR<br><br>Note: (i)=(ii) +(iii)+(iv) | NIL<br><br>NIL | NIL<br><br>NIL |

**iii) Reconstruction of Assets**

During the year the Bank has not sold any assets to the Securitization/Asset Reconstruction Company and consequently the disclosures regarding such transactions are not applicable.

**iv) Provision on Standard Assets**

During the year the Bank has provided for Rs.60.88 crore against the last year’s provision for Standard Assets of Rs.33.34 crore.

**g) Business Ratios**

| Item | 2005-2006 | 2004-2005 |
|---|---|---|
| (i) Interest Income as a percentage to Working Funds | 7.66% | 7.93% |
| (ii) Non-interest income as a percentage to Working Funds | 1.48% | 1.78% |
| (iii) Operating Profit as a percentage to Working Funds | 2.09% | 2.56% |
| (iv) Return on Assets | 0.62% | 1.04%% |
| (v) Business (Deposits plus advances) per employee (Rs. in crore) | 2.54 | 2.08 |
| (vi) Profit per employee (Rs. in lac) | 1.18 | 1.72 |

**h) Asset Liability Management**

Maturity pattern of certain items of Assets and Liabilities

**(Rs. in Crore)**

| Assets/ Liabilities | 1 to 14 days | 15 to 28 days | 29 days to 3 months | Over 3 months & up to 6 months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Deposits** | 1750.68 | 359.14 | 1282.87 | 1428.72 | 4384.96 | 7543.50 | 1643.58 | 10856.32 | 29249.77 |
| **Advances** | 1895.07 | 290.14 | 1333.40 | 700.96 | 1148.22 | 7238.04 | 1204.72 | 1711.76 | 15522.31 |
| **Investments** | 20.32 | 99.11 | 217.75 | 18.21 | 139.79 | 1857.49 | 2273.85 | 9502.99 | 14129.51 |
| **Borrowings** | 4.29 | 0.00 | 0.00 | 25.96 | 25.34 | 100.17 | 93.84 | 0.02 | 249.62 |
| **Foreign Currency assets** | 160.75 | 65.07 | 329.71 | 93.34 | 48.86 | - | - | - | 697.73 |
| **Foreign Currency liabilities** | 204.95 | 31.03 | 290.79 | 99.08 | 67.15 | 11.92 | 0.10 | - | 705.02 |

The classification of Assets and Liabilities in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioural maturity pattern.

**i) Lending to Sensitive Sector**

**a) Exposure to Real Estate Sector**

**(Rs. in Crore)**

| Category | 2005-06 | 2004-05 |
|---|---|---|
| a) Direct exposure | | |
| i) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; | 1549.05 | 851.81* |
| of which individual housing loans up to Rs.15 lakh | (1231.35) | |
| ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose *commercial premises, multi-family residential buildings*, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc., including non-fund based (NFB) limits) | 927.50 | 117.12 |
| iii) Investments in Mortgage Backed Securities (MBS) and other | | |

| | | |
|---|---|---|
| securitized exposures –<br>a. Residential,<br>b. Commercial Real Estate.<br>b) Indirect Exposure<br>Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | NIL<br><br><br><br><br><br>740.94 | NIL<br><br><br><br><br><br>107.64 |

* Figure represents only Housing Loan.

**b) Exposure to Capital Market**

**(Rs. in Crore)**

| Items | 2005-06 | 2004-05 |
|---|---|---|
| (i) Investments made in equity shares | 64.47 | 74.39 |
| (ii) Investments in bonds/convertible debentures | - | - |
| (iii) Investments in units of equity-oriented mutual funds. | 62.02 | 28.03 |
| (iv)Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds | 9.85 | |
| (v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers. | 36.67 | 1.06 |
| Total Exposure to Capital Market (i+ii+iii+iv+v) | 173.01 | 103.48 |
| (vi) Of (v) above, the total finance extended to stockbrokers for margin trading. | (34.73) | |

**c) Risk Category-wise Country Exposure**

The risk exposure of the Bank on any country is less than the threshold limit of 1% of the total asset of the Bank and as such no provision has been made in terms of RBI guidelines. The position of risk category of country exposure is given as follows:

**Rs. in Crore**

| Risk Category* | Exposure (net)* as at March'06 (2005-06) | Provision held as at March'06 (2005-06) | Exposure (net) As at March'05 (2004-05) | Provision held as at March'05 (2004-05) |
|---|---|---|---|---|
| Insignificant | 83.79 | NIL | 37.64 | NIL |
| Low | 77.79 | NIL | 22.76 | NIL |
| Moderate | 7.99 | NIL | 1.02 | NIL |
| High | 1.56 | NIL | 1.01 | NIL |
| Very High | 0.56 | NIL | NIL | NIL |
| Restricted | - | NIL | NIL | NIL |
| Off Credit | - | NIL | NIL | NIL |
| **Total** | **171.69** | NIL | **62.43** | NIL |

* Exposure shown above includes only Funded Exposure.

d**) Single/Group Borrower limits.**

During the year ended 31.03.2006 the Bank did not accept any additional exposure beyond the prudential ceiling of 15% of the Capital Fund for single borrower and 40% of the Capital Fund for group borrowers.

**j) Miscellaneous**

**a) Provision for Income Tax**

**Amount of Provisions made for Income Tax during the year:**

(Rs. in Crore)

| | Year ended March 31, 2006 | Year ended March 31, 2005 |
|---|---|---|
| Provision for Income Tax | 68.00 | 104.00 |

In the opinion of the management, no provision is required in respect of disputed income tax demands contested in appeals.

**b) Penalties imposed by RBI**

The Bank has maintained SLR and CRR in excess of statutory requirement during the year except in one fortnight day ended on 14.10.2005, when there was a shortfall of coverage for daily maintenance of CRR by Rs.2.67 crore per day on an average for which penalty imposed was Rs.2.45 lac. (Previous year: Nil).

8. **Disclosure as per Accounting Standard (AS) issued by ICAI in terms of RBI guidelines:**

i) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**
There are no changes in the accounting policies and material prior period items included in the Profit and Loss Account required to be disclosed as per Accounting Standards (AS-5).

ii) **Revenue Recognition (AS-9)**
The circumstances in which Revenue Recognition has been postponed are noted under the Significant Accounting Policies, in this regard.

iii) **Retirement Benefits of the employees (AS-15)**
The accounting policy followed on VRS expenditure is noted under A-8 of the Significant Accounting Policies.

iv) **Segment Reporting (AS-17)**
The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments**

(Rs. in Crore)

| **Business Segments** | **Treasury Operations** | | **Other banking Operations** | | **Total** | |
|---|---|---|---|---|---|---|
| Particulars | **2005-06** | **2004-05** | **2005-06** | **2004-05** | **2005-06** | **2004-05** |
| Revenue | 1392 | 1539 | 1425 | 938 | 2817 | 2477 |
| Result | 450 | 594 | 516 | 239 | 966 | 833 |
| Unallocated expenses net of unallocated income | | | | | (322) | (143) |
| Operating Profit | | | | | 644 | 690 |
| Provisions & Contingencies | | | | | (371) | (286) |
| Income-tax | | | | | (68) | (104) |
| Extraordinary profit/loss | - | - | - | - | - | - |
| **Net Profit** | | | | | **205** | **300** |
| OTHER INFORMATION | - | - | - | - | - | - |
| Segment assets | 16907 | 16534 | 15522 | 11390 | 32429 | 27924 |
| Unallocated assets | | | | | 800 | 831 |
| **Total assets** | | | | | **33229** | **28755** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Segment liabilities | 15802 | 15503 | 15554 | 11486 | 31356 | 26989 |
| Unallocated liabilities | | | | | 1873 | 1766 |
| **Total liabilities** | | | | | **33229** | **28755** |

**Part B: Geographical Segment – Not Applicable**

v) **Related Party Disclosures (AS-18)**

**Key Management Personnel**

| Sl. No | Name | Designation | Item | Period | Amount (in Rupees) |
|---|---|---|---|---|---|
| 1. | Sri. Parkash Singh | Chairman & Managing Director | Salary and emoluments | From 01.04.2005 to 31.05.2005 | 96,092 |
| 2. | Sri. K. N Prithviraj | Executive Director | Salary and emoluments | From 01.04.2005 to 30.04.2005 | 39,715 |
| 3. | Sri P.K. Gupta | Chairman & Managing Director | Salary and emoluments | From 01.12.2005 to 31.03.2006 | 1,88,022 |
| 4. | Ms. S. Lahiri | Executive Director | Salary and emoluments | From 18.06.2005 to 31.03.2006 | 3,79,786 |

vi) **Consolidated Financial Statement (AS-21)/ Accounting for Investments in Associates in Consolidated Financial Statements (AS-23)**

The Bank does not have any subsidiary and as such no consolidation is required.

vii) **Accounting for Taxes on Income (AS-22)**

Major components of Deferred Tax Assets/Liabilities are as follows:

**(Rs in crore)**

| | 2005-2006 | 2004-2005 |
|---|---|---|
| Deferred Tax Assets | | |
| Leave encashment | 19.27 | 18.74 |
| | 19,27 | 18.74 |
| Deferred Tax Liability | | |
| Depreciation on fixed assets | 3.44 | 2.61 |
| | 3.44 | 2.61 |

viii) **Impairment of Assets (AS-28)**
The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) issued by the ICAI.

ix) **Provisions, Contingent Liabilities and Contingent Assets (AS-29)**
Movement in significant Provisions have been disclosed at the appropriate places in the Notes forming part of the accounts.

9. Previous year's figures have been regrouped / rearranged wherever considered necessary.

## ACCOUNTING POLICIES AND NOTES FORMING PART OF

## THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2007

### A. SIGNIFICANT ACCOUNTING POLICIES

1. **General**

The accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting practices, applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and prevailing practices in banking industry.

2. **Recognition of Income and Expenditure**

2.1. The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2. Income on performing assets is recognised on accrual basis and income from non-performing assets (NPA) is accounted for on realization and the amount realised during the year is appropriated first to current year's income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing programme. Amounts realised/recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are adjusted against outstanding balances.

2.3. Income accounted for in the previous year in respect of advances classified as NPA in the current year and remaining unrealised is reversed or provided for.

2.4. Commission (except on Govt. transactions), exchange, brokerage, insurance claim and locker rent are accounted for on cash basis.

2.5. Interest on Matured Term Deposits is provided for on renewal.

2.6. In respect of compromise and settlement proposals, accounting for write-off, if any, is done on realization of settled dues.

3. **Transactions involving Foreign Exchange**

In terms of the AS-11 (Revised) issued by the Institute of Chartered Accountant of India (ICAI):

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by FEDAI. Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

4. **Investments**

4.1 The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as " Held to Maturity". "Held for Trading" category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under "Available for Sale". The above categorization is done by the Bank at the time of acquisition of the securities.

4.3 In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4 The valuation of Investments is done in accordance with the guidelines issued by the RBI as under :

4.4.1 Investments under 'Held to Maturity' category are carried at cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored Regional Rural Banks (RRBs) classified as Shares are valued at carrying cost.

4.4.2 Investments under 'Available for Sale' category are marked to market and are valued at quarterly or more frequent intervals as under:

a) Central Govt. Securities:
As per price list declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b) State Govt. Securities, Other Approved Securities, PSU Bonds & Debentures:
After appropriate mark up over Yield to Maturity(YTM) of Central Govt. Securities declared by FIMMDA & PDAI.

c) Mutual Funds Units:
As per market quotation, if available, otherwise on repurchase price. In the absence of market quotation and repurchase price, on Net Asset Value (NAV) basis. If the above is not available, valuation is done at cost.

d) Treasury Bills, Commercial Paper, Certificate of Deposits and Zero Coupon Bonds:
At carrying cost.

e) Shares:
(i) Equity: As per last traded quotation. In cases where last traded quotation is not available, on the basis of book value as per company's latest Balance Sheet. In the absence of both, at Re.1/- per company.

(ii) Preference: By appropriate mark up over YTM of Central Govt. Securities. Where dividend is in arrear the valuation is made by discounting as under :

- Dividend in arrear for one year - 15%
- Dividend in arrear for more than one year – 20%
- In case where latest Balance Sheet is not available the shares are valued at Re.1/- per company.

Based on above valuation, under each sub-category of 'Available for Sale' if net result is appreciation, the same is ignored and if it is depreciation, the same is charged to Profit and Loss Account and individual scrip is carried at book value.

4.4.3 Investments under 'Held for Trading' category are valued on a monthly basis or more frequent intervals at market price declared by FIMMDA and PDAI and in each sub-category if net result is appreciation, the same is ignored while depreciation, if any, is charged to Profit and Loss Account without changing book value of securities.

4.5 Income from Zero Coupon Bonds being the difference between cost and face value is recognised on a time proportion basis.

4.6 Transfer of scrips from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for, without changing book value of scrips.

4.7 For calculating the surplus / deficit on sale of securities, weighted average method is adopted.

4.8 For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9 Brokerage/Commission/Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10 Brokerage/Commission/Broken-period interest paid is charged to Profit & Loss Account.

4.11 Provision for Non-Performing Investments (NPI) in the investment portfolio is made as per RBI prudential norms.

5. **<u>Advances</u>**

5.1. Advances are classified as Performing and Non-Performing Assets, account wise and provisions thereon are made in conformity with the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

5.3. In case of financial assets sold to the Assets Reconstruction Company(ARC) / Securitisation Company(SC), if the sale is at a price below the net book value(NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

6. **<u>Fixed Assets and Depreciation</u>**

6.1. Premises, including leasehold and other fixed assets, are stated at historical cost. In case of revaluation, the same are stated at the revalued amount and the appreciation is credited to Revaluation Reserve.

6.2 Softwares are capitalized with computers.

6.3 Depreciation on assets other than computers, ATMs and software is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.4 Leasehold assets are amortised over the period of lease.

6.5 Depreciation on computers, Automatic Teller Machine (ATM) and software are provided on straight-line method @ 33.33% on pro rata basis from the date of acquisition as per RBI guidelines.

7. **Employees Retirement Benefits**

7.1. In respect of employees who have opted for Provident Fund Scheme, matching contribution is made to a recognized Trust. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation at the year-end.

7.2 Contribution to Gratuity Fund and liability towards leave encashment are made on the basis of actuarial valuation at the year-end.

8. **Provision for taxation**

Provision for taxation is made on the basis of estimated tax liability. Deferred tax liability/asset is recognized in terms of Accounting Standard 22 issued by ICAI.

9. **Provisions and Contingencies**

The Provisions and Contingencies disclosed in the Profit and Loss Account includes:

a) Provision for Income Tax, Fringe Benefit Tax, Wealth Tax and MAT Credit, if any;

b) Provision for advances, investments and other assets;

c) Adjustment effects on valuation of investments; and

d) Other usual and necessary provisions.

**B. NOTES FORMING PART OF THE ACCOUNTS**

1 a) Inter branch transactions are reconciled and elimination of outstanding entries is in progress. The accounts with other banks / institutions are also reconciled, excepting in a few cases and matching of outstanding entries of NOSTRO Accounts are in progress.

Pending such final adjustment / matching, the net credit is appearing in the Balance Sheet under the head 'Others' in "Other Liabilities and Provisions". In the opinion of the management, consequential impact of the above on accounts is not material.

b) ATM settlement account balances are under reconciliation.

2.a) Bank’s SLR investments under 'Held to Maturity' (HTM) category was Rs.8565.40 Crore (Previous year :Rs.5301.46 Crore) representing 24.17% (Previous year 18.18%) of Demand and Time Liability (DTL) as against ceiling of 25% (Previous year : 25%) prescribed by RBI.

b) During the year the Bank has shifted Rs.2252.97 Crore (Previous year: Rs.593.87 Crore) of investments at Face Value (FV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs. 137.99 Crore (Previous year: Rs.57.37 Crore).

3. a) During the year the Bank has appropriated Rs.66.82 Crore (Previous year: Rs.51.14 Crore) representing 25% (Previous year: 25%) of the net profit to the Statutory Reserve and Rs.5.07 Crore (Previous year: Rs.17.63 Crore) to the Capital Reserve being the profit on sale of HTM securities. Out of the balance of Rs.195.39 Crore (Previous year: Rs.135.80 Crore), Rs.45.97 Crore (Previous Year: Rs.45.97 Crore) has been provided

towards dividend payable to the Government of India, tax on dividends Rs.7.81 Crore (Previous Year: Rs.6.45 Crore) and appropriated the balance of Rs.141.61 Crore (Previous Year:Rs.83.38 Crore) to Revenue and other reserves.

b) Provisions and Contingencies include reversal of a sum of Rs. NIL Crore (Previous Year – Rs.9.76 Crore) representing a provision made in earlier years no longer required.

c) Pursuant to the Reserve Bank of India's letter dated 22.2.2007 the Bank has accounted for Rs.6.07 Crore (Previous year-Nil) being the credit entries prior to 31.3.1999 in Inter-branch and Draft account as miscellaneous income resulting in an increase of profit by Rs.6.07 crore (Previous year-Nil). This credit has been appropriated to Statutory Reserve and Revenue and Other Reserves.

4.a) Certain Premises have been revalued as per RBI guidelines and with the approval of the Board of Directors and such revaluation resulted in appreciation in the value of the said premises by Rs.377.90 Crore with corresponding credit to Capital Reserve-Revaluation Reserve(Schedule-2) and depreciation over and above the normal depreciation attributable to revalued premises is set off against Revaluation Reserve.

b) Premises include properties of Rs.6.20 Crore (Previous year: Rs.2.65 Crore) net of depreciation [cost – Rs.2.25 Crore (Previous year: Rs. 2.25 Crore), revalued at Rs.7.38 Crore ( Previous year : Rs. 3.66 Crore)] in respect of which registration formalities are pending.

c) Premises include leased properties amounting to Rs.21.24 crore (net of depreciation) (Previous year: Rs. 10.49 Crore).

5 Unamortised expenditure on Voluntary Retirement Scheme (VRS) - NIL (previous year: Rs.46.04 Crore) has been charged to the Profit and Loss account.

6. a**) Capital Adequacy**

| Items | 2006-07 | 2005-06 |
|---|---|---|
| i) CRAR (%) | 12.02 | 13.12 |
| ii) CRAR-Tier I capital (%) | 7.72 | 10.01 |
| iii) CRAR-Tier II Capital (%) | 4.30 | 3.11 |
| iv) Percentage of the shareholding of the Govt. of India. | 100% | 100% |
| v) Amount of subordinated debt raised as Tier-II Capital ( Rs. in Crore) | 300 | 100 |

**b) Investments**

**(Rs. in Crore)**

| **Items** | **2006-07** | **2005-06** |
|---|---|---|
| (1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 15135.47 | 14530.64 |
| (b) Outside India, | 0.02 | 0.02 |
| (iv) Provisions for Depreciation* | | |
| (a) In India | 533.67 | 401.14 |
| (b) Outside India | 0.01 | 0.01 |
| (v) Net Value of Investments | | |
| (a) In India | 14601.80 | 14129.50 |
| (b) Outside India. | 0.01 | 0.01 |
| (2) Movement of provisions held towards depreciation on investments. | | |

| Items | 2006-07 | 2005-06 |
|---|---|---|
| (i) Opening balance | 347.69 | 120.41 |
| (ii) Add: Provisions made during the year | 139.48 | 227.52 |
| (iii)Less:Write-off/ write-back of excess provisions during the year. | 39.26 | 0.24 |
| (iv) Closing balance. | 447.91 | 347.69 |

*Provision for Depreciation includes Amortization and NPI provision.

**c) Repo/reverse repo transactions**

**(Rs. in crore)**

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31,2007 |
|---|---|---|---|---|
| Securities sold under repos | 50 | 475 | 10 | - |
| Securities purchased under reverse repos | 25 | 1670 | 280 | 1100 |

**d) Non-SLR investment portfolio**

**i) Issuer composition of Non-SLR Investments**

**(Rs. in crore)**

| No. | Issuer | Amount | Extent of private placement | Extent of 'below investment grade' securities | Extent of 'unrated' securities | Extent of 'unlisted' securities |
|---|---|---|---|---|---|---|
| 1 | PSUs | 364.13 | 364.13 | - | 9.83 | 20.94 |
| 2 | FIs | 485.83 | 485.83 | - | - | 125.58 |
| 3 | Banks | 99.25 | 99.25 | - | - | - |
| 4 | **Private Corporates** | 51.92 | 51.92 | - | 0.36 | 19.95 |
| 5 | Subsidiaries/Joint ventures | - | - | - | - | - |
| 6 | Others (MF/CP/CD) | 1937.01 | 1937.01 | - | - | - |
| 7 | Provision held towards depreciation / NPI | 49.41 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | **2888.73** | **2938.14** | **-** | **10.19** | **166.47** |

**i) Non-performing Non-SLR Investments**

**(Rs. in crore)**

| Particulars | 2006-07 | 2005-06 |
|---|---|---|
| Opening balance | 27.60 | 51.86 |
| Additions during the year | 0.00 | - |
| Reductions during the year | 1.01 | 24.26 |
| Closing balance | 26.59 | 27.60 |
| Total provisions held | 25.20 | 24.01 |

**e) Derivatives**

**i) Forward Rate Agreement/Interest Rate Swap**

**(Rs. in crore)**

| | **Items** | **Current Year** | **Previous Year** |
|---|---|---|---|
| i) | The notional principal of swap agreements. | 50.00 | NIL |
| ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | NIL | NIL |
| iii) | Collateral required by the bank upon entering into swaps | NIL | NIL |
| iv) | Concentration of credit risk arising from the swaps | NIL | NIL |
| v) | The fair value of the swap book | 0.27 | NIL |

**ii) Exchange Traded Interest Rate Derivatives**

**(Rs. in Crore)**

| **Sl.No.** | **Particulars** | **Amount** |
|---|---|---|
| (i) | Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) | NIL |
| (ii) | Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March,2007 (instrument-wise) | NIL |
| (iii) | Notional principal amount of exchange traded interest rate derivatives undertaken outstanding and not "highly effective" (instrument-wise) | NIL |
| (iv) | Mark-to-market value of exchange trade interest rate derivatives outstanding and not 'highly effective" (instrument-wise) | NIL |

iv) **Quantitative Disclosure**

The Bank enters into derivative contracts such as Interest Rate Swaps (IRS) to hedge on Balance Sheet Assets. The notional principal value of SWAPs outstanding as on 31.03.2007 was Rs.50 crore (against previous year's NIL). Interest Rate Swaps in Indian Rupees were undertaken for hedging GOI securities (Asset). The items of SWAPs are receiving of floating interest (overnight MIBOR) and paying of fixed interest. The fair value of SWAPs as on 31.03.2007 was (+) Rs.27.25 lac (previous year's Rs.NIL)

**(Rs. in Crore)**

| Sl.No. | Particular | Currency Derivatives | Interest rate derivatives |
|---|---|---|---|
| (i) | Derivatives (Notional Principal Amount) | NIL | 50.00 |
| (ii) | a) For hedging | NIL | 50.00 |
| | b) For trading | NIL | NIL |
| (iii) | Marked to Market Positions (1) | | |
| | a) Asset (+) | NIL | 0.27 |
| | b) Liability (-) | NIL | NIL |
| (iv) | Credit Exposure (2) | NIL | 0.25 |

| | | | |
|---|---|---|---|
| (v) | Likely impact of one percentage change in interest rate (100*PV01) | | |
| | a) on hedging derivatives | NIL | 0.11 |
| | b) on trading derivatives | NIL | NIL |
| (vi) | Maximum and Minimum of 100*PV01 observed during the year | | |
| | a) on hedging | NIL | 0.11 |
| | b) on trading | NIL | NIL |

**f). Asset Quality**

**i) Non-Performing Assets**

**(Rs. in Crore)**

| Items | 2006-2007 | 2005-2006 |
|---|---|---|
| i) Net NPAs to Net Advances (%) | 1.50 | 1.95 |
| ii) Movement of NPAs (Gross) | | |
| a) Opening Balance | 744 | 726 |
| b) Additions during the year | 406 | 255 |
| c) Reductions during the year | 333 | 237 |
| d) Closing balance | 817 | 744 |
| iii) Movement of Net NPAs | | |
| a) Opening Balance | 303 | 277 |
| b) Additions during the year | 174 | 203 |
| c) Reductions during the year | 144 | 177 |
| d) Closing balance | 333 | 303 |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| a) Opening Balance | 441 | 449 |
| b) Provisions made during the year | 232 | 134 |
| c) Write Off/Write back during the year | 189 | 142 |
| d) Closing balance | 484 | 441 |

**ii) Loan Assets subjected to Restructuring**

**(Rs. in crore)**

| Items | 2006-2007 | 2005-2006 |
|---|---|---|
| (i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation | 148.39 | 91.02 |
| - of which under CDR | 40.68 | 65.93 |
| (ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation | 142.30 | 91.02 |
| - of which under CDR | 40.68 | 65.93 |
| (iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation | 6.09 | NIL |
| - of which under CDR | NIL | NIL |
| (iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation | NIL | NIL |
| - of which under CDR | NIL | NIL |
| Note: (i)=(ii) +(iii)+(iv) | | |

**iii) Reconstruction of Assets/Financial assets sold to Securitization**

**(Rs./Crore)**

| Item | Current Year | Previous Year |
|---|---|---|
| (i) No. of accounts | 17 | NIL |
| (ii) Aggregate value (net of provisions) of accounts sold to SC/RC. | 14.80 | NIL |
| (iii) Aggregate consideration | 14.45 | NIL |
| (iv) Additional consideration realized in respect of accounts transferred in earlier years | NIL | NIL |
| (v) Aggregate gain/loss over net book value. | (0.35) | NIL |

**iv) Provision on Standard Assets**

During the year the Bank has provided for Rs.60.73 crore against the last year's provision for Standard Assets of Rs.27.54 crore.

**g) i) Break-up of provisions & contingencies**

**(Rs in Crore)**

| Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss Account | Current Year 2006-07 | Previous Year 2005-06 |
|---|---|---|
| Provisions for depreciation on Investment | 139.67 | 227.65 |
| Provision towards NPA(Loans &Advances) | 231.54 | 134.15 |
| Provision towards Standard Asset | 60.73 | 27.54 |
| Provision made towards Income Tax | 35.33 | 68.00 |
| Other Provisions and Contingencies | | |
| - Provision towards NPA (Investment) | 0.60 | (9.38) |
| - Retiral Leave Encashment | 14.56 | 6.04 |
| - Provision on FBT | 1.51 | 6.89 |
| - Others | (32.12) | (21.60) |
| **Total** | **451.82** | **439.29** |

**ii) Floating Provisions**

**Rs. in crore**

| | 2006-07 | 2005-06 |
|---|---|---|
| a) Opening Balance | 51.00 | 51.00 |
| b) Made during the year | - | - |
| c) Draw down during the year | - | - |
| - Purpose for which drawn down | Not applicable | Not applicable |
| d) Closing balance (a+b-c) | 51.00 | 51.00 |

**h) Business Ratios**

| Item | 2006-2007 | 2005-2006 |
|---|---|---|
| (i) Interest Income as a percentage to Working Funds | 7.82% | 7.66% |
| (ii) Non-interest income as a percentage to Working Funds | 0.88% | 1.42% |
| (iii) Operating Profit as a percentage to Working Funds | 1.97% | 2.09% |
| (iv) Return on Assets | 0.73% | 0.66% |
| (v) Business (Deposits plus advances) per employee (Rs. in crore) | 3.50 | 2.54 |
| (vi) Profit per employee (Rs. in lac) | 1.59 | 1.18 |

**i) Asset Liability Management**

Maturity pattern of certain items of Assets and Liabilities

**(Rs. in Crore)**

| **Assets/ Liabilities** | **1 to 14 days** | **15 to 28 days** | **29 days to 3 months** | **Over 3 months & up to 6 months** | **Over 6 months & up to 1 year** | **Over 1 year & up to 3 years** | **Over 3 years & up to 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Deposits | 1919.81 | 736.80 | 2942.88 | 1790.29 | 4888.28 | 10541.53 | 2395.67 | 11951.40 | 37166.66 |
| **Advances** | 1960.93 | 252.32 | 1233.20 | 1164.44 | 1422.48 | 9639.02 | 2321.94 | 4161.99 | 22156.32 |
| **Investments** | 28.12 | 81.09 | 101.11 | 145.93 | 331.15 | 1610.08 | 1472.07 | 10832.26 | 14601.81 |
| **Borrowings** | 0.00 | 0.00 | 0.10 | 28.06 | 32.81 | 142.83 | 90.29 | 105.63 | 399.72 |
| **Foreign Currency assets** | 313.31 | 101.08 | 611.95 | 648.28 | 233.38 | 7.96 | 0.00 | 0.00 | 1915.96 |
| **Foreign Currency liabilities** | 248.13 | 44.36 | 672.03 | 685.76 | 251.55 | 14.25 | 0.48 | 0.00 | 1916.56 |

The classification of Assets and Liabilities in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioural maturity pattern.

**j) Lending to Sensitive Sector**

**a) Exposure to Real Estate Sector**

**(Rs. in Crore)**

| **Category** | **2006-07** | **2005-06** |
|---|---|---|
| Direct exposure | | |
| a) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; | 1638.82 | 1549.05 |
| of which individual housing loans up to Rs.15 lakh | 1385.83 | 1231.35 |
| b) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc., including non-fund based (NFB) limits) | 985.45 | 927.50 |
| c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures – a. Residential, b. Commercial Real Estate. | NIL | NIL |
| d) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 1643.91 | 740.94 |

**b) Exposure to Capital Market**

(Rs. in Crore)

| Items | 2006-07 | 2005-06 |
|---|---|---|
| (i) Investments made in equity shares | 136.21 | 64.47 |
| (ii) Investments in bonds/convertible debentures | - | - |
| (iii) Investments in units of equity-oriented mutual funds. | 94.37 | 62.02 |
| (iv)Advances against shares to individuals for investment in equity shares (including IPOs/ESOPS), bonds and debentures, units of equity oriented mutual funds | 3.57 | 9.85 |
| (v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers. | 77.03 | 36.67 |
| **Total Exposure to Capital Market (i+ii+iii+iv+v)** | **311.18** | **173.01** |
| (vi) Of (v) above, the total finance extended to stockbrokers for margin trading. | 68.22 | 34.73 |

**c) Risk Category-wise Country Exposure**

The risk exposure of the Bank on any country is less than the threshold limit of 1% of the total asset of the Bank and as such no provision has been made in terms of RBI guidelines. The position of risk category of country exposure is given as follows:

**Rs. in Crore**

| Risk Category* | Exposure (net)* as at March'07 (2006-07) | Provision held as at March'07 (2006-07) | Exposure (net)* as at March'06 (2005-06) | Provision held as at March'06 (2005-06) |
|---|---|---|---|---|
| Insignificant | 490.78 | NIL | 83.79 | NIL |
| Low | 103.42 | NIL | 77.79 | NIL |
| Moderate | 13.18 | NIL | 7.99 | NIL |
| High | 0.08 | NIL | 1.56 | NIL |
| Very High | - | NIL | 0.56 | NIL |
| Restricted | - | NIL | - | NIL |
| Off Credit | 0.02 | NIL | - | NIL |
| **Total** | **607.48** | NIL | **171.69** | NIL |

* Exposure shown above includes only Funded Exposure.

d**) Single/Group Borrower limits.**

As at 31.03.2007, the Bank accepted additional exposure beyond the prudential ceiling of 5% of the Capital Fund in respect of five (5) number of borrowal accounts (all under standard category) involving a total exposure of Rs.2362.73 crore.

**k) Disclosure of complaints and unimplemented awards of Banking Ombudsman**

**a) Customer Complaints**

| | | |
|---|---|---|
| (a) | No. of complaints pending at the beginning of the year | 30 |
| (b) | No. of complaints received during the year | 921 |
| (c) | No. of complaints redressed during the year | 891 |
| (d) | No. of complaints pending at the end of the year | 60 |

**b) Awards passed by the Banking Ombudsman**

| | | |
|---|---|---|
| (a) | No. of unimplemented Awards at the beginning of the year | 03 |
| (b) | No. of Awards passed by the Banking Ombudsman during the year | 01 |
| (c) | No. of Awards implemented during the year | 03 |
| (d) | No. of unimplemented Awards at the end of the year | 01 |

**l) Miscellaneous**

**a) Provision for Income Tax**

**Amount of Provisions made for Income Tax during the year:**

**(Rs. in Crore)**

| | Year ended March 31, 2007 | Year ended March 31, 2006 |
|---|---|---|
| Provision for Income Tax | 35.33 | 68.00 |

In the opinion of the management, no provision is required in respect of disputed income tax demands contested in appeals.

**b) Penalties imposed by RBI**

No penalty has been imposed by RBI during the year (previous year Rs.2.45 lac)

7. **Disclosure as per Accounting Standard (AS) issued by ICAI in terms of RBI guidelines:**

i) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**

There are no changes in the accounting policies and material prior period items included in the Profit and Loss Account required to be disclosed as per Accounting Standards (AS-5).

ii) **Revenue Recognition (AS-9)**

Revenue is Recognised as per the Accounting Policy in this regard disclosed elsewhere in the Schedule.

iii) **Segment Reporting (AS-17)**

The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments** (Rs. in Crore)

| **Business Segments** | **Treasury Operations** | | **Other banking Operations** | | **Total** | |
|---|---|---|---|---|---|---|
| Particulars | **2006-07** | **2005-06** | **2006-07** | **2005-06** | **2006-07** | **2005-06** |
| Revenue | 1194 | 1392 | 1979 | 1425 | 3173 | 2817 |
| Result | 193 | 450 | 737 | 516 | 930 | 966 |
| Unallocated expenses net of unallocated income | | | | | (211) | (322) |
| Operating Profit | | | | | 719 | 644 |
| Provisions & Contingencies | | | | | (417) | (371) |
| Income-tax | | | | | (35) | (68) |
| Extraordinary profit/loss | - | - | - | - | - | - |
| **Net Profit** | | | | | **267** | **205** |
| OTHER INFORMATION | - | - | - | - | - | - |
| Segment assets | 18887 | 16907 | 22156 | 15522 | 41043 | 32429 |
| Unallocated assets | | | | | 1243 | 800 |
| **Total Assets** | | | | | **42286** | **33229** |
| Segment liabilities | 17667 | 15802 | 22291 | 15554 | 39958 | 31356 |
| Unallocated liabilities | | | | | 2328 | 1873 |
| **Total Liabilities** | | | | | **42286** | **33229** |

**Part B: Geographical Segment – Not Applicable**

iv) **Related Party Disclosures (AS-18)**

**Key Management Personnel**

| Sl. No | Name | Designation | Item | Amount / Period | Amount / Period |
|---|---|---|---|---|---|
| 1. | Sri P.K. Gupta | Chairman & Managing Director | Salary and emoluments | Rs.592,556 (From 01.04.06 to 31.03.07) | Rs.188,022 (From 01.12.05 to 31.03.06) |
| 2. | Ms. S. Lahiri | Executive Director | Salary and emoluments | Rs.523,861 (From 01.04.06 to 31.03.07) | Rs.379,786 (From 18.06.05 to 31.03.06) |

v) **Consolidated Financial Statement (AS-21)/ Accounting for Investments in Associates in Consolidated Financial Statements (AS-23)**

The Bank does not have any subsidiary and as such no consolidation is required.

vi) **Accounting for Taxes on Income (AS-22)**
Major components of Deferred Tax Assets/Liabilities are as follows:

**(Rs in crore)**

| | 2006-2007 | 2005-2006 |
|---|---|---|
| Deferred Tax Assets | | |
| Leave encashment | 24.17 | 19.27 |
| | 24.17 | 19,27 |
| Deferred Tax Liability | | |
| Depreciation on fixed assets | 3.98 | 3.44 |
| | 3.98 | 3.44 |

vii) **Intangible Assets (AS-26)**
Computers include intangible assets comprising of software, the details of which are as follows:

| Original cost (in Rupees) | | Amortised during the year (in Rupees) | | Amortised up to the end of the year (in Rupees) | | Net Book Value (in Rupees) | |
|---|---|---|---|---|---|---|---|
| Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| 55187847 | 40124014 | 8556339 | 8167838 | 39407564 | 30851225 | 15780283 | 9272789 |

viii) **Impairment of Assets (AS-28)**
The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) issued by the ICAI.

ix) **Provisions, Contingent Liabilities and Contingent Assets (AS-29)**
Movement in significant Provisions have been disclosed at the appropriate places in the Notes forming part of the accounts.

8. Previous year's (31.03.06) figures have been regrouped / rearranged wherever considered necessary.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**

## A. SIGNIFICANT ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:

The Accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting practices in India applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and applicable mandatory Accounting Standards (AS) and Pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and prevailing practices in banking industry.

### 2. RECOGNITION OF INCOME AND EXPENDITURE:

2.1. The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2. Income on performing assets is recognised on accrual basis and income from Non-Performing Assets (NPAs) is accounted for on realization and the amount realised during the year is appropriated first to income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing programme. Amounts realized /recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are first adjusted against outstanding balances.

2.3. Income accounted for in the previous year in respect of advances classified as NPA in the current year and remaining unrealised is reversed.

2.4.1. Income :
Commission (except on Govt. transactions), exchange, brokerage, insurance claim and locker rent are accounted for on cash basis.

2.4.2. Expenses :

a. Performance linked incentive to whole time directors are also accounted on cash basis.

b. Interest on Matured Term Deposits is provided for on renewal.

### 3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

Transactions involving Foreign Exchange are accounted in terms of the AS-11 (Revised) issued by the ICAI:

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by the Foreign Exchange Dealers Association of India (FEDAI). Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

### 4. INVESTMENTS:

4.1 The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others as stipulated in Form A of the Third Schedule to the Banking Regulation Act,1949.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as " Held to Maturity". "Held for Trading" category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under "Available for Sale". The above categorization is done by the Bank at the time of acquisition of the securities.

4.3 In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4 The valuation of Investments is done in accordance with the guidelines issued by the RBI as under :

4.4.1 Investments under 'Held to Maturity' category are carried at acquisition cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored Regional Rural Banks (RRBs) classified as Shares are valued at carrying cost.

4.4.2 Investments under AFS category are marked to market at quarterly or more frequent intervals. Investments under "Held for Trading" category are marked to market at monthly or more frequent intervals as under.

a) Central Govt. Securities:
At Market Price/ Yield to Maturity (YTM) as declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association of India (FIMMDA).

b) State Govt. Securities, Securities guaranteed by Central/State Govt., Other Approved Securities, Bonds & Debentures (other than in the nature of advance):

Quoted: At market price.
Unquoted: After appropriate mark up over YTM of Central Govt. Securities of equivalent maturity declared by FIMMDA & PDAI.

c) Mutual Funds Units:
Quoted : As per stock exchange quotation.
Unquoted: At repurchase price.
In the absence of market quotation and repurchase price, on Net Asset Value (NAV) basis. If the above is not available, valuation is done at cost.

d) Treasury Bills, Commercial Paper, Certificate of Deposits and Zero Coupon Bonds:
At carrying cost.

e) Shares:
(i) Equity Share :
Quoted : At market price as per last traded quotation. If traded quotation is not available, on the basis of book value as per company's latest Balance Sheet (not more than 1 year old).
Unquoted: At break-up value on the basis of book value as per company's latest Balance Sheet (not more than 1 year old).

In the absence of market quotation and/or Balance Sheet both, at Re.1/- per company .

(ii) Preference Share :

Quoted : At market price.

Unquoted: By appropriate mark up over YTM of Central Govt. Securities not exceeding redemptions value as per RBI/FIMMDA guidelines. Where dividend is in arrear the valuation is made by discounting as under :

- Dividend in arrear for one year - 15%
- Dividend in arrear for more than one year – 20%
- In case where latest Balance Sheet is not available, the shares are valued at Re.1/- per company.

Based on scrip wise valuation as above, under each sub-category of 'Available for Sale' and 'Held for Trading' if net result is appreciation, the same is ignored and if it is depreciation, the same is charged to Profit and Loss Account and individual scrip is carried at book value.

4.5 Income from Zero Coupon Bonds being the difference between cost and face value is recognised on a time proportion basis.

4.6 Transfer of scrips from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for, without changing book value of scrips.

4.7 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of Investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account". For calculating the surplus / deficit on sale of securities, weighted average method is adopted.

4.8 For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9 Brokerage/Commission/Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10 Brokerage, Commission and Stamp Duty/paid in connection with acquisition of securities are treated as revenue expenses/Broken-period interest paid is charged to Profit & Loss Account.

4.11 Investments are subject to appropriate provisioning/derecognition of income, in line with the prudential norms of Reserve Bank of India for NPA Classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

5. **ADVANCES:**

5.1. Advances are classified as Performing and Non-Performing Assets, account wise and provisions thereon are made in conformity with the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

5.3. In case of financial assets sold to the Assets Reconstruction Company (ARC) / Securitisation Company(SC), if the sale is at a price below the Net Book Value(NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by the ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

6. **FIXED ASSETS AND DEPRECIATION:**

6.1. Premises, including leasehold and other fixed assets and Capital work in progress, are stated at historical cost. In case of revaluation, the same are stated at the revalued amount and the appreciation is credited to Revaluation Reserve.

6.2. Softwares are capitalized with computers.

6.3. Depreciation on assets other than computers, Automated Teller Machines (ATMs) and software is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.4. Leasehold assets are amortised over the period of lease.

6.5. Depreciation on computers, ATM and software are provided on straight-line method @ 33.33% on pro rata basis from the date of acquisition as per RBI guidelines.

7. **EMPLOYEE BENEFITS :**

7.1 Short term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost.

7.2 Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave, casual leave, medical benefit and leave fare concession and post retirement benefits namely gratuity, pension and leave encashment are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

7.3 In respect of employees who have opted for Provident Fund Scheme, matching contribution is made to a recognized Trust. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation at the year-end.

7.4 Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

7.5 Actuarial gains and losses are recognized in the profit & loss account to the extent it exceeds the unrecognized portion of transitional liability.

7.6 The transitional liability in respect of long term employee benefits is recognized as an expense on a straight line basis over a period of five years.

8. **TAXATION:**

a. Provision for taxation is made on the basis of estimated tax liability.
b. Deferred tax liability/asset is recognized in terms of Accounting Standard 22 issued by ICAI.

9. **IMPAIRMENT OF ASETS:**

Impairment Losses (if any) on Fixed Assets ( including revalued assets) are recognized in accordance with the Accounting Standard 28 (“Impairment of Assets”) issued in this regard by ICAI.

10. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**:

As per the Accounting Standard 29 ("Provisions, Contingent Liabilities and Contingent Assets") issued in this regard by the ICAI, the Bank recognizes provisions only when it has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the Financial Statements since this may result in the recognition of income that may never be realized.

## B. NOTES FORMING PART OF THE ACCOUNTS

1 a) There are current and old unadjusted entries outstanding in Inter Branch Accounts, balances with Reserve Bank of India and other Banks and NOSTRO Account, the reconciliation of which is under progress. The reconciliation of accounts with some other banks / institutions is also in progress.

In the opinion of the management, consequential impact of the above on accounts will not be material.

**b) ATM settlement account balances are under reconciliation.**

2. a) Bank's SLR investments under 'Held to Maturity' (HTM) category was Rs10791.47 Crore (Previous year :Rs.8565.40 Crore) representing 23.01% (Previous year 24.17%) of Demand and Time Liability (DTL) as against ceiling of 25% (Previous year : 25%) prescribed by RBI.

b) During the year the Bank has shifted Rs.886.74 Crore (Previous year: Rs.2252.97 Crore) of investments at Book Value (BV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs91.10 Crore (Previous year: Rs.137.99 Crore).

3. a) During the year the Bank has appropriated Rs.79.74 Crore (Previous year: Rs.66.82 Crore) representing 25% (Previous year: 25%) of the net profit to the Statutory Reserve and Rs.12.78 Crore (Previous year: Rs.5.07 Crore) to the Capital Reserve being the profit on sale of HTM securities. Out of the balance of Rs 226.43 Crore (Previous year: Rs.195.39 Crore), Rs.45.97 Crore (Previous Year: Rs.45.97 Crore) has been provided towards dividend payable to the Government of India, tax on dividends Rs.7.81 Crore (Previous Year: Rs.7.81 Crore) and appropriated the balance of Rs 172.64 Crore (Previous Year:Rs.141.61 Crore) to Revenue and other reserves.

b) Excess Income Tax provision of Rs.260.56 Crore has been written back during the year. This amount has been arrived at based on the concluded assessment and appeal proceedings including pending appeals in similar matters for other assessment years, where in the earlier assessment years the appeal has been decided in favour of the Bank. The amount referred above has been worked out after considering the relevant provisions of the Income Tax Act,1961, the favourable judicial pronouncements and the legal opinions obtained.

c) Pursuant to the Reserve Bank of India's letter dated 22.02.07 the Bank has accounted for Rs Nil (Previous year-Rs 6.07 Crore) being the credit entries prior to 31.3.1999 in Inter-branch and Draft account as miscellaneous income resulting in an increase of profit by Rs Nil (Previous year-Rs 6.07 Crore). This credit has been appropriated to Statutory Reserve and Revenue and Other Reserves.

4 .a) No Premises were revalued during the current year ( P.Y Rs.377.90 Crore). Depreciation over and above the normal depreciation attributable to revalued premises is set off against Revaluation Reserve.

b) Premises include properties of Rs1.53Crore (Previous year: Rs. 6.20 Crore) net of depreciation [cost – Rs.1.88Crore (Previous year: Rs. 2.25 Crore), revalued at Rs. 1.88 Crore ( Previous year : Rs. 7.38 Crore)] in respect of which registration formalities are pending.

c) Premises include leased properties amounting to Rs. 20.44 crore (net of depreciation) (Previous year: Rs. 21.24 Crore).

5. a**) Capital Adequacy**

| Items | 2007-08 | 2006-07 |
|---|---|---|
| i) CRAR (%) | 11.88 | 12.02 |
| ii) CRAR-Tier I capital (%) | 6.74 | 7.72 |
| iii) CRAR-Tier II Capital (%) | 5.14 | 4.30 |
| iv) Percentage of the shareholding of the Govt. of India. | 100 % | 100 % |
| v) Amount of subordinated debt raised as Tier-II Capital ( Rs. in Crore) | 575 | 300 |

**b) Investments**

**(Rs. in Crore)**

| **Items** | **2007-08** | **2006-07** |
|---|---|---|
| (1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 19084.68 | 15135.47 |
| (b) Outside India, | 0.02 | 0.02 |
| (vi) Provisions for Depreciation* | | |
| (a) In India | 570.04 | 533.67 |
| (b) Outside India | 0.01 | 0.01 |
| (vii) Net Value of Investments | | |
| (a) In India | 18514.64 | 14601.80 |
| (b) Outside India. | 0.01 | 0.01 |
| (2) Movement of provisions held towards depreciation on investments. | | |
| (i) Opening balance | 447.91 | 347.69 |
| (ii) Add: Provisions made during the year | 94.58 | 139.48 |
| (iii)Less: Write-off/ write-back of excess provisions during the year. | 113.75 | 39.26 |
| (iv) Closing balance. | 428.74 | 447.91 |

*Provision for Depreciation includes Amortization and NPI provision.

**c) Repo/reverse repo transactions**

**(Rs. in crore)**

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31,2008 |
|---|---|---|---|---|
| Securities sold under repos | 80 | 450 | 12.16 | 250 |
| Securities purchased under reverse repos | 8 | 1100 | 59.88 | NIL |

**d) Non-SLR investment portfolio**
**i) Issuer composition of Non-SLR Investments**

**(Rs. in crore)**

| No. | Issuer | Amount | Extent of private placement | Extent of 'below investment grade' securities | Extent of 'unrated' securities | Extent of 'unlisted' securities |
|---|---|---|---|---|---|---|
| 1 | PSUs | 233.16 | 233.16 | - | 17.96 | 28.62 |
| 2 | FIs | 440.03 | 440.03 | - | 59.16 | 59.16 |
| 3 | Banks | 2418.77 | 2418.77 | - | - | - |
| 4 | **Private Corporates** | 1228.59 | 1228.59 | - | 0.36 | 14.61 |
| 5 | Subsidiaries/Joint ventures | - | - | - | - | - |
| 6 | Others (MF/CP/CD) | 1404.24 | 1404.24 | - | - | - |
| 7 | Provision held towards depreciation / NPI | 78.60 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | **5646.19** | **5724.79** | **-** | **77.48** | **102.39** |

**ii) Non performing Non-SLR Investments**

**(Rs. in crore)**

| Particulars | 2007-08 | 2006-07 |
|---|---|---|
| Opening balance | 25.20 | 27.60 |
| Additions during the year | 1.10 | - |
| Reductions during the year | 2.70 | 1.01 |
| Closing balance | 23.60 | 26.59 |
| Total provisions held | 23.60 | 25.20 |

**e) Derivatives**

**i) Forward Rate Agreement/Interest Rate Swap**

**(Rs. in crore)**

| Items | Current Year | Previous Year |
|---|---|---|
| vi) The notional principal of swap agreements. | 100.00 | 50.00 |
| vii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | NIL | NIL |
| viii) Collateral required by the bank upon entering into swaps | NIL | NIL |
| ix) Concentration of credit risk arising from the swaps | NIL | NIL |
| x) The fair value of the swap book | 0.05 | 0.27 |

The Interest Rate Swap transactions for hedging are accounted for on accrual basis. The fair value of the total Swap is computed on the basis of the amount that would be receivable or payable on termination of the transactions of the Swap agreements as on the Balance Sheet date. No IRS transaction was undertaken for trading purpose.

**ii) Exchange Traded Interest Rate Derivatives**

**(Rs. in Crore)**

| Sl.No. | Particulars | Amount |
|---|---|---|
| (i) | Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) | NIL |
| (ii) | Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March,2007 (instrument-wise) | NIL |
| (iii) | Notional principal amount of exchange traded interest rate derivatives undertaken outstanding and not "highly effective" (instrument-wise) | NIL |
| (iv) | Mark-to-market value of exchange trade interest rate derivatives outstanding and not 'highly effective" (instrument-wise) | NIL |

**iii) Disclosure on risk exposures in derivatives:**

**a. Qualitative Disclosure**

The Investment Policy for using Derivative Instruments to hedge Bank's asset / liabilities has been approved by the Board of Directors. For transactions in Rupee Derivatives there is defined delegated powers in Investment Policy and accordingly required reporting is done to Internal Committee for Investment / Board of Directors. A well defined Risk Management Policy approved by the Board of Directors is in place. The Bank entered into Interest Rate Swap (IRS) deals only for hedging purpose.

No Derivative transaction was undertaken in Foreign Exchange.

**b. Quantitative Disclosure**

The Bank enters into derivative contracts such as Interest Rate Swaps (IRS) to hedge on Balance Sheet Assets. The notional principal value of SWAPs outstanding as on 31.03.2008 was Rs.100 crore (against previous year Rs.50 crore). Interest Rate Swaps in Indian Rupees were undertaken for hedging Treasury Bills (Assets). The items of SWAPs are receiving of floating interest (overnight MIBOR) and paying of fixed interest. The fair value of SWAPs as on 31.03.2008 was (+) Rs.4.90 lac (previous year Rs. 27.25 lac)

**(Rs. in Crore)**

| Sl.No. | Particular | Currency Derivatives | Interest rate derivatives |
|---|---|---|---|
| (i) | Derivatives (Notional Principal Amount) | NIL | 100.00 |
| (ii) | a) For hedging | NIL | 100.00 |
| | b) For trading | NIL | NIL |
| (iii) | Marked to Market Positions (1) | | |
| | a) Asset (+) | NIL | 0.05 |
| | b) Liability (-) | NIL | NIL |
| (iv) | Credit Exposure (2) | NIL | 0.05 |
| (v) | Likely impact of one percentage change in interest rate (100*PV01) | | |
| | a) on hedging derivatives | NIL | 0.31 |
| | b) on trading derivatives | NIL | NIL |
| (vi) | Maximum and Minimum of 100*PV01 observed during the year | | |
| | a) on hedging | NIL | 0.31 |
| | b) on trading | NIL | NIL |

**f). Asset Quality**

**i) Non-Performing Assets**

**(Rs. in Crore)**

| Items | 2007-2008 | 2006-2007 |
|---|---|---|
| (i) Net NPAs to Net Advances (%) | 1.10 | 1.50 |
| ii) Movement of NPAs (Gross) | | |
| a) Opening Balance | 817 | 744 |
| b) Additions during the year | 326 | 406 |
| c) Reductions during the year | 382 | 333 |
| d) Closing Balance | 761 | 817 |
| iii) Movement of Net NPAs | | |
| a) Opening Balance | 333 | 303 |
| b) Additions during the year | 80 | 174 |
| c) Reductions during the year | 107 | 144 |
| d) Closing balance | 306 | 333 |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| a) Opening Balance | 484 | 441 |
| b) Provisions made during the year | 246 | 232 |
| c) Write Off/Write back during the year | 275 | 189 |
| d) Closing balance | 455 | 484 |

**ii) Loan Assets subjected to Restructuring**

**(Rs. in crore)**

| Items | 2007-2008 | 2006-2007 |
|---|---|---|
| (i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation | 292.58 | 148.39 |
| - of which under CDR | 11.25 | 40.68 |
| (ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation | 282.04 | 142.30 |
| - of which under CDR | 11.25 | 40.68 |
| (iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation | 0.91 | 6.09 |
| - of which under CDR | NIL | NIL |
| (iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation | 9.63 | NIL |
| - of which under CDR | NIL | NIL |
| Note: (i)=(ii) +(iii)+(iv) | | |

**Details of Debts restructured of SME sector Advances**.

| Items | 31.03.2008 | |
|---|---|---|
| | No.of Accounts | Rs in Crore |
| (i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation | 6 | 8.61 |
| (ii) The amount of Standard assets subjected to restructuring, rescheduling, renegotiation | 5 | 7.77 |
| (iii) The amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation | 1 | 0.84 |
| (iv) The amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation | NIL | NIL |

**iii) Details of financial assets sold to Securitisation / Reconstruction company for Assets Reconstruction**

**(Rs./Crore)**

| Item | Current Year | Previous Year |
|---|---|---|
| (i) No. of accounts | 8 | 17 |
| (ii) Aggregate value (net of provisions) of accounts sold to SC/RC. | NIL | 14.80 |
| (iii) Aggregate consideration | | |
| (iv) Additional consideration realized in respect of accounts transferred in earlier years | 2.20 | 14.45 |
| (v) Aggregate gain/loss over net book value. | NIL | NIL |
| | 2.20 | (0.35) |

**iv) Details of Non-performing financial assets purchased / sold**

a. Details of Non-performing financial assets purchased :

| Particulars | Current Year | Previous Year |
|---|---|---|
| 1. (a) No.of accounts purchased during the year | NIL | NIL |
| (b) Aggregate Outstanding | NIL | NIL |
| 2. (a) Of these , number of accounts restructured during the year | NIL | NIL |
| (b) Aggregate Outstanding | NIL | NIL |

b. Details of Non-performing financial assets sold :

| Particulars | Current Year | Previous Year |
|---|---|---|
| 1. (a) No.of accounts sold during the year | NIL | NIL |
| (b) Aggregate Outstanding | NIL | NIL |
| 2. (a) Of these , number of accounts restructured during the year | NIL | NIL |
| (b) Aggregate consideration received | NIL | NIL |

**v) Provision on Standard Assets**

During the year the Bank has provided for Rs 20.80 crore against the last year's provision for Standard Assets of Rs.60.73 crore.

**g) i) Break-up of provisions & contingencies**

**(Rs in Crore)**

| Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss Account | Current Year 2007-08 | Previous Year 2006-07 |
|---|---|---|
| Provisions for depreciation on Investment | 73.05 | 139.67 |

| | | |
|---|---|---|
| Provision towards NPA(Loans &Advances) | 244.99 | 231.54 |
| Provision towards Standard Asset | 20.80 | 60.73 |
| Provision made towards Income Tax | 20.00 | 35.33 |
| Other Provisions and Contingencies<br>- Provision towards NPA (Investment)<br>- Retiral Leave Encashment<br>- Provision on FBT<br>- Others | <br>2.61<br>8.96<br>2.16<br>(224.58) | <br>0.60<br>14.56<br>1.51<br>(32.12) |
| **Total** | **147.99** | **451.82** |

**ii) Floating Provisions**

**Rs. in crore**

| | 2007-08 | 2006-07 |
|---|---|---|
| a) Opening Balance | 51.00 | 51.00 |
| b) Made during the year | 110.00 | - |
| c) Draw down during the year<br>- Purpose for which drawn down | -<br>Not applicable | -<br>Not applicable |
| d) Closing balance (a+b-c) | 161.00 | 51.00 |

**h) Business Ratios**

| Item | 2007-2008 | 2006-2007 |
|---|---|---|
| (i) Interest Income as a percentage to Working Funds | 7.54 % | 7.82% |
| (ii) Non-interest income as a percentage to Working Funds | 0.99 % | 0.88% |
| (iii) Operating Profit as a percentage to Working Funds | 0.99 % | 1.97% |
| (iv) Return on Assets | 0.68 % | 0.73% |
| (v) Business (Deposits plus advances) per employee (Rs. in crore) | 4.63 | 3.50 |
| (vi) Profit per employee (Rs. in lac) | 1.99 | 1.59 |

**i) Asset Liability Management**

Maturity pattern of certain items of Assets and Liabilities

**(Rs. in Crore)**

| Assets/ Liabilities | Day 1 | 2 to 7 days | 8 to 14 days | 15 to 28 days | 29 days to 3 months | Over 3 months & up to 6 months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Deposits** | 263.65 | 781.23 | 1014.96 | 638.68 | 2414.43 | 3586.93 | 11022.11 | 13078.27 | 6592.19 | 7578.27 | 46970.72 |
| **Advances** | 1068.48 | 2842.08 | 1548.24 | 313.39 | 2042.19 | 838.76 | 2173.74 | 11075.33 | 2759.24 | 3196.65 | 27858.10 |
| **Investments** | 135.01 | 185.22 | 47.79 | 263.26 | 1590.68 | 1297.56 | 1056.59 | 2358.11 | 692.02 | 10888.40 | 18514.64 |
| **Borrowings** | - | 823.49 | - | - | 0.10 | 36.61 | 36.58 | 128.34 | 47.45 | 89.52 | 1162.09 |
| **Foreign Currency assets** | - | - | 430.70 | 94.10 | 542.68 | 411.90 | 413.53 | - | - | | 1892.91 |
| **Foreign Currency liabilities** | - | - | 449.24 | 48.45 | 579.69 | 399.98 | 410.37 | 7.50 | 0.30 | 0.01 | 1895.54 |

The classification of Assets and Liabilities in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioural maturity pattern which has been relied upon by the Auditors.

**j) Lending to Sensitive Sector**

**a) Exposure to Real Estate Sector**

**(Rs. in Crore)**

| Category | 2007-08 | 2006-07 |
|---|---|---|
| i) Direct exposure | | |
| ii) Residential Mortgages – Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; | 1453.67 | 1638.82 |
| of which individual housing loans up to Rs.15 lakh | 1232.16 | 1385.83 |
| iii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc., including non-fund based (NFB) limits) | 1148.75 | 985.45 |
| iv) Investments in Mortgage Backed Securities (MBS) and other securitized exposures – a. Residential, b. Commercial Real Estate. | NIL | NIL |
| **b) Indirect Exposure** | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 2602.54 | 1643.91 |

The data mentioned above has been compiled on the basis of information collected from the branches/ offices and adjustments/ apportionment made at Head Office , which has been relied upon by the Auditors.

**d) Exposure to Capital Market**

**(Rs. in Crore)**

| Items | 2007-08 | 2006-07 |
|---|---|---|
| (i)Direct Investments in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debts. | 394.93 | 230.58 |
| (ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs /ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds. | 1.19 | 3.57 |
| (iii)Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary securities | - | - |
| (iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures / units of equity oriented mutual funds does not fully cover the advances. | - | - |
| (v) Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers | | |
| (vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources. | 9.46<br>- | 8.81<br>- |
| (vii) Bridge loans to companies against expected equity flows / issues | | |
| (viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds | - | - |
| (ix) Financing to stock brokers for margin trading | - | - |
| (x) All exposures to venture capital funds (both registered and un registered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings( both direct and indirect) | 63.06 | 68.22 |
| **Total Exposure to Capital Market** | 22.48 | - |
| | 491.12 | 311.18 |

**l) Risk Category-wise Country Exposure**

The risk exposure of the Bank on any country is less than the threshold limit of 1% of the total asset of the Bank and as such no provision has been made in terms of RBI guidelines. The position of risk category of country exposure is given as follows:

**Rs. in Crore**

| Risk Category* | Exposure (net)* as at March'08 (2007-08) | Provision held as at March'08 (2007-08) | Exposure (net)* as at March'07 (2006-07) | Provision held as at March'08 (2006-07) |
|---|---|---|---|---|
| Insignificant | 66.86 | NIL | 490.78 | NIL |

| Risk Category* | Exposure (net)* as at March'08 (2007-08) | Provision held as at March'08 (2007-08) | Exposure (net)* as at March'07 (2006-07) | Provision held as at March'08 (2006-07) |
|---|---|---|---|---|
| Low | 153.29 | NIL | 103.42 | NIL |
| Moderate | 6.82 | NIL | 13.18 | NIL |
| High | 0.20 | NIL | 0.08 | NIL |
| Very High | 0.12 | NIL | - | NIL |
| Restricted | - | NIL | - | NIL |
| Off Credit | - | NIL | 0.02 | NIL |
| **Total** | **227.29** | NIL | **607.48** | NIL |

* Exposure shown above includes only Funded Exposure.

d**) Single/Group Borrower limits.**

As at 31.03.2008, the Bank accepted additional exposure beyond the prudential ceiling in respect of 4 number of borrowal accounts viz. Damodar Valley Corporation, LIC Housing Finance Ltd, Exim Bank and Tata Group of Accounts involving a total exposure of Rs.3330.50 crore.

**m) Disclosure of complaints and unimplemented awards of Banking Ombudsman**

**a) Customer Complaints**

| | | |
|---|---|---|
| (a) | No. of complaints pending at the beginning of the year | 60 |
| (b) | No. of complaints received during the year | 1034 |
| (c) | No. of complaints redressed during the year | 1044 |
| (d) | No. of complaints pending at the end of the year | 50 |

**b) Awards passed by the Banking Ombudsman**

| | | |
|---|---|---|
| (a) | No. of unimplemented Awards at the beginning of the year | 01 |
| (b) | No. of Awards passed by the Banking Ombudsman during the year | 02 |
| (c) | No. of Awards implemented during the year | 02 |
| (d) | No. of unimplemented Awards at the end of the year | 01* |

*Award passed by Banking Ombudsman, Hyderabad has been stayed by the Andhra Pradesh High Court.

**n) Miscellaneous**

**a) Provision for Income Tax**

**Amount of Provisions made for Income Tax during the year:**

**(Rs. in Crore)**

| | Year ended March 31, 2008 | Year ended March 31, 2007 |
|---|---|---|
| Provision for Income Tax | 20.00 | 35.33 |

**b) Penalties imposed by RBI**

No penalty has been imposed by RBI during the year.

**6. Disclosure as per Accounting Standard (AS) issued by ICAI in terms of RBI guidelines:**

j) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**

The Accounting Policy for Employee Benefits was changed during the year in terms of the Provisions of AS-15 (Revised) read with as amended by the Companies (Accounting Standard ) Amendment Rules , 2008 w.e.f. 1st April, 2007.The quantum of impact due to the aforesaid changes is not ascertainable.

There are no material Prior Period items included in the Profit & Loss Account

ii) **Revenue Recognition (AS-9)**
Revenue is Recognised as per the Accounting Policy in this regard disclosed elsewhere in the Schedule.

iii) **Segment Reporting (AS-17)**
The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments**

(Rs. in Crore)

| Business Segments | Treasury Operations | | Corporate/Wholesale Banking | | Retail Banking | | Other Banking Operations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 | 2007-08 | 2006-07 |
| Revenue | 1480 | 1194 | 886 | - | 1657 | - | - | 1979 | 4023 | 3173 |
| Result | 394 | 193 | 151 | | 294 | | | 737 | 839 | 930 |
| Unallocated expenses | | - | - | - | - | - | - | - | 372 | (211) |
| Operating Profit | | - | - | - | - | - | - | - | 467 | 719 |
| Income Taxes | | | | | | | | | 26 | (35) |
| Extraordinary profit/loss | - | - | - | - | - | - | - | - | - | - |
| **Net Profit** | | | | | | | | | **319** | **267** |
| Other Information | | | | | | | | | | |
| Segment Assets | 18515 | 18887 | 9647 | - | 18211 | - | - | 22156 | 46373 | 41043 |
| Unallocated Assets | - | - | - | - | - | - | - | - | 7908 | 1243 |
| **Total Assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **54281** | **42286** |
| Segment Liabilities | 16918 | 17667 | 11846 | | 22000 | - | - | 22291 | 50764 | 39958 |
| Unallocated Liabilities | - | - | - | - | - | - | - | - | 3517 | 2328 |
| **Total Liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **54281** | **42286** |

**Pricing of Inter-segmental transfers:**

Banking operations is a primary resource mobilizing unit and Treasury Operations compensates the former for funds lent by it taking into consideration the average cost of deposits

**Part B: Geographical Segment – Not Applicable**

iv) **Related Party Disclosures (AS-18)**
**Key Management Personnel**

| **Sl. No** | **Name** | **Designation** | **Item *** | **Amount / Period** | **Amount / Period** |
|---|---|---|---|---|---|
| 1. | Sri P.K. Gupta | Chairman & Mg. Director | Salary and emoluments | Rs.18,02,483 (1.4.07 to 31.3.08) | Rs.5,92,556 (1.4.06 to 31.3.07) |

| | | | | | |
|---|---|---|---|---|---|
| 2. | Ms. S. Lahiri | Executive Director | Salary and emoluments | Rs.10,37,052 (1.4.07 to 31.8.07) | Rs.5,23,861 (1.4.06 to 31.3.07) |
| 3. | Mr. T.M. Bhasin | Executive Director | Salary and emoluments | Rs.2,25,292 (7.11.07 to 31.3.08) | - |

* Including performance linked incentive.

v) **Consolidated Financial Statement (AS-21)/ Accounting for Investments in Associates in Consolidated Financial Statements (AS-23)**

The Bank does not have any subsidiary and as such no consolidation is required.

vi) **Accounting for Taxes on Income (AS-22)**

Major components of Deferred Tax Assets/Liabilities are as follows:

**(Rs in crore)**

| | **2007-2008** | **2006-2007** |
|---|---|---|
| Deferred Tax Assets | 29.97 | 24.17 |
| Leave encashment | 29.97 | 24.17 |
| | | |
| Deferred Tax Liability | 3.81 | 3.98 |
| Depreciation on fixed assets | 3.81 | 3.98 |
| | | |

vii) **Intangible Assets (AS-26)**

Computers include intangible assets comprising of software, the details of which are as follows:

| **Original cost (in Rupees)** | | **Amortised during the year (in Rupees)** | | **Amortised up to the end of the year (in Rupees)** | | **Net Book Value (in Rupees)** | |
|---|---|---|---|---|---|---|---|
| Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| 75635644 | 55187847 | 8089457 | 8556339 | 47497021 | 39407564 | 28138623 | 15780283 |

viii) **Impairment of Assets (AS-28)**

The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) issued by the ICAI.

x) **Provisions, Contingent Liabilities and Contingent Assets (AS-29)**

Movement in significant Provisions have been disclosed at the appropriate places in the Notes forming part of the accounts.

x) **Employees Benefits (AS-15) (Revised)**

The Bank has accounted for liability for employee benefits under Accounting Standard -15 as amended by the Companies ( Accounting Standard ) Amendment Rules , 2008 w.e.f. 1st April, 2007 and has accounted for transitional liability of Rs.413.79 Crore (comprising of (a) Pension Rs. 360.05Crore, (b) Gratuity Rs. 4.09Crore , (c ) Sick Leave Rs. 28.02 Crore, (d) Casual Leave Rs. 4.35 Crore , (e) Leave Fare Concession Rs.16.71Crore and (f) Medical Benefit Rs.0.57 Crore ) as an expense over a period of five years .

Accordingly , an aggregate amount of Rs.82.76 Crore has been charged as expense during the year and the unrecognized amount of Rs.331.03 Crore has been carried forward and shown under “Others” in Schedule-11 of “Other Assets”.

**7.** **Debt waiver & OTS Schemes for farmers**

The operational guidelines on the waiver of debts and OTS scheme to farmers are under the process of finalization. Any impact at this stage cannot be ascertained.

8. Previous year's (31.03.07) figures have been regrouped / rearranged wherever considered necessary.

## SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDING 31ST MARCH, 2009

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:

The Accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting practices in India applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and applicable mandatory Accounting Standards (AS) notified under the Companies (Accounting Standards) Rules 2006 and Pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and prevailing practices in banking industry.

### 2. RECOGNITION OF INCOME AND EXPENDITURE:

2.1. The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2. Income on performing assets is recognised on accrual basis and income from Non-Performing Assets (NPAs) is accounted for on realization and the amount realised during the year is appropriated first to income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing programme. Amounts realized /recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are first appropriated against outstanding balances.

2.3. Income accounted for in the previous year in respect of advances classified as NPA in the current year and remaining unrealised is reversed.

Income :

Commission (except on Govt. transactions), exchange, brokerage, insurance claim, locker rent and dividend on shares are accounted for on cash basis.

Expenses :

Performance linked incentive to whole time directors are also accounted on cash basis.

### 3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

Transactions involving Foreign Exchange are accounted in terms of the AS-11.

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by the Foreign Exchange Dealers Association of India (FEDAI). Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

4. **INVESTMENTS:**

4.1 The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others as stipulated in Form A of the Third Schedule to the Banking Regulation Act,1949.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as " Held to Maturity". "Held for Trading" category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under "Available for Sale". The above categorization is done by the Bank at the time of acquisition of the securities.

4.3 In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4 The valuation of Investments is done in accordance with the guidelines issued by the RBI as under :

4.4.1 Investments under 'Held to Maturity' category are carried at acquisition cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored Regional Rural Banks (RRBs) classified as Shares are valued at carrying cost.

4.4.2 The individual scrip in 'Available for Sale' category are marked to market at quarterly or at more frequent intervals. Securities under this category are valued scrip-wise & depreciation/appreciation is aggregated for each classification referred hereunder. Net Depreciation is provided for and appreciation, if any ignored.

a) Government Securities
b) Other approved securities
c) Shares
d) Debentures & Bonds
e) Subsidiaries/Joint Ventures
f) Other (CP, Mutual Products)

i) Central Govt. Securities:
a) Which qualify for SLR -
At Market Prices/Yield to Maturity (YTM) as declared by FIMMD in respect of all Central Government Securities
b) Which do not qualify for SLR -
Are valued after adding 25 basis points (bps) to Base Yield Curve of the Central Government Securities of equivalent maturity.

ii) State Govt. Securities & Other Approved Securities:
Are valued after adding 25 basis points (bps) to Base Yield Curve of the Central Government Securities of equivalent maturity as per FIMMDA & in case of Other Approved Securities by applying YTM and mark up the FIMMDA for Central Govt. Securities of equivalent maturity.

iii) Treasury Bills, Commercial Paper & Certificate of Deposits (of tenor less than 1 year) & Zero Coupon Bonds
At carrying cost.

iv) Bonds & Debentures (not in the nature of advance) – Unquoted

i) Based on FIMMDA annualized/semi annualized, Base Yield Curve and a matrix of credit spread across maturities & credit ratings.

ii) Yield & Credit Spreads for intermediate tenors for each curve arrived by linear interpolation.
iii) The spreads added to the base yield corresponding to residual maturity.
iv) Bonds with remaining maturity of :

a) Less than six months : On six months base yield curve plus relative credit spread.
b) More than 10 years : Spread of 10 years is to be added to the yield of applicable maturity.
c) Perpetual Bonds : 15 years spread for corresponding maturity added for the 30 years point on Base Yield Curve.

A. <u>Rated Bonds & Debentures</u>

The rated bond is valued by adding the credit spread to the Base Yield Curve (corresponding to the coupon frequency). Where rating from two or more rating Agencies (not more than 12 months old) are available then the lowest rating is applied for.

B. <u>Unrated Bonds/Bonds Migrated to unrated category during its tenor</u>

If a corresponding rated bond of the issuer exists, then the unrated bond is valued by marking up the credit spread by a minimum 20% over the equivalent rated bond of similar tenure.

<u>Quoted Bonds & Debentures</u>

If such Bonds/Debentures transacted within 15 days prior to valuation date, then the value adopted is not higher than the rate at which the transaction recorded in stock exchange.

v). <u>Shares</u>

i) Equity Shares :

Quoted : At market price as per last traded quotation (not older than 15 days) & in the absence of quotation on book value as per Balance Sheet (not older than 1 year)

Unquoted :At break up value based on Companies latest Balance Sheet (not older than 1 year). In the absence of market quotation/ Balance Sheet, both at Re.1/- per company

ii) Preference Share

Quoted : At market price, if traded on Stock Exchange within 15 days prior to valuation date., the value is not higher than the price at which traded.

Unquoted : By appropriate markup over YTM rates for Central Government Securities put out by FIMMDA periodically. The markup is graded according to the ratings assigned to the preference shares by rating agencies subject to –

The YTM rate should not be lower than the corporate/YTM for a GOI loan of equivalent maturity. The rate used for the YTM for unrated preference shares should not be less than the rate applicable to rated preference share of equivalent maturity. Where preference dividend are in arrears, no credit should be taken of accrued dividends and the value determined on YTM should be discounted by 15% if arrears are for one year & more if it is for more than one year.

The preference should not be valued above its redemption value.

Income from Zero Coupon Bonds being the difference between cost and face value is recognised on a time proportion basis.

Transfer of scrip from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for, without changing book value of scrip.

Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of Investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account" at the end of the year. For calculating the surplus / deficit on sale of securities, weighted average method is adopted.

For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

Brokerage, Commission & Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

Brokerage, Commission and Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

Broken-period interest paid is charged to Profit & Loss Account.

Investments are subject to appropriate provisioning/derecognition of income, in line with the prudential norms of Reserve Bank of India for NPI Classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

5. **ADVANCES:**

5.1. Advances are classified as Performing and Non-Performing Assets, account wise and provisions thereon are made in conformity with the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

5.3(i) In case of financial assets sold to the Assets Reconstruction Company (ARC) / Securitisation Company (SC), if the sale is at a price below the Net Book Value(NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by the ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

5.3(ii) In the case of written off Assets sold to ARC/SC, the sale proceeds is recognized as income.

5.4 Restructuring of Advances have been made as per RBI guidelines.

6. **FIXED ASSETS AND DEPRECIATION:**

6.1. Premises, including leasehold and other fixed assets and Capital work in progress, are stated at historical cost. In case of revaluation, the same are stated at the revalued amount and the appreciation is credited to Revaluation Reserve.

6.2 Soft wares are capitalized with computers.

6.3. Depreciation on assets other than computers, Automated Teller Machines (ATMs) and software is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.4. Leasehold assets are amortised over the period of lease.

6.5. Depreciation on computers, ATM and software are provided on straight-line method @ 33.33% on pro rata basis from the date of acquisition as per RBI guidelines.

7. **EMPLOYEE BENEFITS :**

7.1 Short term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost.

7.2 Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave, casual leave, medical benefit and leave fare concession and post retirement benefits namely gratuity, pension and leave encashment are measured on a discounted basis under the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

7.3 In respect of employees who have opted for Provident Fund Scheme, matching contribution is made to a recognized Trust. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation at the year-end.

7.4 Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

7.5 The transitional liability in respect of long term employee benefits is recognized as an expense on a straight line basis over a period of five years.

8. **STATIONERY**

The stock of stationery in hand as on the closing date is accounted for at cost.

9. **TAXATION:**

a) Provision for taxation is made on the basis of estimated tax liability.
b) Deferred tax liability/asset is recognized in terms of Accounting Standard 22.

10. **IMPAIRMENT OF ASSETS:**

Impairment Losses (if any) on Fixed Assets (including revalued assets) are recognized in accordance with the Accounting Standard 28 (“Impairment of Assets”) .

11. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**:

As per the Accounting Standard 29 (“Provisions, Contingent Liabilities and Contingent Assets”), the Bank recognizes provisions only when it has a present obligation as a result of a past event & it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the Financial Statements since this may result in the recognition of income that may never be realized.

## NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009

1 a) There are current and old unadjusted entries outstanding in Inter Branch Accounts, balances with Reserve Bank of India and other Banks and NOSTRO Account, the reconciliation of which is under progress.

In the opinion of the management, consequential impact of the above on accounts will not be material.

**(b) ATM settlement account balances are under reconciliation.**

2.a) Bank's SLR investments under 'Held to Maturity' (HTM) category was Rs.11429.30 Crore (Previous year :Rs.10791.47 Crore) representing 21.50% (Previous year 23.01% ) of Demand and Time Liability (DTL) as against ceiling of 25% (Previous year : 25%) prescribed by RBI.

b) During the year the Bank has shifted Rs.866.70 Crore (Previous year: Rs.886.74 Crore) of investments at Book Value (BV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs. 46.56 Crore (Previous year: Rs.91.10 Crore).

3. a) During the year the Bank has appropriated Rs. 37.50 Crore being the available Net Profit (Previous year: Rs. 79.74 Crore) representing 20.30% as against stipulated 25% (Previous year: 25%) of the net profit to the Statutory Reserve after transferring Rs.147.21 Crore (Previous year: Rs. 12.78 Crore) to the Capital Reserve being the profit on sale of HTM securities. Out of the balance of Rs NIL Crore (Previous year: Rs. 226.43 Crore), Rs. NIL (Previous Year: Rs.45.97 Crore) has been provided towards dividend payable to the Government of India, tax on dividends Rs.NIL Crore (Previous Year: Rs.7.81 Crore) and appropriated the balance of Rs.NIL (Previous Year:Rs. 172.64 Crore) to Revenue and other reserves.

b) Excess Income Tax provision of Rs.260.56 Crore had been written back last year. This amount was arrived at based on the concluded assessment and appeal proceedings including pending appeals in similar matters for other assessment years. The amount referred above was worked out after considering the relevant provisions of the Income Tax Act,1961, the favourable judicial pronouncements and the legal opinions obtained.

Out of aforesaid Rs.260.56 crore, claims for Rs.88 crore are pending at present.

4.a) Premises include properties of Rs.1.45 Crore (Previous year: Rs. 1.53 Crore) net of depreciation, cost:Rs.1.88 Crore (Previous year: Rs.1.88 Crore) in respect of which registration formalities are pending.

b) Premises include leased properties amounting to Rs.19.64 crore (net of depreciation) (Previous year: Rs. 20.44 Crore).

c) Depreciation over and above the normal depreciation attributable to revalued premises is set off against Revaluation Reserve

5. a**) Capital Adequacy**

| | **Basel-II** | |
|---|---|---|
| **Items** | **2008-09** | **2007-08** |
| i) CRAR (%) | 13.28 | 11.24 |
| ii) CRAR-Tier I capital (%) | 7.56 | 6.37 |
| iii) CRAR-Tier II Capital (%) | 5.72 | 4.87 |
| iv) Percentage of the shareholding of the Govt. of India in | 100% | 100 % |

| | Basel-II | |
|---|---|---|
| **Items** | **2008-09** | **2007-08** |
| nationalized banks. | | |
| v) Amount of subordinated debt raised as Tier-II Capital ( Rs. in Crore) | 825 | 575 |

**b) Investments**

**(Rs. in Crore)**

| Items | 2008-09 | 2007-08 |
|---|---|---|
| (1) Value of Investments | | |
| (i) Gross Value of Investments | | |
| (a) In India | 18593.31 | 19084.68 |
| (b) Outside India, | 0.02 | 0.02 |
| (ii) Provisions for Depreciation* | | |
| (a) In India | 669.10 | 570.04 |
| (b) Outside India | 0.02 | 0.01 |
| (iii) Net Value of Investments | | |
| (a) In India | 17924.21 | 18514.64 |
| (b) Outside India. | 0.00 | 0.01 |
| (2) Movement of provisions held towards depreciation on investments. | | |
| (i) Opening balance | 428.74 | 447.91 |
| (ii) Add: Provisions made during the year | 248.29 | 94.58 |
| (iii)Less: Write-off/ write-back of excess provisions during the year. | 29.87 | 113.75 |
| (iv) Closing balance. | 647.16 | 428.74 |

*Provision for Depreciation includes NPI provision.

**c) Repo/Reverse Repo transactions**

**(Rs. in Crore)**

| | Minimum outstanding during the year | Maximum outstanding during the year | Daily Average outstanding during the year | Outstanding as on March 31,2009 |
|---|---|---|---|---|
| Securities sold under Repo | 250 | 1400 | 55.07 | NIL |
| Securities purchased under reverse Repo | 50 | 2500 | 112.74 | 1500 |

**d) Non-SLR investment Portfolio**

**i) Issuer composition of Non-SLR Investments**

**(Rs. in Crore)**

| No. | Issuer | Amount | Extent of Private Placement | Extent of 'below Investment Grade' Securities | Extent of 'Unrated' Securities | Extent of 'Unlisted' Securities |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | PSUs | 196.55 | 72.75 | - | 17.45 | 15.95 |
| 2 | FIs | 632.78 | 521.60 | - | 64.14 | 59.16 |
| 3 | Banks | 850.36 | 810.86 | - | 0.00 | 0.00 |
| 4 | **Private Corporate** | 188.29 | 188.29 | - | 12.86 | 13.86 |
| 5 | Subsidiaries/Joint Ventures | 0.00 | 0.00 | - | 0.00 | 0.00 |
| 6 | Others (MF/CP/CD) | 2101.79 | 1862.68 | - | 0.00 | 0.00 |
| 7 | Provision held towards Depreciation / NPI | 22.61 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | **3947.16** | **3456.18** | **-** | **94.45** | **88.97** |

**ii) Non-performing Non-SLR Investments**

**(Rs. in Crore)**

| Particulars | 2008-09 | 2007-08 |
|---|---|---|
| Opening balance | 23.60 | 25.20 |
| Additions during the year since 1st April | 10.56 | 1.10 |
| Reductions during the above period | 3.82 | 2.70 |
| Closing balance | 30.34 | 23.60 |
| Total provisions held | 21.34 | 23.60 |

**e) Derivatives**

**i) Forward Rate Agreement/Interest Rate Swap**

**(Rs. in Crore)**

| Items | Current Year | Previous Year |
|---|---|---|
| a) The notional principal of swap agreements. | NIL | 100.00 |
| b) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | NIL | NIL |
| c) Collateral required by the bank upon entering into swaps | NIL | NIL |
| d) Concentration of credit risk arising from the swaps | NIL | NIL |
| e) The fair value of the swap book | NIL | 0.05 |

The Interest Rate Swap transactions for hedging are accounted for on accrual basis. The fair value of the total Swap is computed on the basis of the amount that would be receivable or payable on termination of the transactions of the Swap agreements as on the Balance Sheet date. No IRS transaction was undertaken for trading purpose.

**ii) Exchange Traded Interest Rate Derivatives**

**(Rs. in Crore)**

| Sl.No. | Particulars | Amount |
|---|---|---|
| (i) | Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) | NIL |
| (ii) | Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March,2009 (instrument-wise) | NIL |
| (iii) | Notional principal amount of exchange traded interest rate derivatives undertaken outstanding and not "highly effective" (instrument-wise) | NIL |
| (iv) | Mark-to-market value of exchange trade interest rate derivatives outstanding and not 'highly effective" (instrument-wise) | NIL |

**iii) Disclosure on risk exposures in derivatives:**

**c. Qualitative Disclosure**

The Investment Policy for using Derivative Instruments to hedge Bank's asset / liabilities has been approved by the Board of Directors. For transactions in Rupee Derivatives, there are defined delegated powers in Investment Policy and accordingly required reporting is done to Internal Committee for Investment / Board of Directors. A well defined Risk Management Policy approved by the Board of Directors is in place. The Bank entered into Interest Rate Swap (IRS) deals only for hedging purpose.

No Derivative transaction was undertaken in Foreign Exchange.

**d. Quantitative Disclosure**

The Bank enters into derivative contracts such as Interest Rate Swaps (IRS) to hedge on Balance Sheet Assets. The notional principal value of SWAPs outstanding as on 31.03.2009 was Rs.Nil Crore (against previous year Rs.100 crore). The fair value of SWAPs as on 31.03.2009 was Rs.Nil lac (previous year Rs. 4.90 lac)

**(Rs. in Crore)**

| Sl.No. | Particular | Currency Derivatives | Interest rate derivatives |
|---|---|---|---|
| (i) | Derivatives (Notional Principal Amount) | NIL | NIL |
| (ii) | a) For hedging | NIL | NIL |
| | b) For trading | NIL | NIL |
| (iii) | Marked to Market Positions (1) | | |
| | a) Asset (+) | NIL | NIL |
| | b) Liability (-) | NIL | NIL |
| (iv) | Credit Exposure (2) | NIL | NIL |
| (v) | Likely impact of one percentage change in interest rate (100*PV01) | | |
| | a) on hedging derivatives | NIL | NIL |
| | b) on trading derivatives | NIL | NIL |
| (vi) | Maximum and Minimum of 100*PV01 observed during the year | | |
| | a) on hedging | NIL | NIL |
| | b) on trading | NIL | NIL |

**e) Asset Quality**
**i) Particulars of Accounts Restructured**

**(Rs. in Crore)**

| | | **CDR Mechanism** | **SME Debt Restructuring** | **Others** |
|---|---|---|---|---|
| Standard advances restructured | No. of Borrowers | 3 | 465 | 30241 |
| | Amount outstanding | 78.09 | 129.84 | 1432.51 |
| | Sacrifice (diminution in the fair value) | 4.09 | 3.16 | 31.66 |
| Sub-standard advances restructured | No. of Borrowers | 0 | 12 | 17 |
| | Amount outstanding | 0 | 16.79 | 33.26 |
| | Sacrifice (diminution in the fair value) | 0 | 0.44 | 0.93 |
| Doubtful advances restructured | No. of Borrowers | 0 | 5 | 10 |
| | Amount outstanding | 0 | 10.79 | 35.21 |
| | Sacrifice (diminution in the fair value) | 0 | 0.30 | 0.59 |
| **TOTAL** | No. of Borrowers | 3 | 482 | 30268 |
| | Amount outstanding | 78.09 | 157.42 | 1500.98 |
| | Sacrifice (diminution in the fair value) | 4.09 | 3.90 | 33.18 |

**ii) Additional disclosures regarding restructured accounts**

| **Sl.No.** | **Disclosures** | **Number** | **Amount (in Rs. Crore )** |
|---|---|---|---|
| 1. | Application received up to March 31, 2009 for restructuring, in respect of accounts which were standard as on September 1, 2008 | 31443 | 1757.80 |
| 2. | Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet. | 30709 | 1640.43 |
| 3. | Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category | 44 | 96.05 |
| 4. | Of (1), proposals under process/implementation which were standard as on March 31, 2009. | 318 | 18.82 |
| 5. | Of (1), proposals under process/implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package. | NIL | NIL |

Note : The above figures on restructured accounts could not be fully verified by the auditors.

1. The bank vide its letter dated 22nd April 2009 has sought clarification from RBI, inter-alia, regarding promoters sacrifice and additional funds to be brought by them as stipulated under para 6.2.2 of Circular No. DBOD No.BP.BC No.37/21.04.132/2008-09 dated 27th August,2008 pending which the above conditions could not be given effect to.

2. The amount mentioned in Sl No.2 above includes Rs.613.53 crore pertaining to advances below Rs.50 lac in each case in respect of which provision for economic sacrifice amounting to Rs.14.54 crore has been made on the said proportion as economic sacrifice in respect of advances above Rs.50 lac in each case bear to the total advances in this category.

**iii) Non-Performing Assets**

**(Rs. in Crore)**

| Items | 2008-2009 | 2007-2008 |
|---|---|---|
| (i) Net NPAs to Net Advances (%) | 1.48 | 1.10 |
| ii) Movement of NPAs (Gross) | | |
| a) Opening Balance | 761 | 817 |
| b) Additions during the year | 811 | 326 |
| c) Reductions during the year | 552 | 382 |
| d) Closing Balance | 1020 | 761 |
| iii) Movement of Net NPAs | | |
| a) Opening Balance | 306 | 333 |
| b) Additions during the year | 615 | 80 |
| c) Reductions during the year | 396 | 107 |
| d) Closing balance | 525 | 306 |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| a) Opening Balance | 455 | 484 |
| b) Provisions made during the year | 196 | 246 |
| c) Write Off/Write back of excess provision | 156 | 275 |
| d) Closing balance | 495 | 455 |

**iv) Details of financial assets sold to Securitisation / Reconstruction company for Assets Reconstruction**

**(Rs./Crore)**

| Item | Current Year | Previous Year |
|---|---|---|
| (i) No. of accounts | NIL | 8 |
| (ii) Aggregate value (net of provisions) of accounts sold to SC/RC. | NIL | NIL |
| (iii) Aggregate consideration | NIL | 2.20 |
| (iv) Additional consideration realized in respect of accounts transferred in earlier years | NIL | NIL |
| (v) Aggregate gain/loss over net book value. | NIL | 2.20 |

**v) Details of Non-performing financial assets purchased / sold**

a. Details of Non-performing financial assets purchased :

| Particulars | Current Year | Previous Year |
|---|---|---|
| 1. (a) No.of accounts purchased during the year | NIL | NIL |
| (b) Aggregate Outstanding | NIL | NIL |
| 2. (a) Of these , number of accounts restructured during the year | NIL | NIL |
| (b) Aggregate Outstanding | NIL | NIL |

b. Details of Non-performing financial assets sold :

| Particulars | Current Year | Previous Year |
|---|---|---|
| 1. No.of accounts sold during the year | NIL | NIL |
| 2. Aggregate Outstanding | NIL | NIL |
| 3. Aggregate consideration received | NIL | NIL |

**vi) Provision on Standard Assets**

**(Rs. in crore)**

| Particular | Current Year | Previous Year |
|---|---|---|
| Provision on Standard Assets | 43.58 | 20.80 |

**Business Ratios**

| Item | 2008-2009 | 2007-2008 |
|---|---|---|
| (i) Interest Income as a percentage to Working Funds | 7.97 % | 7.54 % |
| (ii) Non-interest income as a percentage to Working Funds | 0.91 % | 0.99 % |
| (iii) Operating Profit as a percentage to Working Funds | 1.25 % | 0.99 % |
| (iv) Return on Assets | 0.34 % | 0.68 % |
| (v) Business (Deposits plus advances) per employee (Rs. in crore) | 5.85 | 4.63 |
| (vi) Profit per employee (Rs. in lac) | 1.22 | 1.99 |

**f) Asset Liability Management**

Maturity pattern of certain items of Assets and Liabilities

**(Rs. in Crore)**

| Assets/ Liabilities | Day 1 to 14 days | 15 to 28 days | 29 days to 3 months | Over 3 months & up to 6 months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Deposits** | 2188.27 | 1096.17 | 3760.36 | 2756.14 | 8799.06 | 9511.05 | 5048.83 | 21376.02 | **54535.90** |
| **Advances** | 7125.06 | 1241.10 | 6265.38 | 2213.46 | 3115.98 | 11069.51 | 1758.68 | 2604.38 | **35393.55** |
| **Investments** | 423.59 | 305.54 | 1195.14 | 218.84 | 695.25 | 1439.10 | 1423.35 | 12223.40 | **17924.21** |
| **Borrowings** | 41.45 | 0 | 0.06 | 35.04 | 184.40 | 90.25 | 30.33 | 75.24 | **456.77** |
| **Foreign Currency assets** | 287.82 | 46.18 | 383.92 | 483.39 | 273.33 | 2.28 | 0 | 0 | **1476.92** |
| **Foreign Currency liabilities** | 325.29 | 23.60 | 462.35 | 557.40 | 217.63 | 5.27 | 0.17 | 0.01 | **1591.72** |

The classification of Assets and Liabilities in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioural maturity pattern which has been relied upon by the Auditors.

**g) Exposure**

**a) Exposure to Real Estate Sector**

**(Rs. in Crore)**

| Category | 2008-09 | 2007-08 |
|---|---|---|
| Direct exposure | | |
| a) Residential Mortgages – | 1774.09 | 1453.67 |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; | | |
| of which individual housing loans up to Rs.15 lakh /20 lakh (for 2008-09) | 1564.70 | 1232.16 |
| b) Commercial Real Estate – | | |
| Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc., including non-fund based (NFB) limits) | 1016.76 | 1148.75 |

| Category | 2008-09 | 2007-08 |
|---|---|---|
| c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –<br>a. Residential,<br>b. Commercial Real Estate. | NIL | NIL |
| Indirect Exposure<br>Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | 3017.84 | 2602.54 |

The data mentioned above has been compiled on the basis of information collected from the branches/ offices and adjustments/ apportionment made at Head Office , which has been relied upon by the Auditors.

**b) Exposure to Capital Market**

**(Rs. in Crore)**

| Items | 2008-09 | 2007-08 |
|---|---|---|
| (i)Direct Investments in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debts. | 397.93 | 394.93 |
| (ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs /ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds. | 0.25 | 1.19 |
| (iii)Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary securities | | |
| (iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures / units of equity oriented mutual funds does not fully cover the advances. | -<br>60.65 | -<br>- |
| (v) Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers | | |
| (vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources. | 33.54 | 9.46 |
| | - | - |
| (vii) Bridge loans to companies against expected equity flows / issues | | |
| (viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds | - | - |
| (ix) Financing to stock brokers for margin trading | | |
| | - | - |
| (x) All exposures to venture capital funds (both registered and un registered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings( both direct and indirect) | - | 63.06 |
| **Total Exposure to Capital Market** | 34.33 | 22.48 |
| | 526.70 | 491.12 |

**h) Risk Category-wise Country Exposure**

The risk exposure of the Bank on any country is less than the threshold limit of 1% of the total asset of the Bank and as such no provision has been made in terms of RBI guidelines. The position of risk category of country exposure is given as follows:

**Rs. in Crore**

| Risk Category* | Exposure (net)* as at March'09 (2008-09) | Provision held as at March'09 (2008-09) | Exposure (net)* as at March'08 (2007-08) | Provision held as at March'08 (2007-08) |
|---|---|---|---|---|
| Insignificant | 76.59 | NIL | 66.86 | NIL |
| Low | 84.72 | NIL | 153.29 | NIL |
| Moderate | 6.44 | NIL | 6.82 | NIL |
| High | 0.06 | NIL | 0.20 | NIL |
| Very High | 0.09 | NIL | 0.12 | NIL |
| Restricted | NIL | NIL | - | NIL |
| Off Credit | NIL | NIL | - | NIL |
| **Total** | **167.90** | NIL | **227.29** | NIL |

* Exposure shown above includes only Funded Exposure.

**i) Single/Group Borrower limits.**

Single Borrower Limits (SGL), Group Borrower Limits (GBL) exceeded by the Bank are as under:

**Rs. in Crore**

| Sl.No. | Name of Borrower | SGL | | GBL | |
|---|---|---|---|---|---|
| | | Limit of Exposure | Sanctioned Limit/Outstanding whichever is higher | Limit of Exposure | Sanctioned Limit/Outstanding whichever is higher |
| 1 | Tata Group | - | - | 1890.38 | 1444.60 |
| 2 | DVC Ltd | 756.15 | 736.00 | - | - |
| 3. | Export & Import Bank of India | 567.11 | 300.00 | - | - |
| 4. | Global Trade Finance Ltd. | 567.11 | 500.00 | - | - |
| 5 | NTPC | 750.00 | 750.00 | - | - |

**j) Miscellaneous**

**Amount of Provisions made for Income Tax during the year:**

**(Rs. In Crore)**

| | Year ended March 31, 2009 | Year ended March 31, 2008 |
|---|---|---|
| Provision for Income Tax | 59.09 | 20.00 |

**Disclosure of Penalties imposed by RBI**

No penalty has been imposed by RBI during the year.

**Disclosure as per Accounting Standard (AS) issued by ICAI in terms of RBI guidelines:**

j) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**

During the year, there has been no change in Accounting Policy followed by the Bank except as referred to at para 7.6 and 8 hereunder.

There are no material Prior Period items included in the Profit & Loss Account.

**Revenue Recognition (AS-9)**

Revenue is recognized as per the Accounting Policy in this regard disclosed elsewhere in the Schedule.

iii) **Employees Benefits**

a) The Bank has adopted Accounting Standard 15(Revised) "Employees Benefit" issued by the Institute of Chartered Accountants of India, with effect from 1st April 2007.

Pursuant to the adoption, the transitional obligations of Rs.413.79 crore have been recognized. The said amount representing the difference between the liability in respect of various employees benefits determined under AS-15 (Revised) as on 1st April, 2007 and the liability as on the date as per AS-15 prior to the revision.

b) The summarized position of post-employment benefits and long term employees benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) are as under :-

| | | | | |
|---|---|---|---|---|
| a) | Change in the present value of the obligations | | | |
| | | | | **Rs. In Cr.** |
| | | Pension | Gratuity | Other Benefit |
| | Present value of obligation as at the beginning of the year | 1065.30 | 298.69 | 128.14 |
| | Interest cost | 76.85 | 21.43 | 9.70 |
| | Current Service cost | 16.61 | 16.27 | 8.07 |
| | Benefits Paid | -81.26 | -25.84 | 0.00 |
| | Actuarial Loss/(Gain) on Obligation | 27.65 | -5.11 | -11.53 |
| | Present value of Obligations at the year end | 1105.15 | 305.44 | 134.38 |
| | | | | |
| b) | Change in Fair Value of Plan Asset | | | |
| | Fair Value of Plan assets at the beginning of the year | 689.21 | 300.59 | 0.00 |
| | Expected Return on Plan Asset | 58.58 | 27.95 | 0.00 |
| | Employer's contribution | 148.44 | 1.66 | 0.00 |
| | Benefit Paid | -81.26 | -25.83 | 0.00 |
| | Actuarial Loss/(Gain) on Obligations | 31.81 | -0.50 | 0.00 |
| | Fair Value of Obligations at the year end | 846.78 | 303.87 | 0.00 |
| | | | | |
| c) | Estimated Present value of Obligations as at the end of the previous year | 1105.15 | 305.44 | 134.38 |
| | Fair Value of Plan Assets at the end of the year | 846.78 | 303.87 | 0.00 |
| | Unfunded Net Liability recognized in Balance Sheet | 258.37 | 1.57 | 134.38 |
| | | | | |
| d) | Expenses Recognised in Profit & Loss | | | |
| | Current Service Cost | 16.61 | 16.27 | 8.07 |
| | Interest Cost | 76.85 | 21.43 | 9.70 |
| | Expected return on Plan Asset | -58.58 | -27.95 | 0.00 |
| | Net Actuarial (Gain)/Loss recognized in the year | -4.17 | -4.62 | -11.53 |
| | Total Expenses recognized in Profit & Loss Account | 30.71 | 5.13 | 6.24 |
| | | | | |
| e) | Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average) | | | |
| | Discount Rate | 7.50% | 7.50% | 7.50% |
| | Expected rate of return on Plan Assets | 8.50% | 9.30% | 9.30% |

Note : The above statement is based on the report of the Actuary , which has been relied upon by the Auditors.

k) **Segment Reporting (AS-17)**

The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments**

(Rs. in Crore)

| Business Segments | Treasury Operations | | Corporate/Wholesale Banking | | Retail Banking | | Other Banking Operations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 | 2008-09 | 2007-08 |
| Revenue | 1503 | 1480 | 1700 | 886 | 1580 | 1657 | 20 | - | 4803 | 4023 |
| Result | 398 | 394 | 343 | 151 | 239 | 294 | - | - | 980 | 839 |
| Unallocated expenses | | | | | | | | | 302 | 372 |
| Operating Profit | | | | | | | | | 678 | 467 |
| Income Taxes | | | | | | | | | 59 | 20 |
| Extraordinary profit/loss | | | | | | | | | - | - |
| **Net Profit** | | | | | | | | | **185** | **319** |
| Other Information | | | | | | | | | | |
| Segment Assets | 17924 | 18515 | 25157 | 9647 | 10237 | 18211 | - | - | 53318 | 46373 |
| Unallocated Assets | | | | | | | | | 8404 | 7908 |
| **Total Assets** | | | | | | | | | **61722** | **54281** |
| Segment Liabilities | 16771 | 16918 | 29128 | 11846 | 11852 | 22000 | - | - | 57751 | 50764 |
| Unallocated Liabilities | | | | | | | | | 3971 | 3517 |
| **Total Liabilities** | | | | | | | | | **61722** | **54281** |

**Pricing of Inter-segmental transfers:**

Banking operations is a primary resource mobilizing unit and Treasury Operations compensates the former for funds lent by it taking into consideration the average cost of deposits

**Part B: Geographical Segment – Not Applicable**

v) **Related Party Disclosures (AS-18)**

**Key Management Personnel**

| **Sl. No** | **Name** | **Designation** | **Item *** | **Amount / Period** | **Amount / Period** |
|---|---|---|---|---|---|
| 1. | Sri P.K. Gupta | Chairman & Mg. Director | Salary and emoluments | Rs.14,97,842 (1.4.08 to 30.9.08) | Rs.18,02,483/- (01.04.07 to 31.03.08) |

| Sl. No | Name | Designation | Item * | Amount / Period | Amount / Period |
|---|---|---|---|---|---|
| 2. | Sri S.C. Gupta | Chairman & Mg. Director | Salary and emoluments | Rs.3,74,871 (6.11.08 to 31.03.09) | - |
| 3. | Sri T.M. Bhasin | Executive Director | Salary and emoluments | Rs.9,52,088 (1.4.08 to 31.3.09) | Rs.2,25,292/- (07.11.07 to 31.03.08) |

* Including performance linked incentive.

vi) **Consolidated Financial Statement (AS-21)/ Accounting for Investments in Associates in Consolidated Financial Statements (AS-23)**

The Bank does not have any subsidiary and as such no consolidation is required.

vii) **Accounting for Taxes on Income (AS-22)**

Major components of Deferred Tax Assets/Liabilities are as follows:

**(Rs in crore)**

| | 2008-2009 | 2007-2008 |
|---|---|---|
| Deferred Tax Assets | 70.98 | 29.97 |
| Wage revision and Employees benefits | 38.75 | 29.97 |
| Other items | 32.23 | - |
| | | |
| Deferred Tax Liability | 9.28 | 7.79 |
| Depreciation on fixed assets | 9.28 | 7.79 |

viii) **Intangible Assets (AS-26)**

Computers include intangible assets comprising of software, the details of which are as follows:

| Original cost (in Rupees) | | Amortised during the year (in Rupees) | | Amortised up to the end of the year (in Rupees) | | Net Book Value (in Rupees) | |
|---|---|---|---|---|---|---|---|
| Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| 96976742 | 75635644 | 11701347 | 8089457 | 59198368 | 47497021 | 37778374 | 28138623 |

ix) **Impairment of Assets (AS-28)**

The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) issued by the ICAI.

x) **Provisions, Contingent Liabilities and Contingent Assets (AS-29)**

Movement in significant Provisions have been disclosed at the appropriate places in the Notes forming part of the accounts.

**7. Additional Disclosures**

7.1 **Break-up of provisions & contingencies**

**(Rs in Crore)**

| Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss Account | Current Year | Previous Year |
|---|---|---|
| Provisions for depreciation on Investment | 127.31 | 73.05 |
| Provision towards NPA(Loans &Advances) | 198.82 | 244.99 |
| Provision towards Standard Asset | 43.58 | 20.80 |
| Provision made towards Income Tax | 59.09 | 20.00 |
| Other Provisions and Contingencies | | |
| - Provision for FBT | 2.67 | 2.16 |
| - Provision for Employee Benefit(AS-15) | 27.92 | 28.33 |

| Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss Account | Current Year | Previous Year |
|---|---|---|
| - Provision for Wage Revision | 70.00 | - |
| - Provision for Intt. on Matured Term Deposit | 21.66 | - |
| - Provision against Income on DTA | (39.52) | (1.99) |
| - IT Provision Written Back | - | (260.56) |
| - Provision for Others | (19.01) | 21.21 |
| **Total** | **492.52** | **147.99** |

7.2 **Floating Provisions**

**Rs. in crore**

| | Current Year | Previous Year |
|---|---|---|
| a) Opening Balance | 161.00 | 51.00 |
| b) Made during the year | 0.00 | 110.00 |
| c) Draw down during the year<br>- Purpose for which drawn down | 3.52<br>Intt. Unrealized under ADWR 2008 | -<br>Not applicable |
| d) Closing balance (a+b-c) | 157.48 | 161.00 |

7.3 **Disclosure of complaints and unimplemented awards of Banking Ombudsman**

**a) Customer Complaints**

| | | |
|---|---|---|
| (a) | No. of complaints pending at the beginning of the year | 50 |
| (b) | No. of complaints received during the year | 1577 |
| (c) | No. of complaints redressed during the year | 1514 |
| (d) | No. of complaints pending at the end of the year | 113 |

**b) Awards passed by the Banking Ombudsman**

| | | |
|---|---|---|
| (a) | No. of unimplemented Awards at the beginning of the year | 01 |
| (b) | No. of Awards passed by the Banking Ombudsman during the year | 03 |
| (c) | No. of Awards implemented during the year | 04 |
| (d) | No. of unimplemented Awards at the end of the year | Nil |

7.4 **Disclosure of Letter of Comforts (LOCs) issued by the Bank**

The Bank had an outstanding of 24 Nos. of Letter of Comforts involving aggregate amount of Rs. 152.84 Crore as on March 31, 2009.

7.5 Pursuant to RBI instructions as contained in Circular DBOD No. BP.BC.No. 37/21.04.132/2008-09 dated August 27, 2008 and the subsequent Circulars , Bank has allowed restructure in 30709 No. of Standard Accounts involving a total sum of Rs. 1640.43 Crore and 44 nos. of NPA accounts involving a totals sum of Rs 96.05 crore for which provision of Rs 41.17 crore made on account of diminution in Fair value. Besides, 318 applications involving Rs. 18.82 Crore were under process as on March 31, 2009 which have been treated as 'Standard' in terms of RBI Circular DBOD.No.BP.BC. No.105/21.04.132/2008-09 dated February 04, 2009.

7.6 Consequent to change in accounting policy in respect of interest on Matured Term Deposits, interest amounting to Rs 21.66 crore has been provided during the year, resulting in interest expenditure being higher by this amount.

7.7 The Bank has made an adhoc provision of Rs 70 crore towards wage revision pending negotiation which has been considered adequate by the Management.

7.8 Under Agricultural Debt Waiver Scheme of the Government of India , the Bank made a claim for Rs 211.19 crore. Out of the aforesaid sum, till date Rs 86.59 crore , first instalment has been received from the Government of India. The remaining balance of Rs 124.60 crore is being shown as Advance. Interest/ charges of Rs 3.52 crore has been drawn from Floating Provisions

7.9 Sub-ordinated Debts : Rs 389.10 crore (previous year Rs 700 crore) was issued as Unsecured Redeemable Bonds under Tier-II Capital , and the amount is shown in “Other Liabilities & Provisions” in “Schedule 5” of the Balance Sheet.

8. Previous year’s figures have been regrouped / rearranged wherever considered necessary.

## SIGNIFICANT ACCOUNTING POLICIES FOR THE HALF YEAR ENDING 30TH SEPTEMBER 2009

**1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:**

The Accompanying financial statements are prepared on historical cost convention, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting principles in India applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and applicable mandatory Accounting Standards (AS) notified under the Companies (Accounting Standards) Rules, 2006 and Pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and prevailing practices in banking industry.

**2. RECOGNITION OF INCOME AND EXPENDITURE:**

2.1 The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2 Income on performing assets is recognised on accrual basis and income from Non-Performing Assets (NPAs) is accounted for on realization and the amount realised during the half year is appropriated first to income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing program. Amounts realized /recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are first appropriated against outstanding balances.

2.4 Income accounted for in the previous year in respect of advances classified as NPA in the current half year and remaining unrealised is reversed.

2.5 Income :
Commission (except on Govt. transactions), exchange, brokerage, insurance claim, locker rent and dividend on shares are accounted for on cash basis.

2.6 Expenses :
Performance linked incentive to whole time directors are also accounted on cash basis.

**3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:**

Transactions involving Foreign Exchange are accounted for in terms of the AS-11.

3.1 Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the Balance Sheet date at closing spot rate announced by the Foreign Exchange Dealers Association of India (FEDAI). Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2 Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3 Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

**4. INVESTMENTS:**

4.1 The investments in Balance Sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds and (v) Subsidiaries and /or Joint Ventures and (vi) Others as stipulated in Form A of the Third Schedule to the Banking Regulation Act, 1949.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as “Held to Maturity”. “Held for Trading” category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under “Available for Sale”. The above categorization is done by the Bank at the time of acquisition of the securities.

4.3. In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4. The valuation of Investments is done in accordance with the guidelines issued by the RBI as under:

4.4.01. Investments under 'Held to Maturity' category are carried at acquisition cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored Regional Rural Banks (RRBs) classified as shares, RIDF, STCRS(Refinance Fund),MSME (Refinance)SIDBI,MSME (Risk Capital) SIDBI, Rural Hosing Development Fund-NHB, Micro Finance Development and Equity Fund-NABARD classified as Shares are valued at carrying cost.

4.4.02. The individual scrip in ‘Available for Sale’ category are marked to market at quarterly or at more frequent intervals. Securities under this category are valued scrip-wise & depreciation/appreciation is aggregated for each classification referred hereunder. Net Depreciation is provided for and appreciation, if any, ignored.

a) Government Securities
b) Other approved securities
c) Shares
d) Debentures & Bonds
e) Subsidiaries/Joint Ventures
f) Others (CP,CD, Mutual Funds)

i) Central Govt. Securities:

a) Which qualify for SLR -
At Market Prices/Yield to Maturity (YTM) as declared by FIMMDA in respect of all Central Government Securities
b) Which do not qualify for SLR -
Are valued after adding 25 basis points (bps) to Base Yield Curve of the Central Government Securities of equivalent maturity.

ii) State Govt. Securities & Other Approved Securities:

Are valued by applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FIMMDA.

iii) Treasury Bills, Commercial Paper & Certificate of Deposits

At carrying cost

iv) Bonds & Debentures (not in the nature of advance) – Unquoted

i) Based on FIMMDA annualized/semi annualized, Base Yield Curve and a matrix of credit spread across maturities & credit ratings.
ii) Yield & Credit Spreads for intermediate tenors for each curve arrived by linear interpolation.
iii) The spreads added to the base yield corresponding to residual maturity.
iv) Bonds with remaining maturity of :

| | |
|---|---|
| a) Less than six months | : On six months base yield curve plus relative credit spread. |
| b) More than 10 years | : Spread of 10 years is to be added to the yield of applicable maturity. |
| c) Perpetual Bonds | : 15 years spread for corresponding maturity added for the 30 years point on Base Yield Curve. |

A. Rated Bonds & Debentures

The rated bond are valued by adding the credit spread to the Base Yield Curve (corresponding to the coupon frequency). Where rating from two or more rating Agencies (not more than 12 months old) are available then the lowest rating is applied for.

B. Unrated Bonds/Bonds Migrated to unrated category during its tenor

Unrated Bonds are valued by taking the highest among the following three spreads:

a) Spread over the sovereign yield curve, at the time of issue, marked up by 25%.
b) Spread for the last known rating of the bond from the current spread matrix.
c) The current spread for AAA bond of similar rating.

C. Zero Coupon Bonds

Zero Coupon Bonds are valued at acquisition cost plus discount accrued at the rate prevailing at the time of acquisition which is marked to market with reference to the present value of the bond which is calculated by discounting the face value using the "Zero Coupon Yield Curve" with appropriate mark up as per the zero coupon spreads put out by FIMMDA.

Quoted Bonds & Debentures

If such Bonds/Debentures transacted within 15 days prior to valuation date, then the value adopted is not higher than the rate at which the transaction recorded in stock exchange.

v). Shares

i) Equity Shares :

Quoted : At market price as per last traded quotation (not older than 15 days) & in the absence of quotation on book value as per Balance Sheet (not older than 1 year)

Unquoted : At break up value based on Companies latest Balance Sheet (not older than 1 year). In the absence of market quotation/ Balance Sheet, both at Re.1/- per company

ii) Preference Share

Quoted : At market price, if traded on Stock Exchange within 15 days prior to valuation date., the value is not higher than the price at which traded.

Unquoted : By appropriate markup over YTM rates for Central Government Securities put out by FIMMDA periodically. The markup is graded according to the ratings assigned to the preference shares by rating agencies subject to –

a) The YTM rate should not be lower than the corporate/YTM for a GOI loan of equivalent maturity.
b) The rate used for the YTM for unrated preference shares should not be less than the rate applicable to rated preference share of equivalent maturity.
c) Where preference dividend are in arrears, no credit should be taken of accrued dividends and the value determined on YTM should be discounted by 15% if arrears are for one year & more if it is for more than one year.
d) The preference should not be valued above its redemption value.

4.4.3. Investments held under HFT

The individual script in the 'Held for Trading' category were marked to market at the monthly or at more frequent intervals as provided for, as in the case of 'Available for Sale' category.

4.5 Income from Zero Coupon Bonds being the difference between cost and face value is recognised on a time proportion basis.

4.6 Transfer of scrip from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for in these accounts.

4.7 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of Investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve

Account" at the end of the year. For calculating the surplus/deficit on sale of securities, weighted average method is adopted.

4.8 For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9 Brokerage, Commission & Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10 Brokerage, Commission and Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

4.11 Broken-period interest paid is charged to Profit & Loss Account.

4.12 Investments are subject to appropriate provisioning/derecognition of income, in line with the prudential norms of Reserve Bank of India for NPI Classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

4.13 The Interest Rate Swap transactions for hedging are accounted for on accrual basis. The fair value of the total Swap is computed on the basis of the amount that would be receivable or payable on termination of the transactions of the Swap agreements as on the Balance Sheet date. No IRS transaction undertaken for trading purpose.

## 5. ADVANCES:

5.1. Advances are classified as Performing and Non-Performing Assets, account wise and provisions thereon are made in conformity with the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

5.3(i) In case of financial assets sold to the Assets Reconstruction Company (ARC) / Securitisation Company (SC), if the sale is at a price below the Net Book Value(NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by the ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

5.3(ii) In the case of written off Assets sold to ARC/SC, the sale proceeds is recognized as income.

5.4 Restructuring of Advances have been made as per RBI guidelines.

## 6. FIXED ASSETS AND DEPRECIATION:

6.6. Premises, including leasehold and other fixed assets and Capital work in progress, are stated at historical cost. In case of revaluation, the same are stated at the revalued amount and the appreciation is credited to Revaluation Reserve.

6.7. Softwares are capitalized with computers.

6.8. Depreciation on assets other than computers, Automated Teller Machines (ATMs) and software is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

6.9. Leasehold assets are amortised over the period of lease.

6.10. Depreciation on computers, ATM and software are provided on straight-line method @ 33.33% on pro-rata basis from the date of acquisition as per RBI guidelines.

7. **<u>EMPLOYEE BENEFITS :</u>**

7.1 Short term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost.

7.2 Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave, casual leave, medical benefit and leave fare concession and post retirement benefits namely gratuity, pension and leave encashment are measured on a discounted basis under the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

7.3 In respect of employees who have opted for Provident Fund Scheme, matching contribution is made to a recognized Trust. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation.

7.4 Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

7.5 The transitional liability in respect of long term employee benefits is recognized as an expense on straight line basis over a period of five years.

8. **<u>STATIONERY</u>**

The stock of stationery in hand as on the closing date is accounted for at cost.

9. <u>TAXATION:</u>

c) Provision for taxation is made on the basis of estimated tax liability.
d) Deferred tax liability/asset is recognized in terms of Accounting Standard 22.

10 **I<u>MPAIRMENT OF ASSETS:</u>**

Impairment Losses (if any) on Fixed Assets (including revalued assets) are recognized in accordance with the Accounting Standard 28 (“Impairment of Assets”) .

11. **<u>PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS</u>**:

As per the Accounting Standard 29 (“Provisions, Contingent Liabilities and Contingent Assets”), the Bank recognizes provisions only when it has a present obligation as a result of a past event & it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the Financial Statements since this may result in the recognition of income that may never be realized.

## NOTES FORMING PART OF THE ACCOUNTS FOR THE HALF-YEAR ENDING 30$^{TH}$ SEPTEMBER, 2009

1 (a) i) As per Government of India letter no. 11/25/2005-BOA dated 07/07/09, the Government has approved the restructuring of paid up equity capital of the bank by return of an amount of Rs. 1266 crore to the Government of India and simultaneously infusion of this amount in the Capital Reserve of the bank during the year 2009-10, thereby reducing the paid up capital of the bank to Rs. 266.43 crore. Pending completion of the procedural aspects, consequential adjustments are yet to be made in these accounts.

ii) The Bank has submitted a proposal to R.B.I./ Government of India for bringing out an IPO of 5 crore equity shares of Rs. 10/- each, for which RBI has also sent its recommendations to the Government on October 7$^{th}$ ,2009.

(b) There are current and old unadjusted entries outstanding in Inter Branch Accounts, Draft Payable, RTGS, NEFT, other remittance accounts, balances with other Banks and NOSTRO Accounts, the reconciliation/ adjustment of which is under progress.

In the opinion of the management, consequential impact of the above on accounts will not be material.

**(c) ATM settlement account balances are under reconciliation.**

(d) As per RBI Circular no. DBOD.BP.BC.No.133/21.04.018/2008-09 dated 11.05.09, the amount credited to Profit and Loss Account (on account of write-off of entries in Blocked/unclaimed deposits accounts) should be appropriated to the general reserve and will not be available for declaration of dividend. An amount of Rs.102,66,808 has been booked as profit on write-back entries in Blocked accounts and Unclaimed Deposits accounts upto a value of Rs. 119763/- (USD 2500) originating upto 31.03.02. No claim has been received in respect of these entries till 30.09.09.

2.a) Bank's SLR investments under 'Held to Maturity' (HTM) category was Rs.13119.67 crore (Previous half year :Rs11758.93 crore) representing 19.80% (Previous half year 24.23% ) of Demand and Time Liability (DTL) as against ceiling of 25% (Previous half year : 25%) prescribed by RBI.

b) During the half year ended 30.09.2009 the Bank has shifted Rs.117.12 Crore (Previous half year: Rs.866.70 Crore) of investments at Book Value (BV) from AFS to HTM category in terms of RBI guidelines and has provided depreciation of Rs. 6.45 Crore (Previous half year: Rs. 46.56 Crore).

3. Profits arising during the half year ended 30$^{th}$ September, 2009 shall be appropriated to various reserves at year end.

4.a) Premises include properties of Rs. 1.45 Crore (Previous half year: Rs. 1.69 Crore) net of depreciation, cost: Rs.1.88 Crore (Previous half year: Rs.1.88 Crore) in respect of which registration formalities are pending.

b) Premises include leased properties amounting to Rs. 12.46 Crore (net of depreciation) (Previous half year: Rs. 13.31 Crore).

c) Depreciation over and above the normal depreciation attributable to revalued premises is set off against Revaluation Reserve.

5. a**) Capital Adequacy(under Basel-II)**

| Items | Half year ended 30/09/09 |
|---|---|
| i) CRAR (%) | 12.93 |
| ii) CRAR-Tier I capital (%) | 7.61 |
| iii) CRAR-Tier II Capital (%) | 5.32 |
| iv) Percentage of the shareholding of the Govt. of India in nationalized banks. | 100% |
| v) Amount raised by issue of IPDI | NIL |
| vi) Amount of subordinated debt raised as Tier-II Capital ( Rs. in Crore) | 1525 |

**b) Investments**

**(Rs. in Crore)**

| Items | Half year ended 30/09/09 |
|---|---|
| (1) Value of Investments | |
| (i) Gross Value of Investments | |
| (a) In India | 23413.12 |
| (b) Outside India, | 0.02 |
| (iv) Provisions for Depreciation* | |
| (a) In India | 507.49 |
| (b) Outside India | 0.02 |
| (v) Net Value of Investments | |
| (a) In India | 22905.63 |
| (b) Outside India. | - |
| (2) Movement of provisions held towards depreciation on investments. | |
| (i) Opening balance | 647.16 |
| (ii) Add: Provisions made during the half year | - |
| (vi) Write-off/ write-back of excess provisions during the half year | 82.08 |
| (iv) Closing balance | 565.08 |

*Provision for Depreciation includes NPI provision.

**c) Repo/Reverse Repo transactions**

**(Rs. in Crore)**

| | Minimum outstanding during the half year | Maximum outstanding during the half year | Daily Average outstanding during the half year | Outstanding as on September 30, 2009 |
|---|---|---|---|---|
| Securities sold under Repo | NIL | 1064 | 104 | NIL |
| Securities purchased under reverse Repo | NIL | 1800 | 432 | NIL |

**d) Non-SLR investment Portfolio**

**i) Issuer composition of Non-SLR Investments**

**(Rs. in Crore)**

| No. | Issuer | Amount | Extent of Private Placement | Extent of 'below Investment Grade' Securities | Extent of 'Unrated' Securities | Extent of 'Unlisted' Securities |
|---|---|---|---|---|---|---|
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** |
| 1 | PSUs | 342.75 | 72.75 | - | 17.45 | 4.88 |
| 2 | FIs | 742.93 | 521.60 | - | 64.14 | 59.16 |
| 3 | Banks | 1207.23 | 810.86 | - | - | - |
| 4 | **Private Corporate** | 289.70 | 289.70 | - | 12.86 | 13.86 |
| 5 | Subsidiaries/Joint Ventures | - | - | - | - | - |
| 6 | Others (MF/CP/CD) | 2863.77 | 1862.68 | - | - | - |
| 7 | Provision held towards Depreciation / NPI | 20.55 | - | - | - | - |
| | **Total (1 to 6 ) – (7)** | **5425.83** | **3557.59** | **-** | **94.45** | **77.90** |

**ii) Non-performing Non-SLR Investments**

**(Rs. in Crore)**

| Particulars | Half year ended 30/09/09 |
|---|---|
| Opening balance | 30.34 |
| Additions during the year since 1st April | NIL |
| Reductions during the above period | 11.07 |
| Closing balance | 19.27 |
| Total provisions held | 19.27 |

**e) Derivatives**

**i) Forward Rate Agreement/Interest Rate Swap**

**(Rs. in Crore)**

| Items | Half year ended 30/09/09 |
|---|---|
| f) The notional principal of swap agreements | NIL |
| g) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | NIL |
| h) Collateral required by the bank upon entering into swaps | NIL |
| i) Concentration of credit risk arising from the swaps | NIL |
| j) The fair value of the swap book | NIL |

**ii) Exchange Traded Interest Rate Derivatives**

**(Rs. in Crore)**

| Sl.No. | Particulars | Amount |
|---|---|---|
| (i) | Notional principal amount of exchange traded interest rate derivatives undertaken during the half year (instrument-wise) | NIL |
| (ii) | Notional principal amount of exchange traded interest rate derivatives outstanding as on 30th September,2009 (instrument-wise) | NIL |
| (iii) | Notional principal amount of exchange traded interest rate derivatives undertaken outstanding and not “highly effective” (instrument-wise) | NIL |
| (iv) | Mark-to-market value of exchange trade interest rate derivatives outstanding and not ‘highly effective” (instrument-wise) | NIL |

**iii) Disclosure on risk exposures in derivatives:**

**e. Qualitative Disclosure**

The Investment Policy for using Derivative Instruments to hedge Bank's asset / liabilities has been approved by the Board of Directors. For transactions in Rupee Derivatives, there are defined delegated powers in Investment Policy and accordingly required reporting is done to Internal Committee for Investment / Board of Directors. A well defined Risk Management Policy approved by the Board of Directors is in place. The Bank entered into Interest Rate Swap (IRS) deals only for hedging purpose.

No Derivative transaction was undertaken in Foreign Exchange.

**f. Quantitative Disclosure**

The Bank enters into derivative contracts such as Interest Rate Swaps (IRS) to hedge on Balance Sheet Assets. The notional principal value of SWAPs outstanding as on 30.09.2009 was Rs. NIL (against previous half year Rs.NIL). The fair value of SWAPs as on 30.09.2009 was Rs.NIL (previous half year Rs. NIL).

**(Rs. in Crore)**

| Sl.No. | Particular | Currency Derivatives | Interest rate derivatives |
|---|---|---|---|
| (i) | Derivatives (Notional Principal Amount) | NIL | NIL |
| | a) For hedging | NIL | NIL |
| | b) For trading | NIL | NIL |
| (ii) | Marked to Market Positions (1) | | |
| | a) Asset (+) | NIL | NIL |
| | b) Liability (-) | NIL | NIL |
| (iii) | Credit Exposure (2) | NIL | NIL |
| (iv) | Likely impact of one percentage change in interest rate (100*PV01) | | |
| | a) on hedging derivatives | NIL | NIL |
| | b) on trading derivatives | NIL | NIL |
| (v) | Maximum and Minimum of 100*PV01 observed during the half year | | |
| | a) on hedging | NIL | NIL |
| | b) on trading | NIL | NIL |

**f) Asset Quality**

**i) Particulars of Accounts Restructured**

**(Rs. in Crore)**

| | | CDR Mechanism | SME Debt Restructuring | Others |
|---|---|---|---|---|
| Standard advances restructured | No. of Borrowers | 5 | 479 | 30784 |
| | Amount outstanding | 101.10 | 115.06 | 2101.02 |
| | Sacrifice (diminution in the fair value) | 5.63 | 1.97 | 32.08 |
| Sub-standard advances restructured | No. of Borrowers | NIL | 13 | 22 |
| | Amount outstanding | NIL | 33.16 | 69.34 |
| | Sacrifice (diminution in the fair value) | NIL | 0.77 | 1.01 |
| Doubtful advances restructured | No. of Borrowers | NIL | 6 | 9 |
| | Amount outstanding | NIL | 10.94 | 32.85 |
| | Sacrifice (diminution in the fair value) | NIL | 0.39 | 0.58 |
| **TOTAL** | No. of Borrowers | 5 | 498 | 30815 |
| | Amount outstanding | 101.10 | 159.16 | 2203.21 |
| | Sacrifice (diminution in the fair value) | 5.63 | 3.13 | 33.68 |

**ii) Additional disclosures regarding restructured accounts**

| Sl.No. | Disclosures | Number | Amount (in Rs. Crore ) |
|---|---|---|---|
| 1. | Application received up to March 31, 2009 for restructuring, in respect of accounts which were standard as on September 1, 2008 | 31443* | 1757.80 |
| 2. | Of (1), proposals approved and implemented as on June 30, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet | 31019 | 1545.42 |
| 3. | Of (1), proposals under process but could not be upgraded to the standard category | 44 | 96.05 |
| 4. | Of (1), proposals under process/implementation which were standard as on March 31, 2009. | NIL | NIL |
| 5. | Of (1), proposals under process/implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package | NIL | NIL |

* Includes 380 nos. of rejected/closed proposals amounting to Rs. 116.33 crore.
Note : The above figures on restructured accounts could not be fully verified by the auditors.

The amount mentioned in Sl. No. 2 above includes advances below Rs. 0.50 crore in each case of which provision for economic sacrifice has been made on proportionate basis based on economic sacrifice computed in respect of advances above Rs. 0.50 crore in each case bear to total advances in this category.

(iii) **Non-Performing Assets**

(Rs. in Crore)

| Items | Half year ended 30/09/09 |
|---|---|
| (i) Net NPAs to Net Advances (%) | 1.30 |
| ii) Movement of NPAs (Gross)<br>Opening Balance<br>Additions during the half year<br>Reductions during the half year<br>Closing Balance | <br>1020<br>313<br>311<br>1022 |
| iii) Movement of Net NPAs<br>a) Opening Balance<br>b) Additions during the half year<br>c) Reductions during the half year<br>d) Closing balance | <br>525<br>226<br>221<br>530 |
| iv) Movement of provisions for NPAs<br>(excluding provisions on standard assets)<br>Opening Balance<br>Provisions made during the half year<br>Write Off/Write back of excess provision<br>d) Closing balance | <br><br>514<br>85<br>107<br>492 |

**iv) Details of financial assets sold to Securitisation / Reconstruction Company for Assets Reconstruction**

**(Rs. in Crore)**

| Item | Half year ended 30/09/09 |
|---|---|
| (i) No. of accounts | 69 |
| (ii) Aggregate value (net of provisions) of accounts sold to SC/RC | 36.90 |
| (iii) Aggregate consideration | |
| (iv) Additional consideration realized in respect of accounts transferred in earlier years | 57.69 |
| (v) Aggregate gain/loss over net book value | NIL |
| | 20.79 |

**v) Details of Non-performing financial assets purchased / sold**

a. Details of Non-performing financial assets purchased:

**(Rs. in Crore)**

| Particulars | Half year ended 30/09/09 |
|---|---|
| 1. (a) No.of accounts purchased during the half year | NIL |
| (b) Aggregate Outstanding | NIL |
| 2. (a) Of these , number of accounts restructured during the half year | NIL |
| (b) Aggregate Outstanding | NIL |

b. Details of Non-performing financial assets sold :

**(Rs. in Crore)**

| Particulars | Half year ended 30/09/09 |
|---|---|
| 1. No.of accounts sold during the half year | 69 |
| 2. Aggregate Outstanding | 124.25 |
| 3. Aggregate consideration received | 57.69 |

**vi) Provision on Standard Assets**

**(Rs. in crore)**

| Particular | Half year ended 30/09/09 |
|---|---|
| Provision on Standard Assets | 205.37 |

**g) Business Ratios**

| Item | Half year ended 30/09/09 |
|---|---|
| (i) Interest Income as a percentage to Working Funds | 7.39 (A) |
| (ii) Non-interest income as a percentage to Working Funds | 0.78 (A) |
| (iii) Operating Profit as a percentage to Working Funds | 1.12 (A) |
| (iv) Return on Assets | 0.64 (A) |
| (v) Business (Deposits plus advances) per employee (Rs. in crore) | 7.09 |
| (vi) Profit per employee (Rs. in lac) | 3.16 (A) |

**1)** For the purpose of computing the ratios, working funds represent the average of total assets as reported in Form X to RBI under Section 27 of the Banking Regulation Act, 1949.
**2)** Return on assets is with reference to average working for the purpose of computation of funds.
**3)** Business per employee (deposit plus advances) inter-bank deposits is excluded.

**h) Asset Liability Management**

Maturity pattern of certain items of Assets and Liabilities

**(Rs. in Crore)**

| Assets/ Liabilities | Day 1 | 2 to 7 days | 8 to 14 days | 15 to 28 days | 29 days to 3 months | Over 3 months & up to 6 months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Deposits** | 220.59 | 2948.71 | 1543.42 | 414.85 | 3452.80 | 3149.20 | 6171.72 | 14665.32 | 10770.96 | 21401.98 | **64739.55** |
| **Advances** | 109.80 | 3554.93 | 621.18 | 251.85 | 2543.89 | 2422.21 | 3922.21 | 16002.21 | 7348.22 | 4111.00 | **40887.50** |
| **Investments** | 122.60 | 139.41 | 138.94 | 435.42 | 426.86 | 1056.26 | 1298.06 | 2197.53 | 2379.67 | 14710.88 | **22905.63** |
| **Borrowings** | 273.59 | 0.33 | - | - | 0.01 | 34.39 | 32.16 | 66.13 | 28.56 | 68.97 | **504.14** |
| **Foreign Currency assets** | 655.55 | 10.75 | 24.97 | 31.90 | 139.70 | 187.88 | - | 12.03 | - | - | **1062.78** |
| **Foreign Currency liabilities** | 453.97 | - | 1.53 | 0.48 | 2.40 | 7.23 | 8.03 | 2.81 | 0.57 | - | **477.02** |

The classification of Assets and Liabilities in different time buckets has been compiled on the basis of information collected from the branches / offices and adjustment/apportionment made at Head Office on the basis of behavioral maturity pattern which has been relied upon by the Auditors.

**i) Exposure**

**a) Exposure to Real Estate Sector**

**(Rs. in Crore)**

| Category | Half year ended 30/09/09 |
|---|---|
| Direct exposure | |
| a) Residential Mortgages – | |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; | 2125.27 |
| of which individual housing loans eligible for inclusion in priority sector advances | 1772.33 |
| b) Commercial Real Estate – | |
| Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc., including non-fund based (NFB) limits) | 1432.10 |
| c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures – | NIL |
| i) Residential, | |
| ii) Commercial Real Estate. | |
| Indirect Exposure | 2796.22 |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs) | |
| **Total Exposure to Real Estate Sector** | **6353.59** |

The data mentioned above has been compiled on the basis of information collected from the branches/ offices and adjustments/apportionment made at Head Office, which has been relied upon by the Auditors.

**b) Exposure to Capital Market**

**(Rs. in Crore)**

| **Items** | **Half year ended 30/09/09** |
|---|---|
| (i)Direct Investments in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debts. | 400.57 |
| (ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs /ESOPs), convertible bonds, convertible debentures and units of equity oriented mutual funds. | 2.06 |
| (iii)Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary securities | 0.02 |
| (iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances. | - |
| (v) Secured and unsecured advances to stock brokers and guarantees issued on behalf of stock brokers and market makers | 39.60 |
| (vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources. | - |
| (vii) Bridge loans to companies against expected equity flows / issues | - |
| (viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds | - |
| (ix) Financing to stock brokers for margin trading | - |
| (x) All exposures to venture capital funds (both registered and un registered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings(both direct and indirect) | 51.67 |
| **Total Exposure to Capital Market** | **493.92** |

**c) Risk Category-wise Country Exposure**

The risk exposure of the Bank on any country is less than the threshold limit of 1% of the total asset of the Bank and as such no provision has been made in terms of RBI guidelines. The position of risk category of country exposure is given as follows:

**(Rs. in Crore)**

| **Risk Category** | **Exposure (net) as at 30/09/09** | **Provision held as at 30/09/09** |
|---|---|---|
| Insignificant | 1111.62 | NIL |
| Low | 270.59 | NIL |

| | | |
|---|---|---|
| Moderate | 20.79 | NIL |
| High | NIL | NIL |
| Very High | NIL | NIL |
| Restricted | NIL | NIL |
| Off Credit | NIL | NIL |
| **Total** | **1403.00** | NIL |

d**) Single/Group Borrower Limits**

Single Borrower Limits (SGL), Group Borrower Limits (GBL) exceeded by the Bank are as under:

**(Rs. in Crore)**

| Sl.No. | Name of Borrower | SGL | | GBL | |
|---|---|---|---|---|---|
| | | Limit of Exposure | Sanctioned Limit/ Outstanding which -ever is higher | Limit of Exposure | Sanctioned Limit/Outstanding whichever is higher |
| 1. | Food Corporation of India | 668.00 | 753.00 | - | - |

**j) Miscellaneous**

**a) Amount of Provisions made for Income Tax during the half year:**

**(Rs. in Crore)**

| | Half year ended 30/09/09 |
|---|---|
| Provision for Income Tax | 83.00 |

**b) Disclosure of Penalties imposed by RBI**

Penalty of Rs.11,73,500 has been imposed by RBI under provision of Section 46(4) of The Banking Regulation Act,1949, during half year ended 30th September, 2009.

**c) Disclosure as per Accounting Standard (AS) notified under the Companies (Accounting Standards Rules,2006) and in terms of RBI guidelines:**

i) **Cash Flow Statement (AS-3)**

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India, balances with other banks and money at call and short notice.

ii) **Net Profit or Loss for the period, Prior Period items and changes in Accounting Policies (AS-5)**

There are no material Prior Period items included in the Profit & Loss Account.

iii) **Revenue Recognition (AS-9)**

Revenue is recognized as per the Accounting Policy in this regard disclosed elsewhere in the Schedule.

iv) **Employees Benefits(AS-15)**

a) The Bank has adopted Accounting Standard 15(Revised) “Employees Benefit”, with effect from 1st April, 2007.

Pursuant to the adoption, the transitional obligations of Rs.413.79 crore have been recognized. The said amount represents the difference between the liability in respect of various employees benefits determined under AS-15 (Revised) as on 1st April, 2007 and the liability as on that date as per AS-15 prior to the revision. The above amount is being written off over a period of 5 years. During the half year ended 30th September, 2009 Rs. 41.24 crore has been written off and the balance amount of Rs. 206.17 crore will be written off over a period of 2.5 years.

b)The summarized position of post-employment benefits and long term employees benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) are as under :-

| | | | | |
|---|---|---|---|---|
| a) | Change in the present value of the obligations | | | |
| | | | | **(Rs. in Crs.)** |
| | | Pension | Gratuity | Other Benefit |
| | Present value of obligation as at the beginning of the year | 1105.15 | 305.44 | 134.38 |
| | Interest cost | 40.63 | 10.97 | 3.12 |
| | Current Service cost | 8.42 | 8.30 | 8.30 |
| | Benefits Paid | 43.10 | 25.71 | - |
| | Actuarial Loss/(Gain) on Obligation | -59.15 | 8.73 | -9.97 |
| | Present value of Obligations at the end of half year | 1051.95 | 307.73 | 135.83 |
| | | | | |
| b) | Change in Fair Value of Plan Asset | | | |
| | Fair Value of Plan assets at the beginning of the year | 846.78 | 303.87 | 134.38 |
| | Expected Return on Plan Asset | 35.99 | 14.13 | 4.03 |
| | Employer's contribution | 49.24 | 0.60 | - |
| | Benefit Paid | 43.10 | 25.71 | - |
| | Actuarial Loss/(Gain) on Obligations | -30.35 | -1.65 | -0.03 |
| | Fair Value of Obligations at the end of half year | 858.56 | 291.24 | 138.38 |
| | | | | |
| c) | Estimated Present value of Obligations as at the end of the previous year | 1051.95 | 307.73 | 135.83 |
| | Fair Value of Plan Assets at the end of the half year | 858.56 | 291.24 | 90.77 |
| | Unfunded Net Liability recognized in Balance Sheet | 193.39 | 16.49 | -2.55 |
| | | | | |
| d) | Expenses Recognised in Profit & Loss | | | |
| | Current Service Cost | 8.42 | 8.30 | 8.30 |
| | Interest Cost | 40.63 | 10.97 | 3.12 |
| | Expected return on Plan Asset | 35.99 | 14.13 | 4.03 |
| | Net Actuarial (Gain)/Loss recognized in the half year | -28.79 | 10.37 | -9.94 |
| | Total Expenses recognized in Profit & Loss Account | - | 15.51 | - |
| | | | | |
| e) | Principal actuarial assumptions at the Balance Sheet Date (expressed as weighted average) | | | |
| | Discount Rate | 7.50% | 7.50% | 7.50% |
| | Expected rate of return on Plan Assets | 8.50% | 9.30% | 9.30% |
| | Method Used | Projected Unit Credit Method | | |

Other Benefits include Privilege Leave as per Valuation as on 30.09.09. In respect of Casual leave, Sick Leave and LFC for which actuarial valuation was last done on 31.03.09 as per estimation made by the bank, no provision is required for the half year ended 30.09.09.

Note: The above statement is based on the report of the Actuary, which has been relied upon by the Auditors.

v) **Segment Reporting (AS-17)**

The Bank's operations are classified into two primary business segments viz. "Treasury Operations" and "Banking Operations". The relevant information is given hereunder in the prescribed format:

**Part A: Business segments**

**(Rs. in Crore)**

| **Business Segments** | **Treasury Operations** | **Banking Operations** | **Total** |
|---|---|---|---|
| **Particulars** | **Half year ended 30/09/09** | **Half year ended 30/09/09** | **Half year ended 30/09/09** |
| **Revenue** | 796.16 | 1979.47 | 2775.63 |
| **Result** | 94.00 | 464.00 | 558.00 |
| **Unallocated expenses** | | | 178.93 |
| **Operating Profit** | | | 379.07 |
| **Income Taxes** | | | 83.00 |
| **Extraordinary profit/loss** | | | NIL |
| **Net Profit** | | | **231.10** |
| **Other Information** | | | - |
| **Segment Assets** | 22905.63 | 40887.50 | 63793.13 |
| **Unallocated Assets** | | | 8413.22 |
| **Total Assets** | | | **72206.35** |
| **Segment Liabilities** | 21631.00 | 46560.00 | 68191.00 |
| **Unallocated Liabilities** | | | 4015.35 |
| **Total Liabilities** | | | **72206.35** |

**Pricing of Inter-segmental transfers:**
Banking operations is a primary resource mobilizing unit and Treasury Operations compensates the former for funds lent by it taking into consideration the average cost of deposits.
**Part B: Geographical Segment – Not Applicable**

**k) Related Party Disclosures (AS-18)**
**Names of the Related parties and their relationship with the Bank:**
**a) Associates(Regional Rural Bank)**

I. Assam Gramin Vikash Bank
II. Bangiya Gramin Vikash Bank
III. Manipur Gramin Bank
IV. Tripura Gramin Bank

**b) Key Management Personnel**
Mr. S.C.Gupta Chairman and Managing Director (Joined on 6/11/08)
Mr. P.K.Gupta Chairman and Managing Director (Retired on 30/09/08)
Mr. T.M.Bhasin Executive Director

**Remuneration Paid to Key Management Personnel:**

| **Sl. No** | **Name** | **Designation** | **Item *** | **Amount / half year ended 30/09/09** |
|---|---|---|---|---|
| 1. | Sri P.K. Gupta (Retired on 30/09/08) | Chairman & Mg. Director | Salary and emoluments | Rs.400,000 ** |

| | | | | |
|---|---|---|---|---|
| 2. | Sri S.C. Gupta (Joined on 06/11/08) | Chairman & Mg. Director | Salary and emoluments | Rs.975,914 |
| 3. | Sri T.M. Bhasin | Executive Director | Salary and emoluments | Rs.1246,823 |

* Including performance linked incentive.
** Includes only performance linked incentive.

Note: (a) The transactions with Associates have not been disclosed in view of Para 9 of AS-18 which exempts State Controlled Enterprises from making any disclosure pertaining to their transactions with other related parties which are State Controlled Enterprises.

(b) The balance payable to/receivable from Key Management Personnel included as on 30th September, 2009 are given below:

| | Amount (Rs.) |
|---|---|
| **Payable** | NIL |
| **Receivable** | NIL |

(c) No amount has been written off/written back in respect of dues from/to related parties.
(d) No provision is required in respect of dues to related parties.

vii) **Consolidated Financial Statement (AS-21)/ Accounting for Investments in Associates in Consolidated Financial Statements (AS-23)**

The Bank does not have any subsidiary and as such AS-21 and AS-23 are not applicable.

viii) **Accounting for Taxes on Income (AS-22)**
Major components of Deferred Tax Assets/Liabilities are as follows:

**(Rs in crore)**

| | Half year ended 30/09/09 |
|---|---|
| **Deferred Tax Assets** | 70.04 |
| Wage revision and Employees benefits | 59.28 |
| Other items | 10.76 |
| | |
| **Deferred Tax Liability** | 4.97 |
| Depreciation on fixed assets | 4.97 |

ix) **Intangible Assets (AS-26)**

Computers include intangible assets comprising of software, the details of which are as follows:

**(Rs in crore)**

| Original cost | Amortised during the year | Amortised up to the end of the year | Net Book Value |
|---|---|---|---|
| **Half year ended 30/09/09** | **Half year ended 30/09/09** | **Half year ended 30/09/09** | **Half year ended 30/09/09** |
| 14.46 | 5.06 | 11.04 | 3.42 |

x) **Impairment of Assets (AS-28)**

The Bank has identified that there is no material impairment of fixed assets and as such no provision is required as per the Accounting Standard (AS-28) notified under the Companies (Accounting Standard Rules, 2006).

xi) **Provisions, Contingent Liabilities and Contingent Assets (AS-29)**

Movements in significant Provisions have been disclosed at the appropriate places in the Notes forming part of the accounts.

**7. Additional Disclosures**

7.1 **Break-up of provisions & contingencies**

**(Rs in Crore)**

| **Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit & Loss Account** | **Half year ended 30/09/09** |
|---|---|
| Provisions for depreciation on Investment | (133.99) |
| Provision towards NPA(Loans &Advances) | 85.11 |
| Provision towards Standard Asset | 19.42 |
| Provision made towards Income Tax | 83.00 |
| Other Provisions and Contingencies | |
| - Provision for Employee Benefit(AS-15) | 19.82 |
| - Provision for Wage Revision | 65.00 |
| - Provision for Intt. on Matured Term Deposit | 10.00 |
| - Provision against Income on DTA | 0.94 |
| - Provision for Others | (1.33) |
| **Total** | **147.97** |

7.2 **Floating Provisions**

**(Rs. in Crore)**

| **Particulars** | **Half year ended 30/09/09** |
|---|---|
| a) Opening Balance | 157.48 |
| b) Made during the half year | - |
| c) Draw down during the half year<br>- Purpose for which drawn down | - |
| d) Closing balance (a+b-c) | 157.48 |

7.3 **Disclosure of complaints and unimplemented awards of Banking Ombudsman**

**a) Customer Complaints**

| | | |
|---|---|---|
| (a) | No. of complaints pending at the beginning of the year | 113 |
| (b) | No. of complaints received during the half year | 824 |
| (c) | No. of complaints redressed during the half year | 832 |
| (d) | No. of complaints pending at the end of the half year | 105 |

**b) Awards passed by the Banking Ombudsman**

| | | |
|---|---|---|
| (a) | No. of unimplemented Awards at the beginning of the year | NIL |
| (b) | No. of Awards passed by the Banking Ombudsman during the half year | 1 |
| (c) | No. of Awards implemented during the half year | 1 |
| (d) | No. of unimplemented Awards at the end of the half year | NIL |

7.4 **Disclosure of Letter of Comforts (LOCs) issued by the Bank**

The Bank had an outstanding of 39 nos. of Letter of Comforts involving aggregate amount of Rs 182.71 Crore as on September 30$^{th}$ , 2009.

7.5 The Bank has made an ad-hoc provision of Rs. 135 crores towards wage revision pending negotiation which has been considered adequate by the Management.

7.6 Government of India has notified Relief Scheme namely "Agricultural Debt Waiver and Debt Relief Scheme,2008" for giving debt waiver to marginal and small farmers and relief to other farmers who have availed direct agricultural loans. Bank has made full provision of inadmissible interest, expenses and differential amount of eligible claim. Under Agricultural Debt Waiver Scheme of the Government of India, the Bank made a claim for Rs 211.19 crore. Out of the aforesaid sum, till date Rs 136.75 crore, first installment has been received from the Government of India. The remaining balance of Rs 74.44 crore is being shown as Advance.

8. Figures have been regrouped / rearranged wherever considered necessary.

**ANNEXURE: A-V**

## NOTES TO ADJUSTMENTS CARRIED OUT IN THE STATEMENT OF PROFIT & LOSS AND ASSETS & LIABILITIES

1. Restructuring and simultaneous infusion in Capital Reserve :

   As per Government of India letter no.11/25/2005-BOA dated 07/07/09, the Government has approved the restructuring of paid up equity capital of the Bank by return of an amount of Rs 1266 crore to the Government of India and simultaneous infusion of this amount in the Capital Reserve of the Bank during the year 2009-10,thereby reducing the paid up equity capital of the Bank to Rs 266.43 crore.

2. Tax Impact Adjustments:

   The "Summary Statement of Profit & Losses, as restated " has been adjusted for respective years in respect of excess Income Tax Provision written back of Rs. 173.84 Crore.

3. Depreciation on Investment:

   The "Summary Statement of Profit & Losses, as restated " has been adjusted for respective years in respect of reversal of surplus depreciation on Investments of Rs. 76.99 Crore .

(Rs. In crore)

| | For the year ended 31st March | | | | | For 6 months ended 30th sept. 2009 |
|---|---|---|---|---|---|---|
| Particular | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Net Profit/ (Loss) after tax as per audited financial statements: | 300.18 | 204.56 | 267.28 | 318.95 | 184.71 | 154.11 |
| | | | | | | |
| Increase/ Decrease in accumulated profit as a result of adjustments for:- | | | | | | |
| - Reversal of excess provision of Income Tax write back | - | - | - | (173.84) | 173.84 | - |
| - Surplus Depreciation on Investments | - | - | - | - | - | 76.99 |
| Adjusted / Restated profit | 300.18 | 204.56 | 267.28 | 145.11 | 358.55 | 231.10 |
| | | | | | | |

(Rs. In crore)

| | For the year ended 31st March | | | | | For 6 months ended 30th sept. 2009 |
|---|---|---|---|---|---|---|
| Particular | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Other Liabilities & Provisions as per audited financial statements: | | | | 2241.88 | 2271.44 | 2490.66 |
| | | | | | | |
| Increase/ Decrease in Other Liabilities & Provisions as a | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| result of adjustments for:- | | | | | | |
| - Reversal of excess provision of Income Tax write back | - | - | - | 173.84 | (173.84) | - |
| - Surplus Depreciation on Investments | - | - | - | - | | (76.99) |
| Adjusted / Restated balance | | | | 2415.72 | 2445.28 | 2413.69 |
| | | | | | | |

(Rs. In crore)

| | For the year ended 31st March | | | | | For 6 months ended 30th sept. 2009 |
|---|---|---|---|---|---|---|
| Particular | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Reserve & Surplus as per audited financial statements: | - | - | - | 1128.84 | - | 1440.76 |
| | | | | | | |
| Increase/ Decrease in Reserve & surplus as a result of adjustments for:- | | | | | | |
| - Reversal of excess provision of Income Tax write back | - | - | - | (173.84) | - | - |
| - Surplus Depreciation on Investments | - | - | - | - | - | 76.99 |
| -Decerease in Equity Share Capital | | | | | | 1266.00 |
| Adjusted / Restated balance | | | | 955.00 | - | 2783.75 |
| | | | | | | |

(Rs. In crore)

| | For the year ended 31st March | | | | | For 6 months ended 30th sept. 2009 |
|---|---|---|---|---|---|---|
| Particular | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Equity Share Capital as per audited financial statements: | - | - | - | | - | 1532.43 |
| | | | | | | |
| Increase/ Decrease in Equity Share Capital as a result of adjustments for:- | | | | | | |
| -Decerease in Equity Share Capital | | | | | | 1266.00 |
| Adjusted / Restated balance | | | | | - | 266.43 |

**ANNEXURE: A-VI**

## ADJUSTMENTS NOT CARRIED OUT IN THE STATEMENT OF PROFIT & LOSS AND ASSETS & LIABILITIES

1. Reserve Bank of India (RBI) has issued various guidelines on Income Recognition, Asset Classification, Provisioning in respect of Standard Assets/Non-Performing Advances/Other Assets, Creation and utilization of floating provisions, Classification of Investments, Valuation thereof, Treatment of Depreciation on Investments and amortization of Voluntary Retirement Scheme expenditure. The Bank has carried out necessary amendments in its accounting policies in the relevant years to be in conformity with the said RBI guidelines.

2. The Bank has also carried out necessary amendments in the accounting policies in the relevant years to be in conformity with amendments in the Accounting Standards issued by ICAI/ notified under the Companies (Accounting Standards) Rules, 2006.

3. The Bank has adopted the FEDAI guidelines regarding conversion of foreign currency transactions for the years ended March 31st 2005, 2006, 2007, 2008 and 2009 and half-year ended 30th September, 2009.

**4. Qualifications in Auditor's Report:**

4.1 Audited Year Ended 31st March, 2005:

Entries relating to inter- branch transactions are in the process of adjustment. The elimination of outstanding entries in accounts with other banks/institutions and NOSTRO accounts is also under progress.

4.2 Audited Year Ended 31st March, 2008:

(i) There are current and old unadjusted entries outstanding in Inter Branch Accounts, balances with Reserve Bank of India and other Banks and NOSTRO Account, the reconciliation of which is under progress. The reconciliation of accounts with some other banks/institutions is also in progress.

(ii) ATM settlement account balances are under reconciliation.

(iii) Disclosure in accordance with revised Accounting Standard-15 on "Employee Benefits" not made in the Notes to Accounts and consequential impact on Profit for the year due to said changes in accounting policy as referred in para 4.4 of Annexure: A-VII has not been determined.

4.3 Audited Year Ended 31st March, 2009:

(i) There are current and old unadjusted entries outstanding in Inter Branch Accounts, balances with Reserve Bank of India and other Banks and NOSTRO Account, the reconciliation of which is under progress.

(ii) ATM settlement account balances are under reconciliation.

(iii) The figures on restructured accounts as disclosed in Para 5(F)(ii)of Schedule-18 could not be fully verified.

(iv) Advances amounting to Rs.336.49 Crore relating to 20 branches audited by us, where restructuring of these advances was under process / implementation as at 31.03.2009 wherein bank has treated the advances as Standard pending clarification from RBI.

(v) Provision for economic sacrifice in respect of certain advances has been made on proportionate basis; the impact of such treatment on the provisioning is not ascertainable.

4.4 Audited Half-Year Ended 30th September, 2009:

(i) There are current and old unadjusted entries outstanding in Inter-Branch Accounts, Draft Payable, RTGS, NEFT, other remittance accounts, balances with other Banks & NOSTRO Accounts, the reconciliation /adjustment of which is under progress.

(ii) ATM settlement account balances are under reconciliation.

Note: Auditors were requested by the management to confirm, by expressing their opinion on the aforesaid qualification (i) & (ii).

The Management compiled and submitted statements of the unadjusted entries as on 30th September, 2009 as of 21st January, 2010 and we, the Central Statutory Auditors of the Bank, at the request of the Management, have reviewed such statements and based on above, are of the view that these unadjusted entries may not have any material impact on the profit and the state of affairs of the Bank.

(iii) Provision for economic sacrifice in respect of certain advances below Rs 0.50 Crore has been made on proportionate basis based on economic sacrifice computed for advance above Rs 0.50 Crore, quantum of such effect not possible to quantify.

**ANNEXURE :A-VII**

## SUMMARY OF SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Note: As per the RBI circular no. DBOD.No.BP.BC.89 / 21.04.018 / 2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standard by Banks, all nationalised banks are exempt from disclosing their transactions with their subsidiaries as well as the RRBs sponsored by them. Further, Para 9 of AS-18 issued by ICAI exempts State Controlled Enterprises from making any disclosure pertaining to their transactions with other related parties which are State Controlled Enterprises.

**(Rs. In Crores)**

| | | AUDITED YEAR ENDED 31st MARCH | | | | | AUDITED (Half Year Ended) |
|---|---|---|---|---|---|---|---|
| **Transaction** | **Designation** | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| | | | | | | | |
| **Remuneration:** | | | | | | | |
| | | | | | | | |
| **Key Management Personnel** | | | | | | | |
| Sri Prakash Singh | CMD | 0.05 | 0.01 | - | - | - | - |
| Sri K. N. Prithviraj | ED | 0.05 | - | - | - | - | - |
| Sri P. K. Gupta | CMD | - | 0.02 | 0.06 | 0.18 | 0.15 | 0.04 |
| Smt. S. Lahiri | ED | - | 0.04 | 0.05 | 0.10 | - | - |
| Sri. S.C. Gupta | CMD | - | - | - | - | 0.04 | 0.10 |
| Sri. T. M. Bhasin | ED | - | - | - | 0.02 | 0.10 | 0.12 |

**ANNEXURE: A-VIII**

## SEGMENT REPORTING

**Part - A : Business Segment**

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | ( Rs. in Crores) |
| | | AUDITED | | | | |
| SI No | Particulars | Year ended | | | | Half Year ended |
| | | 31.03.05 | 31.03.06 | 31.03.07 | 31.03.08 | 31.03.09 | 30.09.09 |
| 1 | Segment Revenue | | | | | | |
| | a) Treasury Operations | 1529.53 | 1372.53 | 1192.86 | 1480.25 | 1503.64 | 796.16 |
| | b) Corporate Banking | 1072.75 | 1424.46 | 1979.91 | 886.00 | 1700.00 | 1175.00 |
| | c) Retail banking | | | | 1656.55 | 1580.00 | 800.47 |
| | d) Other Banking Operations | - | - | - | - | 19.09 | 4.00 |
| | **Total** | **2602.28** | **2796.99** | **3172.77** | **4022.80** | **4802.73** | **2775.63** |
| 2 | Segment Results | | | | | | |
| | a) Treasury Operations | 594.00 | 450.00 | 193.00 | 394.00 | 398.00 | 94.00 |
| | b) Corporate Banking | 239.00 | 516.00 | 737.00 | 151.00 | 343.00 | 281.00 |
| | c) Retail banking | | | | 294.00 | 239.00 | 183.00 |
| | Unallocated expense | 143.36 | 322.15 | 210.90 | 372.06 | 302.77 | 178.93 |
| | Operating Profit | 689.64 | 643.85 | 719.10 | 466.94 | 677.23 | 379.07 |
| | Provisions & Contingencies | (285.46) | (371.29) | (416.49) | (289.83) | (259.59) | (64.97) |
| | Profit before Tax | 404.18 | 272.56 | 302.61 | 177.11 | 417.64 | 314.10 |
| | Tax Provision | (104.00) | (68.00) | (35.33) | (32.00) | (59.09) | (83.00) |
| | **Net Profit** | **300.18** | **204.56** | **267.28** | **145.11** | **358.55** | **231.10** |
| 3 | Other Information | | | | | | |
| | Segment Assets | | | | | | |
| | a) Treasury Operations | 14403.32 | 14129.51 | 14601.81 | 18514.64 | 17924.21 | 22905.63 |
| | b) Corporate Banking | 11389.68 | 15522.31 | 22156.33 | 9647.00 | 25157.00 | 31040.00 |
| | c) Retail banking | | | | 18211.11 | 10236.55 | 9847.50 |
| | d) Unallocated Assets | 3007.69 | 3576.63 | 5527.44 | 7908.23 | 8404.56 | 8413.22 |
| | **Total** | **28800.69** | **33228.45** | **42285.58** | **54280.98** | **61722.32** | **72206.35** |
| | Segment Liabilities | | | | | | |
| | a) Treasury Operations | 15503.00 | 15802.00 | 17667.00 | 16918.00 | 16771.00 | 21631.00 |
| | b) Corporate Banking | 11486.00 | 15554.00 | 22291.00 | 11846.00 | 29128.00 | 35349.00 |
| | c) Retail banking | | | | 22000.00 | 11852.00 | 11211.00 |
| | d) Unallocated Liabilities | 1811.69 | 1872.45 | 2327.58 | 3516.98 | 3971.32 | 4015.35 |
| | **Total** | **28800.69** | **33228.45** | **42285.58** | **54280.98** | **61722.32** | **72206.35** |

**Part B: Geographical Segment - Not applicable**

ANNEXURE: A-iX

## STATEMENT OF ADVANCE (Net)

**(Rs. in Crore)**

| | AUDITED YEAR ENDED 31st MARCH | | | | | AUDITED (Half Year Ended) |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| Bills purchased & discounted | 597.96 | 835.58 | 662.61 | 923.63 | 1195.55 | 1270.78 |
| Cash Credit, Overdraft and Demand Loans | 4260.71 | 5678.05 | 7747.36 | 7899.43 | 8402.97 | 9157.81 |
| Term Loans | 6531.01 | 9008.68 | 13746.36 | 19035.05 | 25795.03 | 30458.91 |
| **Total** | **11389.68** | **15522.31** | **22156.33** | **27858.11** | **35393.55** | **40887.50** |

Note: Loans and Advances are not related to Directors.

**Annexure:A-X**

| | SUMMARY OF INVESTMENT | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | **(Rs.in Crore)** | |
| | | **AUDITED** | | | | | |
| | | **FOR THE YEAR ENDED** | | | | | **HALF YEAR ENDED** |
| | **Particulars** | **31.03.05** | **31.03.06** | **31.03.07** | **31.03.08** | **31.03.09** | **30.09.09** |
| 1 | Government Securities | 12181.74 | 12034.16 | 11495.93 | 12739.70 | 14063.28 | 17429.18 |
| 2 | Other Approved Securities | 308.07 | 246.81 | 217.14 | 128.74 | 77.71 | 70.76 |
| 3 | Shares | 73.26 | 63.55 | 107.06 | 185.88 | 138.92 | 229.01 |
| 4 | Debentures and Bonds | 1433.89 | 1159.81 | 1425.48 | 972.18 | 1161.13 | 1807.08 |
| 5 | Others | 406.36 | 625.18 | 1356.20 | 4488.14 | 2483.17 | 3369.60 |
| | **Total** | **14403.32** | **14129.51** | **14601.81** | **18514.64** | **17924.21** | **22905.63** |
| | Investment in Subsidiaries & Joint Ventures | **NIL** | | | | | |

**ANNEXURE:B- (I)**

## STATEMENT OF DIVIDENDS DECLARED BY THE BANK ON EQUITY CAPITAL

**(Rs. in Crore)**

| Year Ended/Half Year Ended | Equity Capital | Rate of Dividend (Percent) | Amount of Dividend @ |
|---|---|---|---|
| 31.03.2005 | 1810.87 | Nil | N.A. |
| 31.03.2006 | 1532.43 | 3% | 45.97 |
| 31.03.2007 | 1532.43 | 3% | 45.97 |
| 31.03.2008 | 1532.43 | 3% | 45.97 |
| 31.03.2009 | 1532.43 | Nil | N.A. |
| 30.09.2009 | 266.43 | Nil | N.A. |

*@ Amount of dividend excluding corporate dividend tax.*

**ANNEXURE: B- (II)**

**STATEMENT OF DIVIDENDS DECLARED BY THE BANK- PERPETUAL NON-CONVERTIBLE PREFERENCE SHARES**

**(Rs. in Crore)**

| Year Ended/Half Year Ended | Perpetual Non convertible Preference shares | Rate of Dividend (Percent) | Amount of Dividend |
|---|---|---|---|
| 31.03.2009 | 250.00 | Nil | N.A. |
| 30.09.2009 | 250.00 | Nil | N.A. |

**ANNEXURE: C**

**ACCOUNTING RATIOS**

| | *AUDITED FOR THE YEAR ENDED 31st MARCH* | | | | | *AUDITED HALF YEAR ENDED* |
|---|---|---|---|---|---|---|
| | ***2005*** | ***2006*** | ***2007*** | ***2008*** | ***2009*** | ***30.09.2009*** |
| Earnings per share (Basic & Diluted) (Rs): | 1.66 | 1.13 | 1.74 | 0.95 | 2.34 | 2.47* |
| Return on net worth % | 19.69% | 12.20% | 14.18% | 7.36% | 14.13% | 8.34% |
| Net asset value per equity share (Rs) | 8.42 | 10.94 | 12.30 | 12.86 | 14.93 | 94.58 |
| Weighted average number of equity shares outstanding during the year/period | 1810867700 | 1810104859 | 1532430800 | 1532430800 | 1532430800 | 937479980@ |
| Total number of shares outstanding at the end of the year/period | -do- | 1532430800 | -do- | -do- | -do- | 266430800 |

*Not annualised
@Number derived considering capital reduction effective from 7th July 2009 pursuant to Letter no. *11/25/2005-BOA dated 07/07/09.*

*Notes:*

1. *The ratios have been computed as below:*

| | |
|---|---|
| *Earnings per share (Rs)* | *Net profit attributable to equity shareholders (after extra-ordinary items)* / *Weighted average number of equity shares outstanding during the year/period* |
| *Return on net worth (%)* | *Net profit after tax* / *Net worth excluding revaluation reserve at the end of the year/period* |
| *Net asset value per equity share (Rs)* | *Net worth excluding revaluation reserve and preference share capital at the end of the year/period* / *Number of equity shares outstanding at the end of the year/period* |

2. *EPS, Return on Net worth, Net Asset value per equity share are derived from the figures given in Annexure A-1 & A-11.*

1. *Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per Share" notified under "Companies (Accounting Standards) Rules, 2006".*

2. *As per Government of India letter no. 11/25/2005-BOA dated 07/07/09, the Government has approved the restructuring of paid up equity capital of the bank by return of an amount of Rs. 1266 crore to the Government of India and simultaneously infusion of this amount in the Capital Reserve of the bank during the year 2009-10, thereby reducing the paid up equity capital of the bank to Rs. 266.43 crore.*

3. *The paid up Share capital of the bank has been considered to comprise of corresponding number of outstanding equity shares at the face value of Rs 10 each at each year/period end considering;*

*(a) the provisions of Section 3 (2A)of Banking Companies(Acquisition and Transfer of Undertakings)Act, 1970 {as amended by The Banking Companies(Acquisition and Transfer of Undertakings)and Financial Institutions Laws (Amendment )Act, 2006 vide amendment dated 25/9/2006,effective 16/10/2006},*

*(b) Letter no.F.No.7/133/2007-BOA dated 3rd Jan., 2008, issued by the Director, Department of Financial Services, Ministry of Finance, Government of India,*

*(c) Letter dated 31/7/09 issued by United Bank of India to Central Depository Services (India) Ltd and*

*(d) Letter bearing no. CDSL/OPS/IPO-CA/2009-10/CA-90726 dated 4th Aug, 2009 issued by Central Depository Services (India) Ltd. to the Bank.*

**ANNEXURE: D**

**CAPITALISATION STATEMENT**

**(Rs. in Crore)**

| | ***Pre issue @After Restructuring*** | ***Post issue*** |
|---|---|---|
| Short term debt | 504.14 | 504.14 |
| Long term debt | 1525.00 | 1525.00 |
| | | |
| **Total debt** | **2029.14** | **2029.14** |
| | | |
| **Shareholders' funds** | | |
| - Share capital | 266.43 | 316.43 |
| - Perpetual Non convertible Preference Shares | 250.00 | 250.00 |
| - Reserves & Surplus $ | 2253.44 | # |
| **Total shareholders' funds** | **2769.87** | |
| | | |
| Long term Debt/Equity | 55.06% | # |

*Notes:*

@ *As per Government of India letter no. 11/25/2005-BOA dated 07/07/09, the Government has approved the restructuring of paid up equity capital of the bank by return of an amount of Rs. 1266 crore to the Government of India and simultaneous infusion of the same amount in the Capital Reserve of the bank, thereby reducing the paid up equity capital of the bank to Rs. 266.43 crores.*

# *As this is an issue by way of Book-building process, post issue figures are not possible to be ascertained at this stage.*

$ *Reserves & Surplus are arrived at after excluding the Revaluation Reserve & Deferred Tax Assets / Deferred Revenue Expenditure.*

**ANNEXURE : E**

**Tax Shelter Statement**

(As per Tax Return -Non Restated) **(Rs. In Crore)**

| | Financial Year ended 31st March | | | | |
|---|---|---|---|---|---|
| **Particulars** | **2005** | **2006** | **2007** | **2008** | **2009** |
| Net Profit/ Loss Before Tax - (A) | 404.18 | 272.57 | 302.61 | 350.95 | 243.80 |
| Normal Tax Rates Applicable - % | 36.59 | 33.66 | 33.66 | 33.66 | 33.66 |
| Minimum Alternate Tax (MAT) rates Applicable u/s 115JA/JB - % | 7.84 | 8.42 | 11.22 | 11.33 | 11.33 |
| Income Tax - (B) | 36.38 | 14.38 | 27.78 | 7.93 | 89.91 |
| **Adjustments** | | | | | |
| **Permanent Difference** | | | | | |
| Income exempt u/s 10 | | | | | |
| - Dividend Income | 5.48 | 10.43 | 13.60 | 6.60 | 2.02 |
| - Interest income on Tax Free Bonds | 1.16 | 0.56 | 0.42 | - | 1.52 |
| - Income exempt u/s 10(23G) | 10.12 | 48.51 | - | - | - |
| Provision for tax | 0.02 | (6.89) | (1.53) | (2.18) | (2.69) |
| Provision for others | (210.78) | (136.32) | (279.05) | (117.04) | (324.87) |
| Others | 8.30 | (0.74) | (1.58) | 0.83 | 22.09 |
| Claim u/s 43B | - | - | - | 71.78 | 98.77 |
| Salary arrears | - | 90.00 | - | - | - |
| Bad Debts written off | 135.07 | 104.76 | 133.53 | 269.12 | 151.62 |
| Provision for Bad Debts | 111.79 | 134.15 | 201.54 | 244.99 | 198.82 |
| Difference between Tax and Book Profit/ loss on Investment | 367.83 | 333.21 | 359.93 | 12.07 | 5.87 |
| Donation | 0.47 | | - | - | 0.04 |
| Depreciation/ Amortisation on Investment | (119.32) | (247.65) | (181.51) | (129.46) | (187.04) |
| **Total ( C )** | **310.13** | **330.02** | **245.34** | **356.70** | **(33.85)** |
| **Timing Difference** | | | | | |
| Deferred Tax | 1.69 | (0.30) | 4.36 | 1.99 | 39.52 |
| Difference between Tax and Book Depreciation | 1.10 | 2.43 | 1.22 | 10.08 | 0.10 |
| **Total (D)** | **2.79** | **2.13** | **5.58** | **12.07** | **39.62** |
| | | | | | |
| C+D | 312.91 | 332.15 | 250.91 | 368.77 | 5.76 |
| Tax Savings thereon (E) | 114.49 | 111.80 | 84.46 | 124.13 | 1.94 |
| Profit/ Loss as per IT Return | 91.27 | (59.58) | 51.70 | (17.82) | 238.03 |
| F=A-C-D | 91.27 | (59.58) | 51.70 | (17.82) | 238.03 |
| Brought Forward Loss / Unabsorbed Depreciation adjusted - G | - | - | 51.69 | - | 25.71 |
| Taxable Income/ Loss (H)= F-G | 91.27 | | 0.01 | | 212.32 |

| | | | | | |
|---|---|---|---|---|---|
| | | (59.58) | | (17.82) | |
| Tax as per normal Provisions - I | 33.39 | - | - | - | 71.47 |
| Taxable income/ Loss as per MAT - J | 463.99 | 170.91 | 242.46 | 70.01 | 793.56 |
| Tax as per MAT - K | 36.38 | 14.38 | 27.20 | 7.93 | 89.91 |
| Tax as per Income Tax as returned (L)- Higher of I and K | 36.38 | 14.38 | 27.20 | 7.93 | 89.91 |
| Interest u/s 234B and 234C - M | - | - | | - | - |
| Total Tax as per Return (L)+ (M) | 36.38 | 14.38 | 27.20 | 7.93 | 89.91 |
| Carried forward capital losses | | | | | |
| - Short Term | - | - | - | - | - |
| - Long Term | - | - | - | - | - |
| Carried Forward Business Loss | - | 37.24 | - | - | - |
| Carried forward Depreciation Loss | - | 22.34 | 7.89 | 25.71 | - |
| Total Carried forward loss as per Return | - | 59.58 | 7.89 | 25.71 | - |

**ANNEXURE: F**

**STATEMENT OF BORROWING**

**(Rs. in Crores)**

| | **AUDITED YEAR ENDED 31st MARCH** | | | | | **AUDITED (Half Year Ended)** |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept'09** |
| Reserve Bank of India | - | - | - | 250.00 | - | - |
| - Under Repo | - | - | - | 559.74 | - | - |
| Other Banks | 0.16 | 2.33 | - | 1.01 | 5.10 | 1.62 |
| SIDBI Refinance | 4.26 | 1.95 | 0.95 | 0.42 | 150.08 | 0.01 |
| NABARD Refinance | 22.57 | 245.34 | 398.77 | 338.18 | 265.24 | 230.21 |
| | | | | | | |
| Borrowing outside India | - | 47.00 | - | 12.72 | 36.35 | 272.30 |
| **Sub- Total:** | **26.99** | **296.62** | **399.72** | **1162.07** | **456.77** | **504.14** |
| Subordinated Debt for Tier II Capital | **440.00** | **540.00** | **700.00** | **1275.00** | **1525.00** | **1525.00** |
| | | | | | | |
| **Total:** | **466.99** | **836.62** | **1099.72** | **2437.07** | **1981.77** | **2029.14** |

ANNEXURE: G

## KEY FINANCIAL INDICATORS

(In Percentage unless otherwise stated)

| Sr.No. | Particulars | FOR THE YEAR ENDED MARCH 31st , | | | | | 30th Sept 2009 |
|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2008 | 2009 | |
| 1 | Interest Income/Average Working Funds(AWF) | 7.91 | 7.63 | 7.74 | 7.54 | 7.97 | 7.39(A) |
| 2 | Interest Expenses/AWF | 4.52 | 4.35 | 4.59 | 5.62 | 5.82 | 5.57(A) |
| 3 | Interest Spread/AWF | 3.39 | 3.28 | 3.15 | 1.92 | 2.15 | 1.82(A) |
| 4 | Non-Interest Income/AWF | 1.76 | 1.45 | 0.95 | 0.99 | 0.91 | 0.78(A) |
| 5 | Operating Expenses/AWF | 2.58 | 2.64 | 2.13 | 1.91 | 1.80 | 1.49(A) |
| 6 | Cost Income Ratio | 50.19 | 55.82 | 51.98 | 65.92 | 59.01 | 57.10 |
| 7 | Gross(Operating)Profit/AWF | 2.56 | 2.09 | 1.97 | 0.99 | 1.25 | 1.12(A) |
| 8 | Net Profit/AWF | 1.12 | 0.66 | 0.73 | 0.31 | 0.66 | 0.68(A) |
| 9 | Return on Assets | 1.05 | 0.62 | 0.64 | 0.27 | 0.58 | 0.64(A) |
| 10 | Return on Average Assets | 1.10 | 0.66 | 0.74 | 0.31 | 0.66 | 0.68(A) |
| 11 | Yield on Advances | 8.44 | 8.60 | 9.10 | 9.72 | 10.35 | 9.69(A) |
| 12 | Cost of Deposits | 5.12 | 4.89 | 5.17 | 6.36 | 6.52 | 6.19(A) |
| 13 | Dividend payout Ratio(including Corporate Dividend Tax) | - | 25.63 | 20.12 | 37.06 | - | - |
| 14 | Credit – Deposit Ratio | 46.71 | 54.57 | 60.92 | 59.93 | 65.51 | 63.67 |
| 15 | Capital Adequacy Ratio | 18.16 | 13.12 | 12.02 | 11.34* | 13.28* | 12.93* |
| | Tier – I | 14.15 | 10.01 | 7.72 | 6.19 | 7.56 | 7.61 |
| | Tier – II | 4.01 | 3.11 | 4.30 | 5.15 | 5.72 | 5.32 |
| 16 | Employees(number) | 17493 | 17319 | 16793 | 16009 | 15111 | 14649 |
| 17 | Branches(number) | 1310 | 1318 | 1325 | 1401 | 1451 | 1453 |
| 18 | Business per employee (Rs. in Crore) | 2.08 | 2.54 | 3.50 | 4.63 | 5.85 | 7.09 |
| 19 | Average Business per employee (Rs in Crores) | 1.91 | 2.30 | 2.93 | 3.91 | 4.94 | 6.51 |
| 20 | Gross Profit per Employee (Rs in Lacs) | 3.94 | 3.72 | 4.28 | 2.92 | 4.48 | 5.18(A) |
| 21 | Net Profit per Employee (Rs in Lacs) | 1.72 | 1.18 | 1.59 | 0.91 | 2.37 | 3.16(A) |
| 22 | Business per Branch (Rs in Crores) | 28.39 | 34.30 | 45.14 | 53.62 | 62.21 | 72.92 |
| 23 | Gross Profit per Branch (Rs in Lacs) | 52.64 | 48.85 | 54.27 | 33.33 | 46.67 | 52.18(A) |
| 24 | Net Profit per Branch (Rs in Lacs) | 22.91 | 15.52 | 20.17 | 10.36 | 24.71 | 31.81(A) |

* As per: Basel - II norms
(A): Annualised

**ANNEXURE: H**

| DETAILS OF OTHER INCOME WHICH EXCEEDS 20% OF NPBT | | | | | | (Rs.in crores) |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Particulars** | **Year ended** | **Year ended** | **Year ended** | **Year ended** | **Year ended** | **Half-Year ended** |
| | **31.03.05** | **31.03.06** | **31.03.07** | **31.03.08** | **31.03.09** | **30.09.09** |
| Other Income | 473.00 | 446.53 | 347.68 | 465.50 | 490.86 | 264.87 |
| Net profit before tax, as re stated | 404.18 | 272.56 | 302.61 | 177.11 | 417.64 | 314.10 |
| | | | | | | |
| Percentage(%) | 117.03 | 163.83 | 114.89 | 262.83 | 117.53 | 84.33 |

| **Source of Income** | **31.03.05** | **31.03.06** | **31.03.07** | **31.03.08** | **31.03.09** | **30.09.09** |
|---|---|---|---|---|---|---|
| | | | | | | |
| Commission, Exchange and Brokerage | 90.04 | 99.18 | 115.72 | 124.52 | 136.27 | 65.15 |
| Profit on sale of investments (net) | 263.91 | 191.80 | 41.81 | 179.33 | 215.97 | 88.92 |
| Profit on sale of land, building & other assets (Net) | 0.12 | (0.01) | 1.03 | 0.03 | 0.04 | 0.07 |
| Profit on exchange transaction (Net) | 9.07 | 6.20 | 12.95 | 28.27 | 16.08 | 9.84 |
| Miscellaneous Income:- | | | | | | |
| Incidental Charges | 8.11 | 9.29 | 13.94 | 16.87 | 18.84 | 9.23 |
| Bad Debts written off Realised | 48.73 | 87.08 | 77.85 | 57.32 | 33.37 | 40.64 |
| Service Charges | 35.25 | 43.34 | 58.05 | 50.59 | 58.74 | 48.44 |
| Locker Charges | 5.37 | 5.22 | 5.51 | 6.07 | 6.84 | 0.64 |
| Others | 12.40 | 4.42 | 20.83 | 2.50 | 4.71 | 1.94 |
| | | | | | | |
| **Total:** | **473.00** | **446.53** | **347.68** | **465.50** | **490.86** | **264.87** |

Note: Other Income are recurring in nature.

## SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Red Herring Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operation." The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP and internally generated statistical data. These amounts do not give effect to the adjustment to our net profits as a result of their statement of our unconsolidated financial statements in connection with this Issue.*

**Average Balance Sheet & Net Interest Margin**

**(In Rs. Crore)**

| | **Year ending March 31, 2007** | | | **Year ending March 31, 2008** | | | **Year ending March 31, 2009** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Av. Balance** | **Int. Income/ Expenses** | **Av. Yield/ Cost** | **Av. Balance** | **Int. Income/ Expenses** | **Av. Yield/ Cost** | **Av. Balance** | **Int. Income/ Expenses** | **Av. Yield/ Cost** |
| Assets (Interest Earning) | | | | | | | | | |
| Advances | 18169.48 | 1654.1 | 9.1 | 23116.01 | 2246.62 | 9.72 | 29039.95 | 3004.58 | 10.35 |
| Investments | 14601.52 | 1137.59 | 7.79 | 18587.43 | 1293.51 | 6.96 | 18516.03 | 1279.11 | 6.91 |
| Others | 704.72 | 61.05 | 8.66. | 333.23 | 17.17 | 5.15 | 559.31 | 28.18 | 5.04 |
| **Total Int. Earning Assets (Other than Int. bearing)** | **33475.72** | **2852.74** | **8.52** | **42036.67** | **3557.30** | **8.46** | **48115.29** | **4311.87** | **8.96** |
| Fixed Assets (Incl. Revaluation Reserve) | 214.4 | 0 | 0 | 613.96 | 0 | 0 | 617.92 | 0 | 0 |
| Other Assets | 2810.88 | 0 | 0 | 4547.15 | 0 | 0 | 5393.41 | 0 | 0 |
| **Total Assets** | **36501** | **2852.74** | **7.82** | **47197.78** | **3557.30** | **7.54** | **54126.62** | **4311.87** | **7.97** |
| Liabilities (Interest Bearing) | | | | | | | | | |
| Deposits | 31014.6 | 1603.49 | 5.17 | 39404.16 | 2507.55 | 6.36 | 45653.91 | 2976.45 | 6.52 |
| of which Demand | 2696.53 | 0 | 0 | 3225.57 | 0 | 0 | 3580.6 | 0 | 0 |
| Saving | 11035.65 | 351.46 | 3.18 | 12100.09 | 376.98 | 3.12 | 13646.13 | 439.06 | 3.22 |
| Term | 17282.42 | 1252.03 | 7.24 | 24078.5 | 2130.57 | 8.85 | 28427.18 | 2537.39 | 8.93 |
| Borrowings (other than Tier II Bonds) | 472.57 | 25.57 | 5.41 | 671.23 | 37.89 | 5.64 | 1076.07 | 53.26 | 4.95 |
| Tier II Bonds | 565 | 46.14 | 8.17 | 1179.17 | 107.25 | 9.1 | 1295.83 | 120.65 | 9.31 |
| **Total Interest Bearing Liabilities** | **32052.17** | **1675.2** | **5.23** | **41254.56** | **2652.69** | **6.43** | **48025.81** | **3150.36** | **6.56** |
| Capital & Reserves | 2122.05 | 0 | 0 | 2538.28 | 0 | 0 | 2869.52 | 0 | 0 |
| **Total Liabilities** | **36501** | **1675.2** | **4.59** | **47197.78** | **2652.69** | **5.62** | **54126.62** | **3150.36** | **5.82** |
| Net Interest Income | 1177.54 | | | 904.62 | | | 1161.51 | | |
| Net Interest Margin | 3.52 | | | 2.15 | | | 2.41 | | |

***Net Interest Margin: Net Interest Income as percentage to average Interest Earning Assets***

**Analysis of Changes in Interest Income & Interest Expense Volume and Rate Analysis**

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

***(In Rs. Crore)***

| | **Fiscal 2009 vs. Fiscal 2008** | | | **Fiscal 2008 vs. Fiscal 2007** | | | **Fiscal 2007 vs. Fiscal 2006** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Change in interest income or expenses | Change due to change in average volume | Change due to change in average rate | Net Change in interest income or expenses | Change due to change in average volume | Change due to change in average rate | Net Change in interest income or expenses | Change due to change in average volume | Change due to change in average rate |
| **Interest Income:** | 754.57 | 582.48 | 172.09 | 732.21 | 720.89 | 11.32 | 474.63 | 452.42 | 22.21 |
| Advances | 757.96 | 575.81 | 182.15 | 592.52 | 450.13 | 142.39 | 500.64 | 408.69 | 91.95 |
| Investments | -14.40 | -4.97 | -9.43 | 183.57 | 302.93 | -119.36 | -45.54 | 4.41 | -49.95 |
| Others | 11.01 | 11.64 | -0.63 | -43.88 | -32.17 | -11.71 | 19.53 | 39.32 | -19.79 |
| **Total interest earning assets** | | | | | | | | | |
| **Interest expense** | 497.67 | 430.93 | 66.74 | 977.49 | 586.81 | 390.68 | 335.69 | 284.74 | 50.95 |
| Deposits | 468.90 | 433.10 | 35.80 | 904.06 | 525.88 | 378.18 | 314.03 | 255.43 | 58.60 |
| Demand deposits | | | | | | | | | |
| Savings deposits | 62.08 | 48.24 | 13.84 | 25.52 | 33.85 | -8.33 | 41.85 | 44.85 | -3.00 |
| Term deposits | 406.82 | 384.86 | 21.96 | 878.54 | 492.03 | 386.51 | 272.18 | 210.58 | 61.60 |
| Borrowings | 15.37 | 22.83 | -7.46 | 12.32 | 10.75 | 1.57 | 13.37 | 19.46 | -6.09 |
| Tier II Bonds | 13.40 | 10.62 | 2.78 | 61.11 | 50.18 | 10.93 | 8.29 | 9.85 | -1.56 |
| **Total interest bearing liabilities** | | | | | | | | | |
| Net interest Income | 256.90 | 151.55 | 105.35 | -245.28 | 134.08 | -379.36 | 138.94 | 167.68 | -28.74 |

**Yields, Spreads and Margins**

***(In Rs. Crore)***

| | | **2005** | **2006** | **2007** | **2008** | **2009** | **Sept 2009** |
|---|---|---|---|---|---|---|---|
| 1 | Interest Income | 2129.28 | 2350.46 | 2825.09 | 3557.30 | 4311.87 | 2510.76 |
| 1(a) | of which Interest Income on Rupee Assets | 2129.28 | 2350.46 | 2825.09 | 3557.30 | 4311.87 | 2510.76 |
| 2 | Average interest earning Assets | 24204.15 | 28325.15 | 33475.72 | 42036.67 | 48115.29 | 61960.73 |
| 2(a) | of which average interest earning Rupee assets | 24204.15 | 28325.15 | 33475.72 | 42036.67 | 48115.29 | 61960.73 |
| 3 | Interest Expense | 1217.73 | 1339.51 | 1675.20 | 2652.69 | 3150.36 | 1891.91 |

| | | 2005 | 2006 | 2007 | 2008 | 2009 | Sept 2009 |
|---|---|---|---|---|---|---|---|
| 3(a) | of which Interest expenses on Rupee Liabilities | 1217.73 | 1339.51 | 1675.20 | 2652.69 | 3150.36 | 1891.91 |
| 4 | Average interest bearing Liabilities | 23621.38 | 26989.63 | 32052.17 | 41254.56 | 48025.81 | 60648.60 |
| 4(a) | of which average interest bearing Rupee liabilities | 23621.38 | 26989.63 | 32052.17 | 41254.56 | 48025.81 | 60648.60 |
| 5 | Net Interest Income(1-3) | 911.55 | 1010.95 | 1177.54 | 904.62 | 1161.51 | 618.85 |
| 6 | Average Total Assets | 27391.76 | 31003.87 | 36501.00 | 47197.78 | 54126.62 | 67973.25 |
| 7 | Average interest earning assets as % of average total assets (2/6) | 88.36% | 91.36% | 91.71% | 89.06% | 88.89% | 91.15% |
| 8 | Average interest bearing liabilities as % of average total assets (4/6) | 86.24% | 87.05% | 87.81% | 87.41% | 88.73% | 89.22% |
| 9 | Average interest earning assets as % of average interest bearing liabilities (2/4) | 102.47% | 104.95% | 104.44% | 101.90% | 100.19% | 102.16% |
| 10 | Average interest earning rupee assets as % of av. interest bearing rupee liabilities [2(a)/4(a)] | 102.47% | 104.95% | 104.44% | 101.90% | 100.19% | 102.16% |
| 11 | Yield (1/2) | 8.80% | 9.30% | 8.44% | 8.46% | 8.96% | 8.10%(A) |
| | of which Yield on Rupee Interest Earning Assets [1(a)/2(a)] | 8.80% | 9.30% | 8.44% | 8.46% | 8.96% | 8.10%(A) |
| 12 | Cost (3/4) | 5.16% | 4.96% | 5.23% | 6.43% | 6.56% | 6.24%(A) |
| | of which Cost of Rupee Interest bearing liabilities [3(a)/4(a)] | 5.16% | 4.96% | 5.23% | 6.43% | 6.56% | 6.24%(A) |
| 13 | Spread (11-12) | 3.64% | 4.34% | 3.21% | 2.03% | 2.40% | 1.86%(A) |
| 14 | Net Interest Margin (NIM) (5/2) | 3.77% | 3.57% | 3.52% | 2.15% | 2.41% | 2.00%(A) |

*(A) Annualised*

**Returns on Equity and Assets**

| | Year ending March 31 | | | | | 6 months ending September 30, 2009 |
|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 | |
| Net Profit after tax | 300.18 | 204.56 | 267.28 | 145.11 | 358.55 | 231.10 |
| Average total assets | 27,391.76 | 31,003.87 | 36,501.00 | 47,197.78 | 54,126.62 | 67,973.25 |
| Average shareholders' funds | 1,810.87 | 1,671.65 | 1,532.43 | 1,532.43 | 1,657.43 | 1,782.43 |
| Net profit after tax as a percentage of average shareholders' funds | 16.58% | 12.24% | 17.44% | 9.47% | 21.63% | 12.97% |
| Average shareholders' funds as a percentage of average total assets | 6.61% | 5.39% | 4.20% | 3.25% | 3.06% | 2.62% |

***The following table sets forth, as of September 30, 2009, 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.***

| | ***Up to one year*** | ***One to five years*** | ***Five to ten years*** | ***More than ten years*** | ***Total*** | |
|---|---|---|---|---|---|---|
| | ***Amount*** | | | | | ***Yeild (%)*** |
| ***Government and other approved securities (excluding recap/special bonds)*** | 1204.13 | 2367.96 | 6200.33 | 6430.29 | 16202.71 | 7.53 |
| ***Other debt securities (including recap/ special bonds)*** | 209.90 | 1152.09 | 352.97 | 109.86 | 1824.82 | 9.25 |
| ***Total coupon bearing securities*** | 1414.03 | 3520.05 | 6553.30 | 6540.15 | 18027.53 | 7.71 |
| ***Total market value of coupon-bearing securities*** | 1292.37 | 3464.04 | 6375.17 | 6387.46 | 17519.04 | |

**Funding**

Our funding operations are designed to optimize the cost of funding and effective liquidity management. The primary source of funding is deposits accepted from our customers.

***Total Deposits***

The average cost (interest expense divided by average of fortnightly balances) of savings deposits was 3.18% in Fiscal 2007, 3.12% in Fiscal 2008 and 3.22% in Fiscal 2009. The average cost of term deposits was 7.24% in Fiscal 2007, 8.85% in Fiscal 2008 and 8.93% in Fiscal 2009. Demand deposits do not bear interest, and are therefore carried at zero cost. The following table sets forth, as at the dates indicated our outstanding deposits and the percentage composition by each category of deposits.

(Rs in Crore)

| | As at March 31, 2007 | | As at March 31, 2008 | | As at March 31, 2009 | | As at Sep 30,2009 | |
|---|---|---|---|---|---|---|---|---|
| | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total |
| Demand deposits | 3,954.12 | 10.64% | 5,075.69 | 10.80% | 5,395.35 | 9.89% | 4,890.99 | 7.55% |
| From Banks | 177.83 | 0.48% | 221.61 | 0.47% | 307.36 | 0.56% | 319.05 | 0.49% |
| From Others | 3,776.29 | 10.16% | 4,854.08 | 10.33% | 50,87.99 | 9.33% | 4,571.94 | 7.06% |

| | As at March 31, 2007 | | As at March 31, 2008 | | As at March 31, 2009 | | As at Sep 30,2009 | |
|---|---|---|---|---|---|---|---|---|
| | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total |
| Savings deposits | 11,668.78 | 31.40% | 13,039.62 | 27.76% | 15,212.43 | 27.90% | 17,098.84 | 26.42% |
| Term deposits | 21,543.77 | 57.96% | 28,855.42 | 61.44% | 33,928.12 | 62.21% | 42,749.72 | 66.03% |
| From Banks | 782.80 | 2.11% | 829.84 | 1.77% | 1,513.05 | 2.77% | 1,812.84 | 2.80% |
| From Others | 20,760.97 | 55.85% | 28,025.58 | 59.67% | 32,415.07 | 59.44% | 40,936.88 | 63.23% |
| Total Deposits | 37,166.67 | 100.00% | 46,970.72 | 100.00% | 54,535.90 | 100.00% | 64,739.55 | 100.00% |

***Total Borrowings***

The following table sets forth, as at the dates indicated our outstanding borrowings with or without Tier II bonds

(Rs. in Crore)

| | **As at March 31, 2007** | | | **As at March 31, 2008** | | | **As at March 31, 2009** | | | **As at September 30, 2009** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Average Balance** | **Interest Expenses** | **Average cost** | **Average Balance** | **Interest Expenses** | **Average cost** | **Average Balance** | **Interest Expenses** | **Average cost** | **Average Balance** | **Interest Expenses** | **Average cost*** |
| Borrowings excluding Tier II Bonds | 472.57 | 25.57 | 5.41 | 671.23 | 37.89 | 5.64 | 1076.07 | 53.26 | 4.95 | 865.48 | 16.67 | 3.85 |
| Tier II Bonds | 565 | 46.14 | 8.17 | 1179.17 | 107.25 | 9.1 | 1295.83 | 120.65 | 9.31 | 1525.00 | 71.84 | 9.42 |
| Total borrowings | 1037.57 | 71.71 | 6.91 | 1850.4 | 145.14 | 7.84 | 2371.9 | 173.91 | 7.33 | 2390.48 | 88.51 | 7.41 |

**** Annualised***

***Asset Liability Gap***

The Board has set forth the following prudential limits for our asset liability gap positions for the periods (buckets) indicated:

| Period ( bucket) | Ccumulative negative mismatch(cumulative gap /cumulative outflow) | Period (bucket) | Cumulative negative mismatch(cumulative gap /cumulative outflow) |
|---|---|---|---|
| Day 1 | 5% | >3months-6months | 30% |
| 2-7days | 10% | >6months- 1year | 35% |
| 8-14 days | 15% | >1yr – 3yrs | 40% |
| 15-28days | 20% | >3yrs – 5yrs | 40% |
| 29d-upto 3 months | 25% | > 5years | Nil |

The cumulative asset/liability gap should not exceed 40% of the cumulative outflow.

As per the RBI's guidelines, if a negative gap exceeds the prudential limit of 5%,10%,15%&20% of outflows in the Day1,2-7days,8-14days & 15-28 days buckets, the gap is financed from market borrowings (call/term), bills rediscounting, repos and deployment of foreign currency resources after conversion into Indian Rupees (unswapped foreign currency funds). If a negative gap exceeds the prudential limits in the other buckets, the excess of the first four buckets (Day1,2-7days,8-1and 15-28 days) is transferred to meet the gap in the respective buckets.

The following table sets forth our asset-liability gap position as at March 31, 2009

( Rs/crore)

| | ***OUTFLOWS*** | **1 Day** | **2 to 07 days** | **08 to 14 days** | **15 to 28 days** | **29 days & upto 3 months** | **Over 3 m & upto 6 month** | **Over 6 m & upto I year** | **Over 1 year & upto 3 year** | **Over 3 year & upto 5 year** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Capital | | | | | | | | | | 1782 | 1782 |
| 2. | Reservs & Surplus | | | | | | | | | | 1295 | 1295 |
| 3. | Deposits | | | | | | | | | | | |
| i) | Current Deposits | 135 | 216 | 189 | 189 | 475 | 399 | 513 | 993 | 507 | 1780 | 5396 |
| ii) | Savings Deposits | 76 | 152 | 532 | 61 | 167 | 152 | 228 | 532 | 350 | 12961 | 15211 |
| iii) | Term Deposits | 109 | 464 | 315 | 846 | 2243 | 1705 | 8058 | 7986 | 4192 | 6635 | 32553 |
| iv) | Certificates of Deposits | 0 | 0 | 0 | 0 | 875 | 500 | 0 | | | 0 | 1375 |
| v) | Other Demand Deposit | | | | | | | | | | | |
| 4. | Borrowings | | | | | | | | | | | |
| i) | Call & Short Notice & CBLO | 0 | 0 | - | - | - | - | - | - | - | - | 0 |
| ii) | Inter Bank ( Term ) | | | | | | | | | | | |
| iii) | Refinances | 0 | 0 | 0 | 0 | 0 | 35 | 184 | 90 | 30 | 75 | 414 |
| iv) | Others ( Specify) TT. Disc./Bond | 0 | 41 | | | 0 | | 0 | 0 | 0 | 1525 | 1566 |
| 5. | Other Liabilities & Provisions | | | | | | | | | | | |
| i) | Bills Payable | 92 | 272 | 82 | 0 | 0 | 0 | 0 | 247 | 0 | 0 | 693 |
| ii) | Provisions | | | | | | | | | | 449 | 449 |
| iii) | Others ( Specify ) | 166 | | | | | | | | | 773 | 939 |
| 6. | Lines of Credit commited | | | | | | | | | | 0 | |
| i) | Institutions | | | | | | | | | | | |
| ii) | Customers | | | | | | | | | | | |
| 7. | Unavailed portion of CC/OD/etc | 0 | 0 | 0 | 0 | 349 | 954 | 694 | 0 | 0 | 0 | 1997 |
| 8. | Letters of Credit/ Guarantees | 1 | | | | | | | | | | 1 |
| 9. | Repos | 0 | 0 | - | - | - | - | - | - | - | - | 0 |
| 10. | Bills Rediscounted ( DUPN ) | | | | | | | | | | | |
| 11. | .Swaps ( Buy / Sells / Maturing*) | 0 | - | - | - | - | - | - | - | - | - | - |
| 12. | Interest Payable | 1 | 3 | 2 | 6 | 147 | 16 | 57 | 56 | 30 | 47 | 365 |
| 13. | Others ( Specify ) | | 0 | | | | | 244 | | | | 244 |
| **A** | ***TOTAL OUTFLOWS*** | 580 | **1148** | **1120** | **1102** | **4256** | **3761** | **9978** | **9904** | **5109** | **27322** | **64280** |
| **B** | **Cumulative outflows** | **580** | **1728** | **2848** | **3950** | **8206** | **11967** | **21945** | **31849** | **36958** | **64280** | **-** |

( Rs in crore)

| | INFLOWS | 1 Day | 2 to 7 days | 8 to 14 days | 15 to 28 days | 29 days &upto 3 months | Over 3 month & upto 6 month | Over 6 months & upto I year | Over 1 year & upto 3 year | Over 3 year & upto 5 year | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Cash | 228 | | | | | | | | | | 228 |
| 2. | Balance with RBI | 1742 | 0 | 0 | 109 | 163 | 130 | 422 | 494 | 266 | 978 | 4304 |
| 3. | Balances with other Bank | | | | | | | | | | | |
| i) | Current Account | 377 | | | | | | | | | | 377 |
| ii) | Money at Call/Short Notice/etc. | 0 | 0 | - | - | - | - | - | - | - | - | 0 |
| 4. | Investments | 144 | 275 | 5 | 306 | 1195 | 219 | 695 | 1439 | 1423 | 12223 | 17924 |
| 5. | Advances ( Performing ) | | | | | | | | | | | |
| i) | BP/BD ( including DUPN ) | 91 | 95 | 120 | 246 | 515 | 117 | 0 | 3 | 3 | 0 | 1190 |
| ii) | CC / OD / Demand Loan | 7 | 1443 | 1 | 2 | 166 | 35 | 107 | 6218 | 37 | 25 | 8041 |
| iii) | Term Loans | 665 | 2191 | 2512 | 994 | 5585 | 2061 | 3009 | 4849 | 1457 | 2155 | 25478 |
| 6. | NPA (Advances & Investment) | - | - | - | - | - | - | - | 0 | 336 | 348 | 684 |
| 7. | Fixed Assets | - | - | - | - | - | - | - | - | - | 624 | 624 |
| 8. | Other Assets | - | - | - | - | - | - | - | - | - | - | - |
| i) | Leased Assets | - | - | - | - | - | - | - | - | - | - | - |
| ii) | Others | - | - | - | - | - | - | - | - | - | - | - |
| 9. | Reverse Repos | 0 | 1500 | - | - | - | - | - | - | - | - | 1500 |
| 10. | Swaps ( Sell / Buy etc.) | 0 | - | - | - | - | - | - | - | - | - | - |
| 11. | Bills Rediscounted ( DUPN ) | | - | - | - | - | - | - | - | - | - | - |
| 12. | Interest Receivable | 0 | 13 | 0 | 4 | 9 | 4 | 11 | 38 | 25 | 218 | 322 |
| 13. | Comm. Lines of Credit | | - | - | - | - | - | - | - | - | - | |
| 14. | Export Refinance from RBI | 244 | - | - | - | - | - | - | - | - | - | 244 |
| | Others ( Specify ) | 9 | 399 | 0 | 0 | 232 | 6 | 401 | 1598 | 0 | 719 | 3364 |
| **C.** | ***TOTAL INFLOWS*** | **3507** | **5916** | **2638** | **1661** | **7865** | **2572** | **4645** | **14639** | **3547** | **17290** | **64280** |
| **D** | ***MISMATCH (C - A )*** | **2927** | **4768** | **1518** | **559** | **3609** | **-1189** | **-5333** | **4735** | **-1562** | **-10032** | - |
| **E.** | **% OF MISMATCH(D AS % OF A)** | **504.66** | **415.33** | **135.54** | **50.73** | **84.80** | **-31.61** | **-53.45** | **47.81** | **-30.57** | **-36.72** | - |
| **F** | ***CUMULATIVE MISMATCH*** | **2927** | **7695** | **9213** | **9772** | **13381** | **12192** | **6859** | **11594** | **10032** | - | - |
| **G** | ***% OF CUML.MISMATCH (*F) AS% OF(B)** | **504.66** | **445.31** | **323.49** | **247.39** | **163.06** | **101.88** | **31.26** | **36.40** | **27.14** | - | - |

The following table sets forth our asset-liability gap position as at March 31, 2008

( Rs in crore)

| | ***OUTFLOWS*** | **1 Day** | **2 to 07 days** | **08 to 14 days** | **15 to 28 days** | **29 days & upto 3 months** | **Over 3 m & upto 6 month** | **Over 6 m & upto 1 year** | **Over 1 year & upto 3 year** | **Over 3 year & upto 5 year** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Capital | - | - | - | - | - | - | - | - | - | 1532 | 1532 |
| 2. | Reservs & Surplus | - | - | - | - | - | - | - | - | - | 1129 | 1129 |
| 3. | Deposits | - | - | - | - | - | - | - | - | - | | |
| i. | Current Deposits | 102 | 203 | 203 | 47 | 133 | 227 | 449 | 1090 | 965 | 1657 | 5076 |
| ii. | Savings Deposits | 130 | 261 | 261 | 55 | 172 | 408 | 1068 | 2656 | 2733 | 5296 | 13040 |
| iii. | Term Deposits | 28 | 278 | 540 | 410 | 1938 | 2433 | 9924 | 7080 | 2795 | 3429 | 28855 |
| iv. | Certificates of Deposits | - | - | - | - | - | - | - | - | - | - | 0 |
| v) | Other Demand Deposit | - | - | - | - | - | - | - | - | - | - | |
| 4. | Borrowings | - | - | - | - | - | - | - | - | - | - | |
| i. | Call & Short Notice & CBLO | 810 | - | - | - | - | - | - | - | - | - | 810 |
| ii. | Inter Bank ( Term ) | - | - | - | - | - | - | - | - | - | - | - |
| iii. | Refinances | 0 | 13 | 0 | 0 | 0 | 37 | 37 | 128 | 47 | 90 | 352 |
| iv. | Others ( Specify )TT.Disc./Bond | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1275 | 1275 |
| 5. | Other Liabilities & Provisions | | | | | | | | | | | |
| i) | Bills Payable | 32 | 146 | 72 | 0 | 0 | 0 | 0 | 275 | 0 | 0 | 525 |
| ii) | Provisions | - | - | - | - | - | - | - | - | - | 0 | 0 |
| iii) | Others ( Specify ) | 184 | | 0 | - | - | - | - | - | - | 1157 | 1341 |
| 6. | Lines of Credit commited | - | - | - | - | - | - | - | - | - | 0 | 0 |
| i) | Institutions | - | - | - | - | - | - | - | - | - | - | 0 |
| ii) | Customers | - | - | - | - | - | - | - | - | - | - | 0 |
| 7. | Unavailed portion of CC/OD/etc | - | - | - | - | - | - | - | - | - | - | |
| 8. | Letters of Credit/ Guarantees | - | - | - | - | - | - | - | - | - | - | |
| 9. | Repos | - | - | - | - | - | - | - | - | - | - | 0 |
| 10. | Bills Rediscounted ( DUPN ) | - | - | - | - | - | - | - | - | - | - | |
| 11. | .Swaps ( Buy / Sells / Maturing*) | - | - | - | | | | 100 | | | - | 100 |
| 12. | Interest Payable | 0 | 3 | 2 | 3 | 19 | 135 | 88 | 66 | 27 | 33 | 376 |
| 13. | Others ( Specify ) | | | | | | | | | | | |
| **A** | ***TOTAL OUTFLOWS*** | 1286 | **903** | **1079** | **515** | **2263** | **3241** | **11666** | **11295** | **6567** | **15597** | **54411** |

| | ***OUTFLOWS*** | **1 Day** | **2 to 07 days** | **08 to 14 days** | **15 to 28 days** | **29 days & upto 3 months** | **Over 3 m & upto 6 month** | **Over 6 m & upto 1 year** | **Over 1 year & upto 3 year** | **Over 3 year & upto 5 year** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **B** | **Cumula--tive outflows** | **1286** | **2189** | **3268** | **3783** | **6045** | **9286** | **20952** | **32247** | **38814** | **54411** | |

| | INFLOWS | 1 Day | 2 to 7 days | 8 to 14 days | 15 to 28 days | 29 days &upto 3 months | Over 3 month & upto 6 month | Over 6 months & upto 1 year | Over 1 year & upto 3 year | Over 3 year & upto 5 year | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Cash | 225 | 0 | 0 | | | | | | | | 225 |
| 2. | Balance with RBI | 1513 | 0 | 0 | 150 | 149 | 201 | 760 | 707 | 232 | 1312 | 5025 |
| 3. | Balances with other Bank | - | - | - | - | - | - | - | 0 | - | | 0 |
| i) | Current Account | 623 | | 0 | - | - | - | - | 0 | - | 0 | 623 |
| ii) | Money at Call/Short Notice/ etc. | | | | - | - | - | - | | - | | 0 |
| 4. | Investments | 135 | 185 | 48 | 263 | 1591 | 1298 | 1056 | 2358 | 692 | 10888 | 18514 |
| 5. | Advances (Performing ) | | | | | | | | | | | |
| i) | BP/BD (including DUPN ) | 282 | 33 | 49 | 70 | 444 | 42 | 0 | 3 | 0 | 0 | 923 |
| ii) | CC / OD / Demand Loan | 5 | 1408 | 0 | 1 | 25 | 17 | 148 | 5934 | 34 | 129 | 7701 |
| iii) | Term Loans | 782 | 1401 | 1499 | 243 | 1573 | 779 | 2026 | 5138 | 2476 | 3011 | 18928 |
| 6. | NPA (Advances & Investment) | | | | | | | | | 250 | 56 | 306 |
| 7. | Fixed Assets | | | | | | | | | | 623 | 623 |
| 8. | Other Assets | - | - | - | - | - | - | - | - | - | - | - |
| i) | Leased Assets | - | - | - | - | - | - | - | - | - | - | - |
| ii) | Others | - | - | - | - | - | - | - | - | - | - | - |
| 9. | Reverse Repos | - | - | - | - | - | - | - | - | - | - | - |
| 10. | Swaps ( Sell / Buy etc.) | - | - | - | - | - | - | 100 | - | - | - | 100 |
| 11. | Bills Rediscounted ( DUPN ) | - | - | - | - | - | - | | - | - | - | |
| 12. | Interest Receivable | 2 | 17 | 28 | 51 | 178 | 170 | 0 | 0 | 0 | 0 | 446 |
| 13. | Comm. Lines of Credit | - | - | - | - | - | - | - | - | - | - | - |
| 14. | Export Refinance from RBI | - | - | - | - | - | - | - | - | - | - | - |
| | Others ( Specify ) | 9 | | | | 3 | | 389 | | | 596 | 997 |
| **C.** | ***TOTAL INFLOWS*** | **3576** | **3044** | **1624** | **778** | **3963** | **2507** | **4479** | **14140** | **3684** | **16615** | **54411** |
| **D** | ***MISMATCH (C - A )*** | **2290** | **2141** | **545** | **264** | **1701** | **-734** | **-7187** | **2845** | **-2883** | **1018** | - |
| **E.** | **% OF MISMATCH(D AS % OF A)** | **178.12** | **236.92** | **50.57** | **51.23** | **75.16** | **-22.64** | **-61.61** | **25.19** | **-43.90** | **6.53** | - |

| INFLOWS | | 1 Day | 2 to 7 days | 8 to 14 days | 15 to 28 days | 29 days &upto 3 months | Over 3 month & upto 6 month | Over 6 months & upto 1 year | Over 1 year & upto 3 year | Over 3 year & upto 5 year | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **F** | ***CUMULATIVE MISMATCH*** | **2290** | **4431** | **4976** | **5240** | **6940** | **6206** | **-980** | **1865** | **-1018** | **0** | - |
| **G** | ***% OF CUML.MISMATCH (*F*) AS% OF(B)*** | **178.12** | **202.38** | **152.28** | **138.52** | **114.81** | **66.84** | **-4.68** | **5.78** | **-2.62** | **0** | - |

The following table sets forth our asset-liability gap position as at March 31, 2007

( Rs in crore)

| ***OUTFLOWS*** | | **1 to 07 days** | **08 to 14 days** | **15 to 28 days** | **29 days & upto 3 months** | **Over 3 m & upto 6 month** | **Over 6 m & upto I year** | **Over 1 year & upto 3 year** | **Over 3 year & upto 5 year** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | days | to 3m | to 6m | to 1yr | to 3yr. | to 5yr. | years | |
| 1. | Capital | - | - | - | - | - | - | - | - | 1532 | 1532 |
| 2. | Reservs & Surplus | - | - | - | - | - | - | - | - | 883 | 883 |
| 3. | Deposits | - | - | - | - | - | - | - | - | | |
| i) | Current Deposits | 593 | - | - | - | - | - | 3361 | - | - | 3954 |
| ii) | Savings Deposits | 583 | | | | | | | | 11086 | 11669 |
| iii) | Term Deposits | 215 | 527 | 737 | 2943 | 1790 | 4888 | 7181 | 2396 | 867 | 21544 |
| iv) | Certificates of Deposits | - | - | - | - | - | - | - | - | - | 0 |
| | Other Demand Deposit | - | - | - | - | - | - | - | - | - | |
| 4. | Borrowings | - | - | - | - | - | - | - | - | - | |
| i) | Call & Short Notice & CBLO | 0 | - | - | - | - | - | - | - | - | 0 |
| ii) | Inter Bank ( Term ) | 0 | 0 | | | | 0 | | | | 0 |
| iii) | Refinances | 0 | 0 | 0 | 0 | 28 | 33 | 143 | 90 | 106 | 400 |
| iv) | Others ( Specify )TT.Disc./Bond | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 700 | 700 |
| 5. | Other Liabilities & Provisions | - | - | - | - | - | - | - | - | - | - |
| i) | Bills Payable | 160 | 0 | 0 | 0 | 0 | 0 | 297 | 0 | 0 | 457 |
| ii) | Inter - Office Adjustment | 389 | - | - | - | - | - | - | - | - | 389 |
| iii) | Provisions | - | - | - | - | - | - | - | - | 121 | 121 |
| | Others ( Specify ) | | 0 | - | - | - | - | - | - | 353 | 353 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 6. | Lines of Credit commited | - | - | - | - | - | - | - | - | - | 0 |
| i) | Institutions | - | - | - | - | - | - | - | - | - | 0 |
| | Customers | - | - | - | - | - | - | - | - | - | 0 |
| 7. | Unavailed portion of CC/OD/etc | 0 | 0 | - | - | - | - | - | - | - | 0 |
| 8. | Letters of Credit/ Guarantees | - | - | - | - | - | - | - | - | - | 0 |
| 9. | Repos | - | - | - | - | - | - | - | - | - | 0 |
| 10. | Bills Rediscounted ( DUPN ) | - | - | - | - | - | - | - | - | - | 0 |
| 11. | .Swaps ( Buy / Sells / Maturing*) | - | - | - | 50 | - | - | - | - | - | 50 |
| 12. | Interest Payable | 2 | 5 | 7 | 28 | 118 | 47 | 69 | 23 | 8 | 308 |
| 13. | Others ( Specify ) | 0 | | | | | | | | | 0 |
| **A** | ***TOTAL OUTFLOWS*** | **1943** | **532** | **744** | **3021** | **1936** | **4968** | **11051** | **2509** | **15656** | **42360** |
| | **Cumulative outflows** | **1943** | **2475** | **3219** | **6240** | **8176** | **13145** | **24195** | **26704** | **42360** | |
| | | | | | | | | | | | |

( Rs in crore)

| **INFLOWS** | | **1 to 7 days** | **8 to 14 days** | **15 to 28 days** | **29 days &upto 3 months** | **Over 3 month & upto 6 month** | **Over 6 months & upto I year** | **Over 1 year & upto 3 year** | **Over 3 year & upto 5 year** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Cash | 152 | 0 | | | | | | | | 152 |
| 2. | Balance with RBI | 0 | 0 | 115 | 177 | 134 | 287 | 645 | 153 | 1024 | 2534 |
| 3. | Balances with other Bank | - | - | - | - | - | - | 0 | - | - | 0 |
| i) | Current Account | 498 | 0 | - | - | - | - | 0 | - | 0 | 498 |
| ii) | Money at Call/Short Notice/etc. | 1100 | - | - | - | - | - | - | - | - | 1100 |
| 4. | Investments | 28 | 0 | 81 | 101 | 146 | 331 | 1610 | 1472 | 10833 | 14602 |
| 5. | Advances ( Performing ) | - | - | - | - | - | - | - | - | - | - |
| i) | BP/BD ( including DUPN ) | 75 | 75 | 85 | 353 | 64 | 0 | 1 | 0 | 0 | 653 |
| ii) | CC / OD / Demand Loan | 523 | 104 | 15 | 53 | 388 | 176 | 5799 | 80 | 223 | 7361 |
| iii) | Term Loans | 950 | 233 | 152 | 827 | 713 | 1246 | 3839 | 1944 | 3420 | 13324 |
| 6. | NPA (Advances & Investment) | - | - | - | - | - | - | - | 298 | 519 | 817 |
| 7. | Fixed Assets | - | - | - | - | - | - | - | | 605 | 605 |
| 8. | Other Assets | - | - | - | - | - | - | - | - | - | - |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| i) | Inter Office Adjustments | - | - | - | - | - | - | - | - | - | - |
| ii) | Leased Assets | - | - | - | - | - | - | - | - | - | - |
| iii) | Others | - | - | - | - | - | - | - | - | - | - |
| 9. | Reverse Repos | - | - | - | - | - | - | - | - | - | - |
| 10. | Swaps ( Sell / Buy etc.) | - | - | - | 50 | - | - | - | - | - | 50 |
| 11. | Bills Rediscounted (DUPN ) | - | - | - | - | - | - | - | - | - | |
| 12. | Interest Receivable | 51 | 25 | 48 | 80 | 75 | 0 | 0 | 0 | 0 | 279 |
| 13. | Comm. Lines of Credit | - | - | - | - | - | - | - | - | - | - |
| 14. | Export Refinance from RBI | - | - | - | - | - | - | - | - | - | - |
| | Others ( Specify ) | 198 | - | - | 0 | - | - | - | - | 186 | 384 |
| **C.** | ***TOTAL INFLOWS*** | **3575** | **437** | **496** | **1641** | **1520** | **2040** | **11894** | **3947** | **16809** | **42360** |
| **D** | ***MISMATCH (C - A )*** | **1632** | **-95** | **-248** | **-1380** | **-416** | **-2928** | **843** | **1438** | **1153** | - |
| **E.** | **% OF MISMATCH(D AS % OF A)** | **84.01** | **-17.84** | **-33.28** | **-45.69** | **-21.49** | **-58.94** | **7.63** | **57.31** | **7.36** | - |
| **F** | ***CUMULATIVE MISMATCH*** | **1632** | **1537** | **1289** | **-91** | **-507** | **-3435** | **-2592** | **-1155** | **0** | - |
| **G** | **% OF CUML.MISMATCH(F AS% OF B)** | **84.01** | **62.10** | **40.07** | **-1.45** | **-6.20** | **-26.13** | **-10.71** | **-4.32** | **0** | - |

***Assumptions made in respect of the Asset Liability Management Gap Statement***

**OUTFLOWS**

| | | |
|---|---|---|
| Capital reserve & Surplus | Over 5 years bucket | As per RBI Guideline |
| Current Deposit | 10% Volatile portion in 1,2-7days and 8-14 days Bucket | As per our study ( conducted as per RBI Guidelines ) |
| | 90% Core portion in 15-28 days to Over 5 years | |

| | | |
|---|---|---|
| Savings Deposit | 5% Volatile portion in Day 1, 2- 7 days and 8-14 days Buckets | As per our study ( conducted as per RBI Guidelines ) |
| | 95% Core portion in 15-28 days to Over 5 years | |
| Term Deposits | Respective maturity buckets (excluding the roll-over amounts determined as per our study). | As per RBI Guidelines |
| Refinance | Respective maturity buckets of outstanding refinance. | As per RBI Guidelines |
| Others(Bond) | Respective maturity buckets of outstanding Tier-II bond. | As per RBI Guidelines |
| Bills Payable | Based on behavioral study for Bills Payable (of which 64.10% and 82.80% being volatile components of DD/MT etc. and PO/GC etc. in Day 1, 2-7 days and 8-14 days buckets and the core components of 35.90% and 17.20% in 1-3 years buckets). Stale remittance in 1-3 years bucket. | As per our study ( conducted as per RBI Guidelines ) |
| Provisions | Over 5 yrs bucket. | The provisions are those except Advance and investment which are required to be kept over 5yrs. |
| Other liabilities | Respective maturity bucket. | As per RBI Guidelines. |
| Interest payable | As per maturity bucket in case of TD and the period left for intt to be paid on SB in case of SB. | As per RBI Guidelines |
| Unavailed portion of CC/OD | Respective maturity bucket based on the behavior of the CC/OD of the Bank in the same period of the previous year | As per RBI Guidelines |
| LCdevolved/LG invoked | Respective maturity bucket based on information of such devolvement /invocation in the previous quarters | As per RBI Guidelines |
| Export Refinance(availed) | Respective maturity bucket | As per RBI Guidelines |
| Lines of credit committed | Day 1 bucket based on information received from concerned Dept. | As per RBI Guidelines |
| Repo | Day 1 /2-7 days bucket | As per RBI Guidelines |
| Interest Rate Swap | Respective maturity buckets | As per RBI Guidelines |

INFLOWS

<table>
<tr><td>Cash</td><td colspan="2">Day 1 bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>Balance with RBI</td><td colspan="2">Statutory balances in various time bucket as per maturity profile with a time lag of 14 days and excess balance over CRR in Day 1 bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>Current A/C with other banks</td><td colspan="2">Minimum balance as stipulated kept under 1-3yr bucket and rest in Day 1 bucket.</td><td>As per RBI guidelines</td></tr>
<tr><td>Money at Call & CBLO (Overnight)</td><td colspan="2">Day 1 / 2-7 days bucket</td><td>As per RBI guidelines</td></tr>
<tr><td rowspan="9">Investments</td><td>Corp.Deb. & Bond</td><td rowspan="5">Respective Maturity buckets</td><td rowspan="9">As per RBI guidelines</td></tr>
<tr><td>PSU Bonds</td></tr>
<tr><td>CPs and CDs</td></tr>
<tr><td>Redeemable Pref. Shares</td></tr>
<tr><td>Units of M.F. (Close ended)</td></tr>
<tr><td>Units of MF (Open ended)</td><td>Day 1 bucket</td></tr>
<tr><td>Listed Shares (with a haircut of 50% )</td><td>2-7 days bucket</td></tr>
<tr><td>Other Shares</td><td>Over 5 yrs. Bucket</td></tr>
<tr><td>Investment in subsidiaries/JVs</td><td>Over 5 years bucket</td></tr>
<tr><td>BP/BD</td><td colspan="2">As per maturity buckets based on figures received from different branches.</td><td>As per RBI guidelines</td></tr>
<tr><td>CC/OD/Demand Loan</td><td colspan="2">Based on behavioral study for CC/OD ( 20% being volatile component, in 2-7 days bucket and the core component of 80% in 1-3 yrs bucket) and actual maturity pattern for Demand Loan</td><td>As per RBI guidelines</td></tr>
<tr><td>Term Loan</td><td colspan="2">As per cash flow under respective maturity buckets based on data. received from branches</td><td>As per RBI guidelines</td></tr>
<tr><td>NPA (Advance & Investment)</td><td colspan="2">Substandard in over 3 years to 5 years bucket<br>Doubtful & Loss in over 5 years bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>Fixed Asset</td><td colspan="2">Over 5years bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>Other Assets</td><td colspan="2">As per maturity bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>LCdevolved/LG invoked</td><td colspan="2">Respective maturity bucket based on information of such devolvement /invocation in the previous quarter</td><td>As per RBI guidelines</td></tr>
<tr><td>Export Refinance (Unavailed)</td><td colspan="2">Day 1 bucket</td><td>As per RBI guidelines</td></tr>
<tr><td>Interest Rate Swap</td><td colspan="2">Respective maturity buckets</td><td>As per RBI guiddlines.</td></tr>
</table>

**Assumptions in computation of Short Term Dynamic Liquidity**

OUTFLOWS

Net increase in Loans & Advance and Net increase in Investment considered as the amount of change in Loans & Advance and Investment expected to be achieved in consultation with the concerned department given the inflow of Loans & Advance and Investment as per the statement of Structural Liquidity.

INFLOWS

Net increase in Deposit considered as the amount of increase in Deposit expected to be achieved as obtained from the concerned department given the outflow of Deposit as per the statement of Structural Liquidity.
Interest on Investment: Estimated interest during the relevant period has been taken into consideration.
Net cash Position: Average budgeted cash holding has been taken into account.
Refinance Eligibility ( export credit ) : Based on information received on export credit refinance eligibility and actual refinance already availed obtained from the concerned department.

**Loan Portfolio**

As at September 30, 2009, our total outstanding loan portfolio was Rs. 41,219.12 crore. The following table sets forth, for the dated indicated, our loan portfolio classified by product group.

| Category | Year ending March 31, 2007 | | Year ending March 31, 2008 | | Year ending March 31, 2009 | | Six months ending September 30, 2009 | |
|---|---|---|---|---|---|---|---|---|
| | Amount (Rs. Cr.) | % of Total | Amount (Rs. Cr.) | % of Total | Amount (Rs. Cr.) | % of Total | Amount (Rs. Cr.) | % of Total |
| Term Loans | 13,983.65 | 61.76 | 19,411.75 | 68.44 | 25991.64 | 72.80 | 30,648.08 | 74.35 |
| Cash Credit / Overdraft and others | 7,670.84 | 33.88 | 7,848.00 | 27.67 | 8,320.87 | 23.24 | 9,070.04 | 22.00 |
| FCNR (B) Loan | - | 0.00 | - | 0.00% | - | 0.00 | - | 0.00 |
| Export Credit | 556.36 | 2.46 | 441.10 | 1.56 | 567.33 | 1.58 | 599.71 | 1.45 |
| Bills Purchased/ Discounted | 429.60 | 1.90 | 662.02 | 2.33 | 848.40 | 2.37 | 901.29 | 2.19 |
| TOTAL | 22,640.45 | 100.00 | 28,362.87 | 100.00 | 35,728.24 | 100.00 | 41,219.12 | 100.00 |

The following table presents our outstanding loans by sector and the proportion of these loans to our outstanding total loans, as at the dates indicated:

| Names of Sectors | March 2007 | | March 2008 | | March 2009 | | Half Year ended September 2009 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount. | % | Amount. | % | Amount. | % |
| Corporate | 13,032.09 | 57.56% | 15,872.63 | 55.96% | 21,349.41 | 59.84% | 23,583.49 | 57.21% |
| Housing and Retail | 5,363.81 | 23.69% | 7,158.19 | 25.24% | 7,328.60 | 20.47% | 8,125.65 | 19.71% |
| SME | 2,299.31 | 10.16% | 2,866.78 | 10.11% | 3,705.08 | 10.35% | 5,696.56 | 13.82% |
| Agriculture | 1,945.24 | 8.59% | 2,465.27 | 8.69% | 3,345.15 | 9.34% | 3,813.42 | 9.25% |
| Total | 22,640.45 | 100.00% | 28,362.87 | 100.00% | 35,728.24 | 100.00% | 41,219.12 | 100.00% |

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

| 31.03.2008 | | | | | 31.03.2009 | | | | | 30.09.2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Borrower** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** | **Borrower** | **Exposure** | **%of total otg exposure** | **% of capital funds** | **Asset Classification** | **Borrower** | **Exposure** | **%of total otg exposure** | **% of capital funds** | **Asset Classification** |
| **Borrower 1** | 1092.00 | 3.87 | 28.88 | Standard | **Borrower 1** | 1304.16 | 3.65 | 28.78 | Standard | **Borrower 1** | 883.44 | 2.14 | 19.08 | Standard |
| **Borrower 2** | 572.37 | 2.03 | 15.13 | Standard | **Borrower 2** | 899.95 | 2.51 | 19.86 | Standard | **Borrower 2** | 868.50 | 2.11 | 18.76 | Standard |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Borrower 3** | 550.00 | 1.95 | 14.54 | Standard | **Borrower 3** | 723.15 | 2.02 | 15.96 | Standard | **Borrower 3** | 764.20 | 1.85 | 16.50 | Standard |
| **Borrower 4** | 527.61 | 1.87 | 13.95 | Standard | **Borrower 4** | 604.37 | 1.69 | 13.33 | Standard | **Borrower 4** | 750.00 | 1.82 | 16.20 | Standard |
| **Borrower 5** | 520.64 | 1.84 | 13.77 | Standard | **Borrower 5** | 596.73 | 1.67 | 13.17 | Standard | **Borrower 5** | 750.00 | 1.82 | 16.20 | Standard |
| **Borrower 6** | 451.73 | 1.60 | 11.94 | Standard | **Borrower 6** | 550.02 | 1.53 | 12.13 | Standard | **Borrower 6** | 697.00 | 1.69 | 15.05 | Standard |
| **Borrower 7** | 440.91 | 1.56 | 11.66 | Standard | **Borrower 7** | 549.88 | 1.53 | 12.13 | Standard | **Borrower 7** | 640.00 | 1.55 | 13.82 | Standard |
| **Borrower 8** | 440.80 | 1.56 | 11.65 | Standard | **Borrower 8** | 529.98 | 1.48 | 11.69 | Standard | **Borrower 8** | 600.00 | 1.46 | 12.96 | Standard |
| **Borrower 9** | 440.00 | 1.56 | 11.63 | Standard | **Borrower 9** | 500.79 | 1.40 | 11.05 | Standard | **Borrower 9** | 578.01 | 1.40 | 12.48 | Standard |
| **Borrower 10** | 429.97 | 1.52 | 11.37 | Standard | **Borrower 10** | 443.17 | 1.24 | 9.78 | Standard | **Borrower 10** | 533.50 | 1.29 | 11.52 | Standard |

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

| **31.03.2008** | | | | | **31.03.2009** | | | | | **30.09.2009** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** | **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** | **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** |
| Group 1 | 2106.50 | 7.48 | 55.71 | Standard | Group 1 | 1647.55 | 4.61 | 36.36 | Standard | Group 1 | 1743.51 | 4.23 | 37.65 | Standard |
| Group 2 | 1030.31 | 3.65 | 27.25 | Standard | Group 2 | 835.48 | 2.33 | 18.32 | Standard | Group 2 | 1390.00 | 3.37 | 30.02 | Standard |
| Group 3 | 805.67 | 2.86 | 21.30 | Standard | Group 3 | 745.16 | 2.08 | 16.44 | Standard | Group 3 | 1098.06 | 2.66 | 23.71 | Standard |
| Group 4 | 670.04 | 2.38 | 17.72 | Standard | Group 4 | 720.85 | 2.01 | 15.90 | Standard | Group 4 | 1051.25 | 2.55 | 22.70 | Standard |
| Group 5 | 629.50 | 2.23 | 16.65 | Standard | Group 5 | 566.25 | 1.58 | 12.49 | Standard | Group 5 | 978.50 | 2.37 | 21.13 | Standard |
| Group 6 | 493.67 | 1.75 | 13.05 | Standard | Group 6 | 538.20 | 1.50 | 11.87 | Standard | Group 6 | 972.97 | 2.36 | 21.01 | Standard |
| Group 7 | 478.02 | 1.69 | 12.64 | Standard | Group 7 | 453.00 | 1.26 | 9.99 | Standard | Group 7 | 966.39 | 2.34 | 20.87 | Standard |
| Group 8 | 299.79 | 1.06 | 7.92 | Standard | Group 8 | 434.00 | 1.21 | 9.57 | Standard | Group 8 | 921.34 | 2.24 | 19.90 | Standard |

| 31.03.2008 | | | | | 31.03.2009 | | | | | 30.09.2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** | **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** | **Group** | **Exposure** | **% of total otg exposure** | **% of capital funds** | **Asset Classification** |
| Group 9 | 285.01 | 1.01 | 7.53 | Standard | Group 9 | 430.00 | 1.20 | 9.49 | Standard | Group 9 | 886.00 | 2.15 | 19.13 | Standard |
| Group 10 | 270.00 | 0.99 | 7.14 | Standard | Group 10 | 268.86 | 0.75 | 5.93 | Standard | Group 10 | 850.64 | 2.06 | 18.37 | Standard |

The following table sets forth, as at March 31, 2009, the total outstanding of top ten customers in the industry as a percentage of the total outstanding to the industry:

**TOTAL OUTSTANDING OF TOP TEN CUSTOMERS IN THE INDSUTRY AS A PERCENTAGE OF TOTAL OUTSTANDING TO THE INDUSTRY AS ON 31.03.2009**

**(Rs. in crore)**

| Industry | Funded outstanding 31.03.2009 | Funded outstanding to top 10 companies in the industry | Funded outstanding to top 10 companies as a % of outstanding to the industry |
|---|---|---|---|
| Mining | 43.85 | 38.75 | 88.37 |
| Iron & Steel | 2068.12 | 1167.10 | 56.43 |
| Other Metal & Metal Products | 175.92 | 164.29 | 93.39 |
| All Engineering | 338.20 | 281.98 | 83.38 |
| Textile | 634.15 | 331.42 | 52.26 |
| Sugar | 17.69 | 17.69 | 100.00 |
| Tea Processing | 8.30 | 6.53 | 78.67 |
| Food Processing | 325.12 | 68.93 | 21.20 |
| Vegetable Oil including Vanaspati | 22.15 | 14.78 | 66.73 |
| Tobacco & Tobacco Products & Beverages | 266.35 | 216.29 | 81.21 |
| Paper & Paper Products | 64.00 | 41.93 | 65.52 |
| Rubber & Rubber Products | 100.93 | 28.87 | 28.60 |
| Chemical Dyes Paints, Drugs & Phamaceuticals | 582.53 | 262.32 | 45.03 |
| Cement | 443.56 | 410.74 | 92.60 |
| Leather & Leather Products | 131.02 | 72.67 | 55.46 |
| Gems & Jewellery | 195.53 | 186.41 | 95.34 |
| Construction | 216.59 | 113.15 | 52.24 |
| Petroleum | 2164.00 | 2159.00 | 99.77 |
| Automobiles including Trucks | 229.62 | 186.25 | 81.11 |
| Computer Software | 8.01 | 8.01 | 100.00 |

| | | | (Rs. in crore) |
|---|---|---|---|
| Industry | Funded outstanding 31.03.2009 | Funded outstanding to top 10 companies in the industry | Funded outstanding to top 10 companies as a % of outstanding to the industry |
| Infrastructure | 5673.24 | 2647.45 | 46.67 |
| Other Industries | 382.54 | 155.61 | 40.68 |
| **Total** | **14091.42** | **8580.17** | **-** |

**Security**

The table below shows the amount of our net advances as at March 31, 2007, 2008 and 2009 that are secured or covered by guarantees or unsecured.

**Classification of Net Advances**

| **Security Classification** | **March 2007** | | **March 2008** | | **March 2009** | | **September 2009** | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances |
| Secured by Tangible Assets | 18305.66 | 82.62 | 22402.55 | 80.42 | 29986.85 | 84.72 | 33967.10 | 83.08 |
| Covered by Bank or Govt. G'tee | 822.90 | 3.71 | 890.57 | 3.20 | 830.45 | 2.35 | 876.43 | 2.14 |
| Unsecured | 3027.76 | 13.67 | 4564.99 | 16.38 | 4576.25 | 12.93 | 6043.96 | 14.78 |
| **Total:** | **22156.32** | **100.00** | **27858.11** | **100.00** | **35393.55** | **100.00** | **40887.49** | **100.00** |

**Non Performing Assets**

As at March 31, 2009, our gross non-performing assets as a percentage of gross advances was 2.86% and our net non-performing assets as a percentage of net advances was 1.48%. 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 72.65% of our gross non-performing loans. As at March 31, 2009**,** 6.82% of our gross priority sector advances were classified as NPAs. The following table set forth, as at the dates indicated, information about our non-performing loan portfolio:

**Gross NPA to Net NPA Movement**

**(Rs. in Crore)**

| **Net NPA Movement** | | | | | | |
|---|---|---|---|---|---|---|
| | **2004-05** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **September 2009** |
| Opening Balance | 298.00 | 277.00 | 303.00 | 333.00 | 306.00 | 525.00 |
| Additions during the year | 95.00 | 203.00 | 174.00 | 80.00 | 615.00 | 226.00 |
| Reductions during the year | 116.00 | 177.00 | 144.00 | 107.00 | 396.00 | 221.00 |
| Closing Balance | 277.00 | 303.00 | 333.00 | 306.00 | 525.00 | 530.00 |

**Classification of Assets**

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines, term loans are regarded as non-performing if any amount of interest or principal remains overdue for more than 90 days; overdrafts and cash credits are 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. In respect of agricultural loans, the loan is classified as non-performing if any installment of principal or interest thereon remains overdue for two crop seasons for short duration crops or one crop season for long duration crops. Crops with a crop season longer than one year are long duration crops, and other crops are treated as short duration crops. Our assets are classified as described below:

**Standard Assets:** Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower.

**Sub-standard Assets:** Assets that are non-performing for a period not exceeding 12 months.

**Doubtful Assets**: Assets that are non-performing for more than 12 months.

**Loss Assets**: Assets (i) with identified losses or (ii) that are considered uncollectible.

The following table provides a breakdown of our gross advances as at the dates indicated.

**Break up of Gross Advances**

| **Asset Classification** | **March 2007** | | **March 2008** | | **March 2009** | | **September 2009** | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances |
| Standard Asset | 21823.53 | 96.39 | 27602.14 | 97.32 | 34707.90 | 96.94 | 40196.33 | 97.52 |
| Non-performing Asset | 816.92 | 3.61 | 760.73 | 2.68 | 1020.35 | 3.06 | 1022.79 | 2.48 |
| Of which, | - | - | - | - | - | - | - | - |
| Sub Standard | 298.06 | 1.32 | 297.13 | 1.05 | 291.81 | 0.82 | 302.46 | 0.73 |
| Doubtful | 383.10 | 1.69 | 435.14 | 1.53 | 712.01 | 2.16 | 715.66 | 1.74 |

| Asset Classification | March 2007 | | March 2008 | | March 2009 | | September 2009 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances | Amount | % of Advances |
| Loss | 135.76 | 0.60 | 28.46 | 0.10 | 16.53 | 0.08 | 4.67 | 0.01 |
| **Total:** | **22640.45** | **100.00** | **28362.87** | **100.00** | **35728.24** | **100.00** | **41219.12** | **100.00** |

**Restructured Assets**

The RBI has separate guidelines for restructured assets. A fully secured standard asset can be restructured by rescheduling the principal or interest payments, but must be separately disclosed as a restructured asset. The amount of sacrifice if any, in the element of interest, measured in present value terms is either written off or provided for to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. Sub-standard assets which have been restructured, whether in respect of principal or interest payments, are eligible to be upgraded to the "Standard Assets" category only after a specified period, which is one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. In order to create an institutional mechanism for the restructuring of corporate debt, the RBI has also created a corporate debt restructuring (CDR) system in 2001. 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 program 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:

**POSITION OF RESTRUCTURED ASSETS**

**(Rs. in crore)**

| | For the year ending | | | |
|---|---|---|---|---|
| **CDR Restructured Assets** | **31.03.2007** | **31.03.2008** | **31.03.2009** | **30.09.2009** |
| | - | - | - | - |
| Standard Asset | 40.68 | 11.25 | 78.09 | 101.10 |
| Sub-standard Asset | 0.00 | 0.00 | 0.00 | 0.00 |
| Doubtful Asset | 0.00 | 0.00 | 0.00 | 0.00 |
| Loss Asset | 0.00 | 0.00 | 0.00 | 0.00 |
| | - | - | - | - |
| **Total CDR Restructured Assets** | **40.68** | **11.25** | **78.09** | **101.10** |
| | - | - | - | - |
| **Other Restructued Asset** | - | - | - | - |
| Standard Asset | 142.30 | 282.04 | 1562.35 | 2216.07 |
| Sub-standard Asset | 6.09 | 0.91 | 50.05 | 102.50 |
| Doubtful Asset | 0.00 | 9.63 | 46.00 | 43.79 |
| **Total Other Restructured Assets** | **148.39** | **292.58** | **1658.40** | **2362.36** |
| **TOTAL RESTRUCTURED ASSET** | **189.07** | **303.83** | **1736.49** | **2463.46** |

**Provisioning & Write offs**

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 interest and thereafter against principal.

**Industry wise Analysis of Gross Non-Performing Assets**

**(Rs. in Crore, except percentages)**

| **Industry** | **March 31, 2007** | | | **March 31, 2008** | | | **March 31, 2009** | | | **September 30, 2009** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **NPAs** | **% NPA** | **Provision** | **NPAs** | **% NPA** | **Provision** | **NPAs** | **% NPA** | **Provision** | **NPAs** | **% NPA** | **Provision** |
| All Engineering | 3.37 | 1.52 | 1.00 | 6.27 | 2.71 | 1.60 | 10.53 | 3.11 | 2.88 | 18.90 | 5.14 | 5.86 |
| Automobiles | 0.27 | 0.25 | 0.09 | 0.46 | 0.41 | 0.12 | 1.16 | 0.51 | 0.22 | 1.49 | 0.31 | 0.41 |
| Beverage & Tobacco | 1.53 | 1.06 | 0.95 | 2.64 | 1.33 | 1.38 | 8.43 | 3.17 | 2.93 | 8.84 | 3.22 | 3.17 |
| Cement & Cement Products | 1.42 | 0.70 | 0.20 | 3.79 | 1.50 | 0.67 | 3.23 | 0.73 | 0.74 | 7.40 | 1.49 | 1.13 |
| Chemicals | 1.64 | 0.56 | 0.48 | 2.89 | 0.79 | 0.67 | 12.62 | 2.17 | 2.33 | 19.83 | 2.92 | 4.95 |
| Computer Software | 0.03 | 0.30 | 0.00 | 0.25 | 3.32 | 0.07 | 0.24 | 3.00 | 0.05 | 0.24 | 3.63 | 0.09 |
| Construction | 0.90 | 0.63 | 0.12 | 8.30 | 5.90 | 0.90 | 37.20 | 17.18 | 10.93 | 36.28 | 16.82 | 10.94 |
| Cotton Textiles | 0.40 | 0.41 | 0.14 | 0.39 | 0.25 | 0.16 | 0.37 | 0.13 | 0.17 | 0.36 | 0.12 | 0.17 |
| Jute Textiles | 0.46 | 4.61 | 0.29 | 0.70 | 6.30 | 0.33 | 0.93 | 6.39 | 0.59 | 1.29 | 8.97 | 0.63 |
| Other Textiles | 7.68 | 4.09 | 4.13 | 17.76 | 6.28 | 5.81 | 43.45 | 6.85 | 11.29 | 50.70 | 13.63 | 15.51 |
| **Total Textiles** | **8.54** | **2.90** | **4.56** | **18.85** | **4.20** | **6.30** | **44.75** | **7.05** | **12.05** | **52.35** | **7.65** | **16.31** |
| Food Processing | 7.90 | 2.88 | 4.72 | 15.92 | 6.14 | 6.21 | 26.97 | 8.30 | 9.87 | 28.43 | 4.68 | 13.06 |
| Gems & Jewellery | 0.55 | 0.55 | 0.16 | 0.97 | 1.06 | 0.31 | 1.41 | 0.72 | 0.41 | 1.53 | 0.53 | 0.55 |
| Infrastructure | 44.38 | 2.21 | 4.47 | 44.47 | 1.47 | 10.56 | 68.05 | 1.20 | 29.98 | 34.29 | 0.48 | 8.81 |
| Iron & Steel | 4.40 | 0.38 | 1.61 | 3.67 | 0.25 | 2.14 | 24.58 | 1.19 | 5.36 | 43.05 | 1.66 | 10.52 |
| Leather & Leather Product | 2.56 | 4.26 | 1.60 | 8.11 | 8.57 | 2.26 | 17.07 | 13.03 | 5.70 | 25.97 | 20.42 | 7.43 |
| Mining & Quarrying | 0.82 | 0.47 | 0.38 | 1.28 | 0.84 | 0.42 | 4.92 | 11.22 | 1.81 | 5.87 | 13.55 | 2.08 |
| Other Industry | 16.62 | 3.25 | 7.83 | 26.75 | 4.65 | 10.05 | 43.56 | 11.39 | 14.64 | 49.14 | 5.62 | 17.45 |
| Other Metal | 0.08 | 0.05 | 0.05 | 0.52 | 0.33 | 0.10 | 0.59 | 0.34 | 0.18 | 1.21 | 0.64 | 0.33 |
| Paper Industry | 0.71 | 1.85 | 0.13 | 1.18 | 2.34 | 0.27 | 4.59 | 7.17 | 1.50 | 5.51 | 7.91 | 1.49 |
| Petroleum | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Rubber-Plastic & their Products | 2.80 | 4.13 | 0.43 | 3.46 | 4.22 | 0.64 | 18.71 | 18.54 | 4.10 | 16.93 | 16.03 | 6.00 |
| Sugar | 0.01 | 0.10 | 0.01 | 13.84 | 78.78 | 1.39 | 13.18 | 74.51 | 2.65 | 13.21 | 80.88 | 2.65 |

(Rs. in Crore, except percentages)

| Industry | March 31, 2007 | | | March 31, 2008 | | | March 31, 2009 | | | September 30, 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | NPAs | % NPA | Provision | NPAs | % NPA | Provision | NPAs | % NPA | Provision | NPAs | % NPA | Provision |
| Tea Processing | 1.29 | 20.04 | 0.24 | 1.24 | 16.45 | 0.28 | 1.15 | 13.86 | 0.33 | 1.13 | 8.86 | 0.34 |
| Vegetable Oil | 0.56 | 2.30 | 0.15 | 0.71 | 3.34 | 0.25 | 11.36 | 51.29 | 3.12 | 11.36 | 33.26 | 3.37 |
| **Total Industries** | **100.38** | | **29.18** | **165.57** | | **46.59** | **354.30** | | **111.78** | **382.96** | **2.14** | **116.94** |

The following table sets forth our 10 largest gross non-performing assets as at September 30, 2009. Together, these borrowers constitute 14.68 % of our gross NPAs as at September 30, 2009.

| Name of borrower | Amount outstanding as on 30.09.2009 (Rs. In Crore) | Provision |
|---|---|---|
| Borrower I | 33.24 | 9.97 |
| Borrower II | 25.40 | 2.54 |
| Borrower III | 19.99 | 6.00 |
| Borrower IV | 18.57 | 1.86 |
| Borrower V | 13.17 | 2.63 |
| Borrower VI | 8.03 | 4.22 |
| Borrower VII | 8.72 | 2.61 |
| Borrower VIII | 8.21 | 0.82 |
| Borrower IX | 7.53 | 7.53 |
| Borrower X | 7.24 | 0.81 |
| Total | 150.10 | 38.99 |

**Interest Suspense Account**

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

| As At | March 2007 | March 2008 | March 2009 | September 2009 |
|---|---|---|---|---|
| | **0.45** | **0.12** | **14.23** | **19.39** |

***Geographic Distribution of Deposits***

***(In Rs. Crore)***

| | As at March 31, 2007 | | As at March 31, 2008 | | As at March 31, 2009 | | As at September 30,2009 | |
|---|---|---|---|---|---|---|---|---|
| | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total | Balance O/s | % of total |
| **Geographic distribution** | - | - | - | - | - | - | - | - |
| Central | 1,288.88 | 3.47 | 1,669.96 | 3.56 | 1,710.38 | 3.14 | 1,939.67 | 3 |
| Eastern | 23,511.39 | 63.26 | 29,911.20 | 63.68 | 35,287.68 | 64.7 | 43,644.19 | 67.41 |
| North Eastern | 5,268.65 | 14.17 | 6,206.85 | 13.21 | 7,504.12 | 13.76 | 8,075.32 | 12.47 |
| Northern | 3,095.60 | 8.33 | 4,419.90 | 9.41 | 5,511.21 | 10.11 | 5,908.99 | 9.13 |
| Southern | 1,316.05 | 3.54 | 1,267.86 | 2.7 | 1,695.16 | 3.11 | 1,742.09 | 2.69 |
| Western | 2,686.10 | 7.23 | 3,494.95 | 7.44 | 2,827.35 | 5.18 | 3,429.29 | 5.3 |
| **Domestic Total** | 37,166.67 | 100 | 46,970.72 | 100 | 54,535.90 | 100 | 64,739.55 | 100 |
| Overseas territories | - | - | - | - | - | - | - | - |
| **Total** | 37,166.67 | 100 | 46,970.72 | 100 | 54,535.90 | 100 | 64,739.55 | 100 |

# 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 restated financial statements and the annexures and notes thereon, included in this Red Herring Prospectus, alongwith the section titled "Selected Statistical Information" on page 322 of this Red Herring Prospectus, which presents important statistical information about our Bank's business. You should also read the section titled "Risk Factors" on page xii of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. This discussion also contains forward looking statements and you should refer to the section "Forward-Looking Statements" on page xi of this Red Herring Prospectus. The following discussion relates to the Bank and is based on our restated financial statements, as of and for the Fiscal years ended March 31, 2007, 2008 and 2009, and for the six months ended September 30, 2009, which have been prepared in accordance with Indian GAAP, the RBI guidelines and the SEBI regulations. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI and other sources.*

## Introduction

### *Overview*

We are a public sector banking institution with branches in 28 States and in 4 Union Territories in India. As of January 31, 2010, we had 1,505 branches, 270 ATMs, 28 regional offices, 10 extension counters and 1 representative office in Dhaka, Bangladesh. As of January 31, 2010, we had a workforce of 16,768 employees (including part-time employees).

United Bank of India is one of the 14 banks which were nationalised on July 19, 1969. On October 12, 1950, the name of Bengal Central Bank Limited (established in 1918 as Bengal Central Loan Company Limited) was changed to United Bank of India Limited for the purpose of amalgamation and on December 18, 1950, Comilla Banking Corporation Limited (established in 1914), the Comilla Union Bank Limited (established in 1922), the Hooghly Bank (established 1932) stood amalgamated with the Bank. Subsequently, other banks namely, Cuttack Bank Limited, Tezpur Industrial Bank Limited, Hindusthan Mercantile Bank Limited and Narang Bank of India Limited were merged with the Bank.

In Fiscal 2009, we made a net profit of Rs. 358.55 crore and had net assets of Rs. 61,500.78 crore and net worth of Rs. 2,537.83 crore. As of September 30, 2009, we made a net profit of Rs. 231.10 crore and had net assets of Rs. 71,952.25 crore and net worth of Rs. 2,769.87 crore. We have experienced growth in deposits and advances, with deposits growing at a compounded annual rate of 21.1% during the last five fiscal years and net advances growing at a compounded annual rate of 32.8% during the same period.

The Bank is currently wholly-owned by the Government of India.

Our business is principally divided into retail banking, corporate / wholesale banking, priority sector banking, treasury operations and other banking services such as agency functions for insurance and mutual fund distribution, pension and tax collection services.

Our retail banking business provides financial products and services to our retail customers. We provide loans and advances for housing, trade, automobiles, consumer durables, education, personal loans and other retail products. We have various deposit products, such as current, savings and term deposits for our customers.

We provide commercial banking products and services to corporate customers, including mid-sized and small businesses and government entities. Our loan products include term loans to finance capital expenditure of assets across various industries as well as short-term loans, cash and export credit and other working capital financing and bill discounting facilities. We also provide credit substitutes, such as letter of credit and letter of guarantee.

We offer direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. As per RBI guidelines, we are required to lend at least 40% of our adjusted net bank credit or credit equivalent to off balance sheet exposure, whichever is higher to the priority sector, including atleast 18% to the agriculture sector. In consonance with national policies and priorities, we have given considerable thrust to lending to the priority sector, including the agriculture sector.

We also offer a wide range of general banking services to our customers including debit cards, cash management, remittance services and collection services. We distribute third party products such as life and non-life insurance policies and mutual funds on an agency basis. In addition, we act as an agent for various state governments and the Government of India on numerous matters including the collection of taxes and payment of salary and pension.

We deliver our products and services through our branches, extension counters, ATMs, internet banking and tele-banking.

As of January 31, 2010, our domestic branch network of 1,505 branches comprised 622 rural, 262 semi-urban, 333 urban and 288 metropolitan branches.

As of September 30, 2009, the Core Banking Solution ("**CBS**"), which is a suite of software applications that facilitate centralised operations through a single data base, has been implemented in all of our branches and extension counters, covering 100% of our business.

The following table sets forth the geographic distribution of our business activities in recent periods:

| | **As of March 31, 2007** | | | **As of March 31, 2008** | | | **As of March 31, 2009** | | | **As of September 30, 2009** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Geographic Distribution** | **Number of Branches** | **Deposits (Rs. in crore)** | **Advances (Rs. in crore)** | **Number of Branches** | **Deposits (Rs. in crore)** | **Advances (Rs. in crore)** | **Number of Branches** | **Deposits (Rs. in crore)** | **Advances (Rs. in crore)** | **Number of Branches** | **Deposits (Rs. in crore)** | **Advances (Rs. in crore)** |
| Central | 50 | 1288.88 | 422.91 | 73 | 1669.96 | 642.78 | 86 | 1710.38 | 829.84 | 86 | 1939.67 | 996.62 |
| Eastern | 903 | 23511.39 | 10759.51 | 924 | 29911.20 | 12744.13 | 935 | 35287.68 | 13536.28 | 936 | 43644.19 | 14686.20 |
| North Eastern | 247 | 5268.65 | 1513.84 | 249 | 6206.85 | 1895.83 | 250 | 7504.12 | 1849.20 | 250 | 8075.32 | 2170.64 |
| Northern | 45 | 3095.60 | 4118.45 | 62 | 4419.90 | 4303.38 | 68 | 5511.21 | 6669.97 | 68 | 5908.99 | 8679.25 |
| Southern | 37 | 1316.05 | 2363.10 | 45 | 1267.86 | 3175.40 | 56 | 1695.16 | 4090.39 | 57 | 1742.09 | 4578.85 |
| Western | 43 | 2686.10 | 3462.64 | 48 | 3494.95 | 5390.16 | 56 | 2827.35 | 8752.56 | 56 | 3429.29 | 10107.56 |
| **Total** | **1325** | **37166.67** | **22640.45** | **1401** | **46970.72** | **28151.68** | **1451** | **54535.90** | **35728.24** | **1453** | **64739.55** | **41219.12** |

We sponsor 4 Regional Rural Banks ("RRBs") in collaboration with the Central Government and the state governments of West Bengal, Assam, Manipur and Tripura. For more information on our sponsored RRBs, see the section titled "Our Promoter and Associates" on page 196 of this Red Herring Prospectus.

***Revenue***

Our revenue, which is referred to herein and in our financial statements as our total income, consists of interest income and other income.

Interest income primarily consists of interest on advances and discount on bills, income on investments, income on balance with RBI and other inter bank lending, and others. Income on investments primarily consists of interest and dividends from securities. Our securities portfolio consists primarily of government securities. We meet SLR 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 (such as commission, exchange income, brokerage fee, incidental charges, service charges and locker charges) and also net profit on sales of investments, land, building and other assets and gains or losses on foreign exchange transactions, miscellaneous income and recovery in written off accounts.

***Expenses***

Our interest expense consists of the interest we pay on deposits as well as borrowings. Our interest expense is affected by fluctuations in interest rates and deposit mix.

Our non-interest expense consists principally of operating expenses, including expenses for wages and employee benefits, rent and related expenses such as electricity charges paid on premises, depreciation on fixed assets, insurance, repairs and maintenance, printing and stationery, advertising and publicity, directors' and professionals' fees and expenses, postage and telecommunications and other expenses. Our provisioning for NPAs, depreciation on investments and income tax are included in our expenses for provisions and contingencies and do not affect our operating profit.

*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 322 of this Red Herring Prospectus. Our net interest income (or Spread) represents our total interest income net of total interest expense. Net interest margin represents the ratio of net interest income to the average of total interest earning assets. We calculate yield on advances and yield on investments, as well as the cost of the deposits and cost of the borrowings on an average basis. Our cost of funds is the average cost of the average of interest bearing liabilities. For the purposes of these averages and ratios only, the interest cost of the unsecured subordinated bonds that we issued for Tier II capital ("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".

***Factors that may affect the result of operations***

*The Indian Economy*

Our financial condition and results of operations are influenced largely by general economic conditions prevailing in India. According to the RBI Annual Report of 2008 – 09, GDP growth was 9.5%, 9.7%, 9. 0% and 6.7% in Fiscal 2006, 2007, 2008 and 2009 respectively.

According to the RBI Annual Report of 2008 – 09, the annual rate of inflation, as measured by variations in the wholesale price index (WPI), on a point to-point basis was 4.1%, 5.9%, 7.7% and 0.8% in Fiscal 2006, 2007, 2008 and 2009 respectively.

The exchange rate of the Indian Rupee to one U.S. Dollar as per the RBI archives (http://www.rbi.org.in/scripts/ReferenceRateArchive.aspx) of foreign currency exchange rates was Rs. 44.61, Rs. 43.59, Rs. 39.97 and Rs. 50.95 as of March 31, 2006, March 31, 2007, March 31, 2008 and March 31, 2009 respectively and Rs. 48.04 as of September 30, 2009. Foreign exchange reserves were US$ 2,83,643 million as of December 18, 2009 (http://www.rbi.org.in/scripts/BS_ViewWSS.aspx).

When the global markets turned dysfunctional in September 2008, with intense scramble for liquidity and subsequent credit freeze under the pressure of deleveraging, the Indian markets reverberated the shock, which was seen in the form of higher volatility in all segments of the financial markets and sharp corrections in stock prices. Demand for liquidity had increased from many quarters, that too suddenly. Corporates had increased the demand for credit at home as a substitute for external financing in the face of global credit squeeze. Access to trade credit was becoming difficult, and the cost also had gone up. Non banking financial companies and mutual funds, given the nature of their sources of funds, also faced major liquidity shortage.

According to the RBI Annual Report of 2008 – 09, the RBI's accommodative monetary policy stance in the post-September 2008 period was reflected in 400 basis points reduction in CRR, 4.25 percentage point reduction in the repo rate, 2.75 percentage point reduction in reverse repo rate and several other conventional as well as non-conventional windows for access to liquidity (resulting in the availability of more than Rs.4,00,000 crore of additional actual/potential liquidity to the system by the end of the year), The RBI ensured ample liquidity in the system to ensure flow of credit to productive sectors, within the prudence necessary for preserving the asset quality of the banks.

Despite the risk of contagion from the global financial crisis, the Indian banking system remained sound and resilient, as evident from the soundness indicators like capital adequacy, asset quality and profitability for 2008-09. According to the RBI Annual Report of 2008 – 09 the capital adequacy level for the banking system was at 13.2% at the end of the year, each individual bank was above the minimum 9% capital adequacy requirement prescribed by the RBI. Stress-testing findings of the Committee on Financial Sector Assessment (CFSA) also suggested the resilience of the financial system and the adequacy of capital levels.

The outlook for the external sector suggests that despite persistence of the global recession in 2009, the external sector is unlikely to cause concern for growth and stability in India. According to the RBI Annual Report of 2008 – 09 the latest available trends for the financial year 2009-10 indicate that current account deficit as percentage of GDP would be lower than that in financial year 2008-09. Both exports and imports continued to decline in the first quarter of the financial year 2009-10, but the decline in imports has been sharper than the decline in exports, resulting in a narrowing down of trade deficit.

According to ”Survey of Professional Forecasters: Results of the Ninth Round (Q2: 2009 – 10)”, the RBI’s survey of professional forecasters conducted in September 2009 indicated a decline in the real GDP growth to 6.00% from the earlier outlook of 6.50% as per the previous survey conducted in June 2009.

According to the RBI Annual Report of 2008 – 09, taking into account the global developments as well as the developments in domestic aggregate demand and the recent output outlook for the three broad constituent components of GDP (i.e. agriculture, industry and services), the second quarterly review of the monetary policy for 2009-10 conducted on October 26, 2009 placed GDP growth for 2009-10 at 6.00%.

*Interest Rates*

The following table sets forth the Bank Rate, reverse repo rate and our prime lending rate as of the dates indicated.

(as percentages)

| As of | Bank Rate* | Reverse Repo Rate* | Bank’s Prime Lending Rate |
|---|---|---|---|
| March 31, 2008 | 6.00 | 6.00 | 13.25 |
| September 30, 2008 | 6.00 | 6.00 | 14.25 |
| March 31, 2009 | 6.00 | 3.50 | 12.50 |
| September 30, 2009 | 6.00 | 3.25 | 12.00 |

**Source:RBI Annual Report 2008 - 09*

Any change in the Bank Rate and Reverse Repo Rate would result in a change of our Prime Lending Rate which could materially affect our business, results of operations and financial condition.

*Laws, Rules, Regulations, Guidelines and Norms Applicable to the Banking Industry*

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. Any change in the laws, rules, regulations, guidelines or norms applicable to the banking industry could materially and adversely affect our business, results of operations and financial condition. Some of the material regulations that have an influence on our financial condition and results of operations are discussed below:

*Statutory Liquidity Ratio Requirements*

Under the RBI’s regulations, our liabilities are subject to a statutory liquidity ratio requirement, according to which at present is 25% of our net demand and time liabilities need to be invested in government securities, state government securities and other approved securities. Any change in the statutory liquidity ratio requirements could materially affect our business, results of operations and financial condition.

*Cash Reserve Ratio Requirements*

We are required to comply with the RBI’s stipulated cash reserve ratio, which has to be kept in our account with the RBI as a percentage of our demand and time liabilities. The RBI uses the cash reserve ratio (which at present is 5.50%) as a tool to manage the liquidity in the banking system. The cash reserve ratio shall be increased by 0.25% with effect from February 27, 2010. Any future increase or decrease in the cash reserve ratio will therefore decrease or increase, respectively, our funds available for deployment in either lending or investment. Any change in the cash reserve ratio requirement could materially affect our business, results of operations and financial condition.

*Capital Adequacy Requirements*

We are required as on date by the RBI to maintain a minimum capital adequacy ratio of 9.00% in relation to our total risk-weighted assets. We are required to maintain this minimum capital adequacy level to support our growth. In April 2007, the RBI issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that has been implemented by us with effect from March 31, 2009. The guidelines for the capital adequacy framework include a minimum Tier-1 capital adequacy ratio of 6.0% and, the introduction of capital for operational risk as per Basel II framework. Our capital adequacy ratio as of September 30, 2009 was 12.93%.

## Changes in Accounting Policies

*Floating Provision for NPAs*

We follow RBI prudential norms in respect of income recognition, asset classification and provisioning (including floating provisions). In Fiscal 2007, the RBI clarified prudential norms with respect to floating provisions for NPAs. As per this clarification, floating provisions should not be used for making specific provisions in respect of NPAs or for making regulatory provisions for standard assets. The floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining the Board's approval and with the RBI's prior permission. Until such utilisation, these provisions can be netted off from gross NPAs to arrive at disclosure of net NPAs. Alternatively, they can be treated as part of Tier II Capital within the overall ceiling of 1.25% of total risk-weighted assets. We have created a floating provision of Rs. 110.00 crore for NPAs in Fiscal 2008.

**Implementation of Accounting Standard -15 (Revised) Relating to Employees Benefit Fund**

We currently calculate staff pension and gratuity liability on the basis of an actuarial valuation; however, the actual payment is made on the basis of an employee's last drawn salary before retirement. Accounting Standard – 15 (revised), which deals with accounting for employee benefits including pension and gratuity, has been revised by the ICAI with effect from April 1, 2006. The implementation of this revised accounting standard has lead to higher provisioning requirements of Rs. 82.76 crore in Fiscal 2008 and Rs. 82.48 crore in Fiscal 2009.

## SIGNIFICANT ACCOUNTING POLICIES FOR THE HALF YEAR ENDING 30TH SEPTEMBER 2009

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS:

The Accompanying financial statements are prepared on historical cost basis, except as otherwise stated, following the 'Going Concern' concept and conform to the generally accepted accounting practices in India applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) and applicable mandatory Accounting Standards (AS) notified under the Companies (Accounting Standards) Rules, 2006 and Pronouncements issued by the Institute of Chartered Accountants of India (ICAI) and prevailing practices in banking industry.

### 2. RECOGNITION OF INCOME AND EXPENDITURE:

2.1 The Revenues and Expenses are accounted for on accrual basis unless otherwise stated.

2.2 Income on performing assets is recognised on accrual basis and income from Non-Performing Assets (NPAs) is accounted for on realization and the amount realised during the half year is appropriated first to income on Sub-standard Assets and those Doubtful Assets which are under specific reconstruction or rehabilitation or nursing program. Amounts realized /recovered in other Doubtful & Loss Assets and Suit Filed and Decreed Accounts are first appropriated against outstanding balances.

2.3 Income accounted for in the previous year in respect of advances classified as NPA in the current half year and remaining unrealised is reversed.

2.4.1 Income :

Commission (except on Govt. transactions), exchange, brokerage, insurance claim, locker rent and dividend on shares are accounted for on cash basis.

2.4.2 Expenses :

Performance linked incentive to whole time directors are also accounted on cash basis.

### 3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE:

Transactions involving Foreign Exchange are accounted for in terms of the AS-11.

3.1. Monetary Assets and Liabilities excluding outstanding Forward Exchange Contracts in each currency are revalued at the balance sheet date at closing spot rate announced by the Foreign Exchange Dealers Association of India (FEDAI). Outstanding forward exchange contracts are revalued at the appropriate forward rates announced by FEDAI. The difference between the revalued amount and the contracted amount is recognized as profit or loss, as the case may be.

3.2. Income and expenditure items are recorded at the exchange rates prevailing on the date of transaction.

3.3. Acceptances, endorsements and other obligations including guarantees are carried at the closing spot rate announced by FEDAI.

4. **INVESTMENTS:**

4.1 The investments in balance sheet for disclosure are classified as (i) Government Securities (ii) Other Approved Securities (iii) Shares (iv) Debentures and Bonds (v) Subsidiaries and/or Joint Ventures and (vi) Others as stipulated in Form A of the Third Schedule to the Banking Regulation Act,1949.

4.2 In accordance with the Reserve Bank of India (RBI) guidelines, investments are categorised into (i) 'Held to Maturity', (ii) 'Available for Sale' and (iii) 'Held for Trading'. The securities acquired by the Bank with an intention to hold till maturity are classified as "Held to Maturity". "Held for Trading" category comprises securities acquired by the Bank with the intention of trading. The securities, which do not fall within the above two categories are classified under "Available for Sale". The above categorization is done by the Bank at the time of acquisition of the securities.

4.3 In respect of securities included in any of the above three categories where interest/principal is in arrears for more than 90 days, income is not recognised as per prudential norms.

4.4 The valuation of Investments is done in accordance with the guidelines issued by the RBI as under:

4.4.1 Investments under 'Held to Maturity' category are carried at acquisition cost and premium is amortised over the remaining period of maturity of the security. Investment in sponsored Regional Rural Banks (RRBs) classified as shares, RIDF, STCRS(Refinance Fund),MSME (Refinance)SIDBI,MSME (Risk Capital) SIDBI, Rural Hosing Development Fund-NHB, Micro Finance Development and Equity Fund-NABARD classified as Shares are valued at carrying cost.

4.4.2 The individual scrip in 'Available for Sale' category are marked to market at quarterly or at more frequent intervals. Securities under this category are valued scrip-wise & depreciation/appreciation is aggregated for each classification referred hereunder. Net Depreciation is provided for and appreciation, if any, ignored.

a) Government Securities
b) Other approved securities
c) Shares
d) Debentures & Bonds
e) Subsidiaries/Joint Ventures
f) Others (CP,CD, Mutual Funds)

i) <u>Central Govt. Securities</u>:
a) Which qualify for SLR -
At Market Prices/Yield to Maturity (YTM) as declared by FIMMDA in respect of all Central Government Securities
b) Which do not qualify for SLR -
Are valued after adding 25 basis points (bps) to Base Yield Curve of the Central Government Securities of equivalent maturity.

ii) <u>State Govt. Securities & Other Approved Securities</u>:
Are valued by applying the YTM method by marking it up by 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by FIMMDA.

iii) <u>Treasury Bills, Commercial Paper & Certificate of Deposits</u>
At carrying cost

iv) <u>Bonds & Debentures</u> (not in the nature of advance) – Unquoted
i) Based on FIMMDA annualized/semi annualized, Base Yield Curve and a matrix of credit spread across maturities & credit ratings.
ii) Yield & Credit Spreads for intermediate tenors for each curve arrived by linear interpolation.
iii) The spreads added to the base yield corresponding to residual maturity.
iv) Bonds with remaining maturity of :
a) Less than six months : On six months base yield curve plus relative credit spread.

b) More than 10 years : Spread of 10 years is to be added to the yield of applicable maturity.

c) Perpetual Bonds : 15 years spread for corresponding maturity added for the 30 years point on Base Yield Curve.

A. Rated Bonds & Debentures

The rated bond are valued by adding the credit spread to the Base Yield Curve (corresponding to the coupon frequency). Where rating from two or more rating Agencies (not more than 12 months old) are available then the lowest rating is applied for.

B. Unrated Bonds/Bonds Migrated to unrated category during its tenor

Unrated Bonds are valued by taking the highest among the following three spreads:

a) Spread over the sovereign yield curve, at the time of issue, marked up by 25%.
b) Spread for the last known rating of the bond from the current spread matrix.
c) The current spread for AAA bond of similar rating.

C. Zero Coupon Bonds

Zero Coupon Bonds are valued at acquisition cost plus discount accrued at the rate prevailing at the time of acquisition which is marked to market with reference to the present value of the bond which is calculated by discounting the face value using the "Zero Coupon Yield Curve" with appropriate mark up as per the zero coupon spreads put out by FIMMDA.

Quoted Bonds & Debentures

If such Bonds/Debentures transacted within 15 days prior to valuation date, then the value adopted is not higher than the rate at which the transaction recorded in stock exchange.

v). Shares

i) Equity Shares :

Quoted : At market price as per last traded quotation (not older than 15 days) & in the absence of quotation on book value as per balance sheet (not older than 1 year)

Unquoted : At break up value based on companies' latest balance sheet (not older than 1 year). In the absence of market quotation/ balance sheet, both at Re.1/- per company

ii) Preference Share

Quoted : At market price, if traded on Stock Exchange within 15 days prior to valuation date., the value is not higher than the price at which traded.

Unquoted : By appropriate markup over YTM rates for Central Government Securities put out by FIMMDA periodically. The markup is graded according to the ratings assigned to the preference shares by rating agencies subject to –

a) The YTM rate should not be lower than the corporate/YTM for a GOI loan of equivalent maturity.
b) The rate used for the YTM for unrated preference shares should not be less than the rate applicable to rated preference share of equivalent maturity.
c) Where preference dividend are in arrears, no credit should be taken of accrued dividends and the value determined on YTM should be discounted by 15% if arrears are for one year & more if it is for more than one year.
d) The preference should not be valued above its redemption value.

4.4.3. Investments held under HFT

The individual script in the 'Held for Trading' category were marked to market at the monthly or at more frequent intervals as provided for, as in the case of 'Available for Sale' category.

4.5 Income from Zero Coupon Bonds being the difference between cost and face value is recognised on a time proportion basis.

4.6 Transfer of scrip from one category to another, under all circumstances is done at acquisition cost /book value / market value on the date of transfer whichever is the least and the depreciation, if any, on such transfer is fully provided for in these accounts.

4.7 Profit or loss on sale of investments in any category is taken to Profit and Loss account but, in case of profit on sale of Investments in "Held to Maturity" category, an equivalent amount is appropriated to "Capital Reserve Account" at the end of the year. For calculating the surplus/deficit on sale of securities, weighted average method is adopted.

4.8 For the purpose of calculating holding period in case of 'Held for Trading' category, FIFO method is applied.

4.9 Brokerage, Commission & Incentives received on subscription to securities are deducted from the cost of securities. Interest received for broken period is credited to Profit & Loss Account.

4.10 Brokerage, Commission and Stamp Duty paid in connection with acquisition of securities are treated as revenue expenses.

4.11 Broken-period interest paid is charged to Profit & Loss Account.

4.12 Investments are subject to appropriate provisioning/derecognition of income, in line with the prudential norms of Reserve Bank of India for NPI Classification. The depreciation/provision in respect of non-performing securities is not set off against the appreciation in respect of the other performing securities.

4.13 The Interest Rate Swap transactions for hedging are accounted for on accrual basis. The fair value of the total Swap is computed on the basis of the amount that would be receivable or payable on termination of the transactions of the Swap agreements as on the balance sheet date. No IRS transaction undertaken for trading purpose.

**5. <u>ADVANCES:</u>**

5.1. Advances are classified as Performing and Non-Performing Assets, account wise and provisions thereon are made in conformity with the prudential norms prescribed by RBI.

5.2. Advances other than those classified as performing assets are stated net of provisions and ECGC claims received. Provisions held for performing assets is shown under the head 'Other Liabilities & Provisions'.

5.3(i) In case of financial assets sold to the Assets Reconstruction Company (ARC) / Securitisation Company (SC), if the sale is at a price below the Net Book Value(NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision is not reversed but utilized for meeting any shortfall on account of sale of other financial assets to ARC. The sale of financial assets to ARC is recognized in the books of the Bank at lower of either redemption value of the Security Receipts issued by the Trust created by the ARC for such sale or the net value of such financial assets. The Security Receipts are classified as Non-SLR Investment in the books of the Bank and accordingly the valuation, classification and other norms prescribed by RBI in respect of Non-SLR Securities are applicable.

5.3(ii) In the case of written off Assets sold to ARC/SC, the sale proceeds is recognized as income.

5.4 Restructuring of Advances have been made as per RBI guidelines.

6. **<u>FIXED ASSETS AND DEPRECIATION:</u>**

7.1. Premises, including leasehold and other fixed assets and Capital work in progress, are stated at historical cost. In case of revaluation, the same are stated at the revalued amount and the appreciation is credited to Revaluation Reserve.

7.2. Softwares are capitalized with computers.

7.3. Depreciation on assets other than computers, Automated Teller Machines (ATMs) and software is provided for under written down value method, in the manner and as per the rates prescribed under Schedule XIV to the Companies Act, 1956. The rate is rounded off to next absolute number. Depreciation on the revalued portion of the assets is adjusted from Revaluation Reserve.

7.4. Leasehold assets are amortised over the period of lease.

7.5. Depreciation on computers, ATM and software are provided on straight-line method @ 33.33% on pro-rata basis from the date of acquisition as per RBI guidelines.

7. **<u>EMPLOYEE BENEFITS :</u>**

7.1 Short term employee benefits (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost.

7.2 Long term employee benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service namely sick leave, casual leave, medical benefit and leave fare concession and post retirement benefits namely gratuity, pension and leave encashment are measured on a discounted basis under the Projected Unit Credit Method on the basis of annual third party actuarial valuations.

7.3 In respect of employees who have opted for Provident Fund Scheme, matching contribution is made to a recognized Trust. For others who have opted for Pension Scheme, contribution to Pension Fund is based on actuarial valuation.

7.4 Long Term employee benefits recognized in the balance sheet represent the present value of the obligation as adjusted for unrecognized past service cost, if any, and as reduced by the fair value of plan assets, wherever applicable and actuarial gain / loss to the extent recognized in Profit & Loss Account.

7.5 The transitional liability in respect of long term employee benefits is recognized as an expense on straight line basis over a period of five years.

8. **STATIONERY**

The stock of stationery in hand as on the closing date is accounted for at cost.

10. TAXATION:

c. Provision for taxation is made on the basis of estimated tax liability.
d. Deferred tax liability/asset is recognized in terms of Accounting Standard 22.

10 **IMPAIRMENT OF ASSETS:**

Impairment Losses (if any) on Fixed Assets (including revalued assets) are recognized in accordance with the Accounting Standard 28 ("Impairment of Assets") .

11. **PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**:

As per the Accounting Standard 29 ("Provisions, Contingent Liabilities and Contingent Assets"), the Bank recognizes provisions only when it has a present obligation as a result of a past event & it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Contingent Assets are not recognized in the Financial Statements since this may result in the recognition of income that may never be realized.

***Segment Reporting***

In accordance with RBI guidelines on compliance with Accounting Standard 17 – "Segment Reporting" (AS – 17) issued by the ICAI, we have recognised business segments as our primary reporting. We report treasury operations and banking operations as our two business segments.

The geographical segment is not applicable to us.

***Total turnover of each industry segment in which the Bank operates***

We consider treasury operations and banking operations as reportable segments.

For the first half of Fiscal 2010, revenue from our treasury operations contributed Rs. 796.16 crore, 28.68%, of our total revenue and banking operations contributed Rs. 1979.47 crore, 71.32%, of our total revenue, respectively. Set forth below is a table showing our revenue from our treasury and banking operations and total revenue in Fiscal 2007, 2008 and 2009 and the first half of Fiscal 2010.

(Rs. crore)

| | Fiscal 2007 | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|---|
| **Business Segment Revenue** | | | | |
| Treasury Operations | 1,193.89 | 1,480.28 | 1,503.69 | 7,96.16 |
| Banking Operations | 1,978.88 | 2,542.52 | 3,299.04 | 1,979.47 |
| **Total Revenue** | **3,172.77** | **4,022.80** | **4,802.73** | **2,775.63** |

*Notes: Segment Revenue represent revenue from external customers*

***Results of Operations***

**Financial year ended March 31, 2009 compared with the financial year ended March 31, 2008**

Our total income increased by 19.39% from Rs. 4,022.80 crore in Fiscal 2008 to Rs. 4,802.73 crore in Fiscal 2009 and our total expenditure increased by 16.02% from Rs. 3,555.85 crore in Fiscal 2008 to Rs. 4,125.50 crore in Fiscal 2009. Our operating profit increased by 45.04% from Rs. 466.94 crore in Fiscal 2008 to Rs. 677.23 crore in Fiscal 2009. Our net profit increased by 147.09% from Rs. 145.11 crore in Fiscal 2008 to Rs. 358.55 crore in Fiscal 2009.

Our total income was higher in Fiscal 2009 mainly on account of a 33.74% increase in interest earned on advances (including discounts on bills) from Rs. 2,246.62 crore in Fiscal 2008 to Rs. 3,004.58 crore in Fiscal 2009.

***Net Interest Income***

Our net interest income increased by 28.40% from Rs. 904.61 crore in Fiscal 2008 to Rs. 1161.51 crore in Fiscal 2009. The following table sets forth the components of our net interest income in Fiscal 2008, 2009 and the first half of Fiscal 2010:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Interest Income | 3,557.30 | 4,311.87 | 2,510.76 |
| Interest Expense | 2,652.69 | 3,150.36 | 1,891.91 |
| **Net Interest Income** | **904.61** | **1,161.51** | **618.85** |

The increase in net interest income was primarily due to a 21.21% increase in total interest income from Rs. 3,557.30 crore in Fiscal 2008 to Rs. 4,311.87 crore in Fiscal 2009, which was partially offset by a 18.76% increase in interest expended from Rs. 2,652.69 crore in Fiscal 2008 to Rs 3,150.36 crore in Fiscal 2009. This increase was due to a 18.70% increase in interest on deposits from Rs. 2,507.55 crore in Fiscal 2008 to Rs. 2,976.45 crore in Fiscal 2009.

Our average interest-earning assets increased by 14.46% from Rs. 42,036.67 crore as of March 31, 2008 to Rs. 48,115.29 crore as of March 31, 2009. Our Spread increased from Rs. 2.03% as of March 31, 2008 to 2.40% as of March 31, 2009 due to a decrease in cost of funds.

***Interest Income***

The following table sets forth the components of our interest income in Fiscal 2008, 2009 and the first half of Fiscal 2010:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Interest on advances and discount on bills | 2,246.62 | 3,004.58 | 1,799.16 |
| Income on investments | 1,293.51 | 1,279.11 | 700.41 |
| Interest on balances with RBI and other inter bank funds | 7.41 | 8.57 | 6.83 |
| Interest on income tax refund | 8.91 | 19.61 | - |
| Others | 0.85 | - | 4.36 |
| **Total Interest Income** | **3,557.30** | **4,311.87** | **2,510.76** |

Interest on advances and discount on bills increased by 33.74% from Rs. 2,246.62 crore in Fiscal 2008 to Rs. 3,004.58 crore in Fiscal 2009 due to an increase in volumes of advances and interest rates. This resulted in a 25.63% increase in average advances from Rs. 23,116.01 crore in Fiscal 2008 to Rs. 29,039.95 crore in Fiscal 2009 and an increase in the average yield on advances from 9.72% as of March 31, 2008 to 10.35% as of March 31, 2009. The increase in average yield was due to an upward revision in Base Prime Lending Rate in the first half of Fiscal 2009.

Income from investments decreased by 1.11% from Rs. 1,293.51 crore in Fiscal 2008 to Rs. 1,279.11 crore in Fiscal 2009. This is because our average volume of investments decreased by 0.38% from Rs. 18,587.43 crore as of March 31, 2008 to Rs. 18,516.03 crore as of March 31, 2009. In addition, the average yield on our investments decreased from 6.96% in Fiscal 2008 to 6.91% in Fiscal 2009, due to the decrease in yield in government securities.

***Interest Expended***

The following table sets forth the components of our interest expended in Fiscal 2008, 2009 and the first half of Fiscal 2010:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Interest on Deposits | 2,507.55 | 2,976.45 | 1,803.40 |
| Interest on RBI/bank borrowings | 0.53 | 5.31 | 1.09 |
| Others | 144.61 | 168.60 | 87.42 |
| **Interest Expended** | **2,652.69** | **3,150.36** | **1,891.91** |

Our interest expended increased by 18.76% from Rs. 2,652.69 crore in Fiscal 2008 to Rs. 3,150.36 crore in Fiscal 2009. This increase was principally due to an increase in cost of deposits from 6.36% as of March 31, 2008 to 6.52% as of March 31, 2009 and an increase in average volumes during the same period.

Our average deposits increased from Rs. 39,404.16 crore as of March 31, 2008 to Rs. 45,653.91 crore as of March 31, 2009. Our interest expended on RBI and other inter-bank borrowing increased by 901.89% from Rs. 0.53 crore to Rs. 5.31 crore because of an increase in borrowings from other banks and outside India

Our interest on deposits, increased by 18.70% from Rs. 2,507.55 crore in Fiscal 2008 to Rs. 2,976.45 crore in Fiscal 2009, due to an increase in the volume and cost of deposits.

***Other Income***

Our other income increased by 5.45%, from Rs. 465.50 crore in Fiscal 2008 to Rs. 490.86 crore in Fiscal 2009. The following table sets forth the components of our other income in Fiscal 2008, 2009 and the first half of Fiscal 2010:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Commission, Exchange and Brokerage | 124.52 | 136.27 | 65.15 |
| Profit on sale of investments (Net) | 179.33 | 215.97 | 88.92 |
| Profit on sale of land, buildings and other assets (Net) | 0.03 | 0.04 | 0.07 |
| Profit on exchange transactions (Net) | 28.27 | 16.08 | 9.84 |
| Miscellaneous Income | 133.35 | 122.50 | 100.89 |
| **Total Other Income** | **465.50** | **490.86** | **264.87** |

Income from commissions, exchange and brokerage increased by 9.44% from Rs. 124.52 crore in Fiscal 2008 to Rs. 136.27 crore in Fiscal 2009. This increase was mainly due to increased business activity in this area.

Net profit on the sale of investments increased by 20.43% from Rs. 179.33 crore in Fiscal 2008 to Rs. 215.97 crore in Fiscal 2009 because of a decrease in yields on investments coupled with the increase in volume and sale of investments.

Miscellaneous income includes recovery of bad debts previously written off, incidental charges, service charges and other income. Our miscellaneous income decreased by 8.14% from Rs. 133.35 crore in Fiscal 2008 to Rs. 122.50 crore as of in Fiscal 2009. This was mainly due to a decrease in recovery of bad debts already written off from Rs. 57.32 crore in Fiscal 2008, to Rs. 33.37 crore in Fiscal 2009.

**Operating Expenses**

Total operating expenses increased by 7.97% from Rs. 903.17 crore in Fiscal 2008 to Rs. 975.14 crore in Fiscal 2009. As a percentage of our total income, operating expenses decreased to 20.30% in Fiscal 2009 compared with 22.45% in Fiscal 2008. Set forth below are the details of our total operating expenses in Fiscal 2008, 2009 and the first half of Fiscal 2010:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Payments to and Provisions for employees | 641.57 | 657.57 | 319.49 |
| Rent, Taxes and Lighting | 43.65 | 54.54 | 32.09 |
| Printing and Stationery | 15.95 | 17.16 | 7.50 |
| Advertisement and Publicity | 10.49 | 6.47 | 3.28 |
| Depreciation on Bank's property (net of amounts adjusted against revaluation reserve) | 49.23 | 63.98 | 43.69 |
| Directors' fees, allowances and expenses | 0.74 | 1.07 | 0.43 |
| Auditors' fees and expenses | 8.03 | 10.65 | 3.55 |
| Law Charges | 2.51 | 2.90 | 0.88 |
| Postage, Telegrams, Telephones etc. | 10.72 | 13.36 | 6.13 |
| Repairs and maintenance | 6.60 | 6.62 | 3.26 |
| Insurance | 36.74 | 47.92 | 26.52 |
| Other Expenditure | 76.94 | 92.90 | 57.84 |
| **Total Operating Expenses** | **903.17** | **975.14** | **504.66** |

The primary component of our operating expenses was payments to and provision for employees, which increased by 2.49%, from Rs. 641.57 crore in Fiscal 2008 to Rs. 657.57 crore in Fiscal 2009.

Depreciation expenses on our property (our fixed assets, including furniture, fixtures and computers) increased by 29.96% from Rs. 49.23 crore in Fiscal 2008 to Rs. 63.98 crore in Fiscal 2009 due to an increase of net block of assets from Rs. 135.64 crore to Rs. 155.26 crore, mainly because of the implementation of CBS and other Information Technology measures.

Insurance expenses increased by 30.43% from Rs. 36.74 crore in Fiscal 2008 to Rs. 47.92 crore in Fiscal 2009 due to an increase in our deposits.

Other expenditure increased by 20.74% from Rs. 76.94 crore as of March 31, 2008 to Rs. 92.90 crore as of March 31, 2009 due to increase in service charges, which includes annual maintenance charges, professional charges etc.

***Operating Profit***

As a result of the foregoing factors, our operating profit before provisions and contingencies increased from Rs. 466.94 crore in Fiscal 2008 to Rs. 677.23 crore in Fiscal 2009. As a percentage of total income, our operating profit increased from 11.61% in Fiscal 2008 to 14.10% in Fiscal 2009.

***Provisions and Contingencies***

Provisions and contingencies made in Fiscal 2009 decreased by 0.98% from Rs. 321.83 crore in Fiscal 2008 to Rs. 318.68 crore in Fiscal 2009. The following table shows the details of our provisions and contingencies:

(Rs. crore)

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| Provision for Non Performing Advances | 134.99 | 198.82 | 85.11 |
| Floating provision for NPAs (in addition to | 110.00 | - | - |

| | Fiscal 2008 | Fiscal 2009 | First half of Fiscal 2010 |
|---|---|---|---|
| norms) | | | |
| Provision for Investment NPA | (1.46) | (4.69) | (2.54) |
| Provision for standard advances | 20.80 | 4.67 | 18.65 |
| Depreciation on investments | 73.05 | 127.31 | (133.99) |
| Provision for restructured standard accounts | 3.19 | 38.91 | 0.77 |
| Provision for tax | 32.00 | 59.09 | 83.00 |
| Others | (50.74) | (105.43) | 96.97 |
| **Total Provisions and Contingencies** | **321.83** | **318.68** | **147.97** |

Our provisioning in respect of Non-Performing Advances increased by 47.28% from Rs. 134.99 crore in Fiscal 2008 to Rs. 198.82 crore in Fiscal 2009. This was mainly due to an increase in gross NPAs from Rs. 760.73 crore in Fiscal 2008 to Rs. 1020.35 crore in Fiscal 2009. Our gross NPAs as on September 30, 2009 were Rs. 1,022.79 crore.

Our provisioning for standard advances decreased by 77.55% from Rs. 20.80 crore in Fiscal 2008 to Rs. 4.67 crore in Fiscal 2009 because a change in the provisioning norms of standard advances by the RBI.

Our provisioning for restructured standard accounts increased from Rs. 3.19 crore in Fiscal 2008 to Rs. 38.91 crore in Fiscal 2009 because of a change in provision in restructured standard accounts.

Our provisioning for depreciation on investments increased by 74.28% from Rs. 73.05 crore in Fiscal 2008 to Rs. 127.31 crore in Fiscal 2009 because of volatile market fluctuations.

***Net Profit***

As a result of the foregoing factors, our net profit increased by 147.09% from Rs. 145.11 crore in Fiscal 2008 to Rs. 358.55 crore in Fiscal 2009. As a percentage of total income, our net profit increased from 3.61% in Fiscal 2008 to 7.47% in Fiscal 2009. The increase in net profit was due to a write back of income tax provision of Rs. 173.84 crore after settlement of income tax dispute with income tax authorities.

**Financial year ended March 31, 2008 compared with the financial year ended March 31, 2007**

Our total income increased by 26.79% from Rs. 3,172.77 crore in Fiscal 2007 to Rs. 4,022.80 crore in Fiscal 2008 and our total expenditure increased by 44.92% from Rs. 2,453.67 crore in Fiscal 2007 to Rs. 3,555.85 crore in Fiscal 2008. Our operating profit decreased by 35.07% from Rs. 719.10 crore in Fiscal 2007 to Rs. 466.94 crore in Fiscal 2008 because of an increase in cost of deposits from 5.17% to 6.36% during Fiscal 2008 due to which there was a decrease in net interest income of Rs. 245.28 crore. Our net profit decreased by 45.71% from Rs. 267.28 crore in Fiscal 2007 to Rs. 145.11 crore in Fiscal 2008.

Our total income in Fiscal 2008 was higher mainly on account of a 35.82% increase in interest earned on advances (including discounts on bills) from Rs. 1,654.10 crore in Fiscal 2007 to Rs. 2,246.62 crore in Fiscal 2008, a 16.54% increase in income from investments from Rs. 1,109.95 crore in Fiscal 2007 to Rs. 1,293.52 crore in Fiscal 2008 and a 328.92% increase in income from sale of investments from Rs. 41.81 crore in Fiscal 2007 to Rs. 179.33 crore in Fiscal 2008. This was partially offset by decline in miscellaneous income by 24.31%, from Rs. 176.18 crore in Fiscal 2007 to Rs. 133.35 crore in Fiscal 2008 mainly because of a drop in recovery of bad debt written off during Fiscal 2008.

***Net Interest Income***

Our net interest income decreased by 21.33% from Rs. 1,149.89 crore in Fiscal 2007 to Rs. 904.61 crore in Fiscal 2008. The following table sets forth the components of our net interest income in Fiscal 2007 and in Fiscal 2008:

(Rs. crore)

| | Fiscal 2007 | Fiscal 2008 |
|---|---|---|
| Interest Income | 2,825.09 | 3,557.30 |
| Interest Expense | 1,675.20 | 2,652.69 |
| **Net Interest Income** | **1,149.89** | **904.61** |

The decrease in net interest income was primarily due to a 58.35% increase in total interest expense from Rs. 1,675.20 crore in Fiscal 2007 to Rs. 2,652.69 crore in Fiscal 2008. This increase was due to a 56.38% increase in interest on deposits from Rs. 1,603.49 crore in Fiscal 2007 to Rs. 2,507.55 crore in Fiscal 2008. The increase in interest expense is attributed to the incremental rise in the volume and cost of deposits.

Our average interest-earning assets increased by 25.57% from Rs. 33,475.72 crore as of March 31, 2007 to Rs. 42,036.67 crore as of March 31, 2008. Our Spread decreased from 3.20% as of March 31, 2007 to Rs. 2.03% as of March 31, 2008 due to an increase in the cost of funds.

***Interest Income***

The following table sets forth the components of our interest income in Fiscal 2007 and in Fiscal 2008:

(Rs. crore)

| | **Fiscal 2007** | **Fiscal 2008** |
|---|---|---|
| Interest on advances and discount on bills | 1,654.10 | 2,246.62 |
| Income on investments | 1,109.94 | 1,293.51 |
| Interest on balances with RBI and other inter bank funds | 41.11 | 7.41 |
| Interest on income tax refund | 4.12 | 8.91 |
| Others | 15.82 | 0.85 |
| **Total Interest Income** | **2,825.09** | **3,557.30** |

Interest on advances and discount on bills increased by 35.82% from Rs. 1,654.10 crore in Fiscal 2007 to Rs. 2,246.62 crore in Fiscal 2008 due to an increase in volumes of advances and interest rates. This resulted in a 27.22% increase in average advances from Rs. 18,169.48 crore as of March 31, 2007 to Rs. 23,116.01 crore as of March 31, 2008 and an increase in the average yield on advances from 9.10% as of March 31, 2007 to 9.72% as of March 31, 2008. A decrease in NPA from Rs. 816.92 crore, being 3.6% of the total advances as of March 31, 2007 to Rs. 760.73 crore, being 2.7% of the total advances as of March 31, 2007 also contributed to the increase in yield.

Income from investments increased by 16.54% from Rs. 1,109.94 crore in Fiscal 2007 to Rs. 1,293.51 crore in Fiscal 2008. Our average volume of investments increased by 27.30% from Rs. 14,601.52 crore as of March 31, 2007 to Rs. 18,587.43 crore as of March 31, 2008. In addition, the average yield on our investments decreased from 7.60% as of March 31, 2007 to 6.96% as of March 31, 2008, principally due to an appreciation in the value of the investments

Interest on balances with the RBI and other inter-bank lending decreased by 81.98% from Rs. 41.11 crore in Fiscal 2007 to Rs. 7.41 crore in Fiscal 2008. This was principally because of the cessation of payment of interest by RBI on the balance maintained under Cash Reserve Ratio that all Scheduled Commercial Banks had to maintain with it during the Fiscal 2008.

***Interest Expended***

The following table sets forth the components of our interest expended in Fiscal 2007 and Fiscal 2008:

(Rs. crore)

| | **Fiscal 2007** | **Fiscal 2008** |
|---|---|---|
| Interest on Deposits | 1,603.49 | 2,507.55 |
| Interest on RBI/bank borrowings | 7.43 | 0.53 |
| Others | 64.28 | 144.61 |
| **Interest Expended** | **1,675.20** | **2,652.69** |

Our interest expended increased by 58.35% from Rs. 1,675.20 crore in Fiscal 2007 to Rs. 2,652.69 crore in Fiscal 2008. This increase was principally due to an increase in the average cost of funds from 5.23% in Fiscal 2007 to 6.43% in Fiscal 2008, which resulted from an increase in the volume and average cost of deposits from 5.17% in Fiscal 2007 to 6.36% in Fiscal 2008 due to the introduction of special deposit schemes with high interest rates attached to them. Though our borrowing cost had marginally increased from 5.41% in Fiscal 2007 to 5.64% in Fiscal 2008, the increase in average borrowings by Rs. 198.66 crore contributed to the increase in interest expense.

Our average deposits increased from Rs. 31,014.60 crore as of March 31, 2007 to Rs. 39,404.16 crore as of March 31, 2008. Our interest expended on RBI and other inter-bank borrowing decreased by 92.87% from Rs. 7.43 crore to Rs. 0.53 crore.

Our interest on deposits, increased by 56.38% from Rs. 1,603.49 crore in Fiscal 2007 to Rs. 2,507.55 crore in Fiscal 2008 due to the rise in volume and cost of deposits.

***Other Income***

Our other income increased by 33.89%, from Rs. 347.68 crore in Fiscal 2007 to Rs. 465.50 crore in Fiscal 2008. The following table sets forth the components of our other income as of in Fiscal 2007 and 2008:

(Rs. crore)

| | Fiscal 2007 | Fiscal 2008 |
|---|---|---|
| Commission, Exchange and Brokerage | 115.71 | 124.52 |
| Profit on sale of investments (Net) | 41.81 | 179.33 |
| Profit on sale of land, buildings and other assets (Net) | 1.03 | 0.03 |
| Profit on exchange transactions (Net) | 12.95 | 28.27 |
| Miscellaneous Income | 176.18 | 133.35 |
| **Total Other Income** | **347.68** | **465.50** |

Net profit on the sale of investments increased by 328.92% from Rs. 41.81 crore in Fiscal 2007 to Rs. 179.33 crore in Fiscal 2008 because of a decrease in yields on investments coupled with the increase in volume and sale of investments.

Miscellaneous income includes recovery of bad debts previously written off, incidental charges such as account keeping fees, sundry charges and service charges and other income. Our miscellaneous income decreased by 24.31% from Rs. 176.18 crore in Fiscal 2007 to Rs. 133.35 crore in Fiscal 2008 mainly on account of a drop in recovery of bad debt written off during Fiscal 2008.

**Operating Expenses**

Total operating expenses increased by 16.02% from Rs. 778.47 crore in Fiscal 2007 to Rs. 903.17 crore in Fiscal 2008. As a percentage of our total income, operating expenses decreased to 22.45% in Fiscal 2008 compared with 24.54% in Fiscal 2007. Set forth below are the details of our total operating expenses in Fiscal 2007 and 2008:

(Rs. crore)

| | Fiscal 2007 | Fiscal 2008 |
|---|---|---|
| Payments to and Provisions for employees | 557.52 | 641.57 |
| Rent, Taxes and Lighting | 38.39 | 43.65 |
| Printing and Stationery | 15.51 | 15.95 |
| Advertisement and Publicity | 8.11 | 10.49 |
| Depreciation on Bank’s property (net of amounts adjusted against revaluation reserve) | 27.94 | 49.23 |
| Directors’ fees, allowances and expenses | 0.52 | 0.74 |
| Auditors’ fees and expenses | 7.01 | 8.03 |
| Law Charges | 1.51 | 2.51 |
| Postage, Telegrams, Telephones etc. | 10.52 | 10.72 |
| Repairs and maintenance | 6.02 | 6.60 |
| Insurance | 29.24 | 36.74 |
| Other Expenditure | 76.18 | 76.94 |
| **Total Operating Expenses** | **778.47** | **903.17** |

The primary component of our operating expenses was payments to and provision for employees, which increased by 15.08%, from Rs. 557.52 crore in Fiscal 2007 to Rs. 641.57 crore in Fiscal 2008 due to an increase in the provisioning for employees retirement benefit due to a revision in Accounting Standard – 15 and also an increase in the salary payable to employees.

***Operating Profit***

As a result of the foregoing factors, our operating profit before provisions and contingencies decreased from Rs. 719.10 crore in Fiscal 2007 to Rs. 466.94 crore in Fiscal 2008. As a percentage of total income, our operating profit decreased from 22.66% in Fiscal 2007 to 11.61% in Fiscal 2008.

***Provisions and Contingencies***

Provisions and contingencies made in Fiscal 2008 decreased by 28.77% from Rs. 451.82 crore in Fiscal 2007 to Rs. 321.83 crore in Fiscal 2008. The following table shows the details of our provisions and contingencies in Fiscal 2007 and 2008:

(Rs. crore)

| | **Fiscal 2007** | **Fiscal 2008** |
|---|---:|---:|
| Provision for Non Performing Advances | 231.54 | 134.99 |
| Floating provision for NPAs (in addition to norms) | - | 110.00 |
| Provision for Investment NPA | 0.60 | (1.46) |
| Provision for standard advances | 60.73 | 20.80 |
| Depreciation on investments | 139.67 | 73.05 |
| Provision for restructured standard accounts | (3.22) | 3.19 |
| Provision for Tax | 35.33 | 32.00 |
| Others | (12.83) | (50.74) |
| **Total Provisions and Contingencies** | **451.82** | **321.83** |

Our provisioning in respect of Non Performing Advances decreased by 41.69% from Rs. 231.54 crore in Fiscal 2007 to Rs. 134.99 crore in Fiscal 2008 mainly because of a decrease in NPA from Rs. 816.92 crore in Fiscal 2007 to Rs. 760.73 crore in Fiscal 2008.

A provisioning in respect of floating provision for NPAs (in addition to the provisioning required under the prudential norms of the RBI for such Non Performing Assets) of Rs. 110.00 crore was created in Fiscal 2008 so as to improve our NPA provision coverage ratio.

Our provisioning for standard advances decreased by 65.75% from Rs. 60.73 crore in Fiscal 2007 to Rs. 20.80 crore in Fiscal 2008 due to a lower growth rate of standard advances of 26.48% in Fiscal 2008 as compared to a growth rate of 43.40% in Fiscal 2007.

Our provisioning for depreciation on investments decreased by 47.70% from Rs. 139.67 crore in Fiscal 2007, compared to Rs. 73.05 crore in Fiscal 2008 because of volatile market fluctuations.

Our provisioning for other items stood at Rs. (50.74) crore in Fiscal 2008 as compared to Rs. (12.83) crore in Fiscal 2007.

***Net Profit***

As a result of the foregoing factors, our net profit decreased by 45.71% from Rs. 267.28 crore in Fiscal 2007 to Rs. 145.11 crore in Fiscal 2008. As a percentage of total income, our net profit had marginally decreased from 8.42% in Fiscal 2007 to 3.61% in Fiscal 2008. The decrease in net profit was due to reinstatement of income tax provision of Rs. 173.84 crore which was earlier written back in Fiscal 2008.

**Liquidity and Capital Resources**

Our growth over the Fiscal years ended March 31, 2007, March 31, 2008 and March 31, 2009 and the six months ended September 30, 2009 has been achieved by a combination of cash generated from operations and increases in our advances and customer deposits and borrowings.

The table below sets forth our cash flows from operations, cash flows from investment activities, cash flows from financing activities and net changes in cash and cash equivalents as of March 31, 2007, March 31, 2008, March 31, 2009 and the six months ended September 30, 2009:

(Rs. crore)

| | **Year ended March 31, 2007** | **Year ended March 31, 2008** | **Year ended March 31, 2009** | **Six months ended September 30, 2009** |
|---|---|---|---|---|
| Cash Flow from Operations | 1,462.68 | 1,259.25 | 242.28 | (271.92) |
| Cash Flow from Investing Activities | (56.13) | (86.02) | (83.57) | (44.44) |
| Cash Flow from Financing Activities | 101.18 | 413.96 | 379.35 | (71.84) |
| **Net Changes in Cash and Cash Equivalents** | **1,507.73** | **1,587.19** | **538.06** | **(388.20)** |

***Cash Flows from Operations***

Our net cash flow from operating activities was Rs. 1,462.68 crore, Rs. 1,259.25 crore and Rs. 242.28 crore as of March 31, 2007, 2008 and 2009, respectively, and Rs. (271.92) crore in the six months ended September 30, 2009. This reduction in net cash flow from operations was attributed to (a) a decrease in deposits from Rs. 9,804.06 crore as of March 31, 2008 to Rs. 7,565.18 crore as of March 31, 2009 and (b) an incremental rise in investments and other assets. Our net cash from operating activities reflects interest received during the period from advances, investments and other income and non-cash charges such as depreciation and provisions (mainly for non-performing and standard assets) made during the period, as well as adjustments for cash charges.

In addition, our net cash from operating activities reflects changes in operating assets and liabilities, including investments, advances, deposits and borrowings, as well as other assets and liabilities. Change in borrowings reflects only short-term borrowings and not Tier II Bonds, which are included in cash flows from financing activities. The table below sets cash flows from cash profits, investments, advances, deposits, borrowings, other assets and other liabilities and provisions as of March 31, 2007, March 31, 2008, March 31, 2009 and the six months ended September 30, 2009. These line items are the most material in terms of changes in our cash flow from operations.

(Rs. crore)

| | **Year ended March 31, 2007** | **Year ended March 31, 2008** | **Year ended March 31, 2009** | **Six months ended September 30, 2009** |
|---|---|---|---|---|
| Net Cash from Operating Activities | **1,462.68** | **1,259.25** | **242.28** | **(271.92)** |
| Decrease/(Increase) in Investment | (611.97) | (3,985.88) | 463.11 | (4,924.42) |
| Decrease/(Increase) in Advances | (6,865.55) | (5,946.78) | (7,734.26) | (5,579.06) |
| Increase/(Decrease) in Deposits | 7,916.89 | 9,804.06 | 7,565.18 | 10,203.65 |
| Increase/(Decrease) in Borrowings | 103.10 | 762.36 | (705.30) | 47.37 |
| Decrease/(Increase) in Other Assets | (143.15) | (924.81) | (204.38) | (396.55) |
| Increase/(Decrease) in Other Liabilities & Provisions | 250.27 | 815.85 | 96.03 | (68.59) |

**Cash Flows from Investing Activities**

Our net cash flow from investing activities was Rs. (56.13) crore, Rs. (86.02) crore, Rs. (83.57) crore and Rs. (44.44) crore in as of March 31, 2007, 2008, 2009 and the six months ended September 30, 2009 respectively.

Our net cash flow from investing activities reflects investments consisting of the purchase and sale of fixed assets.

**Cash Flows from Financing Activities**

Our net cash flow from financing activities was Rs. 101.18 crore, Rs. 413.96 crore, Rs. 379.35 crore and Rs. (71.84) crore as of March 31, 2007, 2008, 2009 and the six months ended September 30, 2009 respectively.

We have issued perpetual non cumulative preference shares of Rs. 250.00 crore to the GoI in Fiscal 2009. We issued Rs. 160.00 crore, Rs. 575.00 crore and Rs. 250.00 crore and Rs. nil of Tier II Bonds in Fiscal 2007, Fiscal 2008, Fiscal 2009 and the six months ended September 30, 2009 respectively. We have paid interest on such Tier II Bonds of Rs. 46.14 crore, Rs. 107.25 crore and Rs. 120.65 crore in Fiscal 2007, Fiscal 2008, Fiscal 2009 respectively.

***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. We are required to maintain a minimum ratio of total capital to risk weighted assets and contingents as determined by a specified formula of 9.00%.

Our regulatory capital and capital adequacy ratios, based on our restated financial statements as of March 31, 2007, March 31, 2008, March 31, 2009 and the six months ended September 30, 2009, are as follows:

(Rs. crore except percentages)

| | **Year ended March 31, 2007** | **Year ended March 31, 2008** | **Year ended March 31, 2009** | **Six months ended September 30, 2009** |
|---|---|---|---|---|
| Tier I Capital | 1,884.77 | 1,970.29 | 2,537.83 | 2,769.87 |
| Tier II Capital | 1,049.46 | 1,636.64 | 1,922.02 | 1,937.49 |
| Total Capital | 2,934.23 | 3,606.93 | 4,459.85 | 4,707.36 |
| Total risk weighted assets and contingents | 24,426.84 | 31,819.93 | 33,573.39 | 36,405.21 |
| Capital Adequacy Ratios: | | | | |
| -Tier I | 7.72% | 6.19% | 7.56% | 7.61% |
| -Tier II | 4.30% | 5.15% | 5.72% | 5.32% |
| Total Capital Ratio | 12.02% | 11.34% | 13.28% | 12.93% |
| Minimum Capital Ratios required by the RBI | | | | |
| -Tier I | 6.00% | 6.00% | 6.00% | 6.00% |
| -Total Capital Ratio | 9.00% | 9.00% | 9.00% | 9.00% |

*Note: The figures and percentages for the Year ended March 31, 2007 and March 31, 2008 is calculated as per Basel – I and the figures and percentages for the Year ended March 31, 2009 and six months ended September 30, 2009 is calculated as per Basel –II*

As shown above, our total capital adequacy ratio ("CAR") was 12.02% as of March 31, 2007, 11.34% as of March 31, 2008, 13.28% as of March 31, 2009 and 12.93% as of September 30, 2009. Our CAR as of September 30, 2009 decreased due to an increase in risk-weighted assets and contingents. We have been able to maintain the required CAR prescribed by the RBI.

**Net Worth**

Our net worth increased by 4.54 % from Rs. 1,884.77 crore as of March 31, 2007 to Rs. 1,970.29 crore as of March 31, 2008. As compared to March 31, 2008, our net worth increased by 28.80% to Rs. 2,537.83 crore as of March 31, 2009. Our net worth as of September 30, 2009 was Rs. 2,769.87 crore.

**Assets**

The following table sets forth the principal components of our assets as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009, based on our restated financial statements:

(Rs. crore)

| | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Six months ended September 30, 2009 |
|---|---|---|---|---|
| Cash in hand | 152.48 | 224.33 | 228.31 | 359.70 |
| Balance with RBI | 2,533.93 | 5,025.09 | 4,303.96 | 5,093.18 |
| Balance with Banks in India | 491.20 | 617.82 | 336.79 | 259.55 |
| Balance with Banks outside India | 7.35 | 4.91 | 40.57 | 309.57 |
| Money at Call and Short Notice | 1,100.00 | - | 1,500.58 | - |
| Investments (Net) | 14,601.81 | 18,514.64 | 17,924.21 | 22,905.63 |
| Total Advances | 22,156.33 | 27,858.11 | 35,393.55 | 40,887.50 |
| Fixed Assets (net of Revaluation Reserve) | 98.87 | 135.64 | 155.26 | 156.08 |
| Other Assets | 637.26 | 1413.27 | 1617.55 | 1981.04 |
| **Total Assets** | **41,779.22** | **53,793.81** | **61,500.78** | **71,952.26** |

Our total assets increased by 28.75% from Rs. 41,779.22 crore as of March 31, 2007 to Rs. 53,793.81 crore as of March 31, 2008, and further increased by 14.33% to Rs. 61,500.78 crore as of March 31, 2009. Our total assets as of September 30, 2009 were Rs. 71,952.26 crore. The most significant elements of these changes were increases in investments and advances as a result of a general increase in our business activities.

Our net investments increased by 26.80% from Rs. 14,601.81 crore as of March 31, 2007 to Rs. 18,514.64 crore as of March 31, 2008, but decreased slightly by 3.19% to Rs. 17,924.21 crore as of March 31, 2009. Our net investments as of September 30, 2009 were Rs. 22,905.63 crore.

Of our investment portfolio as of September 30, 2009, 76.09% consisted of government securities, compared with 78.73%, 68.81% and 78.46% as of March 31, 2007, 2008 and 2009, respectively.

Our advances increased by 25.73% from Rs. 22,156.33 crore as of March 31, 2007 to Rs. 27,858.11 crore as of March 31, 2008, and further increased by 27.05% to Rs. 35,393.55 crore as of March 31, 2009. Our advances as of September 30, 2009 were Rs. 40,887.50 crore. The reasons for these increases in our advances were improved credit off take in the market together with our focus on credit growth.

Our net fixed assets increased by 37.19% from Rs. 98.87 crore as of March 31, 2007 to Rs. 135.64 crore as of March 31, 2008, and further increased by 14.46% to Rs. 155.26 crore as of March 31, 2009. Our net fixed assets as of September 30, 2009 were Rs. 156.08 crore.

Other assets, which included interest accrued, tax paid, tax deducted at source, stationery and stamps, deferred tax asset, amortization of transitional liability, amortization of liability under Accounting Standard – 15 (revised), investment in RRBs and non banking assets acquired in satisfaction of claims, increased by 121.77% from Rs. 637.26 crore as of March 31, 2007 to Rs. 1,413.27 crore as of March 31, 2008, and further increased by 14.45% to Rs. 1,617.55 crore as of March 31, 2009. Our other assets as of September 30, 2009 were Rs. 1,981.04 crore.

Our gross NPAs decreased from Rs. 816.92 crore as of March 31, 2007, to Rs. 760.73 crore as of March 31, 2008, but increased to Rs. 1,020.35 crore as of March 31, 2009, or 3.6%, 2.7% and 2.85% of gross advances, respectively. Our gross NPAs as of September 30, 2009 were Rs. 1,022.79 crore or 2.48% of gross advances. The reduction in gross NPAs was mainly due to accelerated efforts on recovery of NPAs.

Our net NPAs to net advances ratio was 1.50% as of March 31, 2007, 1.10% as of March 31, 2008, 1.48% as of March 31, 2009 and 1.30% as of September 30, 2009. Our provisions held for NPAs were Rs. 484.12 crore as of March 31, 2007, Rs. 454.58 crore as of March 31, 2008, Rs. 495.38 crore as of March 31, 2009 and Rs. 492.27 crore as of September 30, 2009. Our net NPAs as of September 30, 2009 were Rs. 530.52 crore.

See the section titled "Selected Statistical Information" on page 322 of this Red Herring Prospectus for a further discussion of our NPAs.

***Liabilities***

The following table sets forth the principal components of our liabilities as of March 31, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

(Rs. crore)

| | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Six months ended September 30, 2009 |
|---|---|---|---|---|
| Demand deposits from banks | 177.83 | 221.61 | 307.36 | 319.05 |
| Demand deposits from others | 3,776.29 | 4,854.08 | 5,087.99 | 4,571.94 |
| Savings deposits | 11,668.78 | 13,039.62 | 15,212.43 | 17,098.84 |
| Term deposits from banks | 782.80 | 829.84 | 1,513.05 | 1,812.84 |
| Term deposits from others | 20,760.97 | 28,025.58 | 32,415.07 | 40,936.88 |
| Borrowings | 399.72 | 1,162.07 | 456.77 | 504.14 |
| Other liabilities and provisions | 1,628.07 | 2,415.72 | 2,445.28 | 2,413.69 |
| Subordinate debts | 700.00 | 1,275.00 | 1,525.00 | 1,525.00 |
| **Total liabilities** | **39,894.46** | **51,823.52** | **58,962.95** | **69,182.38** |

Our total liabilities increased by 29.90% from Rs. 39,894.46 crore as of March 31, 2007 to Rs. 51,823.52 crore as of March 31, 2008 and further increased by 13.78% to Rs. 58,962.95 crore as of March 31, 2009. Our total liabilities as of September 30, 2009 were Rs. 69,182.38 crore. Other liabilities and provisions include Tier II Bonds, outstanding salary bill, floating provision for NPAs, marginal deposits, bills payable, interest accrued on deposits and borrowings, inter-office adjustments and provisions for standard advances and other provisions.

Our total deposits increased by 26.38% from Rs. 37,166.66 crore as of March 31, 2007 to Rs. 46,970.72 crore as of March 31, 2008, and further increased by 16.11% to Rs. 54,535.90 crore as of March 31, 2009. Our total deposits as of September 30, 2009 were Rs. 64,739.55 crore.

Our demand deposits increased by 28.36% from Rs. 3,954.12 crore as of March 31, 2007 to Rs. 5,075.69 crore as of March 31, 2008, and further increased by 6.30% to Rs. 5,395.35 crore as of March 31, 2009. Our demand deposits as of September 30, 2009 were Rs. 4,890.99 crore.

Our Borrowings increased by 190.72% from Rs. 399.72 crore as of March 31, 2007 to Rs. 1,162.07 crore as of March 31, 2008 due to increase in borrowing from the RBI and market, but decreased by 60.69% to Rs. 456.77 crore as of March 31, 2009 as RBI borrowing decreased from Rs. 250.00 crore in Fiscal 2008 to Rs. nil in Fiscal 2009 and market borrowing decreased from Rs. 898.33 crore in Fiscal 2008 to Rs. 415.31 crore in Fiscal 2009. Our total borrowings as of September 30, 2009 were Rs. 504.14 crore.

We have maintained a CAR of 12.93% as of September 30, 2009, which is over and above the minimum CAR of 9.00% as prescribed by the RBI. Tier II Bonds are essential in maintaining the minimum CAR. Our Tier II Bonds increased by 82.14% from Rs. 700.00 crore as of March 31, 2007 to Rs. 1,275.00 crore as of March 31, 2008, and further increased by 19.61% to Rs. 1,525.00 crore as of March 31, 2009 so that we can augment our capital base for future business growth. Our Tier II Bonds as of September 30, 2009 were Rs. 1,525.00 crore..

***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, 2007, March 31, 2008, March 31, 2009 and September 30, 2009:

(Rs. crore)

| | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Six months ended September 30, 2009 |
|---|---|---|---|---|
| Claims against the Bank not acknowledged as debt | 3.15 | 3.10 | 8.38 | 7.86 |
| Liability for partly paid investments | 0.12 | 0.12 | 37.72 | 18.28 |

| | Year ended March 31, 2007 | Year ended March 31, 2008 | Year ended March 31, 2009 | Six months ended September 30, 2009 |
|---|---|---|---|---|
| Liability on account of outstanding forward exchange contracts | 3,062.24 | 3,156.49 | 2,305.07 | 2,946.03 |
| Guarantees given on behalf of constituents in India | 1,243.99 | 1,414.55 | 1,648.34 | 2,148.89 |
| Guarantees given on behalf of constituents outside India | 198.13 | 226.57 | 286.01 | 351.95 |
| Acceptance, Endorsements & other Obligations | 724.02 | 780.48 | 908.90 | 1,317.36 |
| Other items for which the Bank is contingently liable | 1.42 | 1.97 | 89.97 | 124.95 |
| **Total liabilities** | **5,233.08** | **5,583.28** | **5,284.39** | **6,915.32** |

Contingent liabilities increased by 6.69% from Rs. 5,233.08 crore as of March 31, 2007 to Rs. 5,583.28 crore as of March 31, 2008 and decreased by 5.35% to Rs. 5,284.39 crore as of March 31, 2009. Our contingent liabilities as of September 30, 2009 were Rs. 6,915.32 crore. These changes were primarily due to an increase in our non-funded business (e.g., letters of credit and guarantees).

The contingent liability on forward exchange contracts had increased by 3.08% from Rs. 3,062.24 crore as of March 31, 2007 to Rs. 3,156.49 crore as of March 31, 2008 and decreased by 26.97% to Rs. 2,305.07 crore as of March 31, 2009. Our contingent liabilities on forward exchange contracts as of September 30, 2009 were Rs. 2,946.03 crore.

The contingent liability on guarantees given on behalf of constituents increased by 13.80% from Rs. 1,442.12 crore as of March 31, 2007 to Rs. 1,641.12 crore as of March 31, 2008, and further increased by 17.86% to Rs. 1,934.35 crore as of March 31, 2009. Our contingent liability on guarantees as of September 30, 2009 were Rs. 2,500.84 crore.

The contingent liability on acceptance, endorsements and other obligations given on behalf of constituents increased by 7.80% from Rs. 724.02 crore as of March 31, 2007 to Rs. 780.48 crore as of March 31, 2008, and further increased by 16.45% to Rs. 908.90 crore as of March 31, 2009. Our contingent liability on acceptance, endorsements and other obligations as of September 30, 2009 were Rs. 1,317.36 crore.

***Foreign Exchange and Derivative Transactions***

Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counter parties. We earn profit on inter-bank and customer transactions by way of a spread between the purchase rate and the sale rate. Income from foreign exchange transactions is recorded as income from exchange transactions and income from the proprietary book is recorded as trading income.

The aggregate notional principal amount of our interest rate swaps was Rs. 50.00 crore as of March 31, 2007, Rs. 100.00 crore as of March 31, 2008. As of March 31, 2009 the aggregate notional principal amount of our interest rate swaps was nil.

**Six months ended September 30, 2009 compared with Six months ended September 30, 2009**

Our financial statements as of six months ended September 30, 2009 cannot be compared with the financial statements as of six months ended September 30, 2008 as the former has been audited and the latter has been subject to limited review.

***Other matters***

***Unusual or infrequent events and transactions***

Other than as described in this Red Herring Prospectus, particularly in “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, to our knowledge there are no events that may be described as unusual or infrequent events and transactions.

***Significant economic / regulatory changes***

Other than as described in this Red Herring Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no significant economic / regulatory changes that materially affect or are likely to affect the income from continuing operations.

***Known trends and uncertainties***

Other than as described in this Red Herring Prospectus, particularly in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of the Company from continuing operations.

***Future relationship between costs and income***

Other than as described in this Red Herring Prospectus, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no known factors which will have a material adverse impact on the operation and finances of the Company, taken as a whole.

***New product or business segment***

Other than as described in this Red Herring Prospectus, particularly in "Business", to our knowledge there are no new business segments or material new products planned.

***Seasonality of business***

Other than as described in this Red Herring Prospectus, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", the business of the Company is not seasonal.

***Dependence on single or few customers***

Other than as described in this Red Herring Prospectus, particularly in "Risk factors - We have concentrations of loans to certain customers and to certain groups of customers, which exposes us to risk of credit losses from these customers or groups that could materially and adversely affect our business, results of operations and financial condition " on page and to our knowledge we have no dependence on a single or few customers and our business interests are spread across industries and customer segments.

***Competitive conditions***

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. See "Business - competition" on 123 of this Red Herring Prospectus.

***Significant developments after September 30, 2009***

Except as stated in this Red Herring Prospectus pursuant to the updations from Draft Red Herring Prospectus, to our knowledge no circumstances have arisen since September 30, 2009, which is the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Bank or the value of our assets or our ability to pay our liabilities

## FINANCIAL INDEBTEDNESS

| **Details of Tier II Capital of the Bank** | | | | | |
|---|---|---|---|---|---|
| **Issue Series** | **Date of Issue** | **Amount. Outstanding. As of December 31, 2009 (Rs. in Crore)** | **Date of Repayment** | **Coupon Rate (%)** | **Security** |
| Lower Tr-II Sr-II | 15.02.2005 | 300.00 | 15.05.2015 | 7.40% (annual) | Unsecured |
| Lower Tr-II Sr-III | 29.03.2006 | 100.00 | 29.04.2016 | 8.00%(semi–annual) | Unsecured |
| Lower Tr-II Sr-IV | 16.08.2006 | 200.00 | 16.08.2016 | 9.25%(semi-annual) | Unsecured |
| Lower Tr-II Sr-V | 27.03.2007 | 100.00 | 27.04.2017 | 10.10% (annual) | Unsecured |
| Upper Tr-II Sr-I | 18.06.2007 | 575.00 | 18.06.2022 | 10.65% (annual) step up to 11.15% after 10 yrs if call option is not exercised | Unsecured |
| Lower Tr-II Sr-VI | 25.03.2009 | 250.00 | 25.03.2019 | 9.30% (annual) | Unsecured |

These bonds have been issued on a private placement basis and IDBI Trusteeship Services Limited is the trustee for the holders of these bonds. In the event of default in payment of dues to the bondholders/trustee by way of periodical interest and/or redemption or default in payment of trustee remuneration, the Bank can declare or pay dividend only with the prior written permission of the trustee.

**Investment by our Associates in our Bond Offerings**

The details of investment by our Associate in our Bond offerings described above are as follows:

| **Issue Series** | **Name of the associate** | **Amount (Rs/Cr)** |
|---|---|---|
| Lower Tr-II Sr-III | Bangiya Gramin Vikash Bank | 1.10 |
| Lower Tr-II Sr-IV | Bangiya Gramin Vikash Bank | 4.00 |
| Lower Tr-II Sr-IV | Assam Gramin Vikash Bank | 2.20 |

***Details of Other Unsecured Liabilities***

Set forth below is a brief summary of our aggregate unsecured borrowings as on December 31, 2009, in addition to our Tier II capital:

| Particulars | Amount Outstanding as on December 31, 2009 ( Rs. in Crore) |
|---|---|
| Borrowings-RBI | - |
| Subordinated Debt (incl. Tier II Bonds Series I) | 1525.00 |
| Borrowings from Other Banks | 484.20 |
| Other Institutions and Agencies | 230.21 |
| Borrowings Outside India | - |
| Total | 2239.41 |

The borrowings from other Banks are unsecured liabilities and Borrowings from other institutions and agencies are in the form of refinanced schemes, the details of which are as follows:

**Borrowings in India**

**(Rs. in crore)**

| Refinancing Agency | Date of Availment | Outstanding Amount as on December 31, 2009 |
|---|---|---|
| SIDBI | February 03, 2009 | - |
| NABARD | On various dates | 230.21 |

Note: In both cases, no security is required to be provided by the Bank and the sanction is accorded by the Refinancing Agencies within the overall eligibility criteria as and when Bank requests for availment of such facilities.

**Borrowings in Foreign Exchange**

As of December 31, 2009, the Bank had no borrowings in foreign exchange.

## SECTION VI: LEGAL AND OTHER INFORMATION

## OUTSTANDING LITIGATION AND OTHER MATERIAL DEVELOPMENTS

*Except as described below, there is no outstanding litigation, suits or civil proceedings, or criminal proceedings, or prosecutions, statutory and other notices or tax liabilities by or against our Bank or our Directors, or our Associates, and there are no defaults, non-payment or overdues of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues payable to holders of any debentures, bonds, or fixed deposits, and arrears on preference shares issued by the Bank, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ and other offences (including past cases where penalty may or may not have been awarded) that would result in a material adverse effect on our business. A materiality threshold of Rs 1 crore has been adopted for civil cases filed by the Bank. None of the aforesaid persons/ companies/ banks is on RBI's list of willful defaulters.*

**Cases filed against the Bank**

**(i)** ***SEBI complaints***

SEBI vide a letter dated November 24, 2009 forwarded a complaint dated November 05, 2009, of Kotak Mahindra Bank Limited, to the Bank.

Kotak Mahindra Bank Limited vide its above complaint has stated that Bharatpur Nutritional Products Limited, issued 17%, 2,25,000 Secured Non-convertible Debentures of Rs 100/- each ("**NCDs**") to Peerless General Finance & Investment Company Limited and that the Bank was appointed as the Debenture Trustees with respect to the said NCDs.

Kotak Mahindra Bank Limited has contended that the aforesaid NCDs were sold and assigned by Peerless General Finance & Investment Company Limited in favour of Kotak Mahindra Bank Limited vide Deed of Assignment dated March 30, 2007 and that Kotak Mahindra Bank Limited intimated about the transfer to the Bank vide its letter dated April 04, 2007.

Kotak Mahindra Bank Limited in its above complaint has alleged that the Bank, being a debenture trustee had not exercised due diligence in scrutinizing the statutory documents of Bharatpur Nutritional Products Limited, and has requested SEBI to investigate the matter and take appropriate action in this regard.

The Bank has replied to the SEBI letter vide its letters dated December 14, 2009 and on December 21, 2009 and has not received any further communication from SEBI in respect of the above matter till date.

**(ii)** ***Civil Proceedings***

As at February 6, 2010, there are 16 civil cases filed against the Bank which are pending before various forums in respect of amounts aggregating to approximately Rs 2.59 crore. The brief description of these cases is provided below.

1) Sonaliben N Patel ("the plaintiff") has filed a suit for damages and permanent injunction against the Manager of the Bank, the Managing Director of the Bank and the Bank vide Civil Suit No. 344 of 2004 before the Civil Judge, Ahmedabad. The plaintiff has alleged that the Bank is in breach of the terms and conditions of the loan agreement for the loan sanctioned to the plaintiff and that the Bank has not acted as a bonafide banker.

   The plaintiff was sanctioned a loan of approximately Rs 0.14 crore against the mortgage of certain securities. The Bank released a sum of approximately Rs 0.09 crore to the plaintiff for purchase of plant and machinery. The Bank did not release the remaining amount of approximately Rs 0.05 crore as the Bank during its inspection could not find the factory of the plaintiff at the address provided by the plaintiff. The plaintiff has further alleged that the Bank has not released the loan funds to the plaintiff as a result of which the plaintiff had to suffer certain losses. The plaintiff has claimed a claim of Rs 0.09 crore. The matter is pending hearing and final disposal.

2) Bengal United Company Private Limited, the plaintiff, has filed a suit for damages against the Bank vide Suit No. 208 of 1987 before the High Court of Calcutta. The plaintiff has alleged that the Bank has committed a breach of the terms and conditions of an agreement for a loan sanctioned to the plaintiff and that the Bank has not acted as a bonafide banker. The plaintiff has further alleged that the Bank has not released the loan funds to the plaintiff as a result of which the plaintiff had to suffer certain losses. The plaintiff has raised a claim of Rs 0.50 crore. The matter is pending hearing and final disposal.

3) Adhir Kumar Sen, the plaintiff, has filed this suit against the Bank, for recovery of money, vide Suit No. 24 of 2004 before the Civil Judge Junior Division Asansol. The plaintiff has alleged that the MDSS agent of the Bank misappropriated funds of the plaintiff in the plaintiff’s bank account and has filed this suit claiming Rs 0.006 crore. The matter is pending hearing and final disposal.

4) Vijaykumar Bhuwania & M/s Siddhath Impex, the plaintiffs, have filed this suit against the Bank, vide CS No. 3791 of 1993 before the High Court of Bombay, claiming for loss suffered by the plaintiffs allegedly due to failure of the Bank to return six unpaid bills of exchange raised on the plaintiff’s customer, Glow Hans EMT for the consignment of flenged liners supplied by the plaintiffs due to the bills of exchange becoming time-barred.

   The Bank had first claimed a charge over the Bills of Exchange and then returned the Bills of Exchange on October 23, 1992 after they had become time-barred. The plaintiff has filed this claim for a sum of Rs 0.87 crore. The matter is pending hearing and final disposal.

5) Harish Mahindra, the plaintiff, has filed this suit against the Bank, vide CS No. 793 of 1993 before the High Court of Bombay, alleging fraud in his overdraft facility and claimed damages on account of loss suffered from fraud amounting to a claim of Rs 0.95 crore. The present suit is filed against the Bank for withholding 25,666 shares out of the 40,666 shares of the Plaintiff held as security for the overdraft facility. By the Order dated July 24, 1998, the Court directed the Bank to return to the Plaintiff the balance of the sale proceeds of Rs. 3,24,445 to the Plaintiff. By the Order dated November 23, 1997, the Bank was directed to return 17,066 shares to the Plaintiff. Since the Plaintiff had expired pendent lite, his heirs have been substituted as the Plaintiffs. The matter is pending hearing and final disposal.

6) Provash Ch. Shyam has filed this suit against the Bank, vide TS 45 of 1989 before the Assistant District Judge Alipore Kolkata**,** alleging negligence on part of the Bank arising out of burglary arising at the placed go-downs of the plaintiff which was within the custody of the Bank and has claimed losses to a sum of Rs 0.17 crore. The matter has been settled between the parties and matter is pending for withdrawal of the suit.

7) Ariamrit Engineering Limited, the plaintiff, has filed this suit against the Managing Director of the Bank, vide title suit No. 3484 of 2008 before the City Civil Court Kolkata, contending that they have taken on lease certain properties from Calcutta Enterprise Limited. The Bank has stated that such properties have been mortgaged to the Bank. The plaintiff has prayed for a permanent injunction against the Bank from disposing off these properties. The matter is pending hearing and final disposal.

8) Amarnath Bhattacharjee, the plaintiff, has filed this suit against the Managing Director of the Bank, vide title suit No.1732 of 2008 before the City Civil Court Kolkata, contending that they have taken on lease certain properties from Calcutta Enterprise Limited. The Bank has stated that such properties have been mortgaged to the Bank. The plaintiff has prayed for a permanent injunction against the Bank from disposing off these properties. The matter is pending hearing and final disposal.

9) Rajiv Sharma, has filed a suit against the Bank, vide TS 214 of 2007 before the Civil Judge Senior Division, Guwahati, for declaration and injunction in respect of certain properties which are mortgaged to the Bank. The matter is pending hearing and final disposal.

10) Jagrit Foods Limited has filed this suit against the Bank, vide title suit No. 311 of 2007 before the Civil Judge Senior Division, Guwahati, challenging the SARFESI action taken by the Bank in respect of the mortgaged assets lying with the Bank. The matter is pending hearing and final disposal.

11) Mansi Oils & Grains Private Limited has filed this writ petition against the Bank and its Executive Director vide W.P No.18850 of 2009 before the Calcutta High Court, alleging intentional delay for disbursement of balance term loan and/ or withholding of un-disbursed portion and certain other allegations and has prayed the High Court to issue a writ of Mandamus, Certiorari and Prohibition and has claimed compensation in respect of delay of 24 months and further delay thereafter, caused for disbursement of the term loan by way of reduction in interest at minimum 12.5%-13%p.a. and other interim reliefs. The matter is pending hearing and final disposal.

12) Deepak Mitra has filed this writ petition against the Bank vide W.P No.31894 of 2006 before the Allahabad High Court, for obtention of direction for submission of details of certain Term Deposits Receipts and other deposits which were kept as a security for the credit facilities availed by Mitra Prakashan Limited and has prayed the High Court to issue a writ of Mandamus. The matter is pending hearing and final disposal.

13) Amitava Dasgupta has filed this Special Leave Petition before the Supreme Court of India vide SLP 21787 of 2009 against the Bank challenging the order of the National Consumer Disputes Redressal Commission dated December 18, 2008. The National Consumer Disputes Redressal Commission vide its order dated December 18, 2008 upheld the judgment of the State Consumer Disputes Redressal Commission stating that the Bank was justified in breaking open the locker of Amitava Dasgupta on the ground of non-payment of the locker rent. The matter is pending hearing and final disposal.

14) Kommala Kumari Amma and another has filed this writ petition before the Kerala High Court vide WP (C) No.23984 of 2006. Kommala Kumari Amma had availed of certain credit facilities from the Bank, at the time of repayment of outstanding dues the cheques issued by Kommala Kumari Amma were returned due to insufficient funds, the Bank initiated necessary proceedings against the petitioner. Kommala Kumari Amma has filed this writ petition for quashing of the proceedings initiated by the Bank. . The matter is pending hearing and final disposal.

15) National Senior Basic School has filed this writ petition before the Andhra Pradesh High Court vide WP No.27572 of 2007. The management of the National Senior Basic School had changed and the earlier management filed this writ petition for prohibiting the Bank from transferring the fixed deposit proceeds to the account of the new management of National Senior Basic School. The matter is pending hearing and final disposal.

16) Smt Naseebah C.U. has filed this writ petition before the Ernakulam bench of the Kerala High Court vide WP No. 37808/08 against the Bank. Smt Naseebah C.U. had availed for a loan and had deposited her passport with the Bank. Smt Naseebah C.U. defaulted in repaying her outstanding dues as a result of which the Bank has refused to release her passport. Smt Naseebah C.U. has filed this writ petition praying for an order directing the Bank to release her passport. The matter is pending hearing and final disposal.

**(iii)** ***Labour and employment cases***

As at February 6, 2010, there are approximately 162 labour and employment related claims against the Bank before various forums in respect of which the financial impact cannot be quantified. These include 8 dispute pertaining to claims for allowances, 32 disputes pertaining to departmental enquiries involving cases of termination of employment, 16 disputes pertaining to other departmental enquiries, other than cases involving termination of employment, 21 disputes pertaining to claims for compassionate appointment, 7 disputes pertaining to promotion claims**,** 4 disputes pertaining to recruitment, 3 disputes pertaining to claims for pension, 16 disputes pertaining to claims for retirement dues other than claims for pension, 9 disputes pertaining to transfers, 3 disputes pertaining to miscellaneous departmental enquiries, 2 disputes pertaining to claims for increment, and 41 miscellaneous disputes.

**(iv)** ***Other cases***

As at February 6, 2010:

2. There are 15 complaints against the Bank pending before the Banking Ombudsman in respect of an amount aggregating approximately Rs 0.10 crore;

3. There are 55 consumer complaints against the Bank pending before various consumer disputes redressal forums in respect of an amount aggregating approximately Rs 1.32 crore;

4. There are 7 cases against the Bank pending in relation to the property of the Bank details of which are as follows:

   a. The owner of the premises of the Balia branch has filed a case vide O. S. 72 of 1991 before Ld. Sub Judge, Kendrapara for enhancement of rent and Bank filed its objection in, *inter alia* on the grounds that the plaintiff/ owner did not deposit and/ or liquidate the loan amount and there was no provision in the agreement for enhancement of rent up to 21 years i.e. September 08, 2002. The case is pending hearing and final disposal.

   b. Our Bank received an eviction notice dated November 30, 2007 form SAIL IISCO Plant to vacate from our branch premises situated at ground floor, premise No. 50, Chowringhee Road, Kolkata – 700071. The eviction notice alleges unauthorized occupation by our Bank and that the Bank has caused substantial alteration of permanent nature in the said premises. SAIL IISCO Plant filed a petition bearing Case No. ES/01/2008 dated June 3, 2008 before the Ld. Estate Officer, Burdwan, West Bengal claiming delivery of vacant possession of the said premises.

   c. An eviction notice dated February 2, 1993 was served by the landlord Mr Vinay Kumar Bachani, in relation to the premises situated on at Gopi Kunj Plot No. 506 Khar west Bandra Mumbai 400052, admeasuring approximately 2980 sq.ft., on our Bank on the ground that the Bank had failed to exercise option for renewal of the lease agreement dated February 28, 1983 which got expired on January 31, 1993. The landlord filed an eviction suit No. 5/6 of 2003 in the Court of Small Causes at Mumbai. The Small Causes Court delivered the judgement against the Bank by passing the eviction decree. Our bank has filed an appeal on February 20, 2009 vise Appeal No.323 of 2009, which has been admitted and stay has been allowed. The appeal is pending for disposal.

   *d.* The owner of the premises Shop No.3, Block – N/3, Ground Floor at Greater Kailash, Part-I Market, New Delhi 110048 admeasuring 1240 sq.ft., that is Allaince Group, has filed a case vide CS.O.S. 1257 of 2007 before High Court at Delhi for ejectment/ damages/ mesne profits and permanent mandatory injunction against the Bank. The case is pending hearing and final disposal.

   *e.* The owner of the premises Shop No.3, Block – N/2, Ground Floor at Greater Kailash, Part-I Market, New Delhi 110048 admearing 550 sq.ft., that is Jagmohan Singh Kohli, has filed a case vide CS.O.S. 767 of 2006 before High Court at Delhi for ejectment/ damages/ mesne profits and permanent mandatory injunction against the Bank. The case is pending hearing and final disposal.

   f. MSK Enterprises & others have filed a suit vide CS No 123 of 2008 before the Calcutta High Court against the United Bank of India claiming enhanced rent for a period of 11 months of Rs.40 per sq.ft. instead of the ongoing rent of Rs.12.57 per sq.ft. for the premises situated at 53A, Mirza Ghalib Street, 1st Floor, Kolkata, 700 016. The matter is pending hearing and final disposal.

   g. Dabur (India) Limited has filed this writ petition before the Calcutta High Court vide WP.1166 of 2008 against the Bank for directing the Bank to vacate the premises situated at 142, Rash Behari Avenue Kolkata admeasuring 4365 sq.ft. The matter is pending hearing and final disposal.

**Cases filed by the Bank**

**(i)** ***Civil Proceedings***

**As at February 6, 2010**:

There are approximately 721 cases filed by the Bank before various forums in respect of recovery of dues aggregating approximately Rs 1300.59 crore with interest and costs. These include approximately 633 cases filed by the Bank before various forums in respect of recovery of dues aggregating approximately Rs 487.48 crore, where the amount involved in each case is less than Rs 1 crore and 88 cases filed by the Bank before various forums in respect of recovery of dues aggregating approximately Rs 813.11 crore, where the amount involved is equal to or more than Rs 1 crore, details of which are given below;

**1)** The Bank has filed this case against Bagasu Plantation Private Limited, vide Case no. OA 12 of 2010, before the Debts Recovery Tribunal, Guwahati, for recovery of outstanding amounts due to the Bank. The Bank has raised a claim of Rs 7.81 crore and interest against the defendants. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The matter is pending hearing and final disposal.

**2)** The Bank has filed this case against its Shree Krishna Gyanoday Sugar Limited and others, vide Case no. PT 254 of 1998, before the Debts Recovery Tribunal, Patna, for recovery of outstanding amounts due to the Bank. The Bank has raised a claim of Rs 1.81 crore against the defendants. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Debts Recovery Tribunal, Patna has vide its order dated [●] has decided the matter in favour of the Bank and the matter is pending for final execution.

**3)** The Bank has filed this writ petition, against SKG Sugar Limited and others, vide Writ Petition no. 4382 of 2009 before the High Court, Patna, for payment of proportionate share from the ascertained sum of the compensation amount, of approximately Rs 1.81 crore, payable by the State Government for acquisition of SKG Sugar Limited by virtue of Bihar Sugar Understanding (Acquisition) Act, 1985 with interest for the delayed period. The matter is pending hearing and final disposal.

**4)** The Bank has filed this case against Textile Processing Corporation of India Limited and others, vide Case No. TS 137 of 2001 before the Debts Recovery Tribunal-I, Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.36 crore. The defendant company was wound up vide order dated June 12, 1989 of the Calcutta High Court in CP No. 141 of 1986. The Bank has received from the Official Liquidator a sum of approximately Rs 0.18 crore towards its claim. The Bank has filed an application before the Calcutta High Court, vide C.A No.508 of 2009, for transfer of the records of this case to Debts Recovery Tribunal, Kolkata.The application is pending hearing and final disposal.

**5)** The Bank has filed this case against Hindustan Welding Eletrodes and others, vide PT Case no. 33 of 2002 before the Debts Recovery Tribunal, Ranchi, Jharkhand, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.79 crore. The Debts Recovery Tribunal has vide its order dated March 9, 2009 has allowed the claim of the Bank and has directed the matter for recovery before the Recovery Officer of the Debts Recovery Tribunal. The matter is pending before the Recovery Officer for final disposal.

**6)** The Bank has filed this case against Orissa Aluminum Products Limited and others, vide TC case no. 237 of 2001 before the Debts Recovery Tribunal, Cuttack, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.98 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Debts Recovery Tribunal has allowed the claim of the Bank and has directed the matter for recovery before the Recovery Officer of the Debts Recovery Tribunal. The matter is pending before the Recovery Officer for final disposal.

**7)** The Bank has filed this case against Ashoka Cement Limited and others, vide Case no. OA 87 of 1996 before the Debts Recovery Tribunal, Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.63 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has made an application before the Official Liquidator for liquidation of the borrower company, the same is pending final disposal. The matter before the Debts Recovery Tribunal is pending hearing and final disposal.

**8)** The Bank has filed this case against Raipur Manufacturing Company Limited and others, vide Case no. OA 275 of 2001 before the Debts Recovery Tribunal, Ahmedabad, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 17.9 crore. The BIFR vide its order dated April 26, 2001 recommended the defendant company for winding up and forwarded the opinion to the High Court. The BIFR also permitted the secured creditors to files appropriate proceedings for recovery of their dues, accordingly the Bank has filed this application before the Debts Recovery Tribunal, Ahmedabad. The matter is pending hearing and final disposal.

**9)** The Bank has filed this case against Mining and Allied Machinery Corporation Limited and others, vide Case no OA 55 of 2005 before the Debts Recovery Tribunal, Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 48.28 crore. The borrower company became sick and was referred to BIFR, subsequent to the order of the AAIFR dated November 13, 2003 the borrower was directed to be wound up. The Official Liquidator had taken possession of the assets and properties of the borrower company. The Bank has also initiated necessary liquidation proceedings before the Calcutta High Court. The Bank has prayed before the Debts Recovery Tribunal that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter before the Debts Recovery Tribunal is pending hearing and final disposal.

**10)** The Bank has filed this case against Machinery Manufacturing Corporation Limited, vide TA no.828 of 2001 before the Debts Recovery Tribunal, Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 21.25 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has also initiated necessary liquidation proceedings before the Calcutta High Court. The Debts Recovery Tribunal vide order dated May 8, 1997 released the guarantor from the proceedings. The Bank has filed a revision application, vide CO number 1679 of 1997, before the Calcutta High Court challenging the order of the Debts Recovery Tribunal the same is pending final disposal. The matter before the Debts Recovery Tribunal is pending hearing and final disposal.

**11)** The Bank has filed this case against IPCO Paper Mills Limited and others, vide OA no.280 of 2001 before the Debts Recovery Tribunal Mumbai, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 4.56 crore. The borrower company became sick and was referred to BIFR, and was directed to be wound up. The Official Liquidator had taken possession of the assets and properties of the borrower company. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The Bank has also initiated necessary liquidation proceedings before the Bombay High Court. The matter is pending before the Debts Recovery Tribunal at the execution stage and final disposal.

**12)** The Bank has filed this case against Western Optical Company Limited, vide OA 286 of 1997 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.21 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**13)** The Bank has filed this case against Chow Aloung Agro Limited, vide OA 73 of 2003 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 9.48 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**14)** The Bank has filed this case against APS Star Industries Limited, vide OA 41 of 2004 before the Debts Recovery Tribunal at Ahmedabad, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs

3.53 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The Bank has also initiated necessary liquidation proceedings against the borrower before the Gujarat High Court. The matter is pending hearing and final disposal.

**15)** The Bank has filed this case against Ganeshbari Tea Company Limited, vide OA 68 of 2006 before the Debts Recovery Tribunal, Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 21.72 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The parties have settled the matter out of Court and the matter is pending for recording of the settlement and final disposal.

**16)** The Bank has filed this case against Softline India Limited, vide OA no. 170 of 2006 before the Debts Recovery Tribunal Ahmedabad, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.26 crore.The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**17)** The Bank has filed this case against East Trading Corporation, vide OA No. 114 of 2006 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.31 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**18)** The Bank has filed this case against Konark Papers Limited, vide OA 85 of 2007 before the Debts Recovery Tribunal Cuttack, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 15.94 crore.

The DRT vide its order dated September 9, 2008 has allowed the claim and has issued the Recovery Certificate the same is pending before the Recovery Cell of the Debts Recovery Tribunal. The Bank has also initiated necessary liquidation proceedings against the borrower.

**19)** The Bank has filed this case against M.D Overseas, vide OA 112 of 2006 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 4.31 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending before the Debts Recovery Tribunal hearing and final disposal.

**20)** The Bank has filed this case against Balaji Exim Group, vide OA 113 of 2006 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 4.36 crore. The Debts Recovery Tribunal has disposed off the matter vide order dated October 13, 2009. The matter is pending before the Recovery Officer for final disposal.

**21)** The Bank has filed this case against Lord Krishna International, vide OA 114 of 2006 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 4.34 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted.

**22)** The Bank has filed this case against Jagrit Foods Private Limited, vide OA 116 of 2008 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 7.94 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**23)** The Bank has filed this case against Shree Anjali Silk Mills Private Limited and others, vide OA 52 of 2008 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.92 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**24)** The Bank has filed this case against Lokenath Construction & Co and others, vide OA 364 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.37 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**25)** The Bank has filed this case against BSK Bricks Constructions Private Limited and others, vide OA 137 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 2.80 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The Bank has assigned its rights under this account to ISARC and the matter is pending substitution of ISARC in the place of the Bank.

**26)** The Bank has filed this case against its India Paper Pulp Company Limited, vide TA No. 35 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 5.54 crore. The borrower company became sick and was referred to BIFR, and was directed to be wound up. The Official Liquidator had taken possession of the assets and properties of the borrower company. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**27)** The Bank has filed this case against Steel Allied Products Limited and others, vide TA 148 of 1997 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 5.19 crore. A Reciever has been appointed over the assets of the borrower. The matter is pending hearing and final disposal before Debts Recovery Tribunal.

**28)** The Bank has filed this case against Lord Security Mint Limited, vide OA no. 107 of 2007 before the Debts Recovery Tribunal Chennai, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 15.61 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**29)** The Bank has filed this case against Sarthak Exim Private Limited, vide OA no. 22 of 2008 before the Debts Recovery Tribunal Delhi, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.54 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**30)** The Bank has filed this case against SRM Bolt Manufacturing Private Limited, vide OA no. 51 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.55 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**31)** The Bank has filed this case against Satellite Enterprise Private Limited, vide OA 190 of 2007 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.28 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal before the Debts Recovery Tribunal.

**32)** The Bank has filed this case against Finix Constructions Limited and others, vide OA 117 of 2007 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.46 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. A Receiver has been appointed and the matter is pending hearing and final disposal.

**33)** The Bank has filed this case against Tandoo Tea company private Limited, vide OA no. 99 of 2007 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 9.76 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**34)** The Bank has filed this case against Assam Valley Plywood Private Limited, vide OA 13 of 1997 before the Debts Recovery Tribunal Guwahati, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 6.07 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**35)** The Bank has filed this case against Calcutta Enterprise, vide OA 65 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 7.18 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets of the borrower and that a certificate of payment of the Bank's dues be granted. A Receiver has been appointed over the hypothecated assets of the borrower and the matter is pending execution.

**36)** The Bank has filed this case against Rohtas Industries Limited, vide TA 45 of 1996 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 2.47 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case.The Bank has also initiated necessary liquidation proceedings before the Patna High Court. The matter is pending hearing and final disposal.

**37)** The Bank has filed this case against Rafiullah Tea & Industries Limited, vide OA 217 of 1997 before the Debts Recovery Tribunal Guwahati, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.00 crore. The Bank has also initiated necessary hypothecation proceedings before the Debts Recovery Tribunal.The Debts Recovery Tribunal has passed a certificate order dated December 18, 2000, in favour of the Bank and the matter is pending execution before the Recovery Officer. The parties have settled the matter/ account out of Court and the matter is pending for recording of the settlement and final disposal.

**38)** The Bank has filed this case against Bengal Enamel Works Limited, vide TA 34 of 1996 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 6.24 crore. The parties have settled the claim for a sum of Rs 4.5 crore out of which the Bank has received a sum of Rs 2.81 crore. The borrower has filed necessary applications under sections 391-394 of the Companies Act, 1956 before the Calcutta High Court for arrangement of the dues of the secured and unsecured creditors of the borrower, the same is pending final disposal. A Receiver has been appointed for the sale of assets for recovery of the outstanding monies due to the Bank and the same is pending execution.

**39)** The Bank has filed this case against BTW Industries Limited, vide TA No. 49 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 53.11 crore. A Receiver has been appointed for the sale of assets for recovery of the outstanding monies due to the Bank and the Bank has recovered a sum of Rs 1.93 crore, recovery of the balance amount of monies due is pending execution before the Recovery Officer.

**40)** The Bank has filed this case against Ashok Paper Mills Limited and others, vide OA 80 of 2004 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 9.91 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets of the borrower and that a certificate of payment of the Bank's dues be granted. A Receiver has been appointed over the hypothecated assets of the borrower and the matter is pending execution before the Debts Recovery Tribunal.

**41)** The Bank has filed this case against Nilesh Sureshbhai Shah and others, vide OA 173 of 2006 before the Debts Recovery Tribunal Ahmedabad, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.45 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**42)** The Bank has filed the suit against Bharat Electricals Industries Limited, vide OA 40 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.18 crore. The Bank has received Rs 1.40 crore from the Official Liquidator, out of the sale proceeds of the hypothecated assets of the borrower. The Bank has also initiated necessary liquidation proceedings before the Calcutta High Court. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**43)** The Bank has filed the suit against Maya Agro Products Limited, vide OA 116 of 2001 before the Debts Recovery Tribunal Allahabad, for recovery of its dues amounting to Rs 12.45 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has also initiated necessary proceedings before the Official Liquidator. The matter is pending before Debts Recovery Tribunal for final hearing.

**44)** The Bank has filed the suit against Delhi Tubes Limited, vide OA 122 of 1996 before the Debts Recovery Tribunal Hyderabad, for recovery of its dues amounting to Rs 3.00 crore. The Bank has received certain monies from the Official Liquidator, out of the sale proceeds of the hypothecated assets of the borrower. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**45)** The Bank has filed the suit against Lynx India Limited, vide OA 270 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 1.79 crore. The borrower's assets have been taken over by the Official Liquidator. The Bank has filed its claim before the Official Liquidator which is yet to be settled. The matter is pending hearing and final disposal.

**46)** The Bank has filed the suit against Sri Durga Cotton Spinning & Weaving Mills Limited, vide TA 50 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 2.00 crore. The Bank has received certain monies from the Official Liquidator, out of the sale proceeds of the hypothecated assets of the borrower. The Bank has also initiated necessary liquidation proceedings before the Calcutta High Court. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**47)** The Bank has filed the suit against Maharashtra Steels Limited, vide OA 21 of 1996 before the Debts Recovery Tribunal Delhi, for recovery of its dues amounting to approximately Rs 3.00 crore. The Bank has received certain monies from the Recovery Officer, out of the sale proceeds of the hypothecated assets of the borrower.The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**48)** The Bank has filed the suit against Anantapur Textiles Limited, vide OA 18 of 2002 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to approximately Rs 10 crore. The Bank has settled its claim for Rs 6.17 crore. Official Liquidator has been appointed over the Banks assets. The Bank is yet to receive its claim monies from the Official Liquidator. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its amounts due.

**49)** The Bank has filed this case against Tauras Enterprises Private Limited, vide OA 83 of 2008 before the Debts Recovery Tribunal, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.76 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal before the Debts Recovery Tribunal.

**50)** The Bank filed an application against Tauras Enterprises Private Limited, vide WP 20706 of 2008 before the Calcutta High Court for obtaining order of stay on sale of the mortgaged property by Punjab National Bank to through SARFESI action. An order of status quo has been passed on the said application. The Bank also filed a writ petition before the Calcutta High Court for non-disposal of the representation of the Bank by the district sub-registrar Vidhannagar to certify regarding the genuineness of the title deeds deposited with the Bank. The said writ petition was disposed off by an order dated September 8, 2009. Tauras Enterprises Private Limited has filed an appeal vide AST No. 96 of 2009, AST No. 940 of 2009 before the Calcutta High Court and the same is pending hearing and final disposal.

**51)** The Bank has filed this case against Tonganagaon Tea Company Private Limited and others, vide TA 729 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 2.00 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**52)** The Bank has filed the suit against Koley Iron & Steel Company Limited, vide TA 67 of 1998 before the Debts Recovery Tribunal Kolkata), for recovery of its dues amounting to approximately Rs 1.64 crore. The Bank has received certain monies out of the sale proceeds of the hypothecated assets of the borrower. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**53)** The Bank has filed this case against Mitra Prakashan Limited, vide OA 109 of 2002 before the Debts Recovery Tribunal Allahabad, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.76 crore. The Debts Recovery Tribunal vide its order dated July 24, 2009 allowed the claim of the Bank. The borrower preferred an appeal before the Debts Recovery Appellate Tribunal challenging the above order of the Debts Recovery Tribunal vide Appeal No. 689 of 2006 and R-717 of 2006. The matter before the Debts Recovery Appellate Tribunal is pending hearing and final disposal.

**54)** The Bank has filed this case against National Tannery Company Limited, vide TS 92 of 1986 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 6.76 crore. The application of the Bank before the Calcutta High Court for transfer of the records of this case to Debts Recovery Tribunal is pending. The matter is pending hearing and final disposal.

**55)** The Bank has filed the suit against BCL Financial Services Limited and others, vide OA no. 95 of 2003 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.72 crore. A Receiver has been appointed and defendants have been restrained from selling / transferring the hypothecated assets. The matter is pending before the Debts Recovery Tribunal for final disposal.

**56)** The Bank has filed this case against Meghalaya Phyto Chemicals Limited, vide TA 71 of 1998 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.71 crore. The Bank by way of a partial settlement dated March 29, 2007 has received Rs 0.30 crore. The matter is pending before the Debts Recovery Tribunal for final disposal.

**57)** The Bank has filed this case against Avodh Exports and another, vide OA No. 92 of 1998 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.04 crore. The matter is pending before the Debts Recovery Tribunal for final disposal.

**58)** The Bank has filed the suit against Sea Food International and others, vide OA 206 of 1998 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 5.00 crore. A Receiver has been appointed and defendants have been restrained from selling / transferring the hypothecated assets. The matter is pending before the Debts Recovery Tribunal for final disposal.

**59)** The Bank has filed the suit against Shree Sitaram Mills Limited, vide TA No 2589 of 1999 before the Debts Recovery Tribunal Bombay, for recovery of its dues amounting to Rs 6.59 crore. The Bank has received certain monies from the Commissioner of Payments. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**60)** The Bank has filed the suit against Koley Biscuits Private Limited, vide TA no. 111 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.11 crore. The Bank's claim has been settled for Rs 2.73 crore on the basis of the interim certificate dated January 19, 2006 issued by the Debts Recovery Tribunal. The Bank has received a sum of Rs 0.22 crore from the Official Liquidator by way of proportionate adhoc disbursement. The matter is pending before the Debts Recovery Tribunal for final disposal.

**61)** The Bank has filed the suit against Swadeshi Cotton Mills Company Limited, vide TA 101 of 2000 before the Debts Recovery Tribunal Delhi, for recovery of its dues amounting to Rs 1.25 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has already received certain monies from Commissioner of Payments against its claim. The case is pending before DRT for final disposal.

**62)** The Bank has filed this case against Punjab Wireless System Limited, vide OA 785 of 2001 before the Debts Recovery Tribunal Chandigarh, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 14.34 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The Debts Recovery Tribunal vide order dated October 31, 2002 has disposed off the matter. The matter is pending before the Recovery Officer for final disposal.

**63)** The Bank has filed the suit against Dhandhania Traders Private Limited, before the Debts Recovery Tribunal Delhi, for recovery of its dues amounting to Rs 3.60 crore. The Bank has already received certain monies out of the SARFESI action against its claim. The case is pending before DRT for final disposal.

**64)** The Bank has filed this case against Hi Tech KK Manufacturing Company, vide OA 52 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 1.58 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**65)** The Bank has filed the suit, against Sen & Pandit Private Limited, vide OA 119 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of dues amounting to Rs 5.55 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has received certain monies by way of one time settlement with the guarantor. The case against the borrower is pending final disposal before Debts Recovery Tribunal.

**66)** The Bank has filed the suit, against Dewrance Macneil Company Limited, vide OA 73 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of dues amounting to Rs 4.82 crore.

The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has received Rs 1.51 crore by way sale of assets of the Company. The Bank has also filed necessary liquidation proceedings before the Calcutta High Court. The case against the borrower is pending final disposal before the Debts Recovery Tribunal.

**67)** The Bank has filed this case against Turnkey International Limited, vide OA no. 3 of 1995 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 6.05 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**68)** The Bank has filed this case against S & P Engineering Products Limited, vide TA 35 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 2.14 crore. The Bank has prayed that a Receiver be appointed over the hypothecated assets and that a certificate of payment of the Bank's dues be granted. The matter is pending hearing and final disposal.

**69)** The Bank has filed the suit against Cleback Boat Company Private Limited, vide TA 89 of 1994 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 2.20 crore. The Bank has received certain monies out of the sale proceeds of the hypothecated assets of the borrower. The matter is pending final disposal before the Recovery Officer for recovery of its balance amounts due.

**70)** The Bank has filed this case against Umatara Tea Company Limited, vide OA 71 of 1994 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 2.10 crore. The parties have settled the claim for a sum of Rs 1.40 crore out of which the Bank has received a sum of Rs 1.30 crore. A Receiver has been appointed for the sale of assets for recovery of the outstanding monies due to the Bank and the same is pending execution.

**71)** The Bank has filed this case against New Red Bank Tea Company Private Limited, vide OA 194 of 1998 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 14.04 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The matter is pending before the Debts Recovery Tribunal for sale of the assets of the borrower through the Official Liquidator.

**72)** The Bank has filed this case against Surendra Nagar Tea Company Limited, vide OA 195 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of outstanding amounts due to the Bank, claiming a sum of Rs 3.51 crore. The parties have settled the claim for a sum of Rs 1.10 crore out of which the Bank has received a sum of Rs 0.16 crore. The matter is pending before the Debts Recovery Tribunal for final disposal.

**73)** The Bank has filed the suit against Paulsons Industrial Works Private Limited, vide TA 30 of 2001 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 2.34 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has received Rs 1.28 crore from the sale of assets of the borrower. The matter is pending final hearing and disposal before the Debts Recovery Tribunal for recovery of its balance amounts due.

**74)** The Bank has filed the suit against Das Reprographics Limited, vide TA 41 of 2002 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 2.10 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Debts Recovery Tribunal for recovery of its dues from the sale proceeds of the assets of the borrower attached by the Official Liquidator.

**75)** The Bank has filed the suit against S. S Industries Limited, vide TA 39 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 21.38 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**76)** The Bank has filed the suit against BTW Veeners Limited, vide TA 38 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 10.37 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**77)** The Bank has filed the suit against Vinar Limited and another, vide TA 9 of 2000 and TA 8 of 2000 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 3.44 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**78)** The Bank has filed the suit against Jai Salasar Trading Company, vide OA No. 66 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 1.64 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Debts Recovery Tribunal for final disposal.

**79)** The Bank has filed the suit against A & M Impex, vide OA 174 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 2.36 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The Bank has prayed that a Recovery Officer be appointed for attaching and sale of the borrower’s assets for recovery of the amount due to the Bank. The case is pending before the Debts Recovery Tribunal for final disposal.

**80)** The Bank has filed the suit against J.P Industries, vide OA 42 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.32 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**81)** The Bank has filed the suit against Om Prakash Gupta and another, vide OA 44 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.56 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**82)** The Bank has filed the suit against Prakash Enterprise, vide OA 41 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.45 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**83)** The Bank has filed the suit against Prakash International, vide OA 43 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 4.44 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**84)** The Bank has filed the suit against Gourimal Lachman Das, vide OA 40 of 2008 before the Debts Recovery Tribunal Kolkata, for recovery of its dues amounting to Rs 5.21 crore. The Bank has alleged that the defendant company failed to observe the terms and conditions based on which the Bank had advanced facilities to the defendant company, in view of which the Bank has filed the above case. The case is pending before the Recovery Officer for final disposal.

**85)** The Bank has filed the suit against Navkar Steels and others, vide OA No. 171 of 2006 before the Debts Recovery Tribunal, Ahmedabad, for recovery of its dues amounting to Rs 1.28 crore. The Bank has alleged that due to failure of the defendants to repay the loan. The Bank has prayed for recovery of the facility and selling the mortgaged properties. The Bank's case was allowed by the Debts Recovery Tribunal vide order dated November 18, 2008. Recovery Certificate is issued and Applicant has been permitted to sell the mortgaged properties for recovery of the dues through Debts Recovery Tribunal and the matter is pending before the Recovery Officer.

**86)** The Bank has filed the suit against Anand Uttam Kadam, vide OA 238 of 2006 before the Debts Recovery Tribunal Mumbai, for recovery of its dues amounting to Rs 3.46 crore. The Bank has alleged that due to failure of the defendants to repay the loan. The Bank has prayed for recovery of the facility and selling the mortgaged properties. The matter is pending before the Debts Recovery Tribunal for final disposal.

**87)** The Bank has filed the suit against Vishal Exports, vide OA 42 of 2009 before the Debts Recovery Tribunal Ahmedabad, for recovery of its dues of the term loan, amounting to Rs 64.82 crore. The Bank has alleged that due to failure of the defendants to repay the loan. The Bank has prayed for recovery of the facility and selling the mortgaged properties. The matter is pending before the Debts Recovery Tribunal for final disposal.

**88)** The Bank has filed the suit along with other consortium banks against Vishal Exports, vide OA 11 of 2008 before the Debts Recovery Tribunal Ahmedabad, for recovery of its dues of the cash credit, amounting to Rs 14.58 crore. The Bank has alleged that due to failure of the defendants to repay the loan. The Bank has prayed for recovery of the facility and selling the mortgaged properties. The matter is pending before the Debts Recovery Tribunal for final disposal.

**(ii)** ***Criminal Proceedings***

**1)** The Bank has filed a case against Ashok Bera and others, vide OC case no 162 of 1995, before the Chief Judicial Magistrate Dibrugot**,** under section 403, 405, 406, 421, 120B of the Indian Penal Code read with section 156(3) of the Code of Criminal Procedure, alleging that the accused had transferred the Bank's securities in violation of the Bank's agreement and without the knowledge of the Bank and has prayed that the accused be punished in accordance with law. The matter is pending hearing and final disposal.

2) The Bank has filed this complaint before the Judicial Magistrate First Class vide Compliant ST no. 1301 of 2006 against Mrs Kamala Kumari alleging that the accused had defaulted in payment of instalments in relation to a loan availed of by the accused. The accused had issued a cheque for an amount of Rs.1lakh in favour of the Bank, which was returned on account of insufficient funds. The Bank has filed this complaint praying for an order for the payment of compensation out of the fine/ penalty amount and other reliefs. The matter is pending hearing and final disposal.

**(iii)** ***Tax Proceedings***

As at February 6, 2010, the Bank is involved in approximately 18 disputes in relation to income tax claims that are pending before various forums in respect of tax amounts aggregating approximately Rs 230.92 crore. Brief descriptions of these cases are provided below.

**1)** The Bank has filed an appeal before the Income Tax Appellate Tribunal Kolkata (ITA No. 1065/K/09) against the order passed by Commissioner of Income Tax (Appeals) dated March 30, 2009, contending that the Commissioner of Income Tax (Appeals) erred in disallowing writing back of depreciation on investment and disallowing other expenses for the Assessment Year 1997-1998. The quantum involved in this litigation is approximately Rs 16.49 crore. The matter is pending hearing and final disposal.

**2)** The Bank has filed an appeal before the Income Tax Appellate Tribunal Kolkata (ITA No. 1066/K/09) against the order of the Additional Commissioner of Income Tax. The Additional Commissioner of Income Tax passed an order dated March 26, 2001 disallowing deduction in respect of written back appreciation on investment, other expenses, write off of bad debt, addition of dividend income. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) against the order passed by Additional Commissioner dated March 26, 2001. The Commissioner of Income Tax (Appeals) in its order dated March 30, 2009 partly disallowed the appeal. The Bank preferred an appeal before the Income Tax Appellate Tribunal against the order passed by Commissioner of Income Tax (Appeals) contending that Commissioner of Income Tax (Appeals) erred in not deleting appreciation on investment, disallowing other expenses, addition of dividend income, disallowing write-off of non-rural bad debt for Assessment Year 1998-1999. The quantum involved in this litigation is approximately Rs 8.83 crore. The matter is pending hearing and final disposal.

**3)** The Bank filed an appeal before the Income Tax Appellate Tribunal, Kolkata, (ITA No. 1067/K/09) against the order of Commissioner of Income Tax (Appeals) relating to disallowances for other expenses, exemption from dividend income, bad debt write off Assessment Year 1999-2000. The quantum involved in this litigation is approximately Rs 4.41 crore. The matter is pending hearing and final disposal.

**4)** The Commissioner of Income Tax (Appeals) in its order dated February 28, 2007 did not allow deduction, for Assessment Year 2001-2002, in respect of write-off of bad debt for non rural branches for Rs 61.01 crore, provision for doubtful investment for Rs 13.74 crore, expenditure in relation to income for Rs 0.16 crore and bad debt realization of non rural branches for Rs 4.61 crore. The Bank preferred the present appeal before the Income Tax Appellate Tribunal, Kolkata (ITA 1099/K/07) against the order passed by Commissioner of Income Tax (Appeals) dated February 28, 2007. The quantum involved in this litigation is approximately Rs 31.45 crore. The matter is pending hearing and final disposal.

**5)** The Bank has filed a case before the Income Tax Appellate Tribunal Kolkata (ITA No.1178/K/07). The Bank had filed an appeal Commissioner of Income Tax (Appeals) contending that the Assessing Officer erred in disallowing claim for bad debt write off of non – rural branches, expenses in relation to international division and amortization expenses for Assessment Year 2003-2004. The Commissioner of Income Tax (Appeals) passed an order dated February 28, 2007 partly dis-allowing the appeal. The present appeal has been preferred challenging the Commissioner of Income Tax (Appeals) order dated February 28, 2007. The quantum involved in this litigation is approximately Rs 18.83 crore. The matter is pending hearing and final disposal.

**6)** The Bank has filed this appeal, before the Income Tax Appellate Tribunal Kolkata (ITA No.2004/K/08), against the order of the Commissioner of Income Tax, dated September 12, 2008, for the Assessment Year

2004-2005, declaring disallowance of bad debt written off for non receipt of Agricultural rural debt relief, claim and write-off of non- performing investment amounting to Rs 12.74 crore and Rs 10 crore respectively on the ground that the expenditures were of capital nature & should have been disallowed by the Assessing Officer. The quantum involved in this litigation is approximately Rs 8.15 crore. The matter is pending hearing and final disposal.

**7)** The Bank has filed this appeal before Income Tax Appellate Tribunal Kolkata (ITA/1497/K/09) against the issues not allowed by the Commissioner of Income Tax (Appeals), in relation to partial disallowance of provision for bad debt & non- rural bad debt write off for the Assessment Year 2004-2005. The quantum involved in this litigation is approximately Rs 51.58 crore. The matter is pending hearing and final disposal.

**8)** The Bank has preferred an appeal before Income Tax Appellate Tribunal Kolkata (ITA No. 1498/K/09) against the order of the Commissioner of Income Tax (Appeals) dated June 22, 2009 partly dis-allowing the matter that the Assessing Officer erred in disallowing bad debt write-off of non- rural branches, and charging of interest for Assessment Year 2006-2007. The quantum involved in this litigation is approximately Rs 45.58 crore. The matter is pending hearing and final disposal.

**9)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy. Commissioner of Income Tax dated September 15, 2009 against wrongful calculation of interest on the refund amount for the Assessment Year 1991-1992. The matter is pending hearing and final disposal.

**10)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy. Commissioner of Income Tax dated September 15, 2009 against wrongful calculation of interest on the refund amount for the Assessment Year 1997-1998. The matter is pending hearing and final disposal.

**11)** The Bank has preferred this appeal vide Appeal no. (307/CIT Appeal/VI/07-08/Cir-6/Kol) against the order of the Assessing Officer dated December 24, 2007 for Assessment Year 2005-2006 challenging that the Assessing Officer while passing the order had added provision written back claimed against fraud & dacoity, temporary advance & suspense a/c for Rs 1.71 crore. The Assessing Officer further disallowed entrance fees paid to club, notional expenditure, loss on sale of furniture for a total amount of Rs 9.55 crore. The Assessing Officer has allowed provision for bad debt for Rs 106.61 crore instead of Rs 111.79 crore, thereby reducing the claim to the extent of Rs 5.18 crore. The non-rural w/o of bad debt was not considered by Assessing Officer & consequent to that claim of Rs 102.87 crore not allowed by the Assessing Officer. The Assessing Officer did not allow temporary advance to tax written back Rs 0.3 crore which was offered for tax in earlier years & he charged interest for Rs 3.78 crore wrongly. The quantum involved in this litigation is approximately Rs 44.93 crore. The matter is pending hearing and final disposal.

**12)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy Commissioner of Income Tax dated January 8, 2008 against wrongful calculation of interest on the refund amount for the Assessment Year 2005-2006. The matter is pending hearing and final disposal.

**13)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy Commissioner of Income Tax dated September 16, 2009 against wrongful calculation of interest on the refund amount for the Assessment Year 2004-2005. The matter is pending hearing and final disposal.

**14)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy Commissioner of Income Tax dated October 7, 2009 against wrongful calculation of interest on the refund amount for the Assessment Year 2003-2004. The matter is pending hearing and final disposal.

**15)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Assistant Commissioner of Income Tax dated March 26, 2007. Assistant Commissioner of

Income Tax disallowed bad debt written off, brought forward unabsorbed depreciation and provisions under different heads in his order for the Assessment Year 2002-2003. The quantum involved in this litigation is approximately Rs 0.67 crore. The matter is pending hearing and final disposal.

**16)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Assistant Commissioner of Income Tax dated January 18, 2007 against wrong charging of interest in the order for the Assessment Year 2002-2003. The matter is pending hearing and final disposal.

**17)** The Bank has preferred this appeal, before the Commissioner of Income Tax (Appeals), challenging the order of the Dy Commissioner of Income Tax against wrongful calculation of interest on the refund amount for the Assessment Year 2001-2002. The matter is pending hearing and final disposal.

**18)** The Bank has filed this appeal, before the Commissioner of Income Tax (Appeals), against the order of the Dy Commissioner of Income Tax dated March 30, 2009 challenging that the interest calculation in the order for the Assessment Year 1997-1998. The matter is pending hearing and final disposal.

***Interest Tax and Service Tax***

As at February 6, 2010, the Bank is involved in 3 disputes in relation to interest tax and service tax claims that are pending before various forums in respect of tax amounts aggregating approximately Rs 1.42 crore. Brief descriptions of these cases are provided below.

**1)** The Bank has filed this appeal before the Income Tax Appellate Tribunal Kolkata (Appeal No. Interest Tax/ITA/4/K/08) against the order of the Commissioner of Income Tax (Appeals) dated February 4, 2008. The Bank has alleged that the Commissioner of Income Tax (Appeals) erred in law and in facts by not allowing deduction of interest on bad-debts written off and interest in debentures and bonds for the Assessment Year 1998-1999. The quantum involved in this litigation is approximately Rs 0.52 crore. The matter is pending hearing and final disposal.

**2)** The Bank has preferred this appeal before the Income Tax Appellate Tribunal Kolkata (Interest Tax/ITA/5/K/08) against the order of the Commissioner of Income Tax (Appeals) dated February 4, 2008. The Bank has alleged that the Commissioner of Income Tax (Appeals) erred in law and in facts by not allowing deduction of interest on bad-debts written off and interest in debentures and bonds for the Assessment Year 1999-2000. The quantum involved in this litigation is approximately Rs 0.52 crore. The matter is pending hearing and final disposal.

**3)** A show cause notice was issued by Additional Commissioner Service Tax (Kolkata), on April 11, 2008 demanding service tax amounting to Rs 0.19 crore under the category of Business Auxiliary Services for the fees for co-branded credit card. The Bank in its reply to the above notice stated that the said services were not subject to service tax. The Additional Commissioner passed an order on February 27, 2009 and demanded Rs 0.19 crore as well as penalty for the same amount. The Bank preferred this appeal before the Commissioner (Appeals) against the above order. The quantum involved in this litigation is approximately Rs 0.38 crore. The matter is pending hearing and final disposal.

**(iv)** ***Labour and employment cases***

As at February 6, 2010, the Bank has filed approximately 8 proceedings in relation to labour disputes that are pending before various forums in respect of which the financial impact cannot be quantified. These include 2 writ petitions filed against orders passed in original proceedings, 4 Appeals pending before various High Courts and 2 Appeals pending before the Supreme Court of India.

**Cases involving Associates**

**(i) Bangiya Gramin Vikash Bank**

As at January 31, 2010

a. there are 790 cases filed by Bangiya Gramin Vikash Bank in respect of money/ title suits aggregating approximately Rs 0.98 crore.

b. there are 1161 cases filed by Bangiya Gramin Vikash Bank in respect of certificate cases aggregating approximately Rs 2.08 crore.

c. there are 4 cases filed by Bangiya Gramin Vikash Bank in respect of recovery cases for dues aggregating approximately Rs 0.29 crore.

**(ii) Assam Gramin Vikash Bank**

As at January 31, 2010,

a. there are 9660 cases filed by Assam Gramin Vikash Bank in respect of certificate cases aggregating approximately Rs 4.68 crore.

**(iii) Tripura Gramin Bank**

As at January 31, 2010,

a. there are 240 cases filed by Tripura Gramin Bank in respect of money/ title suits aggregating approximately Rs 0.17 crore.

b. there are 804 cases filed by Tripura Gramin Bank in respect of certificate cases aggregating approximately Rs 1.97 crore.

**(iv) Manipur Rural Bank**

**Litigation**

As at January 31, 2010there are NIL cases.

***Cases against our Chairman and Managing Director***

1) Our Chairman and Managing Director has been impleaded as a defendant in a suit filed before the Civil Judge Ahmedabad, for alleged breach of the terms and conditions of the loan agreement and for loss suffered due to non disbursement of the loan amount.

2) Our Chairman and Managing Director has been impleaded as a defendant in 2 suits filed at Civil Court, Kolkatta, wherein it is contended that the properties mortgaged to the Bank are subject to leases.

3) There are 30 labour cases pending before various forums in which our Chairman and Managing Director has been made a party along with the Bank, in official capacity. These cases have been filed by petitioners/workmen, *inter alia*, for setting aside dismissals, for appointments on compassionate grounds, claims for pension, claims for ex-gratia and other retirement benefits, regularizing of service, promotions and other miscellaneous matters.

***Cases against our Directors***

1) Our Executive Director has been impleaded as a respondent in one writ petition filed at High Court, Kolkatta, by Mansi Oils & Grains Private Limited vide W.P No.18850 of 2009 before the Calcutta High Court. The matter is pending hearing and final disposal.

## GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, and no further approvals are required for carrying on our present business.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

***Approvals for the Issue***

1. Letter No. F.No.11/25/2005-BOA dated December 03, 2009 from the Government of India, Ministry of Finance, Department of Financial Services, granting its approval for an issue of 5 crore Equity Shares of face value of Rs. 10 each at a premium to be decided by the Bank.

2. Letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 from the Reserve Bank of India, granting its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

***Approvals for our Business***

***Appointment and remuneration of Directors***

1. Notification No. F.No. 9/16/2008- BO-I dated November 6, 2008 issued by the MoF, GoI in terms of Section 9(3)(a) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clauses 3 (1) and 8(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 appointing Mr. Satish Chander Gupta as Chairman and Managing Director of the Bank, from date of his taking charge of the post for a period up to February 28, 2010, or until further orders, whichever is earlier.

2. Notification No. F.No. 9 / 21/2006 – BO-I dated November 7, 2007 issued by the MoF, GoI in terms of Section 9(3)(a) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 3 (1) and 8(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 appointing Mr. Tejendra Mohan Bhasin as whole time Director (designated as Executive Director) of the Bank for a period of five years from the date his taking over charge of the post or until further orders whichever is earlier .

3. Notification No. F.No. 9 / 7/2007- BO-I dated May 12, 2009 issued by the MoF, GoI in terms of Section 9(3)(b) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 3 (1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Mr. Sanjeev Jindal as a Director of the Bank until further orders.

4. Notification No. F.No. 9/2 /2007 – BO-I dated February 27, 2007 issued by the MoF, GoI in terms of Section 9(3)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 3 (1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Mr. Tulsidas Bandopadhyay as Director of the Bank until further orders.

5. Notification No. F.No. 9/34/2003 – BO-I dated November 23 2007, issued by the MoF, GoI in terms of Section 9 (3) (f) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 9 (1) and (2) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Mr. Suprita Sarkar as the Officer Employee Director on the Board of Directors of the

Bank for a period three years from the date of notification or until he ceases to be an officer of the Bank or until orders, whichever is the earliest.

6. Notification No. F.No. 9/19/2007 – BO-I dated July 15, 2008 issued by the MoF, GoI in terms of Section 9 (3h) and (3-A) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 3 (1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Dr. Naina Sharma as part time non-official Director on the Board of Directors of the Bank for a period three years from the date of notification or until further orders whichever is the earliest.

7. Notification No. F.No. 9/88/2009 – BO-I dated January 13, 2010 issued by the MoF, GoI in terms of Section 9 (3e) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 9 (1) and 9(2) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Mr. Soumitra Talapatra as Workmen Employee Director on the Board of Directors of the Bank for a period three years from the date of notification or until he ceases to be a workman employee of the Bank or until further orders, whichever is the earliest.

***Taxation***

1. Permanent Account No. AAACU5624P issued by the Department of Income Tax, GoI.

2. Certificate of registration (Registration No. B&Fin/ KOL-1/047/UBI) dated August 20, 2001 and allotment of Service Tax Code No AAACU5624PST001 vide letter bearing reference no. V(5) 49/STC/ BFN/ CENIII/03/ 4397 dated December 31, 2009 issued by the Office of the Commissioner of Central Excise, GoI for payment of service tax on services of banking and financial services.

3. Tax Deduction and Collection Account No.(TAN) CALU00170C issued by the Department of Income Tax, GoI.

***Licences and Approvals from the RBI***

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

1. Letter no. DBOD.No.FSC.BC 27/24.01.018/2003-2004 dated September 22, 2003 issued by RBI to all scheduled commercial banks (excluding RRBs and LABs) permitting them to enter into insurance referral business without prior approval of RBI, subject to certain conditions including obtaining approval of the IRDA.

2. Letter dated November 30, 2009 bearing reference no. RBI has granted approval to the Bank for setting up of Representative office in Dhaka, Bangladesh till May 10, 2010 on terms and conditions contained in the letter.

3. Authorised Dealer License dated November 22, 1950 granted by RBI for carrying on activities as a authorised dealer license no. CA/EC/80 alloting the AD Code no. 0310098-1000009, issued to deal in foreign exchange in India under the provisions of Section 6 of the Foreign Exchange Regulations Act, 1999.

***Registration with SEBI***

1. Certificate of Registration dated August 1, 2007 granted by SEBI to the Bank for carrying on activities as a Participant under the SEBI (Depositories and Participants) Regulations 1996 with the Registration Code IN-DP-CDSL- 413-2007 from August 1, 2007 to July 31, 2012.

2. Certificate of Registration dated May 7, 2009 granted by SEBI to the Bank for carrying activities as a Merchant Bank under the (Merchant Banker) Regulations, 1992, Registration No. MB/ INM000002582 valid from 1 October 2008 to September 30, 2011.

3. Certificate of Registration dated September 26, 2007 granted by SEBI to the Bank for carrying on activities as a debenture trustee under the SEBI (Debenture Trustee) Regulations 1993 with the Registration Code IND000000022 valid from 1 August 2007 to July 31, 2010.

4. Certificate of Registration dated January 19, 2010 granted by SEBI to the Bank for carrying on activities as banker to an issue under the SEBI (Bankers to an Issue) Regulations 1994 with the Registration Code INB100000028 valid from December 1, 2009 to November 30, 2012.

***Miscellaneous***

Certificate of Registration certifying that the Bank is enrolled as AMFI Registered Mutual Fund Advisor and has been assigned AMFI Registration No. (ARN) ARN- 33657.

***Licenses and Approvals from Foreign Regulatory Authorities***

1. Bangladesh Bank has granted approval vide its letter no BRPD (P-3) 744(94)/2007-1985 dated July 4, 2007 for setting up of representative office of the Bank at Dhaka.

2. Board of Investment, Government of the People's Republic of Bangladesh has granted permission vide letter No. BOI/R& I-1 (Com)/Branch/1514(60)/04/2179 dated September 6, 2007 to the Bank to open a branch office for a period of three (3) years with effect from the date of permission (September 6, 2007) .

3. Board of Investment, Government of the People's Republic of Bangladesh has converted the permission granted to open the branch office vide letter No. BOI/R& I-1 (Com)/Branch/1514(60)/04/2179 dated September 6, 2007 to the Bank to open a representative office vide letter dated to No. BOI/Representative /1514(60)/04/2817 dated November 20, 2007.

***Approvals applied for and pending***

1. Two applications dated December 18, 2009 filed with the Trade Marks Registry, Kolkata for registration of our logo under class 36 and trade name.

2. The Bank has filed an application on February 5, 2010 for renewal of the license No. 1587006, 2010 issued by Insurance Regulatory and Development Authority ("**IRDA**") in favour of the Bank under the Insurance Regulatory And Development Authority (Licensing of Corporate Agents) Regulations, 2002, to act as Corporate Agents under the Insurance Act, 1938 for a period of three years from February 9, 2007.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

**Authority for the Issue**

Our Board of Directors authorised a fresh issue of 50,000,000 Equity Shares pursuant to a resolution dated December 15, 2009 passed by circulation and confirmed by the Board at its meeting held on December 23, 2009.

The Bank, by its letter dated July 31, 2009 applied to the Government of India for its consent to a fresh issue of 5 crore Equity Shares. The Department of Financial Services, Ministry of Finance, Government of India, has, by its letter dated December 03, 2009 granted its approval for an issue of 5 crore Equity Shares of face value of Rs. 10 each at a premium to be decided by the Bank.

***Prohibition by SEBI, RBI or governmental authorities***

Neither the Bank, nor our Directors or our Associates, nor companies with which our Directors are associated as directors or Promoter, have been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authorities.

Neither the Bank, nor its Directors, its Promoter, Associates, and the companies in which the Bank's Directors are associated as directors, have been declared as a willful defaulter by the RBI or any other governmental authority and except as disclosed in this Red Herring Prospectus there has been no violation of any securities law committed by any them in the past and no such proceedings are pending against any of them.

As of date of the Red Herring Prospectus, our Directors are not associated with the securities market in manner other than as mentioned below:

| Name of the Director | Association with SEBI registered entity |
|---|---|
| Sanjeev Kumar Jindal | Director of IFCI Limited |

**Eligibility for the Issue**

We are eligible to make the Issue in accordance with Regulation 26 (1) of the SEBI Regulations:

Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 states as follows

"26.(1) An unlisted company may make an initial public offering (IPO) of equity shares only if it meets all the following conditions:

(a) The company has net tangible assets of at least Rs. 3 crore in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:

Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;

(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;

Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;

(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);

(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity indicated by the new name; and

(e) 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), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)"

In terms of the certificate issued by M/s S. Ganguli & Associates, M/s Maheshwari & Associates, M/s G.P. Agrawal & Co, M/s Salarpuria Jajodia & Co, M/s Tandon Seth & Co and M/s H.S. Rustagi & Co, Chartered Accountants, dated December 29, 2009, our Bank satisfies the aforementioned eligibility criteria as follows:

(in Rs. Crore)

| **Particulars** | **As on September30, 2009** | **As on March 31, 2009** | **As on March 31, 2008** | **As on March 31, 2007** | **As on March 31, 2006** | **As on March 31, 2005** |
|---|---|---|---|---|---|---|
| Net tangible Assets | 70117.31 | 59557.52 | 51929.33 | 40489.39 | 31978.31 | 27558.15 |
| Monetary Assets | 6216.98 | 6615.18 | 6067.11 | 4379.33 | 2829.25 | 2158.86 |
| Monetory Assets as a percentage of Net Tangible assets | 8.87 | 11.11 | 11.68 | 10.82 | 8.85 | 7.83 |
| Distributable profits for the year | 231.10* | 121.70 | 96.05 | 195.39 | 135.80 | - |
| Net worth | 2769.87 | 2537.83 | 1970.29 | 1884.77 | 1676.18 | 1524.56 |

**Subject to transfer to Statutory Reserve & Capital Reserve to be done at the year end on March 31, 2010*

- *Net tangible assets is defined as the sum of all fixed assets (including capital work in progress and capital advances and excluding intangible assets and revaluation reserves) investments, current assets (excluding deferred tax assets) less current liabilities (including working capital loans), and short term liabilities.*
- *Monetary Assets include cash on hand and bank balances and investments in mutual funds.*

Hence, we are eligible for the Issue under Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Further, in accordance with Regulation 26(4) of the SEBI Regulations, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000.

Further, the Issue is subject to the fulfilment of the following conditions as required by Rule 19(2)(b) SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;

- The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 100 crore; and

- The Issue is made through the Book Building method with allocation of 60% of the Net Issue size to QIBs as specified by SEBI.

**Disclaimer Clause of SEBI**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (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 OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGERS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED DECEMBER 30, 2009 WHICH READS AS FOLLOWS:**

**"WE, THE UNDER NOTED BOOK RUNNING LEAD MANAGERS TO THE ABOVE MENTIONED FORTHCOMING ISSUE STATE AS FOLLOWS:**

**1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

**(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**

**(A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

**(B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

**(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 AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

(3) **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

(4) **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.**

(5) **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

(6) **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.**

(7) **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**

(8) **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. – NOT APPLICABLE**

(9) **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION - NOT APPLICABLE**

(10) **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**

**(11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

**(12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**

**(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND**
**(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**

**(13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

**(14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE ,ETC.**

**(15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

**Note:**

The filing of the Red Herring Prospectus does not, however, absolve the Bank from any liabilities under section 63 or section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Red Herring Prospectus.

**Disclaimer from the Bank and the BRLMs**

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.unitedbankofindia.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the BRLMs Agreement entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and our Bank.

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, at bidding centres or elsewhere.

The Book Running Lead Managers and their respective associates and affiliates may engage in the transaction with and perform services for our Bank in the ordinary course of business and have engaged or may in future engage in commercial banking and investment banking transaction for our Bank for which they have received and may in future receive compensation.

Neither us nor the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Bank and will not issue, sell, pledge, or transfer the Equity Shares of the Bank to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Bank. The Bank, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Bank.

**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, Public Financial Institutions as specified in Section 4A of the Companies Act, State Industrial Development Corporations, Venture Capital Funds (VCFs) registered with SEBI, Insurance Companies registered with Insurance and Regulatory Development Authority, Provident Funds (subject to applicable law) with minimum corpus of Rs. 25 crore and pension funds with minimum corpus of Rs. 25 crore, insurance funds set up and managed by army, navy or airforce of the Union of India and to permitted non residents including FIIs, eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI and eligible foreign investors provided they are eligible under all applicable laws and regulations to hold Equity Shares of the Bank. The Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase 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 the 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 Mumbai, Maharashtra, 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. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Bank since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

***The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act). Accordingly, the Equity Shares will be offered and sold only outside the United States to non-US persons in offshore transactions in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.***

***The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.***

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Until the expiry of 40 days after the commencement of the Issue, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Each purchaser acquiring the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Red Herring Prospectus and such other information, as it deems necessary to make an informed investment decision and that:

1. the purchaser acknowledges that the Equity Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer
2. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not purchased the Equity Shares for the account or benefit of any person in the United Sates or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;
3. the purchaser is not an affiliate of the Bank or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from the Bank or an affiliate thereof in the initial distribution of the Equity Shares;
4. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only in accordance with Regulation S under the Securities Act, or any transaction exempt from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
5. the purchaser is purchasing the Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the Securities Act; and
6. the purchaser acknowledges that the Bank, the BRLM and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Bank, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

**Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE. BSE has given vide its letter dated January 8, 2010, permission to the Bank to use BSE’s name in the Red Herring Prospectus as one of the stock exchanges on which the Bank’s securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. The BSE does not in any manner:

i. warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
ii. or warrant that the 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 his Bank, its promoters, it management or any scheme or project of this Bank;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of the Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

**Disclaimer Clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. NSE has given vide its letter dated January 19, 2010 permission to the Bank to use the Exchange's name in the Red Herring Prospectus as one of the stock exchanges on which the Bank's securities are proposed to be listed. The Exchange has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Bank. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the 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 the Draft Red Herring Prospectus, nor does it warrant that the Bank's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the 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 the Bank's 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 whatever.

**Filing**

**A copy of this Red Herring Prospectus, along with the other 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**

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Bank will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Bank becomes liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Bank and every Director of the Bank who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under regulation 18 (2) of SEBI Regulations as prescribed under Section 73 of the Companies Act.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation of the Basis of Allotment for the Issue.

**Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Central Auditors and grading agencies; and (b) BRLMs, Syndicate Members, Registrar to the Issue, Bankers to the Issue, Domestic Legal Counsel to the Bank, Domestic Legal Counsel to the Underwriters to act in their respective capacities have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Designated Stock Exchange and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Designated Stock Exchange. Our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for filing with the Designated Stock Exchange.

CARE and ICRA the IPO grading agencies engaged by us for the purpose of obtaining IPO grading in respect of this Issue, have given their written consent as experts to the inclusion of their report in the form and context in which they will appear in the Red Herring Prospectus and such consents and reports will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the Stock Exchange(s).

**Expert to the Issue**

Except for the IPO grading reports from ICRA dated February 11, 2010 and CARE dated February 11, 2010, we have not obtained any other expert opinions.

**Expenses of the Issue**

The total expenses of the Issue are estimated to be approximately Rs. [●] crore. The expenses of this Issue include, among others, underwriting and management fees, SCSB's commission/fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be paid by our Bank.

The estimated Issue expenses are as under:

*(in Rs. crore)*

| Activity | Expense* (Rs. in crore) | Expense* (% of total expenses) | Expense* (% of Issue Size) |
|---|---|---|---|
| Lead merchant bankers (including underwriting commission, brokerage and selling commission) | [●] | [●] | [●] |
| Registrars to the issue | [●] | [●] | [●] |
| Advisors | [●] | [●] | [●] |
| Bankers to issues | [●] | [●] | [●] |
| Underwriting commission, brokerage and selling commission | [●] | [●] | [●] |
| Others: | | | |
| - Printing and Stationary | | [●] | [●] |
| - Listing fee | | [●] | [●] |
| - Advertising and marketing expenses | | [●] | [●] |
| - Fee for IPO grading | | [●] | [●] |
| Total estimated Issue expenses | | [●] | [●] |

**To be completed after finalisation of Issue Price*

**Fees Payable to the BRLMs and the Syndicate Members**

The total fees payable to the BRLMs will be as per the appointment letters dated December 15, 2009 to the BRLMs, issued by our Bank, a copy of which is available for inspection at our Head Office.

**Fees Payable to the Registrar to the Issue**

The fees payable by our Bank to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the MoU between our Bank and the Registrar to the Issue dated December 24, 2009.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

**Underwriting commission, brokerage and selling commission on Previous Issues**

Since this is the initial public offer of the Bank, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our incorporation.

**Previous Rights and Public Issues**

Except as disclosed in the "Capital Structure" on page 63 of this Red Herring Prospectus, we have not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

**Previous issues of equity shares otherwise than for cash**

Except as stated in the section titled "Capital Structure" on page 63 of this Red Herring Prospectus, we have not made any previous issues of shares for consideration otherwise than for cash.

**Companies under the same management**

No company under the same management (within the meaning of section 370(1)(B) of the Companies Act) as us has made any capital issue during the last three years.

**Promise v. performance –Associates**

None of our Associates have made any public issues or rights issues in the last ten years.

**Outstanding Debentures, Bond Issues, or Preference Shares**

The Bank has no outstanding debentures. For details on the same see "Financial Indebtedness" on page 369 of this Red Herring Prospectus.

Except as disclosed in "Capital Structure" on page 63 of this Red Herring Prospectus, we have no preference shares or bonds outstanding.

**Stock Market Data for our Equity Shares**

This being an initial public offering of our Bank, the Equity Shares of our Bank are not listed on any stock exchange.

**Mechanism for Redressal of Investor Grievances**

The agreement between the Registrar to the Issue and our Bank provides for retention of records with the Registrar to the Issue for a period of at least three years from the last date of despatch of the letters of allotment, demat credit and 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, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

**Disposal of Investor Grievances**

Our Bank or the Registrar to the Issue or the SCSB in case of ASBA Bidders shall redress routine investor grievances within seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Bank will seek to redress these complaints as expeditiously as possible.

We have also appointed Mr. Bikramjit Shom, Company Secretary of our Bank as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

Bikramjit Shom
United Bank of India
United Tower
11 Hemanta Basu Sarani
Kolkata – 700001.
Tel: (91 33) 2248 1054
Fax: (91 33) 2248 5852
**Email:** investors@unitedbank.co.in

**Change in Auditors**

Save and except as stated below, there have been no changes in the in the auditors of our Bank since last 3 years:

| Year | Name of the Statutory Auditors | Fresh induction during the year | Retired during the year | Reason for change |
|---|---|---|---|---|
| 2006-07 | M/s Bhattacharya Das & Co, M/s Gopal Gupta & Co, M/s D K Chhajer & Co, M/s George Read & Co, M/s Singhvi, Dev & Unni | - | - | - |
| 2007-08 | M/s. S Ganguli & Associates, M/s Maheshwari & Associates, M/s G P Agrawal & Co, M/s Salarpuria Jajodia & Co, M/s Tandon Seth & Co | M/s. S Ganguli & Associates, M/s Maheshwari & Associates, M/s G P Agrawal & Co, M/s Salarpuria Jajodia & Co, M/s Tandon Seth & Co | M/s Bhattacharya Das & Co, M/s Gopal Gupta & Co, M/s D K Chhajer & Co, M/s George Read & Co, M/s Singhvi, Dev & Unni | Completion of term and appointment |
| 2008-09 | M/s. S Ganguli & Associates, M/s Maheshwari & Associates, | M/s. HS Rustagi | - | Appointment |

| | | | | |
|---|---|---|---|---|
| | M/s G P Agrawal & Co, M/s Salarpuria Jajodia & Co, M/s Tandon Seth & Co, M/s. H S Rustagi & Co | &Co. | | |

**Capitalisation of Reserves or Profits**

Our Bank has not capitalised our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 63 of this Red Herring Prospectus.

**Revaluation of Assets**

Except as disclosed in the sections "Risk Factors" and "Financial Information" on page nos. xii and 203 of this Red Herring Prospectus we have not revalued our assets in the last five years.

**Purchase of Property**

Other than as disclosed in this Red Herring Prospectus there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, or the contract was entered into in contemplation of the Issue, or that the Issue was contemplated in consequence of the contract; or

- The amount of the purchase money is not material.

Except as stated in the section titles "Our business - Properties" on page 124 of this Red Herring Prospectus, the Bank has not purchased any property in which any of its Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

**Servicing Behaviour**

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

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

Except statutory benefits upon termination of their employment in our Bank or superannuation, no officer of our Bank is entitled to any benefit upon termination of his employment in our Bank or superannuation.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Bank

## SECTION VII: ISSUE INFORMATION

## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of the Draft Red Herring Prospectus this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, ASBA Bid cum Application Form, the CAN and other terms and conditions as may be incorporated in the other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Our Board of Directors authorised a fresh issue of 5,00,00,000 Equity Shares pursuant to a resolution dated December 15, 2009 passed by circulation and confirmed by the Board at its meeting held on December 23, 2009.

The Bank, by its letter dated July 31, 2009 applied to the Government of India for its consent to a fresh issue of 5 crore Equity Shares. The Department of Financial Services, Ministry of Finance, Government of India, has, by its letter dated December 03, 2009 granted its approval for an issue of 5 crore Equity Shares of face value of Rs. 10 each at a premium to be decided by the Bank.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Constitutional Documents and shall rank pari passu with the existing Equity Shares of our Bank including rights in respect of dividend. The Allottees of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Bank after the date of Allotment.

### Mode of Payment of Dividend

The Bank shall pay dividend to its shareholders in accordance with applicable laws.

### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price at the lower end of the Price Band is Rs. [•] per Equity Share and at the higher end of the Price Band is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

### Compliance with SEBI Regulations

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared. However, the declaration of dividend by the Bank is subject to certain restrictions. Please refer to the restrictions on the payment of dividend in the section titled "Regulation and Policies - Restrictions on Payment of Dividends" on page 172 of this Red Herring Prospectus;

- Right to attend general meetings and exercise voting powers, unless prohibited by law. The Bank Acquisition Act states that no shareholder of the Bank, other than the GoI shall be entitled to exercise voting rights in respect of the shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank. However, the power of shareholders to exercise voting rights is subject to certain restrictions. For information on restrictions on the power of shareholders to exercise voting rights, please refer to the section titled "Regulation and Policies - Restriction on Share Capital and Voting Rights" on page 173 of this Red Herring Prospectus;
- Right to vote on a poll either in person or by proxy;
- Right of free transferability shall be subject to the provisions of section 3(2D) of the Bank Acquisition Act and Regulations 17 and 19 of the Bank Regulations. However, the right of free transferability is subject to certain restrictions. For information on these restrictions, please refer to section titled "Main Provisions of Constitutional Documents" on page of the 457 is Red Herring Prospectus; and
- Such other rights, as may be available to a shareholder of a corresponding new bank under the Banking Regulation Act, our Constitutional Documents and under the listing agreements executed with the Stock Exchanges. However, please note that not all rights available to shareholders of a company are available to the shareholders of a corresponding new bank. For information on these rights, please see the section titled "Regulations and Policies – Comparative Table of Rights of Shareholders under the Companies Act, 1956 and under Regulations applicable to Corresponding New Banks" on page 126 of this Red Herring Prospectus. For a detailed description of the main provisions of our Constitutional Documents relating to voting rights, dividend, forfeiture and lien, transfer and transmission, please refer to the section titled "Main Provisions of Constitutional Documents" on page 457 of this Red Herring Prospectus.

**Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Regulations, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum Allotment of [•] Equity Shares.

**Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Kolkata.

**Nomination Facility to Investor**

In terms of Regulation 24 of the draft United Bank of India (Shares and Meetings) Regulations, 2009, the executors or administrators of a deceased shareholder in respect of an Equity Share, or the holder 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 recognized by the Bank as having title to such Equity Share. In the case of Equity 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 probate or letters of administration with or without the will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the Equity Shares or a person in whose favour a valid instrument of transfer of Equity Shares was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by the Bank as having title to such Equity Share. Notwithstanding the above, since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their 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, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Bank shall forthwith refund the entire subscription amount received. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

Further in terms of Regulation 26(4) of the SEBI Regulations, our Bank shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will be not less than 1,000. If the number of allottees in the proposed Issue is less than 1,000 allottees, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Bank become liable to refund the subscription amount (i.e., 60 days from the Bid Closing Date), our Bank shall pay interest prescribed under Section 73 of the Companies Act.

**Subscription by Eligible Non Resident**

There is no reservation for any Non Residents including NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investor registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

The shareholding of Non Residents in the Bank cannot exceed 20% of the paid up capital of the Bank in terms of section 3(2D) of the Bank Acquisition Act. For public sector banks, RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. . In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

**The Equity Shares have not been and will not be registered under 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 and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**Withdrawal of the Issue**

Our Bank in consultation with the BRLMs reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. If our Bank withdraws from the Issue, it shall issue a public notice within two days of the closure of the Issue. The notice shall be issued in the same newspapers where the pre-Issue advertisements have appeared and our Bank shall also promptly inform the Stock Exchanges. If our Bank withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, it shall file a fresh draft red herring prospectus with the SEBI.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for after Allotment.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, our Bank will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after our Bank become liable to repay it, i.e. from the date of withdrawal, then our Bank, and every Director of our Bank who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

In terms of the SEBI Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

**Arrangement for disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

**Restriction on transfer of shares**

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See "Main Provisions of our Constitutional Documents" on page 457 of this Red Herring Prospectus.

## ISSUE STRUCTURE

Issue of 5,00,00,000 Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] crore. The Issue comprises a Net Issue of 4,75,00,000 Equity Shares to the public and a reservation of 25,00,000. Equity Shares for Eligible Employees. The Issue and the Net Issue will constitute 15.80% and 15.01% respectively of the post Issue paid up capital of the Bank.

The Issue is being made through the 100% Book Building Process.

| | QIB** | Non-Institutional Bidders | Retail Individual Bidders | Employee Reservation Portion |
|---|---|---|---|---|
| Number of Equity Shares | At least 2,85,00,000 Equity Shares | Not less than 4,750,000 Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Retail Individual Bidders. | Not less than 1,42,50,000 Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders. | Up to 25,00,000 Equity Shares. |
| Percentage of Issue Size available for Allotment/allocation** | At least 60% of Net Issue being allocated. However, not less than 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. | i. Not less than 10% of the Net Issue or<br>i. Net Issue available for allocation less allocation to QIB and Retail Individual Bidders | i. Not less than 30% of Net Issue or<br>i. Net Issue available for allocation less allocation to QIB Bidders and Non-Institutional Bidders. | Up to 5% of the Issue |
| Basis of Allotment/Allocation if respective category is oversubscribed | Proportionate as follows:<br>(a) 14,25,000Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and<br>(b) 2,70,75,000 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate | Proportionate | Proportionate*** |
| Minimum Bid | 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 | [•] Equity Shares |

| | QIB** | Non-Institutional Bidders | Retail Individual Bidders | Employee Reservation Portion |
|---|---|---|---|---|
| Maximum Bid | Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits. | Such number of Equity Shares not exceeding the Net Issue subject to applicable limits. | Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000. | Such number of Equity Shares not exceeding the Issue subject to applicable limits. The Eligible Employees Bid amount can not exceed Rs. 1,00,000. |
| Mode of Allotment | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. |
| Bid Lot | [•] Equity Shares and in multiples of [•] Equity Shares thereafter. | [•] Equity Shares and in multiples of [•] Equity Shares thereafter. | [•] Equity Shares and in multiples of [•] Equity Shares thereafter. | [•] Equity Shares and in multiples of [•] Equity Shares thereafter. |
| Allotment Lot | [•] Equity Shares and in multiples of 1 Equity Share thereafter | [•] Equity Shares and in multiples of 1 Equity Share thereafter | [•] Equity Shares and in multiples of 1 Equity Share thereafter | [•] Equity Shares and in multiples of 1 Equity Share thereafter. |
| Trading Lot | One Equity Share | One Equity Share | One Equity Share | One Equity Share |
| Who can Apply **** | Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, FIIs and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or a foreign individual, venture capital funds registered with SEBI, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with Insurance | Resident Indian individuals, Eligible NRIs, HUF (in the name of *karta*), companies, corporate bodies, scientific institutions, societies, trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals. | Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta) | Eligible Employee as on Bid/ Issue Closing Date |

| | QIB** | Non-Institutional Bidders | Retail Individual Bidders | Employee Reservation Portion |
|---|---|---|---|---|
| | Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25,00,00,000 and pension funds with minimum corpus of Rs. 25,00,00,000 in accordance with applicable law and National Investment Fund set up by Government of India and insurance funds set up and managed by army, navy or airforce of the Union of India. | | | |
| Terms of Payment | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. | Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form. # | Amount applicable at the time of submission of Bid cum Application Form depending upon the Payment Method. # | Amount applicable at the time of submission of Bid cum Application Form depending upon the Payment Method.# |
| Margin Amount | At least 10% of Bid Amount***** | Full Bid Amount on bidding# | Full Bid Amount on bidding# | Full Bid Amount on bidding# |

*** Subject to valid Bids being received at or above the Issue Price. In accordance with Rule 19(2)(b) of the SCRR, the Net Issue being less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. However, if the aggregate demand from Mutual Funds is less than 14,25,000Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 25,00,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.**

**** Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion at the discretion of the BRLMs and the Bank. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Bank.**

***** In case the Bid cum Application Form or ASBA Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

****** After the Bid/ Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from the QIB Bidders.*

*# In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.*

**Withdrawal of the Issue**

Our Bank in consultation with the BRLMs reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason thereof. If our Bank withdraws from the Issue, it shall issue a public notice within two days of the closure of the Issue. The notice shall be issued in the same newspapers where the pre-Issue advertisements have appeared and our Bank shall also promptly inform the Stock Exchanges. If our Bank withdraws the Issue after the Bid/Issue Closing Date and thereafter determines that it will proceed with an initial public offering of its Equity Shares, it shall file a fresh draft red herring prospectus with the SEBI.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for after Allotment.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, our Bank will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after our Bank become liable to repay it, i.e. from the date of withdrawal, then our Bank, and every Director of our Bank who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

**Letters of Allotment, refund orders or instructions to SCSBs**

Our Bank shall credit the Equity Shares to the valid beneficiary account with its Depository Participants within two Working Days from the date of the Allotment to all successful Allottees including ASBA Bidders which in any event shall not exceed 15 days of the Bid/Issue Closing Date. Please note that only Bidders having a bank account at any of the centres where the clearing houses for the ECS as notified by the RBI are eligible to receive refunds or payment through electronic transfer of funds. For all other Bidders, including Bidders having bank accounts in the said centres who have not updated their bank particulars along with the nine-digit MICR code, the refund orders shall be dispatched within 15 days of the Bidding/Issue Closing Date "Under Certificate of Posting" for refund orders less than or equal to Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

In case of ASBA Bidders, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant Public Issue Account to the extent of the Bid Amount specified in the ASBA for withdrawn, rejected or unsuccessful or partially successful ASBAs within 15 days of the Bid/Issue Closing Date.

**Interest in case of delay in dispatch of Allotment Letters/ Refund Orders or instructions to SCSBs**

In accordance with the requirements of the Stock Exchanges and SEBI Regulations, our Bank undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Bid/Issue Closing Date;
- Instructions to SCSBs to unblock the funds in the relevant Public Issue Account for withdrawn rejected or unsuccessful Bids shall be made within 15 days of the Bid/Issue Closing Date.

- It shall pay interest at 15% p.a. if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date or if instructions to SCSBs to unblock funds in the Public Issue Accounts are not given within 15 days of the Bid/Issue Closing Date. Our Company will provide adequate funds required for dispatch 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 any one or more of the Escrow Collection Banks/ Refund Banker(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

In case of ASBA Bidders, the SCSBs will unblock funds in the Public Issue Accounts to the extent of the refund to be made based on instructions received from the Registrar to the Issue.

**Bidding/Issue Programme**

| | |
|---|---|
| **BID/ISSUE OPENS ON** | **TUESDAY, February 23, 2010** |
| **BID/ISSUE CLOSES ON** | **THURSDAY, February 25, 2010** |

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs **except that on the Bid/ Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 4.00 p.m. in case of Bids by QIBs bidding in the QIB Portion and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000; and (ii) until 5.00 p.m in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000 and Eligible Employees Bidding under the Employee Reservation Portion, where the Bid Amount is up to Rs. 1,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Managers to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders, are advised to submit their Bids one Working Day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. If such Bids are not uploaded, our Bank, the Book Running Lead Managers and the Syndicate Members shall not be responsible. Bids will only be accepted on Working Days. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and BSE.

Investors please note that as per letter no. List/smd/sm/2006 dated July 03, 2006 and letter no. NSE/IPO/25101-6 dated July 06, 2006 issued by BSE and NSE respectively, Bids and any revision in Bids shall not be accepted on Saturdays and Holidays as declared by the exchanges.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic ASBA Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

The Bank, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date.

**In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs at the terminals of the Syndicate**

# ISSUE PROCEDURE

***Book Building Procedure***

The Issue is being made through the 100% Book Building Process wherein atleast 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further upto 25,00,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders, may participate in this Issue through ASBA under which the corresponding Bid Amount shall be blocked in their respective Account by the Self Certified Syndicate Banks.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be procured and submitted only through the BRLMs or their affiliate syndicate members. In case of QIB Bidders, the Bank in consultation with the BRLMs may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for such rejection shall be provided to such Bidder in writing. In case of Employee Reservation Portion, Non-Institutional Bidders and Retail Individual Bidders our Bank would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

**Bid cum Application Form**

Bidders shall only use the specified Bid cum Application Form for the purpose of making a Bid. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the Designated Stock Exchange, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Bank to make the necessary changes in 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 the 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 |
|---|---|
| Resident Indians and Eligible NRIs applying on a non-repatriation basis | White |
| Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis | Blue |
| Eligible Employees | Pink |

The physical ASBA Bid Cum Application Form shall be in white in colour.

**Who can Bid?**

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this issue;
- Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and regulations, as applicable);
- FIIs and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 25 crore and who are authorised under their constitution to hold and invest in equity shares;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.
- Foreign Venture Capital Investors registered with SEBI;
- Multilateral and bilateral development financial institutions;
- National Investment Fund set up by Government of India;
- Insurance funds set and managed by the army, navy or airforce of the Union of India and;

- Eligible Employees.

As per the existing regulations, OCBs cannot participate in this Issue.

**Participation by Associates of BRLMs and Syndicate Members**

The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

*Bids by Mutual Funds*

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

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.

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.

*Bids by Eligible Non Residents*

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the 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. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

*Bids by Eligible NRIs*

1. Bid cum Application Forms have been made available for Eligible NRIs at our Registered Office and with members of the Syndicate.

2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

In accordance with the SEBI Regulations, Non-Resident can subscribe to this Issue under the ASBA process.
Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue paid-up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital, in case such sub-account is a foreign corporate or an individual.

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the 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 foreign investment 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. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI Registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

**The above information is given for the benefit of the Bidders. The Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

**Bids under Employee Reservation Portion by Eligible Employees:**

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made in the prescribed Bid cum Application Form or Revision Form or ASBA Bid cum Application Form;
- Only Eligible Employees (as defined in the "Definitions" section on page I of this Red Herring Prospectus) would be eligible to apply in this Issue under the Employee Reservation Portion;
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form;
- The sole/ first Bidder shall be the Eligible Employee as defined above;
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category;
- The Bids must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The allotment in the Employee Reservation portion will be on a proportional basis;
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the

bidding options can apply at Cut-Off Price.;

- The maximum bid under Employee Reservation Portion by an Eligible Employee cannot exceed Rs. 100,000;

- Bid/ Application by Eligible Employees can also be made in the "Net Issue" portion and such Bids shall not be treated as multiple bids;

- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue;

- If the aggregate demand in this category is greater than 25,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled "Basis of Allotment" on page 437 of this Red Herring Prospectus.

- Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Bank and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion; and

- In accordance with the SEBI Regulatios Eligible Employees can subscribe to this Issue under the ASBA process.

*Maximum and Minimum Bid Size*

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given 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 Other Bidders (Non-Institutional Bidders and QIBs):** 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 Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin Amount upon submission of Bid.**

(d) **For Employee Reservation Portion:** 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. The Cut-Off Price option is an option given to the Eligible Employees indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process. The Allotment in the Employee Reservation Portion will be on a proportionate basis. The Bids by Eligible Employees can not exceed an amount of Rs. 1,00,000.

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 QIBs are not allowed to Bid at 'Cut-Off Price'.

**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 or regulation or as specified in this Red Herring Prospectus.**

**Information for the Bidders:**

(a) Our Bank will file the Red Herring Prospectus with the Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids.

(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/Issue Opening Date, Bid/Issue Closing Date and Price Band in the Red Herring Prospectus with the Designated Stock Exchanges and also publish the same in two national newspapers (one each in English and Hindi) and in one Bengali newspaper with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XIII of the SEBI Regulations, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 date January 25, 2005. The Price Band and the minimum bid lot will be decided by the Bank in consultation with the Book Running Lead Manager and advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Bengali language at least two working days prior to the Bid/Issue Opening Date. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bid/Issue Period shall be for a minimum of three working days and shall not exceed seven working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Bengali newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(c) During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment 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 paragraph titled "Build up of the Book and Revision of Bids".

(f) The members of the Syndicate 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 Bid/Issue 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, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 421.

*Bids at Different Price Levels and Revision of Bids*

(a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share, Rs. [●] being the Floor Price Band and Rs. [●] being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re.1 (One). The Price Band and the minimum bid lot will be decided by the Bank in consultation with the Book Running Lead Manager and advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Bengali language at least two working days prior to the Bid/Issue Opening Date.

(b) Our Bank, in consultation with the BRLMs reserves the right to revise the Price Band, during the Bid/Issue Period in accordance with SEBI Regulations. The cap on the Price Band should not be more than 20% of the Floor Price. 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.

(c) 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.

(d) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders and Eligible Employees, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Refund Account.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account. In any event the Bank, in consultation with the BRLMs shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

*Escrow Mechanism*

Our Bank and the Members of the Syndicate 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 Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. 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 funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Bank, 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 shall with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the applicable Margin Amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure-Payment Instructions" on page 431 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide its QIB Margin Amount only to a BRLMs or Syndicate Members duly authorised by the BRLMs in this regard. Bid-cum-Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until 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 Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date and no later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable 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., Eligible Employees bidding in the Employee Reservation Portion, QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 408 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. QIBs will be required to deposit a margin of 10% at the time of submitting of their Bids.

If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, 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/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Bank shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

For ASBA Process, please refer chapter titled *'Issue Procedure for ASBA Bidders'* on page 444 of this Red Hearing Prospectus.

*Electronic Registration of Bids*

(a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
- Numbers of Equity Shares bid for.

- Bid price.

- Bid cum Application Form number.

- Whether Margin Amount has been paid upon submission of Bid cum Application Form.

- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotment either by the members of the Syndicate or our Bank.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, Members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 340.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank and/or the BRLMs are cleared or approved by BSE and NSE; 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 Promoters, our management or any scheme or project of our Bank.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

*Build Up of the Book and Revision of Bids*

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount 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 revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the Bank in consultation with the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

*Price Discovery and Allocation*

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss the pricing strategy with the Bank.

(b) The Bank in consultation with the BRLMs shall finalise the Issue Price.

(c) The allocation to QIBs will be atleast 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Regulations and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion at the discretion of the BRLMs and the Bank. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Bank. If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

(e) Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(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) Our Bank reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(h) The allotment details shall be put on the website of the Registrar to the Issue.

**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.

(b) After signing the Underwriting Agreement, the Bank would update and file the updated Red Herring Prospectus with the Designated Stock Exchange, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Bank will issue a statutory advertisement 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.

**Filing of the Prospectus with the Designated Stock Exchanges**

We will file a copy of the Prospectus with the Designated Stock Exchanges.

***Announcement of pre-Issue Advertisement***

Subject to Section 66 of the Companies Act, the Bank shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Regulations in two widely circulated newspapers (one each in English and Hindi) and a Bengali newspaper with wide circulation.

***Advertisement regarding Issue Price and Prospectus***

We will issue a statutory advertisement 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 the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

***Issuance of Confirmation of Allocation Note ("CAN")***

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Bank shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or members of the Syndicate will then dispatch a 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 the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount 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 his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

**Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Regulations, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

*Designated Date and Allotment of Equity Shares*

(a) Our Bank will ensure that the Allotment of Equity Shares is done within 15 (fifteen) days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Bank would ensure the credit to the successful Bidders depository account within two working days of the date of allotment.

(b) In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.

(c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ 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 or Non-Resident Bid cum Application Form 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 dematerialised form only;

d) Ensure that the Bids are submitted at the bidding centres 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) All Bidders should mention their Permanent Account Number (PAN) allotted under the IT Act.;

h) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;

i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

**Don'ts:**

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders, for bid amount in excess of Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

*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.

(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) For Retail Individual Bidders, the Bid 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 or equal to Rs. 100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**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.

*Bidder's Depository Account and Bank Account 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 demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the 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 despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Registrar to the Issue nor the Escrow Collection Banks nor the Bank shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

**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.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund Orders/Allocation 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, Escrow Collection Banks 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, which matches the 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.

The Bank in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

***Bids by Non Residents including NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis***

Bids and revision to Bids must be made in the following manner:

1. On the Bid-cum-Application Form or the Revision Form, as applicable, 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 and in the same order as their Depositary Participant Details).

Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation.

***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 US 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. Our Bank will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.***

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

***Bids by Eligible Employees***

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid-at Cut off Price.

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Bank in India who are Indian Nationals or permanent employees of the Bank abroad.

Bids under Employee Reservation Portion by Eligible Employees shall be:

a) Made in the prescribed Bid cum Application Form, Revision Form and ASBA Bid cum Application Form

b) The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed Rs. 1,00,000.

c) The Bids by Eligible Employees can not exceed an amount of Rs. 1,00,000.

d) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid cum Application Form

e) The sole/ first bidder should be Eligible Employees as defined above.

f) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.

g) Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

h) Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price.

i) Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

j) If the aggregate demand in this category is less than or equal to 25,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

k) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Bank and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post-Issue share capital of the Bank.

l) 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. For the method of proportionate basis of allocation, refer to para "Basis of Allotment" on page 437 of this Red Herring Prospectus.

***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 of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 therefore.

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 therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 25 crore (subject to applicable law) and pension funds with minimum corpus of Rs. 25 crore, 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 thereof.

In case of Bids made by mutual fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted 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 therefore.

Our Bank in its absolute discretion, reserves 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 our Bank and the BRLMs may deem fit.

***Payment Instructions***

Our Bank 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/Allotment in the Issue.

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

**Payment into Escrow Account**

1. 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.

2. 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. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (a) In case of Resident QIB Bidders: "Escrow Account- UBIIPO – QIB-R" for deposit of monies collected from QIB-R

    (b) In case of Non Resident QIB Bidders: "Escrow Account- UBIIPO –QIB-NR" for deposit of monies collected from QIB-NR

    (c) In case of Retail and Non-Institutional Bidders: "Escrow Account- UBIIPO - R" for deposit of monies collected from Resident Retail Non-Institutional Bidders

    (d) In case of Retail and Non-Institutional Bidders: "Escrow Account- UBIIPO - NR"- for deposit of monies collected from Non Resident Retail Non-Institutional Bidders

    (e) In case of Eligible Employees: "Escrow Account- UBIIPO- Employee"- for deposit of monies collected from Eligible Employees

5. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation

basis, the payments must be made out of NRO account.

6. In case of Bids by NRIs applying on non-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 Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

7. In case of Bids by FIIs/FVCIs/multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

8. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

9. 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 Public Issue Account with the Bankers to the Issue.

10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

11. 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 Stockinvest*

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest 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.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

*OTHER INSTRUCTIONS*

*Joint Bids in the case of Individuals*

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the

Demographic Details received from the Depository.

*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 this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar to the Issue will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

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.

The Bank reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

**Permanent Account Number or PAN**

The Bidders, 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. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form without the PAN is 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**.

*Our Right to Reject Bids*

In case of QIB Bidders, the Bank in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, our Bank has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

***Grounds for Technical Rejections***

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not given;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders.
- Bids by Eligible Employees exceeding Rs. 1 lac.
- Bids for number of Equity Shares which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members;
- Bid cum Application Forms does not have Bidder’s depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant’s identity (DP ID) and the beneficiary’s account number;

- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by international QIBs not submitted through the BRLMs or their affiliates;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

**Equity Shares In Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialised 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 the Bank, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated September 26, 2007 with NSDL, the Bank and the Registrar to the Issue;

(b) Agreement dated January 2, 2008 with CDSL, the Bank and the 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) 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, Bidders Depository Account Details, 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.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of allotted Equity Shares in the respective beneficiary accounts, refund orders etc.

*DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY*

The Bank shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) 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 Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Bank shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Bank further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;

- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Bid/Issue Closing Date would be ensured; and

- The Bank 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 or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Regulations.

***Impersonation***

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**"Any person who:**

**(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**

**(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

**BASIS OF ALLOTMENT**

**A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 25,00,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment, 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 category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment 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, Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment refer below.

**C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares

**D. For Employee Reservation Portion**

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut off Price.

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 25,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue portion at the discretion of the BRLMs and the Bank.

- 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 multiple of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

- Only Eligible Employees eligible to apply under Employee Reservation Portion.

**Method of Proportionate Basis of Allotment in the Issue**

In the event of the Issue being over-subscribed, the Bank shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [•] Equity Shares per Bidder, the Allotment shall be made as follows:

    - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

    - Each successful Bidder shall be allotted a minimum of [•] Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of 1 (which is the marketable 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 in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

**Illustration of Allotment to QIBs and Mutual Funds ("MF")**

**A. Issue Details**

| Sr. No. | Particulars | Issue details |
|---|---|---|
| 1 | **Issue size** | 20 crore equity shares |
| 2 | Allocation to QIB (60%) | 12 crore equity shares |

| Sr. No. | Particulars | Issue details |
|---|---|---|
| | Of which: | |
| | a. Allocation to MF (5%) | 0.60 crore equity shares |
| | b. Balance for all QIBs including MFs | 11.40 crore equity shares |
| 3 | No. of QIB applicants | 10 |
| 4 | No. of shares applied for | 50 crore equity shares |

**B. Details of QIB Bids**

| S.No | Type of QIB bidders# | No. of shares bid for (in crore) |
|---|---|---|
| 1 | A1 | **5** |
| 2 | A2 | 2 |
| 3 | A3 | 13 |
| 4 | A4 | 5 |
| 5 | A5 | 5 |
| 6 | MF1 | 4 |
| 7 | MF2 | 4 |
| 8 | MF3 | 8 |
| 9 | MF4 | 2 |
| 10 | MF5 | 2 |
| | **Total** | **50** |

# A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

**C. Details of Allotment to QIB Bidders/ Applicants**

(Number of equity shares in crore)

| Type of QIB bidders | Shares bid for | Allocation of 6 crore Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 114 crore Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to MFs |
|---|---|---|---|---|
| **(I)** | **(II)** | **(III)** | **(IV)** | **(V)** |
| A1 | 0.5 | 0 | 1.140 | 0 |
| A2 | 0.2 | 0 | 0.456 | 0 |
| A3 | 1.3 | 0 | 2.964 | 0 |
| A4 | 0.5 | 0 | 1.140 | 0 |
| A5 | 0.5 | 0 | 1.140 | 0 |
| MF1 | 0.4 | 0.12 | 0.912 | 1.032 |
| MF2 | 0.4 | 0.12 | 0.912 | 1.032 |
| MF3 | 0.8 | 0.24 | 1.824 | 2.064 |
| MF4 | 0.2 | 0.06 | .0456 | 0.516 |
| MF5 | 0.2 | 0.06 | 0.456 | 0.516 |
| | **5.0** | **0.6** | **11.4** | **5.164** |

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the

section titled “Issue Structure” on page 408.

2. Out of 12 crore Equity Shares allocated to QIBs, 0.06 crore (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.

3. The balance 1.14 crore Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).

4. The figures in the fourth column titled “Allocation of balance 11.4 crore Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

    - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494;

    - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)] X 114/494; and

    - The numerator and denominator for arriving at allocation of 11.4 shares to the 10 QIBs are reduced by 0.6 shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**PAYMENT OF REFUND**

Bidders must note that on the basis of name of the Bidders, Depository Participant’s name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders’ bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. 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 despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders’ sole risk and neither the Bank, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

*Mode of making refunds*

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the centres where such facility has been made available, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank.

3. RTGS – Applicants having a bank account at any of the centres where the ECS facility has been made available and whose refund amount exceeds Rs. 0.5 crore, have the option to receive refund through RTGS.

Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Letters of Allotment or Refund Orders**

The Bank shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allotment. Applicants residing at centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Bank further undertakes that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and

- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Bank will provide adequate funds required for dispatch 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 a bank appointed by our Bank as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Undertakings**

Our Bank undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by our Bank expeditiously;

- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;

- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.

- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and

- 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.

The 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.

## ISSUE PROCEDURE FOR ASBA BIDDERS

SEBI, by its circular dated July 30, 2008, introduced a new mode of payment in public issues i.e., application supported by blocked amount wherein the application money remains in the ASBA Account until allotment in the public issue. Mode of payment through ASBA became effective on September 1, 2008. On December 30, 2009, SEBI further amended the procedure for payment through ASBA, applicable to all public issues which shall open after January 1, 2010. Since this is a new mode of payment, set forth below is the procedure for bidding under the ASBA procedure, for the benefit of the Bidders.

**This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. The Bank and the BRLMs are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.**

The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/pmd/scsb/pdf. For details on designated branches of SCSB collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI link.

### ASBA Process

All investors except Qualified Institutional Buyers (QIBs) may submit their Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against the allocated shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the BRLMs.

### ASBA Bid cum Application Form

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the code of the Syndicate Member and/or the Designated Branch of SCSB, as the case may be, for the purpose of making a Bid in terms of the Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with SCSB, and accordingly registering such Bids.

- The ASBA Bidders can submit the Bid in ASBA Bid cum Application Form which will be considered for allocation along with the other Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders who have Bid for the Equity Shares at or above the Issue Price or at the Cut-off Price, in the case of Retail Individual Investors and Eligible Employees.

- In the ASBA Bid Cum Application Form, the ASBA Bidder shall, *inter alia*, give the following confirmations/declarations:

(a) That he/she is an ASBA Bidder as per the SEBI Regulations;

(b) That he/she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his/her Bid, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the Public Issue Account after finalization of the basis of Allotment entitling the ASBA Bidder to receive Equity Shares in the Issue etc.; and

(c) That he/she has authorized the Registrar to the Issue to issue instructions to the SCSBs to unblock the funds in the ASBA Account upon finalization of the basis of Allotment and to transfer the requisite money to the Public Issue Account.

- An ASBA Bidder cannot bid under the Issue, either in physical or electronic mode, on another ASBA Bid Cum Application or Bid cum Application Form after bidding on one ASBA Bid Cum Application Form either in physical or electronic mode. Submission of a second ASBA Bid Cum Application Form to either the same or another Designated Branch or a Bid cum Application to the Members of Syndicate will be treated as multiple Bid and will be liable to be rejected either before entering the Bid into the electronic Bidding System, or at any point of time prior to the Allotment of Equity Shares in the Issue.

Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the Designated Stock Exchange, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorized the Bank to make the necessary changes in the Red Herring Prospectus 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 ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be white.

**Who can Bid?**

In accordance with the SEBI Regulations, all investors except Qualified Institutional Buyers (QIBs) are eligible to apply through ASBA in public issues and can submit their application through ASBA process to bid for the Equity Shares of the Bank.

**Maximum and Minimum Bid Size for ASBA Bidders**

The ASBA Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. .

**Information for the ASBA Bidders:**

(a) The BRLMs shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Bid cum Application Form to the controlling branches of the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the BRLMs shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form. SCSBs shall make the same available on their websites.

(b) ASBA Bidders, under the ASBA process, who would like to obtain the Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs or the BRLMs. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.

(c) The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.

(d) ASBA Bid cum Application Forms should bear the code of the Syndicate Member and/or Designated Branch of the SCSB.

(e) ASBA Bidders shall bid for Equity Shares only at or above the FloorPrice or at the Cut-off Price, in the case of Retail Individual Investors and Eligible Employees, as to the number of Equity Shares.

(f) ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch.

(g) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

(h) ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.

**Method and Process of Bidding**

(a) ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Regulations and the Red Herring Prospectus.

(b) The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.

(d) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(e) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(f) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip (“TRS”). The TRS shall be furnished to the ASBA Bidder on request.

(g) An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a

Non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be 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.

**Bidding**

(a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the Floor Price and Rs. [●] being the Cap Price.

(b) In accordance with the SEBI Regulations, the Bank in consultation with the BRLMs reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up and down to the extent 20% of the Floor Price disclosed atleast two days prior to the Bid Issue opening date and the cap price shall be revised accordingly.

(c) In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one Bengali newspaper and also by indicating the change on the websites of the BRLMs, SCSBs and at the terminals of the members of the Syndicate.

(d) The 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 ASBA Bidders.

(e) ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable, the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.

(f) In case of an upward revision in the Price Band, announced as above, the number of Equity Shares bid for shall be adjusted downwards (to the previous multiple lot) for the purpose of allotment, such that no additional amount is required to be blocked in the ASBA Account and the ASBA Bidder is deemed to have approved such revised Bid at Cut-off Price.

**Mode of Payment**

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid Amount paid in cash, by money order or by postal order or by stockinvest, or ASBA Bid cum Application Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI Regulations, into the Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the ASBA Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts until finalisation of the Basis of Allotment in the

Issue and consequent transfer of the Bid Amount against allocated shares to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

**Electronic registration of Bids by SCSBs**

(a) In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless

(i) it has received the ASBA in a physical or electronic form; and

(ii) it has blocked the application money in the ASBA Account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.

(b) The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are advised that high inflow of Bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that are not uploaded may not be considered for allocation.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bidding Period.

(d) At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- Permanent Account Number;
- Number of Equity Shares Bid for;
- Depository Participant identification No.; and
- Client identification No. of the Bidder’s beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

(e) A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder’s responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be Allocated to the ASBA Bidders.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the Stock Exchanges 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 the Bank or the BRLMs or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements;

nor does it take any responsibility for the financial or other soundness of the Bank, its management or any scheme or project of the Bank.

(h) The SCSB may reject the ASBA Bid, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, the Bank would have a right to reject the Bids only on technical grounds.

(i) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, based on the physical records of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

**Build up of the book and revision of Bids**

(a) Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs and the Stock Exchanges on a regular basis.

(d) The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue.

(e) Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ Allotment.

**Price Discovery and Allocation**

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the ASBA Biddersapplied under the non ASBA process to determine the demand generated at different price levels. For further details, refer to the section titled "Issue Procedure" on page 408 of this Red Herring Prospectus.

**Advertisement regarding Issue Price and Prospectus**

After filing of the Prospectus with the Designated Stock Exchange, a statutory advertisement will be issued by the Bank in an English national newspaper, Hindi national newspaper and Bengali newspaper with wide circulation at the place where the registered office of the issuer is situated. 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) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue. Investors should note that the Bank shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and

(b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

**Unblocking of ASBA Account**

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Bid, as the case may be.

**Allotment of Equity Shares**

(a) The Bank will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the bank account of the ASBA Bidders to the Public Issue Account on the Designated Date, to the extent applicable, the Bank would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.

(b) As per the SEBI Regulations, Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allotees. Allotees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Depositories Act and the applicable laws.

**GENERAL INSTRUCTIONS**

***Do's:***

(a) Check if you are a Retail Individual Bidder or an Eligible Employees or a Non-Institutional Bidder and eligible to Bid under ASBA process.

(b) Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.

(c) Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is white in colour).

(d) Ensure that your Bid is at or above the Issue Price or at the Cut-off Price, in the case of Retail Individual Investors and Eligible Employees.

(e) Ensure that you have mentioned only one Bid option with respect to the number of equity shares in the ASBA Bid cum Application Form.

(f) Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

(g) Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Bank or Registrar or Lead Manager to the Issue.

(h) Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.

(i) Ensure that you have mentioned the correct bank account No. in the ASBA Bid cum Application Form.

(j) Ensure that you have funds equal to the number of Equity Shares Bid for at Cut-off Price available in the ASBA Account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.

(k) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.

(l) Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.

(m) Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.

(n) Ensure that the name(s) and PAN given in the ASBA Bid cum Application Form is exactly the same as the name(s) and PAN in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.

(o) Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts:***

(a) Do not submit an ASBA Bid if you are not a Retail Individual Investor or Eligible Employees or a Non-Institutional Bidder.

(d) Do not Bid for lower than the minimum Bid size.

(e) Do not Bid on another ASBA or Non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

(f) Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.

(g) Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.

(i) Do not submit the GIR number instead of the PAN Number.

(j) Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Bids by ASBA Bidders must be:**

(a) Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.

(b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Bid cum Application Form.

(e) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

**ASBA Bidder's depository account and bank details**

**ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, BENEFICIARY ACCOUNT NUMBER AND PAN IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. ADDITIONALLY, PAN IN THE ASBA BID CUM APPLICATION FORM SHOULD BE EXACTLY THE SAME AS PROVIDED WHILE OPENING DEPOSITORY ACCOUNT. IN CASE THE ASBA 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 ASBA BID CUM APPLICATION FORM.**

**ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.**

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**CAN/Allocation advice and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, or the Bank shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be 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 ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

**Payment mechanism under ASBA**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

**ASBA Bids under Power of Attorney**

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, the Bank, in consultation with the BRLMs, reserves the right to reject such ASBA Bids.

The Bank, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that the Bank, in consultation with the BRLMs may deem fit.

**OTHER INSTRUCTIONS**

**Withdrawal of ASBA Bids**

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bid/Issue Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA Bid from the electronic bidding system of the Stock Exchange(s) and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA cum Application Form after the Bid Closing date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Issue before finalization of Basis of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalization of the Basis of Allotment.

**Joint ASBA Bids**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

**Multiple ASBA Bids per ASBA Account**

More than one ASBA Bidders may Bid for Equity Shares using the same ASBA Account provided however, the SCSBs shall not accept more than five ASBA Bids in aggregate from ASBA Bidders with respect to a single ASBA Account.

**Mechanism for revision for ASBA Bids**

During the Bidding period an ASBA Bidders who desires to revise his Bid may submit a request with respect to the revised ASBA Bid to the SCSB, which shall take necessary steps in this respect, including uploading all the revised details of such revised ASBA Bids in the electronic bidding system on the Stock Exchanges.

**Permanent Account Number**

For details, see the section titled "Permanent Account Number or PAN" on page 433 of this Red Herring Prospectus.

**Right to Reject ASBA Bids**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Bank would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

**GROUNDS FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS**

In addition to the grounds listed under "Grounds for Rejections" on page 434 of this Red Herring Prospectus, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for;

2. Bids at a price other than at or above the Issue Price or at the Cut-off Price, in the case of Retail Individual Investors and Eligible Employees;

3. Age of first Bidder not given;

4. Bid made by categories of investors other than Retail Individual Investors and Eligible Employees or a Non-Institutional Bidder;

5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;

6. Authorisation for blocking funds in the ASBA Bidder's bank account not ticked or provided;

7. ASBA Bids accompanied by stockinvest/ money order/ postal order/ cash;

8. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;

9. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or a member of the Syndicate;

10. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and the Red Herring Prospectus;

11. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account; and

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

**COMMUNICATIONS**

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted, bank account number in which the amount equivalent to the Bid amount was blocked and a copy of the acknowledgement slip. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or wilful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. The Bank, the BRLMs, the Syndicate Members and the Registrar accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI Regulations.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

**Disposal of Investor Grievances**

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Bid cum Application Form was submitted by the ASBA Bidders.

**Impersonation**

For details, see section titled “Issue Procedure- Impersonation” on page 436 of this Red Herring Prospectus.

**DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE**

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, the Bank undertakes that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and

- Instructions for unblocking of the ASBA Bidder’s Bank Account shall be made within 15 days from the Bid/Issue Closing Date.

**Basis of Allocation**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders. For details, see section titled “Issue Procedure- Basis of Allotment” on page 437 of this Red Herring Prospectus.

**Method of Proportionate basis of allocation in the Issue**

Bids received from ASBA Bidders will be considered at par with Bids received from other Retail Individual Bidders, Eligible Employees and Non-Institutional Bidders. No preference shall be given vis-à-vis ASBA and other Retail Individual Bidders or Eligible Employees or Non-Institutional Bidders. The basis of allocation to such valid ASBA and other Retail Individual Bidders, Eligible Employees and Non Institutional Bidders, will be that applicable to Retail Individual Bidders, Eligible Employees and Non Institutional Bidders. For details, see section “Issue Procedure- Basis of Allotment” on page 437.

**Undertaking by the Bank**

In addition to the undertakings described under “Issue Procedure - Undertaking by the Bank”, with respect to the ASBA Bidders, the Bank undertakes that adequate arrangement shall be made to consider ASBA Bidders similar to other Bidders while finalizing the basis of allocation.

## 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 the Bank Acquisition Act, 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) of the Bank Acquisition Act 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 or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent, of the paid-up capital, as may be specified by the Central Government by notification in the Official Gazette.

Explanation— for the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals."

Hence, section 3(2D) of the Bank Acquisition Act prescribes that foreign investment in the aggregate is permitted in a corresponding new bank, like our Bank only until 20% under the automatic route. For public sector banks, the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. RBI vide its letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 has granted its approval for allotment of upto 20% of the Bank's paid-up equity shares to NRIs/FIIs in this Issue.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

***The above information is given for the benefit of the Bidders. The Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.***

# SECTION VIII: MAIN PROVISIONS OF CONSTITUTIONAL DOCUMENTS

We were constituted as a "corresponding new bank" in 1970 under the provisions of the Bank Acquisition Act. We are not required to have memorandum and articles of association. Since we were constituted under the Bank Acquisition Act we have provided the salient terms thereof. Further since the Nationalised Banks Scheme 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, 1970 was made by S.O. 3793 dated November 16, 1970 by the Central Government in consultation with the Reserve Bank of India in exercise of the powers conferred by section 9 of the Bank Acquisition Act.

The Bank Regulations were formulated under section 19 of the Bank Acquisition Act by our board of directors in consultation with the Reserve Bank of India, and with the previous sanction of the Central Government.

The Bank Acquisition Act amended section 34A, 36AD and section 51 of the Banking Regulation Act, 1949 and made these sections applicable to corresponding new banks constituted under the Bank Acquisition Act. For details of the applicability of the Banking Regulation Act to corresponding new bank like our Bank see the section titled "Regulations and Policies" on page 126 of this Red Herring Prospectus.

For more details, investors are advised to refer to the complete text of the Bank Acquisition Act, Banking Regulation Act, 1949, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the United Bank of India (Shares and Meetings) Regulations, 2009.

Shareholders and investors in the Bank may note that the rights available to shareholders of a corresponding new bank are more restricted than the rights available to the shareholders of a company incorporated under the Companies Act, 1956. For further details on the restrictions and their potential impact on shareholders of our Bank please refer to the section titled "Risk Factors – External Risk Factors" on page xxvii of this Red Herring Prospectus. The salient features of the same are as below.

**Bank Acquisition Act**

**3. Establishment of corresponding new banks and business thereof**.

(1) On the commencement of this Act, there shall be constituted such corresponding new banks as are specified in the First Schedule.

(2) The paid-up capital or 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 the 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 crore of rupees divided into one hundred fifty crore 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 crore or be less than one thousand five hundred crore, 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 whether by public issue or preferential allotment or private placement, of equity shares or preference shares in accordance with the procedure as may be prescribed, so, however, that the United Government shall, at all times hold not less than fifty-one per cent of the paid-up capital consisting of equity shares of each corresponding new bank:

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued.

(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 or preferential allotment or private placement 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. 1970 (5 of 1970) with the corresponding new bank, such reduction may be done, either prospectively or retrospectively, but not from a date earlier than the date of such amalgamation.

(2BBA) (a) A corresponding new bank may from time to time and after any paid-up capital has been raised by public issue or preferential allotment or private placement under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way.

(b) without prejudice to the generality of the foregoing power the paid-up capital may be reduced by:—

(i) extinguishing or reducing the liability on any of its shares in respect of share capital not paid-up;

(ii) either with or without extinguishing or reducing liability on any of its paid-up shares, canceling any paid-up capital which is lost, or is unrepresented by available assets; or

(iii) either with or without extinguishing or reducing liability on any of its paid-up shares, paying off any paid share capital which is in excess of the wants of the corresponding new bank.

(2BBB) Notwithstanding anything contained in sub-section (2BB) or sub-section (2BBA), the paid-up capital of a corresponding new bank shall not be reduced at any time so as to render it below twenty-five per cent of the paid-up capital of that bank as on the date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995.

(2C) The entire paid-up capital of a corresponding new bank, except the paid-up capital raked from public by public issue under clause (c) of sub-section (2B), shall stand vested in and allotted to the United Government.

(2D) The shares of every corresponding new bank not held by the United Government shall be freely transferable:
Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the

percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.

Explanation— For the purposes of this clause “company” means any body corporate and includes a firm or other association of individuals.

(2E) No shareholder of the corresponding new bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank.

Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares:

Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent of the total voting rights of all the shareholders holding preference share capital only.

(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 as the register) and shall enter therein the following particulars

- (i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;
- (ii) the date on which each Person is so entered as a shareholder;
- (iii) the date on which any Person ceases to be a shareholder; and
- (iv) such other particulars as may be prescribed.

**Provided that nothing in this sub-section shall apply to shares held with a 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 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.

(6) Every corresponding new bank shall establish a reserve fund to which shall be transferred to share premiums and the balance, if any, standing to the credit of the reserve fund of the existing bank in relation to which it is the corresponding new bank, and such further sums, if any, as may be transferred in accordance with the provisions of section 17 of the Banking Regulation Act, 1949 (10 of 1949).

(7)(i) The corresponding new bank shall, if so required by the Reserve Bank, act as agent of the Reserve Bank at all places in India where it has a branch, for-

(a) paying, receiving, collecting and remitting money, bullion any securities on behalf of any Government in India; and

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

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

(iii) If no agreement can be reached on any matter referred to in clause (ii), or if a dispute arises between the corresponding new bank and the Reserve Bank as to the interpretation of any agreement between them, the matter shall be referred to the Central Government and the decision of the United 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 appointed day, the Central Government shall, in consultation with the Reserve Bank, constitute the first Board of Directors of a corresponding new bank, consisting of not more than seven persons, to be appointed by the Central Government, and every Director so appointed shall hold office until the Board of Directors of such corresponding new bank is constituted in accordance with the scheme made under section 9:

Provided that the Central Government may, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, remove a person from the Membership of the first Board of Directors and appoint any other person in this place.

(b) Every Member of the first Board of Directors (not being an officer of the Central Government or of the Reserve Bank) shall receive such remuneration as is equal to the remuneration which a Member of the Board of Directors of the existing bank was entitled to receive immediately before the commencement of this Act.

(4) Until the first Board of Directors is appointed by the Central Government under sub-section (3), the general superintendence, direction and management of the affairs and business of a corresponding new 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 emoluments as he was receiving immediately before such commencement:

Provided that the Central Government may, if the Chairman of an existing bank declines to become, or to continue to function as, a Custodian of the corresponding new bank, or, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, appoint any other person as the Custodian of a corresponding new bank and the Custodian so appointed shall receive such emoluments as the Central Government may specify in this behalf.

(6) The Custodian shall hold office during the pleasure of the Central Government.

8. Corresponding new banks to be guided by the directions of the Central Government
Every corresponding new bank shall, in the discharge of its functions, be guided by such directions in regard to matters of policy involving public interest as the Central Government may, after consultation with the Governor of the Reserve Bank, give.

9. Power of Central Government to make scheme

(1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:—

(a) the capital structure of the corresponding new bank;

(b) the constitution of the Board of Directors, by whatever name called, of the corresponding new bank and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;

(c) the reconstitution of any corresponding new bank into two or more corporations, the amalgamation of any corresponding new bank with any other corresponding new bank or with another banking institution, the transfer of the whole or any part of the undertaking of a corresponding new bank to any other corresponding new bank or banking institution or the transfer of the whole or any part of the undertaking of any other banking institution to a corresponding new bank; (ca) the manner in which the excess number of directors shall retire under the second provison to clause (i) of sub-section (3);

(d) such incidental, consequential and supplemental matters as may be necessary to carry out the provisions of this Act.

(3) Every Board of directors of a corresponding new bank constituted under any scheme made under sub-section (1), shall include—

(a) not more than four 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, possessing necessary expertise arid experience in matters relating to regulation or supervision of commercial banks, to be nominated by the United 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) [***];

(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 United 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 sixteen per cent of the total paid-up capital, one director;

(II) more than sixteen per cent but not more than thirty two per cent of the total paidup capital, two irectors,

(III) more than thirty two per cent of the total paid-up capital, three 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. Provided further that in case the number of directors elected, on or before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, in a corresponding new bank exceed the number of directors specified in sub-clause (I) or sub-clause (II) or sub-clause (III), as the case may be, such excess number of directors elected before such commencement shall retire in such manner as may be specified in the scheme and such directors shall not be entitled to claim any compensation for the premature retirement of their term of office.

(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, he useful to the corresponding new bank;

(B) represent the interests of depositors; or

(C) represent the interests of farmers, workers and artisans.

(3AA) Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or in any other law for the time being in force, no person shall be eligible to be elected as director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

(3AB) The Reserve bank may also specify in the notification issued under sub-section (3AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

(3B) Where the Reserve Bank is of the opinion that any Director of a corresponding new bank elected under clause (i) of sub-section (3) does not fulfill the requirements of sub-sections (3A) and (3AA), 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-sections (3A) and (3AA) 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 or 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).

(6) Every scheme made by the Central Government under this Act shall be laid as soon as may be after it is made, 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 scheme or both Houses agree that the scheme should not be made, the scheme 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 scheme.

**9A. Power of Reserve Bank to appoint additional director**

**(**1) If the Reserve Bank is of the opinion that in the interest of banking policy or in the public interest or in the interests of the corresponding new bank or its depositors, it is necessary so to do, it may, from time to time, by order in writing, appoint, with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the corresponding new bank.

(2) Any person appointed as an additional director in pursuance of this section--

(a) shall hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the Reserve Bank may specify;

(b) shall 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 execution of the duties of his office or in relation thereto; and

(c) shall not be required to hold qualification shares in the corresponding new bank".

**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, employee accountants or other persons to assist him in investigating such accounts, and

(c) may, in relation to such accounts, examine the Custodian or any officer or employee of the corresponding new bank.

(4) Every auditor of a corresponding new bank shall make a report to the Central Government upon the annual balance sheet and accounts and in every such report shall state:

(a) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the corresponding new bank, and in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;

(b) whether or not the transactions of the corresponding new bank, which have come to his notice, have been within the powers of that bank;

(c) whether or not the returns received from the offices and branches of the corresponding new bank have been found adequate for the purpose of his audit;

(d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

(e) any other matter which he considers should be brought to the notice of the United Government.
Explanation I: For the purposes of this Act

(i) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the corresponding new bank, and

(ii) the profit and 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 (1 of 1949), read with the relevant provisions of this Act, or any other Act, not required to disclose; and

(ii) the provisions referred to in clause (i) are specified in the balance sheet and profit and loss account of the corresponding new bank or in the Auditor's report.

(5) The report of the Auditor shall be verified, signed and transmitted to the Central Government.

(6) The Auditor shall also forward a copy of the audit report to the corresponding new bank and to the Reserve Bank.

(7) After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies, a corresponding new bank may out of its net profits declare a dividend and retain the surplus if any.

(7A) Every corresponding new bank shall furnish to the Central Government and to 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, approve and adopt 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 counts.

(3) Nothing contained in this section shall apply during the period for which the Board of directors of a corresponding new bank had been superseded under sub-section (1) of section 18A:
Provided that the Administrator may, if he considers it appropriate in the interest of the corresponding new bank whose Board of directors had been superseded, call annual general meeting in accordance with the provisions of this section.

**10B. Transfer of unpaid or unclaimed dividend to Unpaid Dividend Account**

(1) Where, after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be called "Unpaid Dividend Account of ... (the name of the corresponding new bank)".

Explanation.--In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

(2) Where the whole or any part of any dividend, declared by a corresponding new bank before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, remains unpaid at such commencement, the corresponding new bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains Unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act, 1956(1 of 1956).

(4) The money transferred under sub-section (3) to the Investor Education and Protection Fund shall be utilised for the purposes and in the manner specified in section 205C of the Companies Act,1956(1of 1956).

**11. Corresponding new bank deemed to be an Indian company**
For the purposes of the Income-tax Act, 1961 (43 of 1961), every corresponding new bank shall be deemed to be an Indian company and a company in which the public are substantially interested.

**15. Certain defects not to invalidate acts of proceedings**

(a) All acts done by the Custodian, acting in good faith, shall, notwithstanding any defect in his appointment or in the procedure, be valid.

(b) No act or proceeding of any board of directors or a local board or committee of a corresponding new bank shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, such board or the committee, as the case may be.

(c) All acts done by a person acting in good faith as a director or Member of a local board or Committee of a corresponding new bank shall be valid notwithstanding that it may afterwards be discovered that his appointment was not invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained In any law for the time being in force:

Provided that nothing in this section shall be deemed to give validity to any act by a director or Member of a local board or Committee of a corresponding new bank after his appointment has been shown to the corresponding new bank to be invalid or to have terminated.

**16. Indemnity**

(1) Every custodian of a corresponding new bank and every Officer of the Central Government or of the Reserve Bank and every Officer or other employee of a corresponding new bank, shall be indemnified by such bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as have been caused by his own willful act or default.

(2) A director or Member of a local board or Committee of a corresponding new bank shall not be responsible for any loss or expense caused to such bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the corresponding new bank, or by the insolvency or wrongful act of any customer or debtor, or by anything done in or in relation to the execution of the duties of his office, unless such loss, expense, insufficiency or deficiency was due to any willful act or default on the part of such director or Member.

**16A. Arrangement with corresponding new bank on appointment of directors to prevail**

(1) Where any arrangement entered into by a corresponding new bank with a company provides for the appointment by the corresponding new bank of one or more directors of such Company, such appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association

or any other instrument relating to the Company, and any provision regarding share qualification, age limit, number of directorship, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the corresponding new bank in pursuance of the arrangement as aforesaid.

(2) Any director appointed as aforesaid shall—

(a) hold office during the pleasure of the corresponding new bank and may be removed or substituted by any person by order in writing of the corresponding new bank;

(b) incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement;

(d) have the power to make regulations.

(3) The board of directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by notification in the Official Gazette make regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is of a expedient for the purpose of giving effect to the provisions of this Act.

(4) Until any regulation is made under sub-section (1), the articles of association of the existing bank and every regulation, rule, bye-law or order made by the existing bank shall, if in force at the commencement of this Act, be deemed to be the regulations made under sub-section (1) and shall have effect accordingly and any reference therein to any authority of the existing bank shall be deemed to be a reference to the corresponding authority of the corresponding new bank and until any such corresponding authority is constituted under this Act, shall be deemed to refer to the Custodian.

(5) Every regulation shall, as soon as may be after it is made under this Act by the board of directors of a corresponding new bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

**18A. Supersession of board in certain cases**

(1) Where the Central Government, on the recommendation of the Reserve Bank, is satisfied that in the public interest or for preventing the affairs of any corresponding new bank being conducted in a manner detrimental to the interest of the depositors or the corresponding new bank or for securing the proper management of any corresponding new bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the board of Directors of such corresponding new bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the board of directors may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) The Central Government may, on supersession of the board of directors of the corresponding new bank under sub-section (1), appoint, in consultation with the Reserve Bank, for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.

(3) The Central Government may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the board of directors of the corresponding new bank, notwithstanding anything contained in this Act,--

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the board of directors of such corresponding new bank, or by a resolution passed in general meeting of such corresponding new bank, shall, until the board of directors of such corresponding new bank is reconstituted, be exercised and discharged by the Administrator appointed by the Central Government under sub-section (2):

**Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the corresponding new bank.**

(5) The Central Government may constitute, in consultation with the Reserve Bank, a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Central Government.

(7) The salary and allowances payable to the Administrator and the members of the committee constituted under sub-section (5) by the Central Government shall be such as may be specified by the Central Government and be payable by the concerned corresponding new bank.

(8) On and before the expiration of two months before expiry of the period of supersession of the board of directors as specified in the order issued under sub-section (1), the Administrator of the corresponding new bank, shall call the general meeting of the corresponding new bank to elect new directors and reconstitute its board of directors.

(9) Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the board of directors of the corresponding new bank has been reconstituted.

**Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970**

**3. Constitution of the board**

(i) The director referred to in Clause (e) of sub-section (3) of Section 9 of the Act, shall be nominated by the Central Government from out of a panel of three such employees furnished to it by the representative union, within a date to be specified by the Central Government, which date shall not be more than six weeks from the date of communication made by the Central Government, requiring the representative union to furnish the panel of names:
Provided that where the Central Government is of the opinion that owing to the delay which is likely to occur in the verification and certification of any union or federation as a representative union it is necessary in the interest of the Nationalised Bank so to do, it may nominate any employee of the Nationalised Bank, who is a workman, to be a director of that bank.

(ii) (a) Where there is no representative union, to represent the workman of a Nationalised Bank, or
(b) where such representative union being in existence omits or fails to furnish any panel of names within the specified date, or

(c) where all the persons specified in the panel furnished by the representative union are disqualified whether under item (iii) of this sub-clause or under Clause 10, the Central Government may, at its discretion appoint such workman of the Nationalised Bank, as it may think fit, to be a director of such bank.

(iii) A workman of a Nationalised Bank shall be disqualified for being nominated as a director unless—
(a) he is, and has been serving for a continuous period of not less than five years in the Nationalised Bank; and
(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 charge, in such manner that the directors who have been longest in office since the last nomination, shall retire first and as between persons, who became directors on the same day, those who are to retire, shall, in default of or subject to any agreement among themselves, be decided by the Central Government.

**4A. Manner of retirement of excess elected director**
The number of excess directors shall be determined under the second proviso to clause (i) of subsection 9 of the Act and such number of directors elected by the shareholders (other than the Central Government) equal to the number so determined shall retire, and the order in which the directors shall retire, will begin with the longest serving director:

Provided that if two or more directors have served for the same period of time, the older among the said directors shall retire first.

**5. Chairman**

(1) The Central Government shall, after consultation with the Reserve Bank, appoint one of the directors to be the Chairman of the board.

(2) The Chairman shall preside over the meetings of the board.

**6. Managing director**
The Central Government shall, after consultation with the Reserve Bank, appoint one of the directors referred to in Clause (a) of sub-section (3) of section 9 of the Act to be the Managing Director, who shall be the Chief Executive Officer of the Nationalised Bank and shall exercise the powers and discharge such duties as may be delegated to him by the board.

**7. Same person may hold office as Chairman and Managing director**
The Central Government may, after consultation with the Reserve Bank appoint the same person to hold, at the same time, both the office of the Chairman and the Managing director.

**8. Term of office and remuneration of a wholetime director including Managing director**

(1) A wholetime director, including the Managing director shall devote his whole time to the affairs of the Nationalised Bank and shall hold office for such terms not exceeding five years as the Central Government may, after consultation with the Reserve Bank, specify and shall be eligible for reappointment.

(1-A) Notwithstanding anything contained in sub-clause (1), the Central Government shall have the right to terminate the term of office of a whole-time director, including the Managing director, at any time before the expiry of the term specified under that sub-clause by giving to him a notice of not less than three months, in writing or three months salary and allowances in lieu of notice; and the whole-time director, including the Managing director, shall also have the right to relinquish his office at any time before the expiry of the term specified under that sub-clause by giving to the United Government notice of not less than three months in writing.

(1-B) Any reference to a whole-time director, including the Managing director, in sub-clause (1-A) shall be construed as including a reference to the person holding office as such at the commencement of the Nationalised Banks (Management and Miscellaneous Provision (Second Amendment) Scheme, 1976.

(2) A whole-time director, including the Managing director shall receive from the Nationalised Bank such salary, allowance, fees and perquisites and be governed by such terms and conditions as the Central Government may determine, after consultation with the Reserve Bank.

(3) If a whole-time director including the Managing director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, after consultation with the Reserve Bank, appoint another person to act in his place during his absence.

(4) The Central Government may, if it is satisfied that it is expedient in the interests of the nationalized bank so to do, remove a whole-time director including the Managing director from office:
Provided that no such removal shall be made except after—

(a) consultation with the board, and
(b) giving a reasonable opportunity to the whole-time director including the Managing director, of showing cause against the proposed action.

**9. Term of office of other directors**

(1) A director other than a director referred to in Clause (a) and Clause (i) of sub-section (3) of section 9 of the Act shall hold office during the pleasure of the Central Government.

(2) Subject to the provisions of sub-clause (1),
(a) a director referred to in Clause (e), Clause (f), Clause (g) and Clause (h) of sub-section (3) of section 9 of the Act shall hold office for such term not exceeding three years as the Central Government may specify at the time of his nomination shall be eligible for re-nomination:
(b) a director referred to in Clause (g) and Clause (h) of sub-section (3) of section 9 of the Act shall hold office for such term not exceeding three years as the Government may specify at the time of his nomination and thereafter and shall be eligible for re-nomination:

Provided that no such director shall hold office continuously for a period exceeding six years.

(3) Without prejudice to the provisions of sub-clauses (1) and (2), a director referred to in Clause (b) of sub-section (3) of section 9 of the Act shall retire in the manner specified in Clause 4.

(4) An elected director shall hold office for three years and shall be eligible for re-election: Provided that no such director shall hold office continuously for a period exceeding six years.

**10. Disqualification of directors**
A person shall be disqualified for being appointed as, and for being, a director—

(a) if he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or

(b) if he has been found to be of unsound mind and stands so declared by a competent Court; or

(c) if he has been convicted by a Criminal Court of an offence which involves moral turpitude.

**11. Vacation of office of directors, etc.**
(1) If a director becomes subject to any of the disqualifications specified in Clause 10 or is absent without leave of the board for more than three consecutive meetings thereof he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.

(2) The Chairman or whole-time director including the Managing director or a director referred to in Clause (b) or Clause (c) or Clause (d) of sub-section (3) of section 9 of the Act may resign his office by giving notice thereof in writing to the Central Government and on such resignation being accepted by that Government shall be deemed to have vacated his office; any other director may resign his office by giving notice thereof in writing to the Central Government and such resignation shall take effect on the receipt of the communication of the resignation by the Central Government.

(3) Without prejudice to the provisions of the foregoing sub-clause, the office of a director referred to in Clause (e) or Clause (f) of sub-section (3) of section 9 of the Act shall become vacant as soon as the director ceases to be a workman or an employee, other than a workman of the nationalized bank of which he is a director.

(4) Where any vacancy occurs in the office of a director, other than an elected director, it shall be filled in accordance with sub-section (3) of section 9 of the Act.

**11-A. Removal from office of an elected director**
The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected under Clause (i) of sub-section (3) of section 9 and elect in his stead another person to fill the vacancy.

**11-B. Filling of vacancy in the office of an elected director**

(1) Where any vacancy occurs before the expiry of the term of office of an elected director, the vacancy shall be filled in by election:
Provided that where the duration of vacancy is likely to be less than six months, the vacancy may be filled in by the remaining directors.

(2) A person elected or cooperated, as the case may be, under sub-clause (1) shall hold office for the unexpired portion of the term of his predecessor.

**12. Meetings of the board**
(1) Meetings of the board shall ordinarily be held at least six times in a year and at least once in each quarter.

(2) A meeting of the board shall be held at the head office of the nationalised bank or such other place as the board may decide.

(3) Ordinarily, not less than fifteen days' notice shall be given of any meeting of the board and such notice shall be sent to every director at the address specified by him in this behalf.

(4) No business, other than that for which the meeting was convened shall be transacted at a meetingof 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 (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 nationalised 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 cooperative 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 director/s

(d) The directors referred to in Clauses (g) of sub-section (3) of section 9 of the Act.

(e) Three director nominated by the board from amongst, the directors referred to in Clause (d) of sub-section (3) of section 9 of the Act;

(f) One director nominated by the board from amongst the directors referred to in Clauses (e), (f), (h) and (i) of sub-section (3) of section 9 of the Act:

Provided that the directors nominated by the board shall hold office for not more than six months at a time.

(3) The Management Committee shall exercise such powers of the board including the powers with regard to credit proposals, as may be delegated to it by the board with the approval of the Central Government and such approval shall be given by the Central Government after consultation with the Reserve Bank of India.

(4) The meetings of the Management Committee may be called by the Chairman of the Management Committee as often as he feels necessary.

(5) Four members shall be the quorum for a meeting of the Management Committee.

(6) The minutes of a meeting of the Management Committee shall be laid before the board as soon as possible after the meeting.

(7) Save as otherwise provided in sub-clauses (4), (5) and (6) the meetings and proceedings of the Management Committee shall be governed by the provisions contained in this Scheme for regulating the meetings and proceedings of the board so far as the same are applicable thereto.

(8) Where the Chairman of the Management Committee is of opinion that in view of urgency in any matter, it should be dealt with expeditiously, he may circulate a resolution to that effect to the members of the Management Committee, and such resolution shall be deemed to be the resolution passed by the Management Committee when it is approved by a majority of the Members but shall have effect from the date it is signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Management Committee:

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Management Committee, the resolution shall not be deemed to be valid and effectual as aforesaid unless the same is passed at such meeting. Explanation— For the purpose of sub-clause (2), “Executive director” means the whole-time director, not being the Managing director, appointed under sub-clause (a) of Clause 3 and designated as such.

**18. Resolution without meeting of the board valid**

A resolution in writing signed by the majority of the members of the board shall be valid and effectual and shall be deemed to be the resolution passed by the board on the date it was signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the board. Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Board, the resolution shall not be deemed valid and effectual as aforesaid unless the same is passed at such meeting.

**20. Increase of paid-up capital**
The paid-up capital of a Nationalised Bank may be increased from time to time as in sub-clause (a) or sub-clause (b) or sub-clause (c) below or in combination with any of them:

(a) the board of directors of a Nationalised Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government transfer to its capital a specified amount from the reserve fund establishment by such bank under sub-section (6) of section 3 of the Act;

**(b) the Central Government may, in consultation with the Reserve Bank, make contribution of any specified amount to the paid-up capital of a Nationalised Bank;**

(c) the board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise the paid-up capital by public issue of shares in such manner as may be prescribed; so however, that the Central Government shall at all times hold not less than fifty-one per cent of the paid-up capital of each Nationalised Bank.

***United Bank of India (Shares and Meetings) Regulations, 2009 ****

**Note: Our Bank has recently formulated the United Bank of India (Share and Meetings) Regulations, 2009 (the “Regulations”). However, in terms of Section 19 of the Banking Companies (Acquisitions and Transfer of Undertakings) Act, 1970 these Regulations are subject to approval of the Government of India in consultation with the Reserve Bank of India, which approval is awaited. The RBI has given its no objection to the Draft of United Bank of India (Share and Meetings) Regulations, 2009. For further details see Section titled ‘Risk Factors’ on page xii of the Red Herring Prospectus.*

**3. Nature of Shares**
The shares at the Bank shall be movable property, transferable in the manner provided under these regulations.

4 **Kinds of Share Capital**

4.1 “**Preference Share Capital**” means that part of share capital of the Bank which fulfils both the following conditions:

4.1.1 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

4.1.2 as respect capital, it carries or will carry, on winding up to 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:

4.1.2.1 any money remaining unpaid, in respect of the amounts specified in clause 5.1.1 upto the date of winding up or repayment of capital; and

4.1.2.1 any fixed premium or premium on any fixed scale, specified by the Board with the previous consent of the Central Government

## 6 Control over Shares and Registers

Subject to the provisions of the Act, and these regulations, and such directions as the Board may issue from time to time, the register shall be kept and maintained at the Head Office of the Bank and be under the control of the Board and the decision of the Board as to whether or not a person is entitled to be registered as a Shareholder in respect of any share shall be final.

## 7. Parties who may not be registered as Shareholders

7.1 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.

7.2 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.

7.3 In case of a Hindu Undivided Family, the shares may be registered in the name of the Karta.

7.4 Minors may hold the shares through their natural or legal guardian.

## 8. Maintenance of share register in computer system etc.

8.1 The particulars required to be entered in the share register under sub-section 2(F) of section 3 of the Act, read with those mentioned in Regulation 5, shall be maintained under Sub-section 2(G) of Section 3 of the Act, in the form of data stored in magnetic / optical / magneto-optical media by way of diskettes, floppies, cartridges or otherwise (hereinafter referred to as the “**Media**”) in computers to be maintained at the Head Office and the back up at such location as may be decided from time to time by the Chairman & Managing Director or any other official not below the rank of a General Manager designated in this behalf by the Chairman & Managing Director (hereinafter referred to as the (“**Designated Official**”).

8.2 Particulars required to be entered in the share register under Section 3 (B) of the Act read with Section 11 of the Depositories Act, 1996 shall be maintained in the electronic form in the manner and in the form as prescribed therein.

8.3 The register in electronic form shall be maintained subject to such safeguards as stipulated for securing electronic records under the Information Technology Act, 2000 (21 of 2000).

## 9. Safeguards for protection of Computer System

9.1 The access to the system set out in Regulation 8.1 in which data is stored shall be restricted to such persons including Registrars to an issue and/ or share transfer agents as may be authorised in this behalf by the Chairman & Managing Director or the Designated Official and the password, if any, and the electronic security control systems shall be kept confidential under the custody of the said persons.

9.2 The access by the authorised persons shall be recorded in logs by the computer system and such logs shall be preserved with the official / persons designated in this behalf by the Chairman & Managing Director or the designated official.

9.3 Copies of the back-ups shall be taken on removable media at intervals as may be specified from time to time by the Chairman & Managing Director or the designated official, incorporating the changes made in the register of Shareholders. At least one of these copies shall be stored in a location other than the premises in which processing is being done. This copy shall be stored in a fire proof environment with locking arrangement and at the requisite temperature. The access to the back-ups in both the locations shall be restricted to persons authorised in this behalf by the Chairman & Managing Director or the designated official. The persons so authorised shall record the access in a manual register kept at the location.

9.4 It shall be the duty of the authorised persons to compare the data on the back-ups with that on the computer system by using appropriate software to ensure correctness of the back-up. The result of this operation shall be recorded in the register maintained for the purpose.

9.5 It shall be competent for the Chairman & Managing Director, by special or general order, to add or modify the instructions, stipulations in regard to the safeguards to be observed in maintaining the register of the Shareholders in the computer system with due regard to the advancement of technology and / or in the exigencies of situation or for any other relevant consideration.

**10. Exercise of rights of joint holders**

If any share stands in the names of two or more persons, the person first named in the register shall as regards voting, receipt of dividends, service of notices and all or any other matters connected with the Bank except the transfer of shares, be deemed to be the sole holder thereof.

**11 Inspection of Register**

11.1 The register shall, except when closed under Regulation 12, be open to Inspection of any Shareholder, free of charge, at the place where it is maintained during business hours subject to such reasonable restrictions as the Board may impose, from time to time, so that not less than two hours in each working day shall be allowed for inspection.

11.2 Any Shareholder may make extracts of any entry in the register or computer prints free of charge or if he requires a copy or computer prints of the register or any part thereof, the same will be supplied to him on pre-payment at the rate of Rs. 5/- or at such rate as the Board may decide for every 1000 words or fractional part thereof required to be copied.

11.3 Notwithstanding anything contained in sub-regulation 11.2 hereinabove, any duly authorised officer of the Government, SEBI or such other statutory or regulatory bodies shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.

**12 Closing of the register**

12.1 The Bank may, after ensuring compliance of the applicable guidelines and the listing agreement with the Stock Exchanges, and after giving not less than seven days previous notice to the Shareholder/ Stock Exchange, close the register of Shareholders for any period or periods not exceeding in the aggregate forty-five days in each Financial Year, but not exceeding thirty days at any one time as may in its opinion, be necessary.

**13 Share Certificates**

13.1 Each 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 his folio number and it shall be in such form as may be specified by the Board.

13.2 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 Company Secretary or some other officer not below the rank of Scale-III appointed by the Board for the purpose.

Provided that the signature of the directors may be printed, engraved, lithographed or impressed by such other mechanical process as the Board may direct.

13.3 A signature so printed, engraved, lithographed or otherwise impressed shall be as valid as a signature in the proper handwriting of the signatory himself.

13.4 No share certificate shall be valid unless and until it is so signed. Share Certificates so signed shall be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorised to sign share certificates on behalf of the Bank.

**14 Issue of Share Certificates**

14.1 While issuing share certificates to any Shareholder, it shall be competent for the Board to issue the certificates on the basis of one certificate for every hundred shares or multiples thereof registered in the name of a Shareholder on any one occasion and one additional share certificate for the number of shares in excess thereof but which are less than hundred.

14.2 If the number of shares to be registered is less than hundred, one certificate shall be issued for all the shares.

14.3 In respect of any share or shares held jointly by several persons, the Bank shall not be bound to issue more than one certificate, and delivery of a certificate for a share to the person whose name appears first in the joint holding shall be sufficient delivery to all such holders.

**15 Issue of new or duplicate share certificate**

15.1 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.

15.2 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, issue a duplicate certificate in lieu thereof to the person entitled to such lost or destroyed certificate.

**16 Consolidation and sub-division of shares**

16.1 On a written application made by the Shareholder(s), the Board or the Committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation / sub-division as the case may be and issue a new certificate (s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter.

**17 Transfer of shares**

17.1 Subject to the provisions of the Act and these regulations, no transfer of shares of the Bank shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Bank in Form `A’ annexed hereto, or in such other form as my be approved by the Bank from time to time, along with the relative share certificate.

17.2 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.

17.3 Upon receipt, the Board or the Committee of the Board designated for the purpose shall forward the instrument of transfer along with the share certificate to the Registrar or Share Transfer Agent for the purpose of verification that the technical requirements are complied with. The Registrar shall return the instrument and the share certificate to the transferee unless the instrument of transfer is duly stamped, properly executed and is accompanied by the certificate of shares to which it relates as such other evidence as the Board may require to show the title of the transferor to make such transfer.

17.4 Unless the transfer of shares is refused under Regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days from the date of lodging of the instrument of transfer.

17.5 In case of a transfer of shares or other marketable securities where the Bank has not issued any share certificates and where such shares or securities are being held in electronic form, the provisions of the Depositories Act, 1996 shall apply.

18 **Power to suspend transfers**

18.1 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**

19.1 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:

19.1.1 the transfer of shares is in contravention of the provisions of the Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with ;

19.1.2 the transfer of shares, in the opinion of the Board, is prejudicial to the interests of the Bank or to public interest;

19.1.3 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; or

19.1.4 an individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company whether resident outside India or not will on the transfer being allowed hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% (twenty) of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette.

19.2 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 19.1

19.2.1 If it has formed the opinion that such registration ought not to be so refused, effect such registration; and

19.2.2 If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-regulation 23.1 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.**

20.1 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.

20.2 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.

20.3 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.

20.4 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.

20.5 In case of Shares held in dematerialised form the shares shall be transmitted automatically on the death of the Shareholder to the nominee registered in his beneficiary account with the depository participant.

20.6 In case no nomination has been made in the beneficiary account with a depository participant then the provisions in this regard as mentioned in the Depositories Act and the Rules and Regulations and by-laws of the Depository shall be adhered to.

**21 Shareholder ceasing to be qualified for registration**

21.1 It shall be the duty of any person registered as a Shareholder, whether solely or jointly with another or others forthwith upon ceasing to be qualified to be so registered in respect of any share to give intimation thereof to the Board of Directors in this regard.

Explanation - For the purposes of this regulation, a Shareholder may cease to be qualified for registration, -

(a) If he is a guardian of minor, on the minor attaining the majority;

(b) If he is holding shares as a Karta, on his ceasing to be a Karta.

**22 Calls on shares**

22.1 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.

**23 Calls to date from resolution**

23.1 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**

24.1 A notice of not less than thirty days for 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**

25.1 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**

26.1 The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

**27 Amount payable at fixed time or by instalments as calls**

27.1 If by the terms of issue of any share or otherwise any amount is payable at any fixed time or by instalments at fixed times, every such amount or instalment shall be payable after such fixed times as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of the calls shall relate to such amount or instalment accordingly.

**28 When interest on call or instalment payable**

28.1 If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made, or the instalment shall be due, shall pay interest on such sum at such rate as the Board may fix from time to time, from the day appointed for the payment thereof to the time of actual payment, but the Board may at its discretion waive payment of such interest wholly or in part.

**29 Non-payment of calls by Shareholder**

29.1 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**

30.1 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**

31.1 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**

32.1 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**

33.1 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**

34.1 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 annual forfeiture**

35.1 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**

36.1 Any share holder whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay shall and 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**

37.1 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**

38.1 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**

39.1 For Shares held in dematerialised form the name of the Shareholder shall be removed from the Depository records.

39.2 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**

40.1 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**

41.1 The Bank shall have a first and paramount lien

41.1.1 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.

41.1.2 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.

41.1.3 upon all the shares registered in the name of each person (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts : liabilities, and engagements, solely or jointly with any other person to or with the Bank, whether the period for the payment, fulfilment, or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be recognized by the Bank over its lien.

**Provided** that the Board of Directors may at any time declare any share to be wholly or in part exempt from provisions of this clause.

41.2 The Bank's lien, if any, on a share shall extend to all dividends payable thereon.

**42 Enforcing Lien by Sale of Shares**

42.1 The Bank may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

42.1.1 if a sum in respect of which the lien exists is presently payable; and

42.1.2 after the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

42.2 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**

43.1 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**

44.1 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 III 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**

45.1 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.

**46 Service of a notice or document to Shareholders**

46.1 The Bank may serve a notice or a document on any Shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any, within India supplied by him to the Bank for giving of notice to him.

46.2 Where a document or a notice is sent by post, the service of such document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice :

**Provided** that where a Shareholder has intimated to the Bank in advance that documents should be sent to him under a certificate of posting or by registered post, with or without acknowledgement due or by courier service or in an electronic mode and has deposited with the Bank a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the Shareholder. And such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration of forty eight hours after the letter containing the same is posted, and in any other case, at the time at which the letter would have been delivered in the ordinary course of post or electronic media, as the case may be.

46.3 A notice or a document advertised in an English newspaper widely circulated in India shall be deemed to be duly served on the day on which the advertisement appears on every Shareholder of the Bank who has no registered address in India and has not supplied to the Bank an address within India for giving of notice to him.

46.4 A notice or document may be served by the Bank on the joint holder of a share by effecting service on the joint holder named first in the register in respect of the share and notice so given shall be sufficient notice to all the holders of the said shares.

46.5 A notice or a document may be served by the Bank on the persons entitled to a share upon death or in consequence of the insolvency of a Shareholder by sending it through post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons, claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.

46.6 The signature to any notice to be given by the Bank may be written or printed.

**47 Agreement between a depository and the Bank**

47.1 The Bank may enter into an agreement with one or more depository as defined in section 2 (e) of the Depositories Act, 1996 to avail of its services in respect of securities issued by the Bank.

**48 Annual General Meeting**

48.1 The Bank shall in each year hold in addition to other meetings a general meeting as its Annual General Meeting ("AGM") and specify the meting as such in the notice calling it.

48.2 Not more than 15 months shall elapse between the dates of two AGMs. The AGM shall be held before the expiry of six weeks from the date on which the balance sheet and profit and loss account and auditors report are forwarded to the Central government or RBI whichever is earlier.

48.3 A notice signed by CMD or ED or any officer not below the rank of scale grade VII or Company Secretary convening an AGM shall be sent to the Shareholder at least 21 clear days prior to the date of the meeting.

48.4 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 21 clear days before the meeting in one English, one Hindi and one Bengali newspapers having wide circulation in India.

48.5 Every such notice shall state the time, date and place of such meeting and also the business that shall be transacted at that meeting.

48.6 The Meeting shall take place on a normal working day during business hours, at the Registered office of the Bank or at a place within same city/town/village where the Registered office of the Bank is situated.

48.7 If the AGM has to adjourned for some reason, the adjourned meeting shall take place at the same place and time on a subsequent date to be announced at the time of adjournment, whether such date is a public holiday or not.

48.8 The AGM along with the adjourned AGM shall be completed within the period mention in clause 48.2

**49 Extraordinary General Meeting**

49.1 Any general meeting other than the AGM shall be called Extraordinary General Meeting ("EGM").

49.2 The EGM shall be called by giving not less than 21 clear days notice to the member.

49.3 The meeting may take place at any place, at any convenient time on any day including a public holiday.

49.4 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 EGM of Shareholders, if so directed by the Board, or on a requisition for such a meeting having been received either from the Central Government or from other Shareholders holding shares carrying, in the aggregate, not less than ten percent of the total voting rights of all the Shareholders.

49.5 The requisition referred in sub-regulation 49.4 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.

49.6 Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and effect as if it had been signed by all of them.

49.7 The time, date of place of the Extra Ordinary General Meeting shall be decided by the Board :

**Provided** that the Extra Ordinary General Meeting convened on the requisition by the Central Government or other Shareholder shall be convened not later than 45 days of the receipt of the requisition.

49.8 If the Chairman and Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation 49.7, 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.

49.9 A meeting called under sub-regulation 49.8 by the requisionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the Board.

**50 Quorum of general meeting**

50.1 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.

50.2 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.

50.3 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(1) of the Act and if adjournment of the meeting to the same day in the following week would have this effect, the annual general meeting shall not be adjourned but 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.

**51 Chairman at general meeting**

51.1 The Chairman & Managing Director or in his absence the Executive Director or in his absence such one of the directors as may be generally or in relation to a particular meeting be authorised by the Chairman & Managing Director or in his absence, the Executive Director in this behalf, shall be the Chairman of the Meeting and if the Chairman & Managing Director or the Executive Director or any other Director authorised in this behalf is not present, the meeting may elect any other director present to be the chairman of the meeting.

51.2 The Chairman of the general meeting shall regulate the procedure at general meetings and in particular shall have power to decide the order in which the Shareholders may address the meeting to fix a time limit for speeches, to apply the closure when in his opinion, any matter has been sufficiently discussed and to adjourn the meeting.

**52 Persons entitled to attend general meetings**

52.1 All directors, all Shareholders, Preference Shareholders and all Auditors of the Bank shall, subject to the provisions of Regulation 56.2 be entitled to attend a general meeting.

52.2 A Shareholder (not being the Central Government) or a Director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman containing particulars relating to:

(a) his full name and registered address;

(b) the distinctive numbers of his shares, client ID and Depository Participant ID in case of dematerialised Shares

(c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorised representative.

**53 Voting at general meetings**

53.1 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.

53.2 Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes.

53.3 Unless a poll is demanded under sub-regulation 53.1, 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.

53.4 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 / or 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 tenth of the total voting power in respect of the resolution or holding Share on which an aggregate sum of not less than Rs 50,000 ( Rupees Fifty Thousand) has been paid up.

53.5 The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

53.6 A poll demanded on a question of adjournment or election of Chairman of the meeting shall be taken forthwith.

53.7 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.

53.8 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.

**54 Scrutineers at Poll**

54.1 Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinisers to scrutinize the votes given on the poll and to report thereon to him.

54.2 The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutiniser from the office and to fill the vacancy in the office of the scrutinisers arising from such removal or from any other cause.

54.3 Of the two scrutinisers 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.

**55 Manner of taking poll and result thereof**

55.1 The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

55.2 The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

**56 Minutes of general meetings**

56.1 The Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose.

56.2 The proceedings of the General meetings shall be recorded within 30 days of the conclusion of the meeting.

56.3 Each page of the minutes shall be initialled and the last page signed by the Chairman of the same meeting or the Chairman of the next meeting.

56.4 Any such minutes, if purporting to be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.

56.5 Until the contrary is proved, every general meeting in respect of the proceedings hereof minutes have been so made shall be deemed to have been duly called and held and all proceedings held thereat to have been duly held.

56.6 Minutes may be maintained in bound or loose leaf from. If the minutes are maintained in a loose leaf form, the same shall be bound at regular intervals and care should be taken to avoid possible interpolation.

56.7 On written request made by a Shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the Bank shall allow the inspection or furnish the copy of the minute, as the case may be, to the Shareholder.

**57 Directors to be elected at general meeting**

57.1 A director(s) 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.

57.2 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.

**58 List of Shareholders**

58.1 For the purpose of election of a director under regulation 57 of these regulations, a list shall be prepared of Shareholders on the register by whom the director is to be elected.

58.2 The list shall contain the names of the Shareholders, their registered addresses, the number and denoting numbers of shares held by them with the dates on which the shares were registered and the number of votes to which they will be entitled on the date fixed for the meeting at which the election will take place and copies of the list shall be available for purchase at least three weeks before the date fixed for the meeting at a price to be fixed by the Board or the Management Committee, on application at the Head Office.

**59 Nomination of candidates for election**

59.1 No nomination of a candidate for election as a director under clause (i) of sub-section (3) of Section 9 of the Act shall be valid unless:

59.1.1 He is a Shareholder holding not less than 500 (five hundred ) shares in the Bank;

59.1.2 He is a person who is a qualified post-graduate or professionally qualified with industry experience of more than twenty years;

59.1.3 He is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;

59.1.4 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;

59.1.5 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;

59.1.6 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 Reserve Bank of India 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;

59.1.7 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.

**60 Scrutiny of nominations**

60.1 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 reasons thereof. 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.

60.2 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.

60.3 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.

**61 Election Disputes**

61.1 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.

61.2 On receipt of intimation under sub-regulation 61.1, 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 sub-section (3) of section 9 of the Act.

61.3 The committee referred to in sub-regulation 61.2 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.

**61.4** An order and direction of such committee in pursuance of this regulation shall be conclusive.

**62 Determination of voting rights**

62.1 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.

62.2 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 62.1

Explanation **–** For this Chapter, “**Company**” means any body corporate.

62.3 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.

**63 Voting by duly authorised representative**

63.1 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.

63.2 No person shall attend or vote at any meeting of the Shareholders of the Bank as the duly authorised representative of a company unless a copy of the resolution appointing him as a duly authorised 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.

**64 Proxies**

64.1 Any member of the Bank entitled to attend and vote at the meeting shall be entitled to appoint another person, whether a member or not as his proxy to attend and vote instead of himself.

64.2 The proxy so appointed shall not have any right to speak at the meeting.

64.3 The notice calling the General Meeting shall clearly and unambiguously state that a person shall be entitled to attend and vote at the meeting is entitled to appoint a proxy.

64.4 The instrument appointing a proxy shall be required to be deposited with the Bank not more than 48 (forty eight) hours before the meeting.

64.5 Proxies appointed shall vote only on poll.

64.6 When a member appoints a proxy and then attends himself the proxy stands revoked.

64.7 A register for proxies shall be maintained by the Bank, containing the details of the proxies.

64.8 No instrument of proxy shall be valid unless, in the case of an individual Shareholder, it is signed by him or by his attorney duly authorised in writing or in the case of joint holders, it is signed by the Shareholder first named in the register or his attorney duly authorised in writing or in the case of the body corporate signed by its officer or any attorney duly authorised in writing.

**Provided** that an instrument of proxy shall be sufficiently signed by any Shareholder, who is, for any reason, unable to write his name, if his mark affixed thereto and attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Government Gazetted Officer or an Officer of the Bank.

64.9 No proxy shall be valid unless it is duly stamped and a copy thereof deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting, together with the power of attorney or other authority (if any) under which it is signed or a copy of that power of attorney or other authority certified as a true copy by a Notary Public or a Magistrate unless such a power of attorney or the other authority is previously deposited and registered with the Bank.

64.10 No instrument of proxy shall be valid unless it is in Form “B”

64.11 An instrument of proxy deposited with the Bank shall be irrevocable and final.

64.12 In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.

64.13 The grantor of an instrument of proxy under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

64.14 No person shall be appointed as duly authorised representative or a proxy who is an officer or an employee of the Bank

## SECTION IX: OTHER INFORMATION

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Bank. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Designated Stock Exchange for registration and also the documents for inspection referred to hereunder, may be inspected at the Head Office of our Bank between 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid /Issue Closing Date.

***Material Contracts***

1. Letters of appointment dated December 15, 2009 to SBICAPS, Enam and Edelweiss from our Bank, appointing them as the BRLMs for the Issue.
2. Agreement among the Bank and the BRLMs dated December 15, 2009.
3. Memorandum of Understanding executed between our Bank and the Registrar to the Issue dated December 24, 2009.
4. Escrow Agreement dated [●] among the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
5. Syndicate Agreement dated [●] among the Bank, the BRLMs and the Syndicate Members.
6. Underwriting Agreement dated [●] among the Bank, the BRLMs and the Syndicate Members.

***Material Documents***

7. Draft United Bank of India (Shares and Meetings) Regulations, 2009.
8. Board Resolutions dated July 30, 2009 and December 15, 2009 in relation to this Issue and other related matters.
9. Letter No. F. No. 11/25/2005-BOA dated December 03, 2009 from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), granting its approval for the Issue.
10. Letter No. F.No. 11/25/2005-BOI (i) dated April 27, 2006 from the GoI, Ministry of Finance, Department of Economic Affairspermitting the Bank to net off the.accumulated unabsorbed losses of Rs. 287.44 crore against the paid-up capital of the Bank.
11. Letter No. FE.CO.FID/18876/10.78.021/2009-10 dated January 25, 2010 from the Foreign Exchange Department, RBI approving the Issue and Allotment of up to 20% of the Post-Issue paid-up capital to NRIs and FIIs in this Issue.
12. Letter No. F. No. 11/25/2005-BOA dated July 07, 2009 from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), approving the restructuring of the share capital of the Bank.
13. Letter dated November 06, 2008 and November 07, 2007 from Ministry of Finance, GoI, appointing Mr. S.C. Gupta and Mr. Tejendra Bhasin as the Chairman and Managing Director and the Executive Director of the Bank respectively.
14. Auditor’s report dated February 11, 2010, on the restated, financial statements of the Bank by Auditors;
15. Statement of tax benefits dated February 11, 2010.
16. Consents of the Auditors for inclusion of their report on restated financials in the form and context in which they appear in this Red Herring Prospectus.
17. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel to the Bank, Domestic Legal Counsel to the BRLMs, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
18. IPO Grading reports dated February 11, 2010 by CARE and ICRA.
19. Copies of the Annual Reports of the Bank for the last 5 Years and the Auditors Report for the 6 months ended September 30, 2009.;
20. In-principle listing approvals dated January 19, 2010 and January 8, 2010 from the NSE and the BSE respectively.
21. Tripartite agreement between NSDL, our Bank and the Registrar to the Issue dated July 22, 2009.
22. Tripartite agreement between CDSL, our Bank and the Registrar to the Issue dated July 23, 2009.

23. Due diligence certificate dated December 30, 2009 to SEBI from the BRLMs.
24. SEBI observation letter no. CFD/DIL/ISSUES/SP/SM/194383/2010 dated February 9, 2010.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

## DECLARATION

We, the Directors of the Bank, hereby declare that all the relevant provisions of the Constitutional Documents and the guidelines issued by the Government of India or the regulations/ guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Constitutional Documents, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or regulations or guidelines issued, as the case may be. All legal requirements applicable until the filing of the Red Herring Prospectus with the Stock Exchanges have been complied with. We further certify that all statements and disclosures in this Red Herring Prospectus are true and correct.

**Signed by all the Directors of our Bank**

| | |
|---|---|
| Satish Chandra Gupta<br>Chairman & Managing Director | Dr. Naina Sharma<br>Part-time Non-official Director |
| Tejendra Mohan Bhasin<br>Executive Director | Suprita Sarkar<br>Officers' Employee Director |
| Sanjeev Kumar Jindal<br>GOI Nominee Director | Soumitra Talapatra<br>Non Independent Director |
| Tulsidas Bandopadhyay<br>RBI Nominee Director | |

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**Signed by Deb Jiban Basu**
**General Manager, Treasury International Banking and Accounts**

Date: February 16, 2010

Place: Kolkata

CARE Ratings

CREDIT ANALYSIS &
RESEARCH LTD.
3rd Floor, Prasad Chambers
(Shagun Mall Building)
10A, Shakespeare Sarani,
Kolkata - 700 071
Phone / Fax:
2283 1800, 2289 6150, 2280 8472

**February 11, 2010**

**Shri B. Shom,**
Company Secretary,
**United Bank of India,**
Head Office
11, Hemanta Basu Sarani (4th Floor),
**Kolkata – 700001**

Dear Sir,

**IPO grading**

Please refer to our letter dated Feb.9, 2009 on the above subject.

2. The rationale for the grading is attached as an **Annexure - I**. Kindly note that the rationale would be published in the forthcoming issue of our quarterly journal, 'CAREVIEW'.

3. We request you to peruse the Rationale and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by Feb.15, 2010, we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

Sikaria | Priti Agarwal

**(Lalit Sikaria)**
**Manager**

**(Priti Agarwal)**
**Dy. General Manager**

Encl: As above

***Annexure I***

**United Bank of India - Rationale**

CARE has assigned a **'CARE IPO Grade 4' (Grade Four)** grading to the proposed Initial Public Offer (IPO) of United Bank of India (UBI). UBI proposes an IPO of around 5 crore equity shares of face value of Rs.10 each for cash at the market determined price. CARE IPO Grade 4 indicates 'above average fundamentals'. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading assigned to any individual issue represents a relative assessment of the fundamentals of the issuer.

***The grading derives strength from 100% GoI ownership (which will come down to 84.2% after the IPO), long track record in banking industry, recapitalisation support demonstrated by GoI in FY09, wide & expanding network of branches & ATMs, strong technology back-up with CBS implementation in all branches, continuous improvement in core lending activities with increasing exposure to high rated clients, increasing deposit base with satisfactory proportion of low cost deposits, comfortable capital adequacy ratio (CAR) & expected further recapitalisation support from GoI and improving results in the current year. Improving corporate governance with formation of various committees in accordance with clause 49 of listing agreement also support the grading. The grading is however, constrained by relatively low level of profit, high slippages, relatively higher net NPAs, manifold increase in restructured accounts, geographical concentration in eastern & north-eastern states and intense competition in the domestic banking industry. UBI's ability to leverage its wide branch network, scale up its operations in other territories and generate higher fee based income shall remain the key rating sensitivities.***

**Background**

UBI, a wholly owned GoI, came into existence in 1950 and is one of the 14 major commercial banks which were nationalised in 1969. In the past, GoI has demonstrated support to UBI. In FY09 as well, GoI infused a sum of Rs.250 crore by way of subscription to Perpetual Non Cumulative Preference Shares (PNCPS) issue. Further, in the current fiscal, GoI has approved conversion of equity share capital of Rs.1,266 crore into capital reserve and fresh issue of equity shares by way of the proposed IPO.

As on Mar.31, 2009, it had a wide branch network comprising 1,451 branches, 25 extension counters and 226 ATMs with major concentration of branches in eastern and north-eastern India. By September, 2009, the bank completed implementation of CBS in all its branches.

**Management**

UBI is, currently, managed by a seven member Board of Directors. The day-to-day affairs of the bank are managed by Shri S. C. Gupta, CMD, who is assisted by Mr. T. M. Bhasin, ED, and 14 General Managers. Most of the senior executives of the bank are professionals with over three decades of experience in banking.

**Corporate Governance**

As on Jan.1, 2010, UBI's Board of Directors was broad based comprising CMD, ED and eight other directors, out of which, six were independent directors (GoI & RBI nominee). The bank has, by and large, been in compliance with the applicable provisions of the listing agreement and clause 49 pertaining to corporate governance and has formed different committees of Board (like Audit Committee, Remuneration Committee, Share Transfer Committee, Investor Grievance Redressal Committee, IPO Committee and Selection Committee). However, four of the GoI nominee directors have retired by rotation in January, 2010 and only one new (non-executive non independent) director has been appointed. GoI is in the process of appointing the remaining number of required independent directors.

**Litigation History:**

UBI as well as four RRBs sponsored by it are party to various legal cases which are pending at different levels of adjudication before various courts, tribunals, statutory and regulatory authorities / other judicial authorities. As at Dec.18, 2009, there were approximately 10 civil cases filed against the Bank in respect of amounts aggregating approximately Rs. 2.6 crore. As on Dec.18, 2009, bank was also involved in one case in relation to income tax claim amounting to Rs.94.1 crore. Further, there were 158 labour and employment related claims against the bank and 15 complaints against the bank pending before the Banking Ombudsman. Another 52 consumer related cases and a complaint to SEBI were also pending, as on that date.

**Operations of the bank**

Corporate Banking business continued to be the major source of UBI's revenue. Increased focus on the segment helped bank to acquire new customers and earn high income. Retail and international banking also witnessed growth during the year.

**Asset Profile**
Despite turbulence witnessed in the economy and more predominantly in financial sector, total asset base of UBI grew by 14.3% in FY09 over FY08 primarily led by relatively higher (by 27.1%) growth in advances (which constituted 52% of the total assets). The jump in advances was the result of high demand for term loans and cash credit to finance the corporate business activities in the face of drying up of other sources of funds. During the year, UBI added good number of new accounts in its portfolio owing to its aggressive marketing effort.

Advances portfolio of bank is quite diversified and there is no apparent concentration in any given industry or firm. UBI made notable improvement in its asset quality over the last few years. However, asset quality as on Mar.31, 2009 deteriorated vis-à-vis the previous account closing date (with gross NPA and net NPA percentages sliding to 2.85% and 1.48% respectively, as on Mar.31, 2009 from 2.7% and 1.1% respectively, as on Mar.31, 2008). This was on account of high slippages in the face of adverse economic condition and general slowdown. Owing to aberration witnessed in the market in FY09, UBI had to restructure substantial number of accounts. Upto Sept.30, 2009, UBI restructured 31,268 standard advances with aggregate outstanding of Rs.2317.2 crore (sacrifice – Rs.39.7 crore) and another 50 NPA accounts with aggregate outstanding of Rs.146.3 crore (sacrifice – Rs.2.8 crore). Any slippage in the restructured standard assets could adversely affect the level of NPAs. Provision coverage stood at 48.52% as on Mar.31, 2009, as against 59.77%, as on Mar.31, 2008.

Investment in Government & other approved securities increased by about 10% & constituted about 79% of investment portfolio as on Mar.31, 2009 (as against 70% as on Mar.31, 2008). The yield on investment portfolio declined substantially during FY09 as UBI sold substantial amount of high yielding bonds in FY08 and FY09 to book profit. During FY09, UBI transferred investments in government securities worth Rs.866.7 crore from Available-For-Sale (AFS) to Held-To-Maturity category and provided depreciation of Rs.46.6 crore. However, bank reduced exposure to high risk investments and consequently, investment portfolio declined by 3.2%, in aggregate.

**Liability Profile**
Like other banks, UBI's major resources come through deposits which accounted for 89% of total liabilities as on Mar.31, 2009 and grew by 16.1% in FY09 over FY08. Further, the

proportion of CASA (current and savings account) deposits stood at 38% as on Mar.31, 2009, being marginally higher than the industry median. Term deposits, which formed 62% of the aggregate deposit base, grew by about 17.6% mainly due to increased interest rates offered on term deposits by the bank. However, its cost of deposits declined to 5.86% in FY09 from 5.96% in FY08 with UBI discouraging high cost bulk deposits.

**Risk Management**

The risk management policy of UBI aims to minimise risk and embrace the challenges of Basel II accord in respect of measuring, managing and mitigating credit, market and operational risks by adopting an integrated approach. Accordingly, UBI has taken various steps in this direction.

***(i) Credit Risk***

UBI's loan policy provides guidelines for risk rating of borrowal accounts and exposure ceiling. UBI also reviews, at regular intervals, the pricing of credit & deposit products and realigns them in tune with prevalent market trend. UBI uses a rating model named IMACS for internal credit rating of borrowers.

***(ii) Liquidity & Interest Rate Risk***

The bank has an active and integrated treasury covering both money and forex markets. UBI does maturity gap analysis on a daily basis to review the liquidity position. In order to manage the risk on account of trading book, it has policies, in place, with regard to volume, maximum maturity, holding period, duration, stop loss, default period and rating standards. Further, the bank does stress testing analysis in order to ascertain the impact on the value of asset portfolio of the bank upon change in interest rates by 100 to 200 basis points.

The maturity profile of assets and liabilities, as on Mar.31, 2009 was favourable with no negative gaps on cumulative basis. Besides, the excess SLR portfolio, the stable deposit base of the bank with significant growth and a reasonable rollover rate (40%) for term deposits provide sufficient cushion against any liquidity mismatch in such eventuality.

For interest rate risk, UBI follows simple maturity and repricing gaps after taking into account interest rate scenario. Its cumulative asset liability ratio tends to one in over five year time bucket suggesting the bank being more prone to interest rate risk within five years time period.

***(iii) Market Risk***

About 79% of UBI's investment portfolio as on Mar.31, 2009 was in Government and other approved securities. Non-SLR investments were well diversified comprising mostly highly rated NCDs and bonds. With AFS portfolio as on Mar.31, 2009 (constituting about 29% of the aggregate investment portfolio) having an average duration of 4.11 years, fluctuation in the interest rate of every basis point will affect the investment valuation by Rs.2.2 crore. As the bank does not have any Investment Fluctuation Reserve, the cushion available to UBI to absorb such shock, if any, is likely to be minimal.

**Financial Analysis**

UBI's income from core lending activities maintained its up-trend even in FY09 (growing by 33.7% over FY08). Non-interest income also rose by 5.5% on the back of increased profit from sale of investment as well as rise in fee based income. Operating profit increased by 38.3% with relatively lower increase in interest expenses (by 18.8%) and operating expenses (by 8.8%). Provisions increased sharply in FY09 over FY08 owing to significant increase in depreciation on investment (due to poor economic conditions worldwide and resultant high volatility in debt & equity market) and ad-hoc provision of Rs.70 crore for wage revision. Despite this, PAT (before defd. tax) & PAT (after defd. tax) during FY09 were substantially up from FY08 in view of lower base. Profit in FY08 was down substantially owing to flare-up in interest expenses as a consequence of hardening of interest rates and high provision for NPAs. Interest spread improved during this period as the bank did away with bulk deposits carrying higher interest rates. ROTA, though improved to 0.32% in FY09 from 0.12% in FY08, remained low in view of relatively low level of profits. Interest coverage was also on the lower side. RONW improved to 7.89% during FY09 from 2.90 % in FY08. Net NPAs to net worth as on Mar.31, 2009 deteriorated from that on Mar.31, 2008 owing to high slippages during the year. Credit/Deposit ratio improved with better management of funds.

UBI's CAR, as on the last three account closing dates, was as under as against RBI's stipulated minimum CAR of 9%:

| **As on Mar.31,** | **2007** | **2008** | **2009** |
|---|---|---|---|
| Tier I CAR (%) | 7.77 | 6.74 | 7.56 |
| Overall CAR (%) | 12.02 | 11.88 | 13.28 |

CAR of UBI has comfortably been higher than the regulatory requirement over the last three years. Further, the Tier I CAR being comfortable provides sufficient opportunity to the bank to improve overall CAR by raising Tier II capital.

**Financial Results**

(Rs. crore)

| For the year ended /As on March 31, | 2007 | 2008 | 2009 |
|---|---|---|---|
| **Financials** | | | |
| Interest Income | 2,811 | 3,557 | 4,312 |
| Profit on sale of investments | 42 | 179 | 216 |
| Total Income | 3,172 | 4,023 | 4,803 |
| Operating expenses (excl. provn. & contingencies) | 777 | 820 | 892 |
| Interest expenses | 1,675 | 2,653 | 3,150 |
| Provisions for NPAs - advances | 232 | 245 | 199 |
| PAT (after defd. tax) | 267 | 58 | 185 |
| Reported PAT | 267 | 319 | 185 |
| **Balance Sheet** | | | |
| Deposits | 37,167 | 46,971 | 54,536 |
| Advances | 22,156 | 27,858 | 35,394 |
| Equity share capital | 1,532 | 1,532 | 1,532 |
| Networth | 1,885 | 2,144 | 2,538 |
| Total assets | 41,779 | 53,794 | 61,500 |
| **Key Ratios** | | | |
| Int. income/ Avg. int. earning assets (%) | 7.70 | 7.68 | 7.76 |
| Cost of deposits (%) | 4.83 | 5.96 | 5.86 |
| Interest spread (%) | 2.80 | 1.63 | 1.81 |
| ROTA (%) | 0.71 | 0.12 | 0.32 |
| Net interest margin (%) | 2.77 | 2.12 | 2.17 |
| RONW (%) | 14.83 | 2.90 | 7.89 |
| Operating expenses (excl. provn. & write-offs) / Avg. total assets (%) | 2.08 | 1.72 | 1.55 |
| Interest coverage – before provisions (times) | 1.43 | 1.21 | 1.24 |
| Interest coverage – after provisions (times) | 1.18 | 1.06 | 1.09 |
| Capital adequacy ratio (%) | 12.02 | 11.88 | 13.28 |
| Tier I Capital adequacy ratio (%) | 7.77 | 6.74 | 7.56 |
| Gross NPAs | 3.6 | 2.70 | 2.85 |
| Net NPAs | 1.5 | 1.10 | 1.48 |
| Provision coverage | 59.24 | 59.77 | 48.52 |
| Net NPA/Networth | 17.44 | 14.07 | 20.69 |
| Credit/ deposit ratio | 0.60 | 0.59 | 0.65 |

**Adjustment**

- *UBI had written back income tax provision of Rs.260.5 crore in FY08, based on legal judgement received in respect of matters pertaining to Rs.86.7 crore and favourable* *judgement obtained in similar matters earlier for the balance amount. This amount of Rs.260.5 crore has been considered after PAT (after defd tax) for this analysis.*

# United Bank of India

## ICRA assigns an IPO Grade 3 to proposed IPO of United Bank of India, indicating average fundamentals

ICRA has assigned an IPO Grade 3 to the proposed IPO of United Bank of India (UBI), indicating average fundamentals. ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with IPO Grade 5 indicating strong fundamentals and IPO Grade 1 indicating poor fundamentals.

The IPO grade assigned by ICRA is based on UBI's well established franchise in the eastern and north-eastern (E & NE) regions of the country giving it access to a strong base of low-cost stable deposits (CASA[1] deposits constituted 34% of the total deposits on September 30, 2009), imparting the bank a favorable liquidity profile and helping it keep its cost of funds competitive. ICRA's grading also positively factors in support from GOI and strong supervision from 'Reserve Bank of India' enhancing the reliability of UBI's financials and ensuring compliance to all prudential guidelines. The grading also factors in the 100% CBS implementation of bank in current financial year which would improve the risk management system of the bank going forward. However, these strengths get diluted to an extent by relatively weak core profitability of the bank as a result of lower Net Interest Margins and fee based income and relatively weaker asset quality indicators. The grading is also constrained on account of systemic issues by virtue of being a Public Sector Bank results in high level of Government intervention, lack of flexibility in succession planning and weak minority shareholder rights in terms of voting powers, appointment of Board members and declaration of dividends. ICRA has taken note of UBI's non-compliance with Corporate Governance requirements as the representation of independent directors is reduced to less than 50% on the Board; however bank has received exemption from GOI while approval from SEBI[2] is awaited.

ICRA has taken note of GOI's decision to infuse Rs.8 billion as PNCPS[3], in the bank (Rs.2.50 billion infused in 2008-09, balance Rs.5.50 billion expected to be infused before Mar-10) which could help UBI to improve shareholder returns while strengthening Tier-1 capital as cost of such capital is nominal (Repo +100 basis points). The Tier-1 capital would further improve with Initial Public Offer (IPO) in the current financial year although GOI's shareholding would get diluted to around 84% from the current levels of 100%. Improved capital structure would help the bank in arresting deterioration in the bank's solvency profile despite expected increase in fresh slippages and low profitability.

Owing to a franchise concentrated in the E & NE region, UBI's recoveries mainly from the exposures in the priority sector are relatively difficult, this is reflected in relatively high NPA% (5.5% in priority sector as against 2.48% overall Gross NPA% as on March 31, 2009). In light of this and restructured accounts (4.62% of gross advances as on March 31, 2009), fresh slippages for the bank could remain higher than peer group. The core profitability of the bank is low in H1' 2009-10 at 0,67% (although improved from 0.05% in 2008-09) owing to low net interest margins (NIMs) and relatively lower fee-based income; although the management is trying to address the same by taking initiatives aimed at improving NIMs (such as repricing of low yielding advances, shedding of bulk deposits); however considering its area of operations and low-fee based income, the bank would need to improve its NIMs substantially and / or improve fee based income from the current low levels to achieve reasonable profitability.

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[1] *CASA: Current and Saving Account*

[2] *SEBI: Securities and Exchange Board of India*

[3] *PNCPS: Perpetual Non-Cumulative Preference Shares*

## Bank Profile

United Bank of India (UBI) is one of the 14 banks, which were nationalized in July-1969. UBI is 100% owned by GOI and is headquartered in Kolkata and is Convenor of the State Level Bankers' Committee (SLBC) for the states of West Bengal, Manipur and Tripura. As on September 30, 2009 the bank had 1453 branches with more than 80% of these are located in the Eastern and North-Eastern (E & NE) parts of the country. The branch demographic profile has a skew in favor of rural and semi-urban segments. On the strength of this network, the bank has a strong base of low cost deposits (CASA of 34% as on September 30, 2009). In September 2009 the Core Banking Solutions (CBS) has been implemented in all of the bank's branches and extension counters, covering 100% of its business. The bank is in the process of opening a representative office in Dhaka, Bangladesh. In collaboration with the Central Government and state governments of West Bengal, Assam, Manipur and Tripura UBI sponsor 4 regional rural banks (RRBs) namely; Bangiya Gramin Vikash Bank, Assam Gramin Vikash Bank, Manipur Rural Bank and Tripura Gramin Bank. For 2008-09, UBI reported Profit after Tax (PAT) of Rs.3.59 billion on an asset base of Rs.615.72 billion as compared to a PAT of Rs.1.45 billion on an asset base of Rs.538.24 billion for the previous financial year. As on March 31, 2009 the bank reported Capital adequacy of 13.28% (Tier 1: 7.56%) and Gross NPA of 2.84%. For H1' 2009-10, the bank reported PAT of Rs.2.31 billion. As on September 30, 2009, the bank reported Gross NPA% of 2.48% and Capital Adequacy of 12.93% (Tier 1: 7.61%).

## Issue Details

United Bank of India proposes to come out with an Initial Public Offering (IPO) of 50 million equity shares of face value Rs.10 each during February 2010. Subsequent to employee reservation of 2.5 million shares, the net issue to the public will be 47.5 million shares. The issue would constitute up to 15.8% of the post-issue paid-up equity capital of the bank while the net issue (net of employee reservation) constitute 15.01% of the bank's post-issue paid-up equity capital. The issue is being made through 100% book building process wherein at least 60% of the net issue would be reserved for Qualified Institutional Buyers (QIBs), up to 10% of the net issue will be reserved for non-institutional investors and up to 30% of the net issue shall be reserve for retail investors. Post-IPO, the shares are proposed to be listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

## Proposed Use of IPO Proceeds

The IPO proceeds are proposed to be used primarily to augment the capital base to meet the future capital requirements arising out of the implementation of the Basel II standards & the growth in the bank's assets (primarily loan and investment portfolio).



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