DENA BANK

Constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970
Head Office: Dena Corporate Centre, C – 10, 'G' Block, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051
(Previous Head Office: 10th Floor, Maker Tower E, Cuffe Parade Mumbai 400 005)
Tel: (022) 2654 5607, 26545035 (Extn. 5607 & 5606) Fax: 2654 5605
Website: www.denabank.com Email: irc@denabank.co.in

PUBLIC ISSUE OF 8,00,00,000 EQUITY SHARES OF RS.10 EACH FOR CASH AT A PREMIUM OF RS. 17 AT A PRICE OF RS. 27 EACH AGGREGATING RS. 216 CRORES

FACE VALUE IS RS.10 PER SHARE AND THE ISSUE PRICE IS 2.7 TIMES THE FACE VALUE

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the issue including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

The attention of Investors is drawn to the Statement of Risks envisaged by Management on Page v of the Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Bank, having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material 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 of the Bank are already listed on The Stock Exchange, Mumbai (BSE), the National Stock Exchange of India Ltd. (NSE), The Stock Exchange, Ahmedabad (ASE) and The Delhi Stock Exchange Association Limited (DSE). The new shares, which are ranking pari-passu with the existing shares in all respects, would also be listed similarly and the "in-principle" approvals for listing from BSE, NSE, ASE and DSE have been received on December 21, 2004, December 8, 2004, December 13, 2004 and December 10, 2004 respectively. NSE shall be the Designated Stock Exchange.

LEAD MANAGER TO THE ISSUE	REGISTRARS TO THE ISSUE
SBI Capital Markets Limited **SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade, Mumbai – 400 005 Tel: (022) 2218 9166, Fax: (022) 2218 8332 Email: denabank.issue@sbicaps.com	**Sharepro Services (India) Pvt. Ltd.** Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala,Andheri (E), Mumbai 400 099 Tel: (022) 2821 5168, Fax: (022) 2839 2259 Email: sharepro@vsnl.com

ISSUE PROGRAMME	
ISSUE OPENS ON: January 24, 2005 (Monday)	**ISSUE CLOSES ON: January 29, 2005 (Saturday)**

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ABBREVIATIONS	
AKCAP	A.K. Capital Services Limited
ALCO	Asset-Liability Management Committee
ALM	Asset Liability Management
ARB	Asset Recovery Branches
ARC	Asset Reconstruction Company
ARCIL	Asset Reconstruction Company of India Limited
ASE	The Stock Exchange, Ahmedabad
ATM	Automated Teller Machine
BIS	Bank for International Settlements
BMGB	Banaskantha Mehsana Gramin Bank
BPLR	Benchmark Prime Lending Rate
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CDSL	Central Depository Services (India) Ltd.
CMD	Chairman & Managing Director
CRR	Cash Reserve Ratio
CVO	Chief Vigilance Officer
Designated Stock Exchange	National Stock Exchange of India Ltd.
DICGC	Deposit Insurance and Credit Guarantee Corporation of India Limited
DP	Depository Participant
DRGB	Durg Rajnandgaon Gramin Bank
DRT	Debt Recovery Tribunal
DSE	The Delhi Stock Exchange Association Limited
ECGC	Export Credit Guarantee Corporation Of India Limited
ED	Executive Director
EGM	Extra Ordinary General Meeting
Employees	Employees shall mean the permanent employees and all the Directors of Dena Bank as on the cut off date i.e. November 30, 2004
ENAM	Enam Financial Consultants Pvt. Limited
EPS	Earning Per Share
FEMA	Foreign Exchange Management Act
FCNR (B)	Foreign Currency Non Resident Account
FIs	Financial Institutions
FIIs	Foreign Institutional Investors

FRA	Forward Rate Agreement
FY	Financial Year
GBP	Great Britain Pound
GIR	General Index Registration
GoI	Government of India/Central Government
HTM	Held Till Maturity
HUF	Hindu Undivided Family
IDBI	Industrial Development Bank of India Ltd.
ICD	Inter-Corporate Deposits
IDRBT	Institute for Development & Research in Banking Technology
INR	Indian National Rupee
IRS	Interest Rate Swap
IT	Information Technology
INFINET	Indian Financial Network
IRDA	Insurance Regulatory and Development Authority
I-Sec	ICICI Securities Limited
JMMS	J M Morgan Stanley Private Limited
JPY	Japanese Yen
KGB	Kutch Gramin Bank
KMCC	Kotak Mahindra Capital Company Limited
L/C	Letter of Credit
LIC	Life Insurance Corporation Of India
MBB	Multi Branch Banking
NABARD	National Bank for Agricultural and Rural Development
NAV	Net Asset Value
NBFC	Non Banking Finance Company
NHB	National Housing Bank
NIM	Net Interest Margin
NPAs	Non- Performing Assets
NRE	Non Resident External
NRNR	Non Resident Non-Repatriable Account
NRO	Non Resident Ordinary
NRIs	Non Resident Indians
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Ltd.
OCB	Overseas Corporate Body

PAN	Permanent Account Number
PCA	Prompt Corrective Action
PD	Planning & Development
P/E	Price to Earnings Ratio
PLR	Prime Lending Rate
PSB	Public Sector Bank
PSC	Priority Sector Credit
PSU	Public Sector Undertaking
QIB	Qualified Institutional Buyer, as defined in SEBI (DIP) Guidelines.
RBI	Reserve Bank of India
Retail individual investor	An investor applying for shares for a value of not more than Rs.50,000/-
Registrar/ Registrar to the Issue	Being the Registrar appointed for the issue. In this case being Sharepro Services (India) Pvt. Ltd.
RRB	Regional Rural Bank
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 and The Enforcement of Security Interest and Recovery of Debts Laws (Amendment) Ordinance 2004
SBI	State Bank of India
SBICAP	SBI Capital Markets Limited
SCB	Schedule Commercial Bank
SEBI	Securities and Exchange Board of India
SGGB	Sabarkantha Gandhinagar Gramin Bank
SIDBI	Small Industries Development Bank of India
SLBC	State Level Bankers' Committee
SLR	Statutory Liquidity Ratio
SSI	Small Scale Industries
T-Bill	Treasury Bill
The Bank/the Issuer/DENA BANK	Dena Bank
The Bank Nationalisation Act	The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 as amended from time to time
The Board	The Board of Directors of the Bank
The BR Act	The Banking Regulation Act, 1949 as amended from time to time
The Companies Act	Companies Act, 1956 as amended from time to time
The Issue	Present Public Issue of 8,00,00,000 equity shares of Rs.10 each for cash at a premium of Rs. 17 at a price of Rs. 27 each aggregating Rs. 216 crores
The IT Act	Income-tax Act, 1961 as amended
UT	Union Territory
USD	US Dollar

UTI	Unit Trust of India
VRS	Voluntary Retirement Scheme
VSAT	Very Small Aperture Terminal

Important Note :- The Accounting and Financial Information and Ratios mentioned in the Prospectus are based on Auditors Report dated November 16, 2004. Auditors have adjusted changes in Accounting Policies, changes arising out of Audit Qualifications and for the adjustment relating to previous years. Therefore, Accounting and Financial Information and Ratios may not match with the published Annual Reports of the Bank.

RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PERCEPTION

Following are certain issues for the investors to consider before taking an investment decision in the Issue. In some of the risks factors and management perception thereof, reference page numbers have been provided, which can be used to obtain more details about the said risk.

Internal Risks

1. Litigation against the Directors

One Shri Prakash Kantilal Shah, an ex-employee of Bank of Baroda has filed a Criminal Complaint before the Learned Metropolitan Magistrate, Vikhroli, Mumbai, against Dr. Anil K. Khandelwal (the then Executive Director of Bank of Baroda and presently the Chairman and Managing Director of Dena Bank), Bank of Baroda and other executives of Bank of Baroda, alleging that offences under Section 420, 409 read with Section 120B of the Indian Penal Code have been committed. The amount mentioned in the Complaint is Rs. 2,13,766/-.

Aggrieved by the order passed by the Learned Metropolitan Magistrate issuing process, Dr. A.K. Khandelwal and Mr. P.S. Shenoy have filed Criminal Application No. 582 of 2004 in the Hon'ble Bombay High Court. The Hon'ble Bombay High Court by its Order dated 12th March 2004 has, pending the hearing and final disposal of the said Criminal Application, granted an ad-interim relief to the extent applicable to the Petitioners in the form of stay on further proceedings in the Court of the Metropolitan Magistrate. The said Criminal Application is still pending and the aforesaid ad-interim Order is still in force.

For further details please refer to the para on "Outstanding Litigation against the Directors of the Bank" on page 89.

2. Accumulated losses of the Bank

The Bank had in the past adjusted accumulated losses aggregating Rs.136.29 crores against its paid-up capital during the Financial Year 1995-96. The Bank further incurred a loss of Rs 266.12 crores during the year 2000-01 and as on March 31, 2004 the accumulated losses of the Bank were Rs. 217.29 crores, which has been adjusted and written off against Revenue Reserves as on 30.09.2004.

Management Perception

The Bank had earlier adjusted accumulated losses of Rs.136.29 crores against the capital in the year 1995-96 after taking permission from Government of India. In the year 2000-01, Bank suffered a loss of Rs 266.12 crores mainly on account of making provisions in line with the RBI guidelines for NPAs and VRS related expenditure. The amount of VRS expenditure amortised was Rs. 71.56 cr. and the amount of Provisions and Contingencies on account of NPA made were Rs. 281.54 crores (as compared to Rs. 161.96 crore in the previous year). Other expenditure related to VRS such as Leave encashment amounted to Rs. 36.27 cr. were also charged to the Profit and Loss Account. Bank has taken various corrective steps to improve its profitability like reduction in operating expenses, cost of funds and level of NPAs, increase in non-interest income etc. As a result, the net profit of the Bank has increased from Rs.11.36 crores (2001-02) to Rs.114.19 crores (2002-03) and further to Rs. 230.50 crores for the year 2003-04. In the subsequent years, it has made provisions for disputed tax liabilities and as such despite making turnaround in 2001-02 & substantial profits in the year 2002-03 & 2003-04, accumulated losses as on 31st March 2004 were Rs. 217.29 crores which Bank has adjusted and written off against Revenue Reserves during the current financial year. However, the said adjustment does not have any impact on Capital Funds, Book value of the share, Capital Adequacy Ratio etc. of the Bank.

3. Non-Performing Assets (NPAs)

As on March 31, 2004 the net NPAs of the Bank stood at Rs. 884.35 crores i.e. 9.40% of its Net Advances. In the event of non-recovery of these assets, the bank may have to provide for these NPAs in future, which might affect the profitability of the Bank going forward. For details, investors are advised to refer to para on "Asset Classification, Income Recognition and Provisioning" on page 51 of the Prospectus.

Management Perception

The Net NPAs of the Bank have been declining from 16.31% as on March 31, 2002 to 9.40% as on March 31, 2004 and further to 7.85% in September 30, 2004. The net NPAs in absolute terms as of 31.03.2002, 31.03.2003, 31.03.2004 and 30.09.2004 were at Rs. 1227.25 crores, Rs. 997.28 crores, 884.35 crores & Rs. 763.64 crores respectively. The Bank has provided for its NPAs in conformity with RBI guidelines. The Bank has taken several steps to reduce the non-performing assets through aggressive recovery drives combined with improved risk management practices. Further, there have been substantial changes in the legislative and operating environment enabling FIs and Banks to pursue recovery of overdues. Besides Debt Recovery Tribunal (DRT) set up for faster settlement of recovery litigation, GOI has also enacted ‘ The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ‘ enabling FIs and Banks to securitise and reconstruct financial assets and enforce security more effectively. For further details of NPA Management Strategy please refer to page 54. The impact of the above measures can be seen from the movement in NPA as disclosed on page 52 “General data on non-performing assets”. The bank is endeavouring to reduce its NPAs.

4. Outstanding Litigations against the Bank

As on September 30, 2004 there were 309 cases including writ petitions filed by employees/ ex-employees, suits/ writs by customers, disputed tax liabilities and consumer cases with aggregate claim of Rs. 141.24 crores i.e disputed contingent liability, for which no provisions have been made. Out of these, there are 13 cases where the claim amount is Rs. 1 cr. and above aggregating to Rs. 111.69 crores. For more details, investors are advised to refer to Para on ‘Outstanding Litigations’ on page 87 of the Offer Document.

Management Perception

The Bank has contested the above-mentioned cases. The Bank has disclosed the disputed amount as contingent liability.

5. Tax Disputes

As on March 31, 2004 certain proceedings related to Income Tax and Interest Tax matters is pending before the Income Tax authorities. The net amount of disputed tax in respect of these proceedings is Rs. 220.68 crores. These claims pertain to the past periods and appeals are pending before Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal.

Management Perception

The Bank has been following the provisions of Income Tax Act / Rules for calculation of taxable income. Income Tax provisions relating to allowability of bad debts as per Section 36(1)(vii) have been amended by the Finance Act, 2001, retrospectively with effect from financial year 1988-89 and accordingly, the amount actually written off as bad debts shall be considered for deduction instead of provisions made for ‘ Bad & doubtful debts ‘.

The Bank has made a provision of Rs. 209.79 crores till 31st March. 2004 for such disputed tax liabilities. The Bank has claimed Provision made for Non Performing Advances as deductions and the same has been accepted by CIT (Appeals) upto financial year 1995-96. However, all such assessments are at present pending before ITAT on the appeals preferred by the department. In view of experts’ opinions, the Bank is of the view that no additional provision for Income Tax is necessary in spite of amendments in Income Tax Act with retrospective effect.

6. Contingent Liabilities

As on September 30, 2004 the Bank had contingent liabilities aggregating Rs. 5357.30 crores, comprising Rs. 129.68 crores as claims not acknowledged as debt by the Bank, Rs. 2845.62 crores as liability on account of outstanding Forward Exchange Contracts, Rs. 1307.00 crores as Guarantees given on behalf of constituents, Rs. 1062.52 crores as Acceptance, Endorsements and other obligations and Rs. 12.48 crores as other items.

Management Perception

The contingent liabilities have arisen in the ordinary course of business of the Bank and are subject to prudential norms as prescribed by RBI.

7. Net Asset Value per share

The Net Asset Value per share of the Bank has shown a declining trend from Rs.29.35 in FY 1999-2000 to Rs.23.58 in FY 2003-2004.

Management Perception

The decline in net asset value is due to the net loss posted by the Bank during FY 2000-01 mainly on account of making provisions in line with the RBI guidelines and VRS expenses. The Bank turned around within one year and posted Net Profit of Rs.11.36 crores during 2001-02. The Bank's net profit increased from Rs.11.36 crores (2001-2002) to Rs.114.19 crores (2002-2003), and further to Rs. 230.50 crores in 2003-04. The Bank has taken various corrective steps to improve its profitability like reduction in costs and levels of NPA, increase in non-interest income, etc, which, ultimately helped to improve the net asset value per share. The Net Asset Value per Share has been improving from Rs.13.21 in March 2003 to Rs.23.58 in March 2004 and to Rs. 27.03 in September 2004.

8. Investment Fluctuation Reserve (IFR)

Banks are required to create investment fluctuation reserves to the extent of minimum of 5% of the total investment portfolio excluding HTM category over a period of 5 years from 2001-2002 as per RBI guidelines. The market value of investments depends on a number of factors including the prevailing interest rates. In case of a rise in the interest rate, the market value of investment may fall. In order to cater to such fluctuation and meet contingencies, RBI requires banks to create IFR. Dena Bank has not created IFR so far.

Management Perception

Though there is increase in Net Profits during last three years, in view of carried forward losses, the Bank could not create IFR up to March 31, 2004 and Bank has obtained specific permission from RBI, vide letter no. DBOD.No.BP.1487/21.04.141/2003-04, for the purpose. As on September 30, 2004, balance of accumulated losses are adjusted and written off against Revenue Reserve and Bank will start creating IFR by March 31, 2005.

9. Decline in return ratios

Yield on investments of the Bank (excluding profit on sale of investments) has shown a declining trend from 11.91% in FY 2000 to 11.56% in FY 2001, 11.10% in FY 2002, 10.17% in FY 2003 and 9.09% in FY 2004.

Management Perception

The decline in yield ratios has to be viewed in the backdrop of substantial softening of the interest rates during the period, which has been a sector-wide phenomenon. The G-Sec yield on the 10-year benchmark paper has declined by 220 basis points from 7.36% as on March 30, 2002 to 5.16% as of March 31, 2004. The G-Sec yield has gone up to 6.23% by 29th September 2004. However, on the liability side, the Bank has benefited from repricing of its deposits, which brought down the average cost of deposits from 7.23% in FY 2002, to 5.78% in FY 2004, and further to 5.09% by September 2004, i.e. reduction of 214 basis points from Mar '02 to Sept '04 in two and a half years.

10. Profits from sale of Investments

The Bank made profit of Rs.240.07 crores during FY 2002-2003 and Rs.441.31 crores during FY 2003-2004 from sale of investments. Such profits from sale of investments may not be maintainable in future years and this may impede the growth in net profits of the Bank going forward.

Management Perception

The Bank has exercised prudence in booking profits from sale of investments while maintaining reasonable yield on treasury portfolio. Various factors like economic conditions, financial market trends, interest rate movements and other developments both in domestic and international markets may influence the growth rate in treasury income of the Banks. The Bank proposes to make up for any such possible reduction or slow down in pace of growth in treasury income from alternative sources of revenue generation. Towards this end, greater emphasis is laid by the management on growth in advances, reduction of NPAs, recovery in written off accounts and augmenting non fund based income, besides cost control measures. The Bank has embarked upon the strategy to diversify its income streams through new products & services. The Bank has identified retail lending as key growth area to maintain its growth trend in advances and augment income. The Bank has entered into MOU with The Oriental Insurance Co. Ltd. and Kotak Mahindra Old Mutual Life Insurance Co. for genereation of income from insurance business. Therefore the management believes that the growth in net profit of the Bank would not be severely affected in the long run even if the growth in treasure income is not sustained in future

11. Accumulated losses and Contingent liabilities of RRBs sponsored by the bank

The total accumulated losses of the RRBs (2 out of the 4 RRBs) sponsored by the Bank as on March 31, 2004 were Rs.27.24 crores. Adjustment of such losses against the capital in future if any, may impact the Balance Sheet and Profits of the Bank.

As on March 31, 2004 contingent liabilities of the RRBs sponsored by the Bank aggregated Rs. 2.37 crores.

Management Perception

Dena Bank has sponsored 4 RRBs in association with the Government of India and the respective State Governments. The performance of the RRBs is improving gradually and none of the RRBs have incurred any loss in the last 5 years. Performance of the RRBs has no bearing on the performance of the bank since bank's stake in RRBs is restricted only to the extent of Capital (Bank's share is 35%), invested in equity of RRBs.

The contingent liabilities have arisen in ordinary course of business of the respective RRBs.

12. RBI Annual Inspection of the Bank

RBI conducts annual inspection of the Bank based on the audited accounts. The Annual Inspection Report of the Reserve Bank of India (2004) has identified certain weaknesses in the system, operational irregularities and other deficiencies in internal controls.

Management Perception

The inspection of the Bank by RBI is a regular exercise under section 35 of the Banking Regulation Act, 1949 and is carried out periodically for all the banks and Financial Institutions. The reports of RBI are strictly confidential and the Bank has informed the RBI about the actions already taken and measures that are under implementation in respect of observations made by RBI. The issues raised by RBI in the aforesaid report have been replied to by the Bank.

13. Regional Concentration of the Bank

The Bank has a regional concentration in the Western Region (comprising of Gujarat, Maharashtra, Goa, Dadra Nagar Haveli and Daman Diu), which accounts for 70.62% of the total Branches in terms of numbers, 72.66% of the aggregate deposits and 61.43% of the gross credit exposure as on September 30, 2004. For further details please refer to page 35 of the prospectus. The regional presence of the Bank may compromise its competitive position vis-à-vis its national level competitors.

Management Perception

The management believes that the larger concentration of branches in western parts of the country is not a hindrance to its growth potential. The Bank has 1130 branches and 13 extension counters (September 30, 2004) spread over majority of states and almost all major centres of the country. The states of Maharashtra and Gujarat are highly industrialised states and offer a lot of potential for development of banking business. The management therefore believes that the present branch network of the Bank is adequately wide spread and does not compromise its competitive position. For details of geographical distribution of branches, investors are advised to refer to Para 'Geographical Distribution of Branches' on page 35 of the Prospectus. Such concentration of branches in turn lead to concentration of deposit and advances in the Western region.

14. Asset Concentration

The top 5 industries (non-food) account for 23.12% of the gross credit exposure of the Bank as on September 30, 2004. Also, the top ten borrowers of the Bank account for about 18.30% of the total advances of the Bank as on September 30, 2004. The borrower specific and industry specific behaviour may potentially affect the overall asset quality of the Bank.

Management Perception

The bank has its own internal exposure limit for monitoring exposure to different industries, which is reviewed from time to time. The Bank also has an internal exposure limit for individual borrower, group borrower and borrower (individual and group) in infrastructure sector. The Bank monitors the performance of the borrowers regularly to ensure the quality of the assets.

15. Asset Liability Position

A large portion of the funding of the Bank is in the form of short and medium term deposits. Short term deposits (maturity less than 1 year) and medium term deposits (maturity of 1 year and above upto 3 years) as on March 31, 2004 is Rs. 2623.96 cr. and Rs. 3453.65 cr. respectively amounting to about 56.65% of the total term deposits. The asset liability position of the Bank could be affected if the depositors do not roll over the deposits.

Management Perception

As per normal behavioural pattern and past experience, a large portion of the deposits gets rolled over. The Bank feels that in the event some of these deposits not being rolled over, the fresh accretion of deposits would take care of the Asset Liability mismatches. In addition, the Bank has a cushion of Investments of Rs.2726 crore in excess SLR and Rs.1831.77 crore in Non SLR category as on September 30, 2004, which can be utilised to correct any medium term mismatches. Moreover, the Bank has an Asset Liability Management System in place to actively monitor and manage the duration and liquidity mismatches. For more details on the Asset Liability position refer to the Para 'Asset Liability Management' on page 55 of the Prospectus.

16. Credit Risk

The Bank's main business of lending carries an inherent credit risk, which involves inability or unwillingness of a customer or counter party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Management Perception

The Bank takes adequate care to minimise such risks by having a well-diversified loan portfolio. The Bank follows a comprehensive project /credit appraisal system and lending norms, which govern industry / client exposure. The Bank has put in place a credit rating system under which the borrowal accounts of more than Rs.10 lac are rated on several parameters and the risk is priced with suitable mark-up over PLR based on the credit rating. For ensuring sound quality of assets, the Bank has a credit monitoring department, Credit Administration Department and a well laid down system of credit audit. The Bank has a well laid down Credit Policy aimed at mitigating various credit related risks. For other details on the credit risk management process in the Bank, the investor may refer to the Section on "Credit Policy" on page 48 of the Prospectus

17. Utilisation of Funds

The utilisation of the funds proposed to be raised through the public issue is entirely at the discretion of the Bank and no monitoring agency has been appointed to monitor the deployment of funds.

Management Perception

The funds raised through the public issue are not meant for any specific project but to augment the capital base of the Bank to meet its future capital adequacy requirements and hence a monitoring agency may not be required. The Bank is managed by professionals under the supervision of its Board of Directors. Further, the Bank is subject to number of regulatory checks and balances as stipulated in its regulatory environment. Therefore, the management believes that the funds raised through the public issue would be utilised only towards satisfactory fulfilment of the "Objects of the Issue" as stated on page 27 of the prospectus.

18. Action taken by Regulators in the past

Securities Exchange Board of India (SEBI) has, under Regulations 28 (3) of the SEBI (Bankers to the Issue) Regulations, 1994 issued a warning to the Bank to exercise more care and diligence in its dealings as Bankers to the Issue. The warning was issued for non-compliance of the regulations i.e. one of the branches of the Bank had accepted applications along with stock invest after the date of closure of the issue in the public issue of M/s. Saket Extrusion Limited in 1994, where the Bank was one of the Bankers to the issue.

19. Hardening of interest rates and the consequent impact on the bank

With the hardening of interest rates in securities market, the bank may be exposed to high level of valuation loss on its investment portfolio under Available for Sale and Held for Trading categories. Consequent to this the profitability of the bank may be affected in the future.

Management Perception

The Bank had reshuffled its investment portfolio in April 2004 in accordance with RBI Guidelines between Available for Sale (AFS) and Held to Maturity (HTM) category. With rising interest the Banking Industry as a whole is exposed to risk of high valuation loss and it is not restricted to Dena Bank. The Bank is constantly watching market trends and is expecting some correction in the market. The Board of Directors of the Bank has given authority to the Chairman and Managing Director to shift securities from AFS to HTM category at appropriate time as per RBI guidelines. The Bank will take necessary action at appropriate time.

20. Limited Review of Accounts:

The financials as appearing in the Audit Report of the auditors dated November 16, 2004 for the six months ended September 30, 2004 are not audited. These figures are based on limited review carried out by the Auditor.

Management Perception

The limited review of accounts is in confirmity with Listing agreement and detail guidelines issued by RBI for the purpose. This review covers 76.25% of the advances portfolio (excluding food credit and suit filed advances of Asset Recovery Branches) and 61.33% of the Non performing assets of the bank which is in compliance with RBI guidelines for limited review.

21. Interest of Directors

The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except a cash credit facility to Mr Vidyadhar U Pendse, Son-in law of Mr Sudhir Joshipura. The sanctioned amount is Rs. 10 lacs and the outstanding as on September 30, 2004 is Rs. 9.91 lacs.

Management Perception

The account has been classified as standard. The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004. The Outstanding represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

External Risks

1. Regulatory restrictions on the Bank and limitations of the powers of shareholders of the Bank

There are a number of restrictions as per the Bank Nationalisation Act and Banking Regulations Act, 1949(Amended), which impede flexibility of the Bank's operations and affect/restrict investors' right. These are as under:

i. The Banks can carry on business/activities as specified in the Act. There is no flexibility to pursue profitable avenues if they arise, in contrast with companies under the Companies Act, where shareholders can amend the Objects Clause by a special resolution.

ii. In terms of Section 8 of The Banking Regulation Act, 1949, the Bank is prohibited from doing trading activity, which may act as an operational constraint.

iii. In terms of Section 17(1) of The Banking Regulation Act, 1949, every banking company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the Profit & Loss a/c prepared under Section 29 and before any dividend is declared, transfer to the Reserve Fund a sum equivalent to not less than twenty five percent of such profit.

iv. In terms of Section 19 of The Banking Regulation Act, 1949 there are some restrictions on the banking companies regarding opening of subsidiaries which may deny the Bank from exploiting emerging business opportunities.

v. In terms of Section 23 of The Banking Regulation Act, 1949 there are certain restrictions on the banking companies regarding opening of new place of business and transfer of existing place of business, which may hamper the operational flexibility of the Bank.

vi. In terms of Section 25 of The Banking Regulation Act, 1949 each banking company has to maintain assets in India which is not less than 75% of its demand and time liabilities in India which in turn may prohibit the Bank from creating overseas assets and exploiting overseas business opportunities.

vii. There are restrictions in the Banking Regulation Act or the Bank Nationalisation Act regarding,

a) Management of a bank including appointment of directors.

b) Borrowings and creation of floating charge thereby hampering leverage.

c) Expansion of business, as the branches needs to be licensed.

d) Disclosures in the profit & loss account and balance sheet.

e) Production of documents and availability of records for inspection by shareholders.

f) Reconstruction of banks through amalgamation.

g) Further issues of capital including issue of bonus shares/rights shares for which prior MoF approval is required.

viii. The financial disclosures in the Prospectus may not be available to the investors after listing on a continuous basis.

ix. Various rights/powers of shareholders available under the Companies Act in this behalf are not available to the shareholders of the banks. These rights include rights such as calling for general meetings, inspection of minutes and other material records, application for relief in cases of oppression and mismanagement, voluntary winding up, right to receive dividend within 30 days etc.

x. As per Section 3 (2E) of the Bank Nationalisation Act, "no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank".

xi. As per Section 15(1) of the Banking Regulation Act no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses and any other item represented by intangible assets) have been completely written off.

The Bank has received an exemption from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), vide gazette notification ref. F.No.11/26/2003-BOA, from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years from the date of the notification.

2. Sensitivity to the economy and extraneous factors

The Bank's performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

3. Competition from existing and new commercial banks

Competition in the financial sector has increased with the entry of new players and is likely to increase further as a result of further deregulation in the financial sector. The Bank may face competition both in raising resources and in deploying them.

Management Perception

The Bank has an established broad-based presence and has been taking steps to enhance customer satisfaction by upgrading skills, systems and technology to meet such challenges. The Bank is attempting to add quality assets on competitive terms. The Bank is also taking steps to broad base its product bouquet with a special emphasis on enhancement in the non-fund based income. On the resource-raising front, the Bank is actively endeavouring to broaden its reach and raise resources through its wide distribution network of 1,130 branches and 13 extension counters as on September 30, 2004. For more details on the business environment of the Bank, investors are advised to refer to the Para 'Management Discussion and Analysis of Financial Performance' on page 80 of the Prospectus.

4. Changes in Regulatory Policies

Major changes in Government/RBI policies relating to banking sector may have an impact on the operations of the Bank.

Management Perception

The policy changes may provide both opportunities and challenges for the Bank. The Bank has a long presence in the banking sector, for more than 66 years and does not perceive policy changes to be a major threat.

5. Disintermediation in the financial markets:

Development of capital markets may result in disintermediation by current and potential borrowers whereby many companies may access the markets directly, thereby reducing their dependence on the banking system.

Management Perception

The Bank has, in recent years, launched several retail lending schemes and value added products so as to broaden its borrower base. Further, disintermediation brings with it the opportunity for the Bank to expand its fee-based activities. The Bank has been endeavouring to develop a presence in several financial services to earn fee based income by focussing on businesses such as foreign exchange, treasury, investments, cash management, bancassurance, depository, debenture trustee etc., thus taking advantage of the disintermediation phenomenon.

6. Forex Risk

Exchange Rate fluctuations may have an impact on the Bank's financial performance.

Management Perception

As per RBI guidelines, banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised. The Board of Directors of the Bank has also prescribed limits for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange. The Bank operates within the limits fixed for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange, thus minimising the risks of mismatches in maturities and interest rates.

7. Interest Rate Risk

Interest rate volatility exposes the Bank to an interest rate risk or market risk. Such interest rate risk has a potential impact on net interest income or net interest margin as well as on the market value of the fixed income securities held by the Bank in its investment portfolio.

Management Perception

These risks are inherent in the banking business. However, the Bank has put in place a system of regular review of lending and deposit rates in order to minimise the interest rate risk. The Asset Liability Management Committee of the Bank reviews the risk on a regular basis. Continuous Risk Management measures are initiated depending upon the movement in the market interest rates. The movement in the interest rates is closely monitored for appropriate action. For more details on the Risk Management procedures, investors are advised to refer to para 'Risk Management' on page 62 of the Prospectus.

8. Operational Risk

Operational risk is a result of failure of operating system in a bank due to certain reasons like computer breakdowns, power disruptions, fraudulent activities, human error or omission or sabotage.

Management Perception

For managing operational risk, the Bank has laid down well-defined systems and procedures, which are reviewed and modified on an ongoing basis to suit the changing environment. The Bank also has in place a strong internal inspection and audit system. For managing IT related risks, the Information Systems Security Policy is in place.

9. Financial Statements in the Prospectus

The financial statements and derived ratios there from contained in the Prospectus are prepared/computed as per the permissible accounting practices.

While due care has been taken to reflect the true economic reality regarding the financials of the Bank as far as possible, the investors may want to make their own adjustments to the same before arriving at an investment decision in the offer.

Management Perception

The financial statements and the derived ratios have been prepared in conformity with the extant guidelines and the same have been certified by the statutory auditors of the Bank. The Bank is also governed by the prudential norms of RBI for income recognition, NPA provisioning etc.

10. Risk Associated with holding shares in Physical Form

In case where the securities are required to be traded compulsory in demat form, shareholders who are allotted/ who hold shares in Physical Form may not be able to trade in such security unless they get their holding dematerialised.

Dena Bank is providing an option to investors to apply for share either in Dematerialised form or in Physical form. Shareholders getting shares in physical form will be exposed to the risk as mentioned above. **Issue of shares in physical form shall be only at the option of the applicant.**

NOTES TO RISK FACTORS

1) Net worth (excluding revaluation reserves) of the Bank as on September 30, 2004 and March 31, 2004 is Rs. 561.56 crores and Rs.490.60 crores respectively.

2) The present public issue of the Bank inclusive of premium aggregates Rs. 216 crores at a price of Rs. 27 per share. The Issue price in 2.7 times the face value.

3) The Book Value of the share as per restated figures on September 30, 2004 and March 31, 2004 is Rs. 27.03 and Rs. 23.58 respectively (face value of Rs.10/-)

4) Cost per share of the Bank to the Government of India is Rs.10/-.

5) Deferred Tax Assets, an intangible asset, of Rs. 217.33 crores and Rs.210.64 crores are included in other assets in the balance sheet as on September 30, 2004 and March 31, 2004 respectively.

6) Section 3(2B)(c) of the Bank Nationalisation Act provides that the paid-up capital may, from time to time, be increased by such amounts as the Board of Directors of the Bank may, after consultation with the RBI and with the previous sanction of the Central Government, raised by Public Issue of equity shares as may be prescribed, so however, that the Central Government, at all times, holds not less than fifty-one per cent of the paid-up capital of each of the Corresponding New Bank. The Banking Companies (Acquisition & Transfer of Undertakings) and Financial Institutions' laws (Amendment Bill 2000) propose to reduce the minimum stake of the Government from 51% to 33%.

7) The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies under the Companies Act.

8) For details of transactions between Dena Bank and the Regional Rural Banks (RRBs) sponsored by it, the investors are advised to refer to the Section “Regional Rural Banks Sponsored by Dena Bank” on page 65 of the Prospectus.

9) The financial information as contained in PART II including the notes to accounts, significant accounting policies as well as auditors’ qualifications has been duly certified by the statutory auditors of the Bank. As far as possible, these audited figures have been used for computation or derivation of other financial information contained in the Prospectus. However, such other financial information contained in the Prospectus except as contained in Auditors Report under PART II has been certified by the management of the Bank.

10) In terms of recommendations of RBI Working Group on ‘Consolidated Accounting and Other Quantitative Methods to Facilitate Consolidated Supervision’ (December 2001), all banks, whether listed or unlisted, should prepare and disclose Consolidated Financial Statement (CFS) from the financial year commencing from April 1, 2002 in addition to solo financial statements at present.

11) The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank is in dialogue with RBI in respect of observation made by RBI in their report for previous years. RBI does not allow disclosure of its inspection report and that all the disclosures in the Offer Document are on the basis of management and audit reports of the issuer.

12) Some sections of the Prospectus such as Corporate Vision, Mission, Strategy, Loan Policy etc. may contain some qualitative forward-looking statements, which may not materialise in future. Investors are requested to exercise due discretion while pursuing such sections.

13) In the event of differences in the provisions of the Banking Companies Act (Acquisition and Transfer of Undertakings) Act 1980 and Companies Act on a given issue particularly with reference to shareholders rights, the former overrides the later.

14) In addition to the Lead Manager, the Bank is also obliged to update the Offer Document and keep the public informed of any material changes till listing and trading commences in respect of shares issued through this issue.

15) For the purposes of compliance with AS-4 regarding events occurring after Balance Sheet Date, the Bank certifies as under:

    a) There are no contingencies save and except as disclosed in the Offer Document, the outcome of which might have material impact on the financial position of the Bank.

    b) There have been no significant material events that have occurred after the Balance Sheet date till the date of this Offer Document.

16) The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except a cash credit facility to Mr Vidyadhar U Pendse, Son-in law of Mr Sudhir Joshipura. The sanctioned amount is Rs, 10 lacs and the outstanding as on September 30, 2004 is Rs. 9.91 lacs. The account has been classified as standard. The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004. The Outstanding represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

17) RBI vide its circular no. DBOD.NO.BP.BC.80/21.02.067/2003-04 dated April 23, 2004 revised the guidelines on dividend payable by banks as under which states that only those banks which comply with the minimum prudential requirements would be eligible to declare dividends without prior approval of RBI. For details please refer to point no. 18 of the Notes to Capital Structure on page no. 13.

HIGHLIGHTS

- The Bank has a large network of branches spread throughout the country that enables it to raise funds competitively. The domestic network of the Bank stood at 1143 offices as on September 30, 2004, which includes 1130 branches and 13 extension counters.
- The Western Region, which is industrially developed and financially vibrant account for more than 70% of the total branches.
- The Bank also has 76 specialised branches to cater to the needs of industrial finance, trade finance, personal banking, international banking, NRIs and small-scale industries.
- A Bank with robust technology infrastructure offering Any Branch Banking, m-banking, Dena billpay, telebanking, information Kiosks, ATM Network, etc at select branches.
- Professionally managed Bank with 66 years of existence.
- First Drive-in ATM in India at Juhu Mumbai in 1996
- 134 ATMs across 58 centres all over India, inter connected through central switch.
- First Fully Computerised branch in Public sector at Nepean Sea Road Mumbai in 1991.
- More than 90% of the total business and branches are computerised.
- Bank having own net 'DENANET', connecting over 300 branches across the country.
- Pioneer in introducing Minor Saving Scheme – a saving account for minors above 10 years.
- Pioneer in introducing Dena Krishi Sakh Patra – credit card for farmers in 1988
- Product portfolio includes Trade Finance, Consumer Loans, Bancassuarance, Credit Cards and Kisan Cards, Retail Lending products etc.
- Bank has shown a substantial increase in its Net Profit (after tax) from Rs.114.19 crore in the year 2002-2003 to Rs. 230.50 crores in FY 2003-2004.
- Consistent growth in deposits at a CAGR of 9.24% in last five years
- Consistent growth in advances at a CAGR of 8.20% in last five years
- Total business mix of more than Rs. 29000 crores as on September 30, 2004
- Business per employee is Rs. 2.74 crore and gross profit per employee is Rs.6.87 lacs as on March 31, 2004.

PART I

I. GENERAL INFORMATION

Dena Bank (hereinafter referred to as “the Bank”) was founded on May 26, 1938 by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Limited. It became a public limited company in December 1939 and later the name was changed to Dena Bank Limited. Subsequently, it was constituted as a Corresponding New Bank under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

The Bank is offering for subscription 8,00,00,000 equity shares of Rs.10/- each for cash at a premium of Rs.17 i.e. at a price of Rs. 27 per share aggregating Rs. 216 crores (including reservation of 80,00,000 equity shares of Rs. 10/- each for cash at the same price aggregating Rs. 21.60 crores for each of the following categories: (i) Employees and (ii) NRIs and FIIs on repatriation basis).

AUTHORITY FOR THE PRESENT ISSUE

The issue of equity shares is being made pursuant to the sanction of Government of India (GoI) in consultation with the Reserve Bank of India (RBI) vide its letter no. F. No. 011/26/2003-BOA dated October 19, 2004 under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, as amended and the resolutions passed at the meeting of the Board of Directors of the Bank on October 23, 2003 and the shareholders of the Bank at the EGM held on November 25, 2003.

It is to be distinctly understood that the sanction/approval of the GoI and RBI should not, in any way, be deemed or construed that the Prospectus has been cleared or approved by them nor do they take any responsibility either for the financial soundness of the Bank or the correctness of the statements made or opinions expressed in the Prospectus.

The Bank can undertake the existing and proposed activities in view of the present approvals, and no further approvals from any Government authority are required by the Bank to undertake the proposed activities.

DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE PROSPECTUS TO 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 PROSPECTUS. THE LEAD MANAGER, SBI CAPITAL MARKETS LTD, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 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 BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, SBI CAPITAL MARKETS LTD, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED DECEMBER 03, 2004 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS :

“(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;

(2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK,

WE CONFIRM THAT:

(A) THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

(3) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID."

FILING OF THE PROSPECTUS WITH SEBI DOES NOT, HOWEVER ABSOLVE THE BANK FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSES OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (S) ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

The Lead Manager has issued a fresh due diligence certificate dated January 06, 2005 which reiterates the statements made in the above referred certificate and states that all observations made by SEBI vide letter no. CFD/DIL/ISSUES/EB/30106/2005 dated January 04, 2005, have been incorporated in the Prospectus.

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED

"As required, a copy of this Prospectus has been submitted to National Stock Exchange of India Limited ("NSE"). NSE has given vide its letter NSE/LIST/8381- 3 dated December 8,2004 permission to the Issuer to use the exchange's name in this Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus, nor does it warrant that this Issuer'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 this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claims against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever."

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE, MUMBAI

The Stock Exchange, Mumbai ("BSE") has given, vide its letter dated December 21, 2004, permission to the Bank to use the name of BSE in this Prospectus as one of the stock exchanges on which this Bank's securities are proposed to be listed. BSE has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. BSE does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. warrant that this Bank's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Bank, promoters, management or any scheme or project of this Bank;

and it should not , for any reason be deemed or construed that this offer document has been cleared or approved by Exchange. Every person who desires to apply for or otherwise acquire any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange, 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 in the Prospectus or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE DELHI STOCK EXCHANGE ASSOCIATION LIMITED

The Delhi Stock Exchange Association Ltd has given its no objection to the Bank vide its letter dated December 10, 2004 to use the name of the Exchange in this Offer Document as one of the Stock exchanges on which the Company's securities are proposed to be listed. The Delhi Stock exchange has scrutinised this Offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank and has also relied on the in-principle approval given by the Designated Stock Exchange i.e. National Stock Exchange of India Ltd (NSE). The Delhi Stock Exchange does not in any manner:-

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document.
2. Warrant that this Company's securities will be listed or will continue to be listed on DSE.
3. Take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

And it should not be, for any reason be deemed or construed that this Offer Document has been cleared or approved by DSE. Every person who desires to apply for or otherwise acquire any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against DSE, 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 in the Offer Document or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGE AHMEDABAD

The Stock Exchange Ahmedabad ("The Exchange") vide its letter dated December 13, 2004, has given permission to this bank to use the Exchange's name in this Prospectus, as one of the Stock exchange on which the Bank's securities are proposed to be listed. The Exchange has scrutinised this Offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Bank. The Exchange does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on The Exchange; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not, for any reason be deemed or construed that this Offer Document has been cleared or approved by The Exchange. Every person who desires to apply for or otherwise acquire any securities of this Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against The Exchange, 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 ommited to be stated herein or for any reason whatsoever.

DISCLAIMER IN RESPECT OF JURISDICTION

This Offer 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, scheduled commercial banks, regional rural banks, cooperative banks (subject to RBI permission),Trusts registered under the Societies Registration Act, 1860, as amended, or any other law relating to Trusts and who are authorised under their constitution to hold and invest in equity shares, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, Foreign Venture Capital funds registered with SEBI, State Industrial Development Corporation, Insurance companies registered with Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million, and to non-residents including NRIs and FIIs. This Prospectus does not, however, constitute an offer or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public Offer in any jurisdiction where action would be required for that purpose, except that this Prospectus has been filed with SEBI for observations and the SEBI has given its observations and the Prospectus has been filed with the Designated Stock Exchange. Accordingly, the Equity Shares may not be offered, directly or indirectly, and this Prospectus and the Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus and the Prospectus nor any issue of shares hereunder shall, under any circumstances, create any implication that there has been no change of affairs of the Bank since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Bank has received permission from Foreign Exchange Department, RBI vide its letter FE.CO.FID/3561/042/10.02.40(8435)2004-05 dated November 27, 2004 for allowing NRIs and FIIs to invest in the shares offered in the Issue with repatriation benefit.

GENERAL DISCLAIMER

The Bank accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other material issued by or at the instance of the Bank and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

FILING

The Prospectus was filed with SEBI, Mittal Court, Nariman Point, Mumbai on December 03, 2004 for its observations and SEBI has given its observations. A copy of this Prospectus, having attached thereto the 'Material Contracts and Documents' referred to elsewhere in the Prospectus, has been delivered for registration to NSE (being the Designated Stock Exchange). The Bank has also incorporated the comments given by SEBI before filing the Prospectus with the said stock exchanges. A complete copy of 'Material Contracts and Documents' has been kept open for public inspection at the Head Office of the Bank. The Lead Managers and the Bank shall make all information available to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Also, the Bank and the Lead Managers are obliged to update the Prospectus and keep the public informed of any material changes till the listing and trading commence in respect of the securities offered through this issue.

LISTING

The existing shares of the Bank are listed on The Stock Exchange, Mumbai (BSE), the National Stock Exchange of India Ltd. (NSE), The Ahmedabad Stock Exchange (ASE) and Delhi Stock Exchange (DSE).

Applications have been submitted to NSE, BSE, ASE and DSE to list the new equity shares now being offered through this Prospectus and to seek a permission to deal in such shares. The "in-principle" approvals for listing from the BSE, NSE, ASE and DSE have been received on December 21, 2004, December 8, 2004, December 13, 2004 and December 10, 2004 respectively. NSE shall be the Designated Stock Exchange.

The Bank shall comply with the requirements of the listing agreement to the extent applicable to it on a continuous basis.

If the permissions to deal in and for an official quotation of the equity shares are not granted by any of the Stock Exchanges, the Bank shall forthwith repay, without interest, all such moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after the Bank becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of closing of the subscription list, whichever is earlier), then the Bank will be liable to repay the money, with interest, as prescribed under Section 73 of the Companies Act.

ELIGIBILITY OF THE BANK TO COME OUT WITH THE PUBLIC ISSUE

The SEBI (Disclosure and Investor Protection) Guidelines, 2000 prescribe eligibility norms for a company to come out with a public issue. Clause 2.3 of the Guidelines specifies the eligibility requirements for public issue by a listed company. However, the Bank is eligible to come out with the public issue in terms of Clause 2.4.1, which exempts a banking company from these requirements.

Securities and Exchange Board of India vide their letter no. CFD/DIL/ISSUES/PR/25816A dated November 17, 2004 has permitted Dena Bank to approach the market with public issue based on limited review of accounts for the period ended September 30,2004.

PROHIBITION BY SEBI

The Bank, its directors, its associates and companies with which the directors of the Bank are associated as directors or promoters are not prohibited from accessing the capital market under any order or directions passed by SEBI.

ISSUE OF SHARES IN DEMATERIALISED FORMAT

The Bank has entered into a tripartite agreement with NSDL and CDSL for dematerialisation of shares for the existing/proposed shareholders. The Bank has also given an option to the subscribers/ shareholders/ investors to receive the share certificates in physical form or in the demat form. **Shares shall be issued in physical form only at the option of the applicant.**

IMPERSONATION

As a matter of abundant caution, the attention of the investor is drawn to the provision of Section 68 (A) of the Companies Act, 1956, reproduced below:

"Any person who

(a) makes in a fictitious name an application to the Bank for acquiring or subscribing for any shares therein; or

(b) Otherwise induces the Bank 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", as applicable under the provisions of law.

MINIMUM SUBSCRIPTION

If the Bank does not receive the minimum subscription of 90% of the issued amount, on the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of applications, the Bank shall forthwith refund the entire subscription amount received. If there is delay beyond 8 days after the Bank becomes liable to pay the amount, the Bank shall pay interest as per Section 73 of the Companies Act, 1956.

LETTERS OF ALLOTMENT/SHARE CERTIFICATES/REFUND ORDERS

Letters of Allotment/Share Certificates or Refund Orders, as the case may be, will be despatched by Registered Post/ Speed Post or as per extant postal rules at the sole risk of the sole/first applicant within thirty days from the date of closing of the subscription list. In accordance with the extant postal rules the Bank will ensure dispatch of refund orders of value up to Rs. 1500/- under Certificate of Posting and refund orders of value above Rs. 1500/- by Registered Post/ Speed Post only and adequate funds for the purpose shall be made available to the Registrars by the Bank.

Further,

a) as far as possible, the allotment of the equity shares shall be made within 30 days of the closure of the Issue; and

b) the Bank shall pay interest at the rate of 15% per annum if the allotment has not been made and/or the Letters of Allotment/ Refund Orders have not been despatched to the investors within 30 days from the date of the closure of the Issue, for the delayed period beyond 30 days.

The Bank will provide adequate funds to the Registrars to the Issue, for the purpose of despatch of letter(s) of allotment/share certificate(s)/letter(s) of regret/refund order(s). Despatch of share certificates/refund orders and demat credit would be completed and allotment and listing documents shall be submitted to the Stock Exchanges within 2 working days of finalisation of the basis of allotment. Formalities pertaining to listing and trading of the securities offered through this Prospectus shall be completed at all stock exchanges where they are proposed to be listed within 7 working days from the date of finalisation of the basis of allotment. The Bank shall ensure that 'at par' arrangement is provided for encashment facility on all refund orders at all collection centres.

DENOMINATION OF SHARES

The Bank undertakes that at any given time, there shall be only one denomination for the shares of the Bank and that the Bank shall comply with such disclosures and accounting norms specified by SEBI from time to time.

OVERSUBSCRIPTION

In the event of the present issue of equity shares being oversubscribed, the basis of allotment will be finalised in consultation with the Designated Stock Exchange in accordance with SEBI guidelines.

ISSUE PROGRAMME

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON THE DATES MENTIONED BELOW:

ISSUE OPENS ON	**January 24, 2005 (Monday)**
ISSUE CLOSES ON	**January 29, 2005 (Saturday)**

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE

SBI Capital Markets Limited (SBICAP)
202, Maker Tower 'E'
Cuffe Parade, Mumbai – 400 005
Tel: (022) 2218 9166, Fax: (022) 2218 8332
Email: denabank.issue@sbicaps.com

ICICI Securities Limited (I-Sec)
ICICI Centre, H. T. Parekh Marg,
Churchgate, Mumbai 400 020
Tel: (022) 2288 2460, Fax: (022) 2282 6580
Email:denabankissue@isecltd.com

J M Morgan Stanley Private Limited (JMMS)
141, Maker Chamber III,
Nariman Point, Mumbai – 400 021
Tel: (022) 55040404, Fax: 22028224
Email: denabankissue@jmmorganstanley.com

A.K.Capital Services Limited (AKCAP)
135/136, Free Press House, Free Press Journal Marg, Nariman Point, Mumbai 400 021
Tel : (022) 5634 9300, Fax: (022) 5636 0977
Email: akmumbai@akgrouponline.com

Kotak Mahindra Capital Company Limited (KMCC)
Bakhtawar, 3rd Floor,
229, Nariman Point,
Mumbai 400 021
Tel : (022)5634 1100, Fax: (022) 2284 0492
Email: denabank.issue@kotak.com

Enam Financial Consultants Pvt. Limited (ENAM)
801, Dalamal Towers,
Nariman Point,
Mumbai 400 021
Tel : (022)5638 1800, Fax: (022) 2284 6824
Email: denafpo@enam.com

INTER-SE ALLOCATION OF RESPONSIBILITIES BETWEEN THE LEAD MANAGERS

	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital Structure with the relative components and formalities such as composition of debt and equity, type of instruments.	SBICAP	SBICAP
2.	Drafting and design of Offer Document.		
	The designated Lead Manager shall ensure conduct of due diligence and ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	SBICAP	SBICAP
3.	Designing Statutory advertisements including offer document advertisement cover of the offer document and memorandum containing salient features of the Offer Document (Form 2A). The designated Lead Managers shall ensure compliance with the applicable regulatory provisions in respect of such Statutory Advertisements.	SBICAP KMCC	KMCC
4.	Other non-statutory Advertisements / publicity material including brochures and newspaper materials, corporate campaigns, product advertisement. The designated Lead Manager shall ensure compliance with stipulated code of advertisements with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange and SEBI.	SBICAP I-Sec JMMS AKCAP KMCC ENAM	ENAM
5.	Selection of various agencies connected with the issue, namely: i) Registrars to issue ii) Printers iii) Advertising agencies iv) Bankers to the Issue	SBICAP I-Sec JMMS AKCAP	I-Sec
6.	Marketing of the issue covering inter alia formulating marketing strategies, preparation of publicity budget, arrangements for selection of ad media	SBICAP I-Sec JMMS AKCAP KMCC ENAM	Retail: JMMS Institutional: A K Cap
7.	Distribution of publicity and issue material including application form, offer document, brochures and deciding on the quantum of the issue material.	SBICAP I-Sec JMMS AKCAP KMCC ENAM	JMMS
8.	Coordinating the training sessions module for the branch managers of the Bank regarding marketing of the issue and allocation of conference centres amongst lead managers	SBICAP I-Sec JMMS AKCAP KMCC ENAM	KMCC
9.	Selection of centres for holding press/broker conferences and allocation of conference centres amongst lead managers and preparation of press/ broker conference presentation, finalisation of brokerage structure based on inputs from lead managers	SBICAP I-Sec JMMS AKCAP KMCC ENAM	JMMS
10.	Selection of Registrars to the issue.	I-Sec	I-Sec
11.	Selection of Bankers to the issue	ENAM	ENAM
12.	Follow-up with Bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures	I-Sec	I-Sec

13.	The post-issue activities involving essential follow-up steps with the various agencies (bankers to the issue, refund bankers, registrars) connected with the post-issue work to facilitate the timely finalisation of the basis of allotment, listing of instruments and despatch of certificates and refunds, even if many of these activities would be handled by other intermediaries, the designated lead manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable arrangements with the Issuer Company.	I-Sec	I-Sec

CO-MANAGERS TO THE ISSUE

Chartered Capital & Investment Limited
711, Mahakant, Opp. V. S. Hospital,
Ellis Bridge,
Ahmedabad – 380006

Centrum Finance Limited
Khetan Bhavan, 5th Floor,
198, J. Tata Road, Churchgate,
Mumbai 400 020

Karvy Investor Services Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500034

BOB Capital Markets Limited
Ground Floor, Noble Chambers (Vasta House),
20-C/D, S. A. Brevli Road, Fort,
Mumbai 400001

Allianz Securities Limited
33, 6th Floor, Vaswani Mansion,
Dinsha Vachha Road,
Churchgate,
Mumbai 400020

REGISTRARS TO THE ISSUE

Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala,Andheri (E), Mumbai 400 099
Contact Person: Shri Varghese P.A.
Tel: (022) 2821 5168, Fax: (022) 2839 2259
Email: sharepro@vsnl.com

BANKERS TO THE ISSUE

DENA BANK
Dena Corporate Centre, C – 10,
'G' Block, Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051
Tel: (022) 2654 5607/5606/ 5317,
Fax: (022)26545605/ 5106

LEGAL ADVISOR TO THE ISSUE

Wadia Ghandy & Co.
Advocates & Solicitors,
N M Wadia Buildings,
123 M G Road, Fort,
Mumbai 400 001.
Tel: (022) 2267 0669, Fax: (022) 22676784
Email: ferzana.behramkamdin@wadiaghandy.com

AUDITORS TO THE ISSUE

M/s B.K.Khare & Co.
Chartered Accountants
706-707 Sharda Chambers
New Marine Lines
Mumbai – 400 020

M/s Bhudladia & Co.
Chartered Accountants
12/10, East Patel Nagar
New Delhi – 110 008

M/s Gandhi Minocha & Co.
Chartered Accountants
82, Shakti Apartments, SFS Flats,
Phase III, Ashok Vihar,
Delhi – 110 052

M/s Khandelwal Kakani & Co.
Chartered Accountants
55 Basant Mansion, 2nd Floor,
165, RN Marg,
Indore – 452 001

M/s S. Jaykishan
Chartered Accountants
12 HO CHI MINH
Sarani Unit 2D & E,
Kolkatta – 700 071

M/s Nripendra & Co
58/37, First Floor,
Birhana Road,
Kanpur 208001

REGIONAL OFFICES OF DENA BANK

Dena Bank
Dena Laxmi Building,
1st Floor, 188/A, Ashram Road,
Navrangpura, Ahmedabad-380 009

Dena Bank
Laxmi Chambers, Station Road,
Bhuj-370 001

Dena Bank
2nd Floor, Shriram Complex,
Radhanpur Road,
Mehsana-384 002

Dena Bank
Gokul Chambers,
2nd Floor, Dhebarbhai Road,
Rajkot-360 001

Dena Bank
Shree Apartments, 1st Floor,
Near Makai Bridge,
Nanpura,
Surat-395 001

Dena Bank
Kuber Bhavan,
Subhanpura,
High Tension Road,
Vadodara-390 023

Dena Bank
Building No.1, 2nd Floor,
17, Horniman Circle, Fort,
Mumbai-400 023

Dena Bank
Sharda Bhavan, Opp. NMIMS,
V.M. Road, JVPD Scheme,
Vile Parle (West), Mumbai-400 056

Dena Bank
Building No.2, 1st Floor,
Mumbai Main Office,
17, Horniman Circle, Fort,
Mumbai-400 023

Dena Bank
Cawas Arcade,
2nd Floor, Shalimar,
Nashik-422 001

Dena Bank
Madhav Chambers-I,
398/A, Senapati Bapat Road,
Shivaji Nagar,
Pune-411 016

Dena Bank
Mangal Kalash,
5th Floor,
28, Shakespeare Sarani,
Kolkata-700 071

Dena Bank
Sona Towers,
1st Floor,
71 Millers Road,
Bangalore-560 052

Dena Bank
28-A, Pravin House,
Vidhan Sabha Marg,
Lucknow-226001

Dena Bank
Goswami Bhawan,
107, Berasia Road,
Bhopal-462 018

Dena Bank
18/7-8, Keltron Chambers,
Arya Samaj Road, Karol Baug,
New Delhi-110005

Dena Bank
Geetanjali Convention Centre,
32, Venkatesan Street, T. Nagar,
Chennai-600 017

Dena Bank
Rukhmini Bhavan,
Near Jairam Complex,
Raipur-492 001

COMPLIANCE OFFICER

Shri M. G. Sanghvi, General Manager (IFM & Accounts), has been designated as the Compliance Officer for this issue. In case of any pre issue, post issue related problems such as non-receipt of letters of allotments/ share certificates/ demat credits/ refund orders etc., the investors are requested to contact the Compliance Officer at:

Shri M. G. Sanghvi
General Manager (IFM & Accounts)
Dena Corporate Centre,
C – 10, 'G' Block, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: (022) 26545607/06, Fax : (022) 2654 5605
Email: mgsanghvi@denabank.co.in

CREDIT RATING/DEBENTURE TRUSTEES

Since the present issue is of equity shares, credit rating and appointment of trustees are not required.

UNDERWRITING

The present issue of equity shares is not underwritten.

CORPORATE GOVERNANCE

The guidelines in respect of corporate governance, as per Clause 49 of the Listing Agreements, are applicable to the Bank. In this regard, the Bank has already broad based its Board of Directors and also set up the necessary committees as per the requirements of the revised Corporate Governance guidelines.

Board of Directors

The Board of Directors of the Bank is governed by the provisions of the Banking Regulations Act, 1949, Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 & Nationalised Banks (Management & Miscellaneous Provisions) Scheme, 1970. The Chairman & Managing Director and Executive Director are two whole time Directors appointed by the Govt. of India. The Board comprises of four directors each represented by Ministry of Finance (Government of India), Reserve Bank of India, Officer Workmen and Workmen of the Bank, two Directors who are nominated by Government of India and four Directors who are elected by shareholders from amongst shareholders other than the Government of India.

Management Committee of the Board of Directors

The Bank has constituted Management Committee as per provisions of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970. The main functions of the Management Committee include sanctioning of credit proposals, proposals for approval of capital and revenue expenses and investments in government and other approved securities / shares and debentures of companies including underwriting etc., which are beyond the discretionary powers of the Chairman & Managing Directors.

The Board in its meeting held on 30.11.2002 has delegated its discretionary powers to the Management Committee for taking up the agenda items falling within the discretionary powers of the Management Committee.

Audit Committee of the Board

The Bank has constituted Audit Committee of the Board of Directors in October 1995 as per guideline of the Reserve Bank of India and the same was reconstituted in the month of September 1997. In accordance with guidelines under clause 49 of the listing agreements, the Bank has delegated more powers and role to the Audit Committee. The Audit Committee of the Board of Directors comprises five members of Board of Directors. The present members comprises of Mr. M. V. Nair, Executive Director, Mr. R. Renganath and Mr. H. R. Khan, two official Directors and Mr. Atul Galande a Non-Official, Non-Executive Director. One post for a Non-Official, Non-Executive Director is vacant.

The function of the Audit Committee includes overseeing the Audit functions, review of Bank's financial performance, review critical findings of concurrent/ other inspections/ audits, compliance with Accounting Standards and all other matters specified under Clause 49 of the Listing Agreement of the Stock Exchange.

Shareholders / Investors Grievance Committee

The Bank has constituted Shareholders/ Investors Grievance Committee in the month of October 2001 for addressing issues of shareholders/ investors like transfer of share/bonds, non-receipt of Annual Accounts, non-receipt of Dividend/ Interest etc. The Committee meets on a quarterly basis and discusses the issues relating to shareholders/ investors grievance etc.

II. CAPITAL STRUCTURE

	As on September 30, 2004 (Rs. in crores)		Face Value	Amount including premium
A.	**Authorised capital**			
	150,00,00,000	Equity Shares of Rs. 10/- each	1500.00	–
B.	**Issued, subscribed and paid up capital***			
	20,68,23,200	Equity Shares of Rs. 10/- each	206.82	326.83
C.	**Present issue through this Prospectus**			
	8,00,00,000	Equity Shares of Rs. 10/- each at a premium of Rs.17/- each	80.00	216.00
	Out of which			
	80,00,000	Equity Shares of Rs.10/- each for cash at a premium of Rs.17/- each are reserved for Employees	8.00	21.60
	80,00,000	Equity Shares of Rs.10/- each for cash at a premium of Rs.17/- each are reserved for allotment to NRIs & FIIs applying on repatriation basis.	8.00	21.60
D.	**Net offer to Indian public**			
	6,40,00,000	Equity Shares of Rs. 10/- each at a premium of Rs. 17/- each	64.00	172.80
E.	**Paid - up capital after the issue**			
	28,68,23,200	Equity Shares of Rs. 10 each	286.82	542.83
F.	**Share premium account**			
		Before the issue		120.01
		After the issue		256.01

* The Government of India, the Promoter presently holds 70.99% of the equity capital of the Bank. The Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division) has given its approval for the present Issue, vide letter no. F. No. 011/26/2003/BOA dated October 19, 2004. After the issue, shareholding of GoI will be 51.19%.

The Foreign Exchange Department, RBI vide their letter no. FE.CO.FID/3561/ 042/10.02.40 (8435)/ 2004-2005 dated November 27, 2004, permitted the bank to issue shares to NRIs/ FIIs with repatriation benefits. The permission is subject to ensuring that the post issue non-resident equity holding in the Bank shall not exceed 20% of the paid up capital. The permission is further subject to conditions laid down by the Government of India in their approval F. No. 11/26/2003-BOA dated October 19, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 03, 2000.

NOTES TO CAPITAL STRUCTURE

1. Share Capital history (since nationalisation on July 19, 1969)

(Rs. in crores)

Year ended December 31	Increase/(Decrease) in capital	Mode *	Paid-up capital
1970	-	-	1.25
1984	0.12	Contribution to Capital by Govt. Of India	1.37
1985	13.63	Contribution to Capital by Govt. Of India	15.00
1986	7.00	Contribution to Capital by Govt. Of India	22.00
1989	20.00	Contribution to Capital by Govt. Of India	42.00
1990	30.00	Contribution to Capital by Govt. Of India	72.00
1991	25.00	Contribution to Capital by Govt. Of India	97.00
1993	50.00	Contribution to Capital by Govt. Of India	147.00
1994	130.00	Contribution to Capital by Govt. Of India	277.00
1995	6.11	Contribution to Capital by Govt. Of India	283.11
1996	(136.29)	Adjustment of accumulated losses against capital	146.82
1996	60.00	Public Offer	206.82

* The contribution of capital by GoI has been in the form of recapitalisation bonds.

The Bank has made an offer of 6,00,00,000 shares of face value of Rs. 10 each at a premium of Rs. 20 per share. The Issue opened on October 28, 1996 and closed on November 07, 1996 and was fully subscribed.

Ministry of Finance has given their approval for adjustment of accumulated losses against capital vide letter dated 29th March, 1996 to the extent of Rs.136.29 crores.

2. **Details of lock-in**:

Ministry of Finance, Department of Economic Affairs, Banking Division, GoI, has given the approval to lock-in 20% of the post issue capital for 3 years from the date of allotment in the public issue and lock in of the balance pre issue share capital of the Bank held by the Government for a period of one year from the date of allotment of shares in the present issue, vide letter No. F.No.11/26/2003-BOA dated November 29, 2004.

The shares issued last shall be locked in first.

3. The present shareholding pattern of the Bank (as on January 7, 2005) is as follows:

Category	No. of shares held	% of share holding
GoI	146820000	70.99
Banks, FIs, Insurance Cos., Mutual Funds & UTI	8207830	3.97
FIIs	4598017	2.22
Private Corporate Bodies	9466835	4.58
Indian Public	36969586	17.88
NRIs/OCBs	752907	0.36
Trust	8025	0.00
Total	**206823200**	**100.00**

After the Issue, GoI stake would reduce from 70.99% to 51.19%.

4. The authorised share capital of the Bank is Rs. 1500.00 crores as per sub-section 2A of section 3 of The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.

5. The Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division), in exercise of the powers conferred by Section 3 (2BBB) inserted in the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995, and in consultation with the Reserve Bank

of India, has permitted the Bank to set off the carried forward debit balance in the Profit and Loss Account against the Bank's Capital on 29th March, 1996 to the extent of Rs.136.29 crores. The present paid-up capital of the Bank is Rs. 206.82 crores.

The Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division), vide its letter F.No. 11/26/2003 – BOA dated October 19, 2004, advised the Bank for setting off its accumulated losses of Rs. 217 crores against its revenue reserves and accordingly, the Bank has set-off its accumulated losses of Rs. 217.29 crores as on March 31, 2004 against its revenue reserves as on September 30, 2004.

6. Under section 3A of the Bank Nationalisation Act, no notice of any Trust, express, implied or constructive, shall be entered on the Register or be receivable by the Bank. In terms of this section, while Trusts could make investments in equity shares of the Bank, this could be only in the name of the Trustees and no details of the Trust would be taken cognisance of by the Bank on its Register of Shareholders.

7. i) Section 3 (2E) of the Bank Nationalisation Act provides that no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one percent (1%) of the total voting rights of all the shareholders of the Bank.

   ii) Section 3 (2B)(b) of Bank Nationalisation Act provides that the paid up capital of every corresponding new bank from time to time be increased by such amounts as the Central Government may, after consultation with the Reserve Bank of India, contribute to such paid-up capital.

   iii) Section 3(2B)(c) of Bank Nationalisation Act provides that the paid up capital of every corresponding new bank may from time to time be increased by such amounts as the Board of Directors of the Bank may, after consultation with the Reserve Bank of India and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than fifty-one percent of the paid-up capital of each corresponding new bank. The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and Financial Institutions Laws (Amendment) Bill, 2000 proposes to reduce the minimum stake of the Government from 51% to 33%.

8. In the event of oversubscription, the allotment shall be made on a proportionate basis as is outlined elsewhere in this Prospectus. Investors are advised to refer to Para 'Basis of Allotment' on page 20 of the Prospectus.

9. Only permanent employees and Directors of the Bank as on the cut-off date i.e. November 30, 2004, would be eligible to apply in this Issue under reservation for Employees on competitive basis. The number of permanent employees of the Bank as on November 30, 2004 is 10,300.

10. Unsubscribed portion in any of the reserved category may be added to the other reserved category. The unsubscribed portion, if any, in the reserved category after such inter se adjustment will be added back to the net offer to the public.

11. In case of under-subscription in the net offer to the public portion, the excess subscription, if any, in any of the reserved category would be permitted to spill over to the net public offer portion to the extent of such under subscription. It is however clarified that aggregate post issue shareholding of non-resident shall not exceed 20% of the paid up capital.

12. No single applicant in the net offer to the public category can make an application for a number of equity shares, which exceeds the net offer to the public. Any applicant in the reserved category can make an application for a number of equity shares, which exceeds the reservation in that category.

13. Applicants for whom reservations have been made (except Employees) shall not make an application in the net public offer category.

14. A minimum 50% of the net issue to the Indian public will be made available for allotment in favour of those individual applicants who have applied for not more than Rs. 50,000 worth of shares. This percentage may be increased in consultation with National Stock Exchange of India Ltd. depending on the extent of response to the Issue from investors in this category. The balance of the net issue to the Indian public shall be made available for allotment to investors, including Corporate Bodies, Institutions and Individual applicants who apply for more than Rs. 50,000 worth of shares. The unsubscribed portion of the net issue to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines.

    The term "a minimum 50% of the net offer of equity shares to the public" used above means that if the category of retail individual investors was to be entitled to get 70% of the public offer in accordance with proportionate allotment formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offer.

15. GoI, Directors of the Bank and the Lead Managers have not entered into any buy-back and/or standby arrangements for purchase of the equity shares of the Bank with any person.

16. The Bank has not availed of any Bridge Loan against the proceeds of this Issue.

17. The Bank undertakes that it shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner, during the period commencing from submission of Prospectus to SEBI for the public issue till the securities referred in the Prospectus have been listed or application monies refunded on account of non-listing or undersubscription of the issue etc. As of date the Bank does not propose to alter the capital structure by way of split/consolidation of the denomination of shares or issue of shares on preferential basis or issue of bonus or rights or further public issue of shares or any other securities within a period of six months from the date of opening of present issue.

18. RBI vide its circular no. DBOD.NO.BP.BC.80/21.02.067/2003-04 dated April 23, 2004 revised the guidelines on dividend payable by banks as under:

    Only those banks which comply with the following minimum prudential requirements would be eligible to declare dividends without prior approval of RBI.

    i. The bank should have :

       - CRAR of atleast 11% for preceding two completed years and the accounting year for which it proposes to declare dividend
       - Net NPA less than 3%

    ii. The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.

    iii. The bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves and investment fluctuation reserve, etc.

    iv. Reserve Bank should not have placed any explicit restrictions on the bank for declaration of dividends.

    The Quantum of dividend payable by the Bank has also been clarified. The Banks, which qualify to declare dividends upon compliance with the requirements set out above would be eligible to pay dividends without obtaining the prior approval of the Reserve Bank, subject to further compliance with the following:

    i. The dividend payout ratio does not exceed 33.33%.

    ii. The proposed dividend should be payable out of the current year's profit.

       Dividend payout ratio is calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.

    iii. 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 ceiling of 33.33%.

    iv. The financial statements pertaining to 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 payout ratio.

19. GoI or the directors of the Bank have not undertaken any transactions in the equity shares of the Bank in the last six months.

20. On the date of filing the Prospectus with SEBI, there were no outstanding financial instruments or any other right, which would entitle the existing promoters or shareholders, or any other person any option to receive equity shares after the public issue.

21. The number of shareholders as on January 07, 2005 of the Bank is 1,03,990.

22. **Top 10 Shareholders of the Bank as on January 7, 2005 :**

Sr. No.	Shareholder's Name	No. of Shares held	% Shareholding
1	The President of India	146820000	70.99
2	UBS Securities Asia Limited-A/c Swiss Finance	4271200	2.07
3	Life Insurance Corporation of India	3777300	1.83
4	Bank of Baroda	2010975	0.97
5	Andhra Bank	625000	0.30
6	Sundaram Mutual Fund-A/c Sundaram Select Midcap	500000	0.24
7	Indiabulls Financial Services Limited	336688	0.16
8	Sundaram Mutual Fund-A/c Sundaram Select Focus	300000	0.15
9	BSMA Limited	276817	0.13
10	State Bank of Hyderabad	267500	0.13

Top 10 Shareholders of the Bank as on December 29, 2004 :

Sr. No.	Shareholder's Name	No. of Shares held	% Shareholding
1	The President of India	146820000	70.99
2	UBS Securities Asia Limited-A/c Swiss Finance	4271200	2.07
3	Life Insurance Corporation of India	3777300	1.83
4	Bank of Baroda	2090975	1.01
5	BSMA Limited	631417	0.31
6	Andhra Bank	625000	0.30
7	Sundaram Mutual Fund-A/c Sundaram Select Midcap	500000	0.24
8	Indiabulls Financial Services Limited	336688	0.16
9	Karvy Stock Broking Limited	306786	0.15
10	Sundaram Mutual Fund-A/c Sundaram Select Focus	300000	0.15

Top 10 Shareholders of the Bank as on January 7, 2003 :

Sr. No.	Shareholder's Name	No. of Shares held	% Shareholding
1	The President of India	146820000	70.99
2	Life Insurance Corporation of India	3777300	1.83
3	State Bank of India	2878100	1.39
4	Bank of Baroda	2877800	1.39
5	Bank of India	2849400	1.38
6	Industrial Development Bank of India	2707739	1.31
7	Central Bank of India	863400	0.42
8	UCO Bank	863400	0.42
9	Andhra Bank	863400	0.42
10	Corporation Bank	845380	0.41

III. TERMS OF THE PRESENT ISSUE

The Bank is offering for public subscription through this Prospectus 8,00,00,000 equity shares of face value of Rs.10 each for cash at a premium of Rs. 17 at a price of Rs. 27 each aggregating Rs. 216 crores.

The equity shares are being offered subject, inter-alia, to the terms of this Prospectus, the application forms, guidelines if any issued by GOI in this regard, the provisions for listing as specified in guidelines issued by Stock Exchanges from time to time, the terms and conditions stated in the allotment letters/share certificates to be issued, the provisions of the Bank Nationalisation Act, the Banking Regulation Act, 1949, the provisions of the Companies Act, 1956, the letter from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) vide their letter F.No.011/26/2003/BOA dated October 19, 2004 approving the Issue, The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, Dena Bank General Regulations, 1998, the guidelines for Disclosure and Investor Protection issued by SEBI and the provisions of the Depository Act, 1996 to the extent applicable.

RIGHTS OF THE EQUITY SHAREHOLDERS

a) Right to receive dividend, if declared.

b) Right to attend general meetings and exercise voting powers, unless prohibited by law and the right to discuss the balance sheet together with the profit and loss account of the bank as mentioned in Section 10A of the Bank Nationalisation Act.

c) Right to vote either personally or by proxy, subject to Section 3(2E) of the Bank Nationalisation Act.

Note: In the event of a difference in the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and Companies Act on the given issue, particularly with reference to the shareholders rights, the former will override the latter.

FACE VALUE OF EQUITY SHARES

Each equity share being offered will have a face value of Rs. 10 and is offered at a premium of Rs. 17/- at a price of Rs. 27/-. The Issue Price is 2.7 times the face value.

RANKING OF EQUITY SHARES

The equity shares, now being offered shall rank pari-passu with the existing equity shares of the Bank in all respects including dividend, save and except as following:

a) As provided in section 3(2E) of the Bank Nationalisation Act, "No shareholder other than central government shall be entitled to exercise voting rights in respect of any equity shares held by him in excess of 1% of the total voting rights of all the shareholders of the Bank."

b) Investors are requested to refer to section 15(1) of the Banking Regulation Act, 1949. As per the above section, "No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amount of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off."

The Bank has got an exemption from Ministry of Finance, Department of Economic Affairs (Banking Division) vide notification F.NO.11/26/2003-BOA dated November 29, 2004 from the provisions of the said section 15(1) relating to the payment of dividend up to a period of five years from the date of this notification.

TERMS OF PAYMENT OF THE EQUITY SHARES

Applications should be for a minimum of 200 equity shares and in multiples of 200 thereafter. The Issue price is Rs. 27/- per share and the entire amount is payable on application. Where an applicant is allotted lesser number of equity shares than he/she has applied for, the balance if any, will be refunded to the applicant. No interest would be payable on application money pending allotment up to 30 days from the date of closure of the Issue.

INTEREST IN CASE OF DELAY IN DESPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

The Bank agrees that as far as possible, allotment of equity shares shall be made within 30 days from the date of closure of the Issue. Further, the Bank shall pay interest @ 15% p.a., if the allotment letters/ the refund orders have not been dispatched to the applicants within 30 days from the date of closure of the Issue for the period of delay beyond 30 days.

TRANSFER OF SHARES

As per Section 3 (2D) of the Bank Nationalisation Act, 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 20% 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.

PROCEDURE FOR APPLICATION AND MODE OF PAYMENT

AVAILABILITY OF PROSPECTUS AND APPLICATION FORMS

The Memorandum Form 2A containing the salient features of the Prospectus together with application forms and copies of this Prospectus may be obtained from the Lead Managers to the Issue, Bankers to the Issue named herein, the collection centres of the Bankers to the Issue mentioned in the Application Forms, the Head Office, Regional Offices and all designated branches of the Bank. The investors are advised to retain the copy of the Prospectus/Memorandum in Form 2A for their future reference.

APPLICATION MAY BE MADE BY

(a) Indian Nationals Resident of India who are adult Individuals in single name or joint names (not more than three).

(b) Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)

(c) Companies, Body Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares.

(d) Scientific and/or Industrial Research Organisations, which are authorised to invest in the equity shares.

(f) Indian Mutual Funds registered with SEBI.

(g) Indian Financial Institutions & Banks.

(h) Trusts who are registered under the Societies Registration Act, 1860 or any other applicable Trust Laws and authorised under its constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalisation Act.

(i) Commercial Banks and Regional Rural Banks.

Co-operative Banks may also apply subject to permission from Reserve Bank of India.

(j) Employees of the Bank.

(k) Non-Resident Indians (NRIs) on non-repatriation basis in the public category

(l) Non-Resident Indians (NRIs)/ Foreign Institutional Investors (FIIs) on repatriation basis only in the NRI category*

***** The Foreign Exchange Department, RBI vide their letter no. FE.CO.FID/3561/042/10.02.40(8435)/ 2004-2005 dated November 27, 2004, permitted the bank to issue shares to NRIs/ FIIs with repatriation benefits. The Bank has made a reservation of 10% of the issue for NRIs/ FIIs applying on a repatriation basis.

Foreign Exchange Management (Deposit) Regulations, 2000 define a Non Resident Indian as,

'Non-Resident Indian (NRI)' means a person resident outside India who is a citizen of India or is a person of Indian origin.

APPLICATIONS NOT TO BE MADE BY

1. Minors
2. Foreign Nationals / OCBs
3. Partnership firms or their nominees
4. Trust or Society (except as stated above)
5. HUFs (except as stated above)
6. Proprietorship concern

JOINT APPLICATIONS IN CASE OF INDIVIDUALS

Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/ his address as stated in the application form. The details regarding the name of the first and other joint applicants if any should match with the details with the depository in case the investor is opting for allotment in demat.

MULTIPLE APPLICATIONS

An applicant should submit only one application form (and not more than one) for the total number of equity shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

The application form shall contain space for indicating number of shares subscribed for in demat and physical shares or both. No separate applications for demat and physical can be made. If such an application is made, the applications for physical shares will be treated as multiple applications.

In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any will be allotted in physical shares.

Applications made by Employees of the Bank both under the reserved category for employees as well as in the net public offer shall not be treated as multiple applications. However, NRIs/ FIIs applying on a repatriation basis shall not make an application in the public category and such applications made in both the categories i.e. Reserved category and Public Category shall be treated as multiple applications.

The Bank reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications.

Unless the Bank specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/draft must accompany each application form.

APPLICATION BY MUTUAL FUNDS

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/Trustees/Custodian clearly indicate their intention as to the scheme for which the application has been made.

APPLICATIONS UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of Trusts, Provident Funds, Superannuation Funds, Gratuity Funds and Scientific and/or Industrial Research Organisations, a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrars to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application has been submitted and the Bank and the branch on which the cheque/draft has been drawn. The Bank in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with application form subject to such terms and conditions as it may deem fit.

UNIQUE IDENTIFICATION NUMBER - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated November 25, 2003 and July 30, 2004, no specified intermediaries, its related persons as mentioned in Regulation 4 of the said regulations shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified intermediaries, its related persons, have been allotted unique identification numbers.

Provided however that SEBI by its notification dated 17th August 2004 has specified 30th June 2005 as the extended date within which such promoters or directors of specified intermediaries, as are resident outside India, shall obtain Unique Identification Number.

In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated July 30, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers.

In case of specified investor being a body corporate, the above para shall not apply to such specified investor who has applied for allotment of a unique identification number before December 31, 2004, till the disposal of its application or, where it has filed an appeal, till the disposal of the appeal, as the case may be.

SEBI has by press release dated 31st December 2004 bearing PR No. 344 /2004 extended the notified date for the purposes of obtaining unique identification numbers for specified investors being bodies corporate whose promoters or directors are persons resident outside India to 31st December 2005.

Furthermore SEBI vide its circular no. MAPIN-1/2005 dated January 4, 2005 has stated that:

> "The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, inter-alia, specified in terms of sub-regulation (2) of regulation 6 that "All investors being bodies corporate as 'specified investors', along with their promoters and directors are required to obtain a UIN before December 31, 2004".

However, it is clarified that "wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003".

In terms of the above it shall be compulsory for specified intermediaries and specified investors being bodies corporate making application in this issue to give their unique identification number.

Applications from bodies corporate as mentioned above and specified intermediaries, which are not in compliance with the above regulations and any subsequent regulations/ notifications/ circulars/ guidelines/ clarifications if any, issued by SEBI shall be liable to be rejected.

PAN/GIR NUMBER

Where an application is for a total value of Rs. 50,000 or more, the applicant, or, in case of applications in joint names, each of the applicants should mention his/her/their Permanent Account number (PAN) allotted under Income Tax Act, 1961 or where the same has not been allotted, the GIR Number and the IT Circle/Ward/District should be mentioned. In case where neither the PAN nor the GIR number has been allotted, or the applicant is not assessed to Income tax, the appropriate box provided for the purpose in the Application Form must be ticked. Applications without this will be considered incomplete and are liable to be rejected.

Signatures, Thumb impressions and signatures other than in English/Hindi or any other language specified in the VIIIth Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/her official seal.

NOMINATION FACILITY

As per Section 109A of the Companies Act, 1956 and the Notification No: G.S.R. 836(E) dated 24.10.2000 amending Form 2B of nomination form of the Companies (Central Government's) General Rules and Forms, 1956, only individuals applying as Sole Applicant/ Joint Applicant can nominate, in the prescribed manner, a person to whom his share in the Bank shall vest in the event of her/his death. Non-individuals including society, trust, body corporate, Karta of HUF, holder of power of attorney cannot nominate.

OTHER APPLICATION DETAIL

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in ENGLISH in accordance with the instructions contained herein and in the application form, and are liable to rejection if not so made. The prescribed application forms will have the following colours

Category	Colour of form
Indian public and NRIs/FIIs (without repatriation)	White
Employees of the Bank	Pink
NRIs/FIIs (on repatriation basis)	Blue

2. Payments should be made by cash, 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 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. Money orders/Postal orders will not be accepted.
3. All application forms duly completed together with cash/cheque/demand draft for the application money payable must be delivered before the close of the subscription list to any of the Bankers to the Issue named herein or to any of their branches mentioned in the Application Form and not to the Lead Managers or the Registrars to the Issue (except in the circumstances described in clause 6 herein below).
4. Unless the Bank specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/bank draft must accompany each Application Form. No receipt will be issued for the application money. However, the Bankers to the Issue will issue an acknowledgment by stamping and returning to the applicant the acknowledgment slip attached to the Application Form. The acknowledgement slip given by the Bankers shall be valid and binding on the Bank and others connected with the Issue.
5. All cheques/bank drafts accompanying the application should be crossed "**A/c Payee Only**" and made payable to the Bankers to the issue and marked:

Category of Application	Cheques/Bank drafts favouring
Resident Indian Public and NRI/FIIs (without repatriation)	"Dena Bank - Public Issue"
Employees	"Dena Bank - Public Issue - Employees"
NRIs/FIIs (on repatriation basis)	"Dena Bank - Public Issue - NR"

6. Applicants residing at places where no collection centres have been opened may submit/mail their applications at their sole risk along with the application money due thereunto by Demand Draft to the Registrars to the Issue at their Mumbai address, superscribing the envelope **"Dena Bank - Public Issue"**, **so as to reach the Registrars to the Issue on or before the closure of the subscription list**. Such demand drafts should be payable at Mumbai only. The charges, if any, for purchase of demand drafts will have to be borne by the applicant.
7. **Section 269SS** of the Income Tax Act, 1961

   Having regard to the provisions of Section 269SS of the Income Tax Act, 1961, the payment against an application should not be effected in cash if the amount payable together with any earlier outstanding loan or deposit placed with Dena Bank by the applicant is Rs. 20,000 or more. In case payment is effected in contravention of this, the Applications are liable to be rejected without interest.
8. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares

PARTICULARS OF BANK ACCOUNT

All the applicants should mention particulars relating to Savings Bank/Current Account number and the name of the bank and branch with whom such account is held in the appropriate place in the application form to enable Registrars to print the said details in the refund orders after the name of the payee. **Please note that it is mandatory to provide the aforementioned details. Applications without these details would be treated as incomplete and applications are liable to be rejected.**

Note

1. Applicants are requested to write the application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for equity shares.
2. Applications by NRIs on non-repatriation basis can be made using the Form meant for public out of the funds held in Non Resident (Ordinary) Account (NRO)/NRE Account. The relevant bank certificate must accompany such forms. Such applications will be treated at par with the applications made by the public.

   NRIs can obtain the Application Form from: DENA BANK, Capital Market Branch, Mumbai and such other places as may be specified in the Application Form.

INSTRUCTIONS FOR APPLICATIONS BY NRIs AND FIIs ON REPATRIATION BASIS

1. The Bank has received permission from RBI, Foreign Exchange Department for Issuing equity shares in the Issue to NRIs and FIIs with repatriation benefits subject to ensuring that the post issue non-resident equity holding in the Bank shall not exceed 20% of the paid up capital. The permission is further subject to conditions laid down by the Government of India in their approval F. No. 11/26/2003-BOA dated October 19, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 03, 2000. Hence it will not be necessary for these investors to seek separate permission from the RBI.
2. Applications must be made in the names of individuals, or in the names of FIIs but not in the names of minors, firms or partnerships, foreign nationals or their nominees.
3. The allotment/transfer of the shares to NRIs or FIIs shall be subject to RBI guidelines/other approvals, as may be necessary. Sale proceeds of such investments in equity shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws. Refunds, dividends and other distributions, if any, will be payable in Indian rupees only and net of bank charges/ and or commission.
4. Only such applications, which are accompanied by payment in free foreign exchange shall be considered for allotment under the reserved category meant for NRI 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. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the forms meant for Resident Indians and shall not use the forms meant for reserved category. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

In case of Applications by FIIs, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC (Foreign Inward Remittance Certificate), Bank Certificate etc. from the authorised dealer.

REJECTION OF APPLICATIONS

The Board of Directors of the Bank reserves in its absolute discretion the right to accept or reject any application in full or in part. The various reasons for rejections could be, but not limited to following: incomplete or illegible applications, number of shares applied for less than minimum required number, no information about PAN/GIR in case of applications of value over Rs. 50,000, applications accompanied by cash of more than Rs. 20,000, details of Unique Identification Number not provided in case where it is required etc..

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY

The Bank reserves, in its own, absolute and uncontrolled discretion and without assigning any reason, the right to accept in whole or in part or reject any application. If an application is rejected in full, the entire application money received will be refunded to the applicant. If the application is rejected in part, excess of the application money received will be refunded to the applicant within 30 (thirty) days from the date of closure of the Issue. No interest will be payable on the application money so refunded. Refund will be made by cheques or demand drafts drawn in favour of the sole/first applicant (including the details of his/her savings/current account number and the name of the bank with whom the account is held) to the Issue and will be despatched by Registered Post/ Speed Post for amounts above Rs.1,500 and by Certificate of Posting otherwise. Such refund orders will be payable at par at all the collection centres.

The subscription received in respect of public issue will be kept in a separate bank account and the Bank shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed and approval of the Designated Stock Exchange for utilisation has been obtained.

The Bank has undertaken to make adequate funds available to the Registrars to the Issue for complying with the requirements of despatch of Allotment Letters/Refund Orders by Registered Post/Speed Post.

BASIS OF ALLOTMENT

In the event of the present issue of equity shares being oversubscribed, the allotment will be made on a proportionate basis and the Basis of Allotment will be finalised in consultation with the National Stock Exchange of India Limited, the Designated Stock Exchange.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a Public Representative on the governing board of the Designated Stock Exchange. The Executive Director/Managing Director of the Designated Stock Exchange along with the post-issue Lead Managers and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.

The allotment shall be on proportionate basis under the reservation category as well as under the net public offer category, subject to minimum allotment of 200 shares to successful applicants, and the basis of allotment would be arrived at as explained below:

1. Applicants will be categorised according to the number of shares applied for.
2. The total number of shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio.
3. Number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.
4. In all the applications where the proportionate allotment works out to less than 200 shares per applicant, the allotment shall be made as follows:
   a. Each successful applicant shall be allotted a minimum of 200 shares.
   b. The successful applicant out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per 2 above.
5. If the proportionate allotment to an applicant works out to a number that is more than 200, allotment to such applicant shall be rounded off to the nearest integer subject to minimum allotment of 200 shares.
6. If the shares allotted on a proportionate basis to any category are more than the total shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of shares.
7. A minimum 50% of the net offer of equity shares to the public will be made available for allotment in favour of those individual applicants who have applied for not more than Rs. 50,000 worth of shares. This percentage may be increased in consultation with NSE depending on the extent of response to the Issue from investors in this category. The balance of the net offer of equity shares to the public shall be made available for allotment to investors, including Bodies Corporate, Institutions and individual applicants who apply for more than Rs. 50,000 worth of shares. The unsubscribed portion of the net offer to any one of the above

two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines. The market lot for categorisation of applications for allotment purposes would be 200 shares.

Explanation

The term "a minimum 50% of the net offer of equity shares to the public" used in subclause (7) above means that if the category of retail individual investors was to be entitled to get 70% of the public offer in accordance with proportionate allotment formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offer.

National Stock Exchange of India Ltd. reserves the right to modify the above stated basis of allotment within the overall conformity to the extant regulations in this regard.

INTEREST ON EXCESS APPLICATION MONEY

Payment of interest at the rate of 15% per annum on excess application will be made to the applicants for the delayed period, if any, where allotment of equity shares and / or issuance of Refund Orders takes place beyond 30 days from the date of closure of the Issue.

DISPUTES

Any disputes arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai.

DEMATERIALISATION

The equity shares of the Bank have been admitted for dematerialisation by National Securities Depository Limited (NSDL), vide a tripartite agreement dated July 14, 2000 signed between the Bank, NSDL and the Registrar to the Issue, to enable all shareholders of the Bank to have their shareholding in electronic form. The Bank has also entered into a tripartite agreement with Central Depository Services (India) Ltd. (CDSL) and the Registrar to the Issue for dematerialisation of its shares vide a tripartite agreement dated July 12, 2000.

- An applicant has the option of seeking allotment of equity shares in electronic or in physical mode.
- Separate applications for electronic and physical shares by the same applicant shall be considered as multiple applications and would liable to be rejected.
- The applicant seeking allotment of shares in the electronic form must necessarily fill in the details (including the beneficiary account no. and Depository Participant's ID no.) appearing under the heading 'Request for Shares in Electronic Form'.
- An applicant who wishes to apply for shares in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
- Shares allotted to an applicant in the electronic account will be credited directly to the respective beneficiary accounts (with the DP).
- For subscription in electronic form, names in the share application 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.
- Non-transferable allotment letters/refund orders will be directly sent to the applicant by the Registrar to this Issue.
- Incomplete/incorrect details given under the heading 'Request for shares in electronic form' in the application form shall be treated as an invalid application and shall be liable to be rejected.
- The applicant is responsible for the correctness of the applicant's demographic details given in the application form vis-à-vis those with his/her DP.
- It may be noted that the electronic shares can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL.
- One time cost of dematerialisation of shares would be borne by the Bank. The one time cost refers to the demat charges for the shares opted for in this issue by an investor in electronic form. Subsequent charges for dematerialisation of physical shares held by the investors would have to be borne by the investor.
- In case of partial allotment, allotment will be done in demat option for the shares sought in demat form and balance, if any, will be allotted in physical form.

IN CASE OF ALLOTMENT OF SHARES IN PHYSICAL FORM, THE BANK WILL ISSUE A CONSOLIDATED CERTIFICATE.

THE INVESTOR HAVE AN OPTION TO APPLY IN THIS ISSUE IN BOTH DEMATERIALISED AND PHYSICAL MODE. SHARES SHALL BE ISSUED IN PHYSICAL FORM ONLY AT THE OPTION OF THE APPLICANT. INVESTORS MAY, HOWEVER NOTE THAT, AS PER EXTANT SEBI GUIDELINES, TRADING IN THE SECURITIES SHALL BE IN DEMATERIALISED FORM ONLY.

UNDERTAKING BY THE BANK

The Bank undertakes

a) to attend to the complaints received in respect of the Issue expeditiously and satisfactorily;

b) to take all steps for completion of necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed within 7 working days of finalisation of basis of allotment;

c) to apply in advance for the listing of equities;

d) that the funds required for dispatch of refund orders/allotment letters/certificates by registered post/ speed post shall be made available to the Registrar to the Issue by the issuer Bank;

e) that the despatch of Share Certificates/refund orders and demat credit is completed and the allotment and listing documents will be submitted to the Stock Exchanges within two working days of finalisation of the Basis of Allotment;

f) that the certificates of the securities/refund orders to the Non-Resident Indians shall be dispatched within specified time.

g) that no further issue of securities shall be made till the securities offered through this Prospectus are listed or till the application monies are refunded on account of non-listing, under subscription, etc.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors undertake that:

a. all monies received out of issue of shares to public shall be transferred to separate bank accounts other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;

b. details of all monies utilised out of the issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the purpose for which such monies had been utilised;

c. details of all unutilised monies out of the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the form in which such unutilised monies have been invested;

d. the utilization of monies received under reservations shall be disclosed under an appropriate head in the balance sheet of the Bank indicating the purpose for which such monies have been utilised;

e. details of all unutilised monies out of funds received under reservations shall be disclosed under an appropriate separate head in the balance sheet of the Bank indicating the form in which such unutilised monies have been invested.

IV. TAX BENEFITS

M/s. B.K. Khare & Co., M/s. Khandelwal Kakani & Co., M/s. Bhudladia & Co., M/s. S. Jaykishan & Co. , M/s. Gandhi Minocha & Co. & M/s Nripendra & Co, Chartered Accountants have advised vide their letter dated 16.11.2004 that under the current tax laws, the following tax benefits will be available to the bank and prospective shareholders :-

I. TO THE BANK

1. Under Section 10(23G) of the Income Tax Act, 1961 any income by way of dividends (other than dividends referred to in section 115-O) , interest or long term capital gain of the bank arising from investments made on or after the first day of June 1998, by way of shares or long term finance in eligible enterprises specified in the section, is exempt from tax.

2. Under Section 10(34) of the Income Tax Act, 1961, any income earned by way of dividends from another domestic company and u/s 10(35) any income received in respect of units from the administrator of specified undertaking and/or specified company { as defined under Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 } and income received in respect of units of a Mutual Fund as specified u/s. 10(23D) of the Income Tax Act are exempt from tax in the hands of the bank.

3. Under Section 36(1)(viia) of the Income Tax Act in respect of any provision made for bad and doubtful debts, the bank is entitled to a deduction not exceeding :

   (i) 7.5% of the total income (computed before making any deductions under the said clause and Chapter VIA); and

   (ii) 10% of the aggregate average advances made by the rural branches of the bank computed in the prescribed manner.

   Bank, at its option , will be allowed a further deduction in excess of the limits specified in the above provisions for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government provided that such income is disclosed in the Return of Income of the bank under the head “Profits and Gains of Business or Profession”.

4. Apart from the deduction available under Section 36(1)(viia) of the Income Tax Act, the bank is entitled to claim a deduction u/s. 36(1)(vii) of the Income Tax Act for the amount of Bad debts written off in its books of accounts. The deduction is limited to the amount of such debt or part thereof which exceeds the credit balance in the provision for bad and doubtful debts account made u/s. 36(1)(viia) and subject to the compliance of provisions of Section 36(2)(v), which requires that such debt or part of debt should be debited to the provision for Bad and doubtful debt account.

5. As per Section 43D of the Income Tax Act, 1961, interest income on such categories of Bad and doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962 having regard to the guidelines issued by Reserve bank of India in relation to such debts shall be chargeable to tax only in the year in which it is actually received or the year in which it is credited to the Profit & Loss account by the bank, whichever is earlier.

6. According to section 10(38) , capital gain arising on transfer of a long term capital asset , being an equity share in a company or a unit of equity oriented fund is exempt from tax provided the transaction is made after 1st October ,2004 and such transaction is chargeable to security transaction tax.

   According to sec 111A ,capital gain arising on transfer of a short term capital asset being an equity share in a company or a unit of an equity oriented fund , will be chargeable at the concessional rate of 10% of the amount of capital gains plus applicable surcharge and education cess , provided the transaction is made after 1st October 2004 and such transaction is chargeable to security transaction tax.

   According to Section 48 of the Income Tax Act, the long term capital gains arising on transfer { other than transfer covered u/s 10 (38) } of capital assets will be computed after indexing the cost of acquisition, improvement and would be charged at a concessional rate of 20% plus applicable surcharge and education cess as per Section 112 of the Income Tax Act. However ,the bank has an option to pay tax at 10% of the amount of capital gains plus applicable surcharge and education cess before giving effect to provisions of Second Proviso to Section 48 i.e. without indexing the cost of acquisition on long term capital gains arising from transfer of listed securities or units as referred in this paragraph.

7. As per Section 54EC of the Income Tax Act and subject to conditions specified therein, the bank is eligible to claim exemption from the tax arising on long term capital gains { other than transfer covered u/s 10 (38) } on investment of capital gains in certain notified bonds, within six months from the date of transfer of capital asset. If only a part of capital gain is invested, then the exemption is proportionately available.

8. Under Section 54ED of the Income Tax Act long term capital gain { other than transfer covered u/s 10 (38) } arising from the transfer of investment held as long term capital asset, being listed securities or units, is exempt fully from tax if the bank invests within a period of six months from the date of such transfer, the whole of the capital gain in acquiring equity shares forming part of an eligible issue of capital as defined in Clause (i) to explanation in the above section. Where only a part of the capital gain is so invested then the exemption is proportionately available. The exemption is available subject to other conditions specified in that section.

9. The bank is eligible for rebate under section 88E on income arising from taxable securities transaction, which is taxable under the head " profit and gains of business or profession". Rebate would be an amount equal to the Securities Transaction Tax paid by the bank on such transaction and will be subject to the conditions mentioned in the section.

II) TO THE SHAREHOLDERS OF THE BANK :

A) RESIDENT SHAREHOLDERS :

1. Under Section 10(34) of the Income Tax Act, any income by way of dividends referred to in Section 115-O declared, distributed or paid by the bank on or after 1.4.2003 is exempt from tax in the hands of the shareholder.
2. According to section 10(38) , capital gain arising on transfer of a long-term capital asset , being an equity share of the bank is exempt from tax provided the transaction is made after 1st October ,2004 and such transaction is chargeable to security transaction tax.

   According to sec 111A ,capital gain arising on transfer of a short term capital asset being an equity share of the bank , will be chargeable at the concessional rate of 10% of the amount of capital gains plus applicable surcharge and education cess , provided the transaction is made after 1st October 2004 and such transaction is chargeable to security transaction tax.

   Under Section 48 of the Income Tax Act, the long term capital gains arising on transfer [other than transfer covered under section 10(38)] of equity shares of the bank will be computed after indexing the cost of acquisition, improvement and would be charged at a concessional rate of 20% plus applicable surcharge and education cess as per Section 112 of the Income Tax Act. However ,the bank has an option to pay tax at 10% of the amount of capital gains plus applicable surcharge and education cess before giving effect to provisions of Second Proviso to Section 48 i.e. without indexing the cost of acquisition on long term capital gains arising from transfer of listed securities as referred in this paragraph.
3. Under Section 54EC of the Income Tax Act, exemption from Capital Gain Tax is available in respect of long term capital gains [other than covered under section 10 (38) of the Income Tax Act] on transfer of the shares of the bank if the assessee at any time within a period of six months from the date of such transfer invests the whole of the capital gains in long term specified assets (notified bonds). If only a portion of capital gains is so invested, then the exemption is proportionately available.
4. As per Section 54ED of the Income Tax Act and subject to the condition and to the extent specified there in , long term capital gains [other than covered under section 10 (38) of the Income Tax Act] arising from transfer of shares of the bank being listed, is fully exempt from tax if the assessee invests within a period of six months from the date of transfer, the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital as defined in Clause 1(i) to explanation in the above section. Where only part of the Capital gains is so invested, then the exemption is proportionately available.
5. As per Section 54F of the Income Tax Act and subject to the condition and to the extent specified there in, long term capital gains [other than covered under section 10 (38) of the Income Tax Act] arising in the hands of an individual or HUF on transfer of shares of the bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years from the date of transfer or constructs a residential house within a period of 3 years from the date of transfer. The exemption is available proportionately if only a portion of net consideration is invested as above.
6. Rebate under section 88 E is available on income arising from taxable securities transactions, which is taxable under the head " profit and gains of business or profession". Rebate would be an amount equal to the Securities Transaction Tax paid on such transaction and will be subject to the conditions mentioned in the section.
7. No Wealth Tax is payable in respect of investments in shares of the bank as per the Wealth Tax Act.

B) NON RESIDENT INDIAN SHAREHOLDERS :

1. Under Section 10(34) of the Income Tax Act, any income by way of dividends referred to in Section 115-O declared, distributed or paid by the bank on or after April 1, 2003 is exempt from tax in the hands of the shareholder.
2. According to section 10(38) , capital gain arising on transfer of a long term capital asset , being an equity share of the bank is exempt from tax provided the transaction is made after October 1, 2004 and such transaction is chargeable to security transaction tax.
3. Under section 48 of the Income Tax Act ,in case of a non resident, in computing the capital gains arising from transfer of shares of the bank acquired in the convertible foreign exchange [as per the exchange control regulation] protection is provided from fluctuations in the value of the rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.
4. As per the provisions of section 115 I of the Income Tax Act, Non-resident Indian have an option to be governed by the chapter XIIA of the Income Tax Act, according to which :

   (a) Under section of 115 E of the Income Tax Act the long term capital gains [other than covered under section 10 (38) of the Income Tax Act] on transfer of shares of the bank acquired by the Nonresident Indian out of convertible foreign exchange (without aggregating any other taxable income earned in India which will be taxed separately) shall be taxed @ 10% plus applicable surcharge.

(b) Under section 115 F of the Income Tax Act, the Long Term Capital Gains [other than covered under section 10 (38) of the Income Tax Act] on sale of shares acquired by the Nonresident Indian out of the convertible foreign exchange shall be exempted from the Income Tax entirely/proportionately, if the entire /part of the net consideration is invested for a period of three years in any savings certificate specified under section 10 (4B) or specified assets as defined in section 115 C within 6 months from the date of transfer.

(c) Under section 115 G of the Income Tax Act, a non-resident Indian is not required to file a Return of income under section 139 (1) of the Act, if his total income consisted only of investment income and/or Long Term Capital Gains arising from investment in the shares and tax deductible at source has been deducted therefrom.

(d) Under section 115 H of the Income Tax Act, where Nonresident Indian become assessable as a Resident in India along with his return of income for that year, he may furnish a declaration in writing to the assessing officer under section 139 of Income Tax Act to the effect that the provisions of the chapter 12 A shall continue to apply to him in relation to the income derived from shares of the bank for that year and subsequent year until such assets are converted into money.

(e) As per the provisions of section 115 I of the Income Tax Act, a Non-Resident Indian may elect not to be governed by the provision of chapter XIIA for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act declaring therein that the provision of chapter XIIA shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

5. Under Section 54EC of the Income Tax Act, exemption from Capital Gain Tax is available in respect of long term capital gains [other than covered under section 10 (38) of the Income Tax Act] on transfer of the shares of the bank if the assessee at any time within a period of six months from the date of such transfer invests the whole of the capital gains in long term specified assets (notified bonds). If only a portion of capital gains is so invested, then the exemption is proportionately available.

6. As per Section 54ED of the Income Tax Act and subject to the condition and to the extent specified there in , long term capital gains [other than covered under section 10 (38) of the Income Tax Act] arising from transfer of shares of the bank being listed, is fully exempt from tax if the assessee invests within a period of six months from the date of transfer, the whole of the capital gains in acquiring equity shares forming part of an eligible issue of capital as defined in Clause 1(i) to explanation in the above section. Where only part of the Capital gains is so invested, then the exemption is proportionately available.

7. As per Section 54F of the Income Tax Act and subject to the condition and to the extent specified there in, long term capital gains [other than covered under section 10 (38) of the Income Tax Act] arising in the hands of an individual or HUF on transfer of shares of the bank shall be exempt if the net consideration is invested in purchase of residential house within a period of one year before or two years from the date of transfer or constructs a residential house within a period of 3 years from the date of transfer. The exemption is available proportionately if only a portion of net consideration is invested as above.

8. Under Section 112 of the Income Tax Act and other relevant provision of the act , long term capital gains [other than covered under section 10 (38) of the Income Tax Act] arising on transfer of the shares in the bank , if shares are held for the period exceeding 12 months shall be taxed @20% (plus applicable surcharge and education cess) after indexation as provided in second proviso to Section 48 or at 10% (plus applicable surcharge and education cess) without indexation at the option of the assessee. However, indexation is not available if investment is made in foreign currency as per first proviso to section 48 stated above.

C) FOREIGN COMPANIES AND FOREIGN INSTITUTIONAL INVESTORS (FIIs) :

1. Under Section 10(34) of the Income Tax Act, any income by way of dividends referred to in Section 115-O declared, distributed or paid by the bank on or after April 1, 2003 is exempt from tax in the hands of the shareholder.

2. According to section 10(38), capital gain arising on transfer of a long term capital asset , being an equity share in the bank is exempt from tax provided the transaction is made after 1st October 2004 and such transaction is chargeable to security transaction tax.

3. Under section 54 EC and 54 ED of the Income Tax Act, Long Term Capital Gains [other than covered under section 10 (38) of the Income Tax Act] arising from transfer of shares of the bank is exempt as set out in para (5) and (6) respectively of part II (B) above subject to the extent and conditions mentioned therein.

4. The income by way of short term capital gains or long term capital gains [other than covered under section 10 (38) of the Income Tax Act] realised by FIIs on sale of shares in the bank would be taxed at the following rates as per section 115AD of the Income Tax Act ,1961 :

   Short Term Capital Gains - 30% (plus applicable surcharge and education cess)
   Long Term Capital Gains - 10% (plus applicable surcharge and education cess)

[Shares held in the bank would be considered as a long term capital assets provided they are held for period exceeding 12 months]

D) MUTUAL FUNDS :

As per section 10 (23 D) of the Act, Dividend Income from investment in shares of the bank or income by way of Short Term or Long Term Capital Gains arising from transfer of such shares earned by specified Mutual Funds is exempt from tax.

Notes :

1. In respect of nonresidents , taxability of capital gains mentioned above shall be further subject to any benefit available under the Double Taxation Avoidance Agreements ,if any, between India and the country in which the nonresident has fiscal domicile.
2. In view of the individual nature of tax consequences , each investor is advised to consult his/her own tax adviser with respect to specific tax consequences of his/her participation in the scheme.

V. PARTICULARS OF THE ISSUE

OBJECTS OF THE ISSUE

The present issue of equity shares is being made:

- To augment the capital base of the Bank to meet its future capital adequacy requirements
- To augment the long-term resources of the Bank
- To list the new issue of shares of the Bank on various stock exchanges as specified elsewhere.
- To meet the expenses of the Issue

The proceeds of this Issue after meeting all expenses of the issue will be used by the Bank for its regular business activities.

Capital Adequacy Position of the Bank

The Capital Adequacy Ratio ("CAR") of the Bank as on March 31, 2004 was 9.48% as against the RBI stipulation of 9.0%. Details of capital vis-à-vis risk weighted assets are as under -

(Rs. in crores)

Particulars (As on March 31)	2000	2001	2002	2003	2004	September 2004
Capital Funds						
Tier I Capital						
Paid up Equity Capital	206.82	206.82	206.82	206.82	206.82	206.82
Reserves & Surplus	422.92	410.54	621.37	656.90	726.05	508.76
Surplus Unallocated	-	12.38	-	78.66	135.05	77.27
Less: Accumulated losses	-	249.63	407.26	431.00	352.34	0
Other Intangible Assets	11.36	11.15	21.60	227.59	219.23	225.54
Total Tier I Capital	618.38	368.96	399.33	283.79	496.35	567.31
Tier II Capital						
Revaluation Reserve	81.10	73.57	66.77	60.62	55.06	52.44
General Provisions	-	24.16	35.15	68.00	106.46	109.81
Subordinated Debt	301.18	184.48	199.66	141.90	248.17	283.66
Undisclosed Reserve	-	-	-	-	-	-
Hybrid Capital	-	-	-	-	-	-
Investment Fluctuation Reserve	16.49	-	-	-	-	-
Total Tier II Capital	**398.77**	**282.21**	**301.58**	**270.52**	**409.69**	**445.91**
Total Capital fund	**1017.15**	**651.17**	**700.91**	**554.31**	**906.04**	**1013.22**
Risk weighted Assets	**8743.52**	**8425.2**	**9168.87**	**9213.54**	**9552.33**	**9857.27**
Capital Adequacy Ratio (%)	**11.63%**	**7.73%**	**7.64%**	**6.02%**	**9.48%**	**10.28%**

Note: On September 30, 2004, accumulated losses as on March 31, 2004, of Rs. 217.29 crores were adjusted against revenue reserves.

The fall in the capital adequacy from 11.63% as on March 31, 2000 to 6.02% as on March 31, 2003 has been mainly on account of:

1. Loss incurred in the year 2000-2001.
2. Providing for disputed tax liability of earlier years in compliance with Accounting Standard 22 on Tax on Income.
3. Increase in risk weighted assets due to increase in business.

Requirement of enhancement of Capital

The Bank expects to post a growth in business in the years to come. As a result, Risk weighted assets of the Bank are also expected to increase over the years. Increase in Tier I capital through retained earnings alone may not be sufficient to enable the Bank to improve its capital adequacy ratio. In view of the likely expansion of loan assets, the Bank proposes to augment its net worth in order to maintain a healthy CAR. The proceeds of the Issue would be utilised for the regular business activities of the Bank, in line with the estimated growth in Risk weighted assets. The issue expenses would be met out of the proceeds. Based on the risk weighted assets as on

September 30, 2004, the capital adequacy of the Bank will be around 12% after the present issue.

The Bank came out with a public issue in October 1996, details of which are given elsewhere in the Prospectus. The Bank has also raised Tier II Capital by way of Private Placement of unsecured, redeemable bonds in the nature of Promissory Notes to augment Capital adequacy as under:

Date of Allotment	Issue Size (Rs. in crs)	Amount Mobilised (Rs. in crs)	Tenor (in months)	Rating	Coupon (%)	Interest Payable	Redemption Date
15.03.1996	100	92.13	60	LA-	16	Half-yearly	14.03.2001@
12.03.1998	200	154.83	63	LA-	14.25	Half-yearly	11.06.2003@
24.09.1998	45	45	69	Unrated	13.75	Half-yearly	23.06.2004@
03.06.1999	121	100	70	A *	13.00	Yearly	03.04.2005
24.01.2001	100**	75	87	A *	11.75	Yearly	23.04.2008
31.03.2003	100***	100	63	A *	7.00	Yearly	30.06.2008
31.03.2004	150	150	109	A	6.20	Yearly	30.04.2013

Out of the above, bonds worth Rs 425.00 crores are outstanding as on September 30, 2004.

@ Redeemed on due dates.

* Originally Unrated. Rating done by CARE in March 2004. As on date all outstanding bonds amount are rated

** Issue size of Rs.75 crores with a greenshoe option to retain oversubscription of Rs.25 crores.

*** Issue size of Rs.60 crores with a greenshoe option to retain oversubscription of Rs.40

Expenses of the Issue

The expenses of the Issue to be borne by the Bank are estimated to be Rs. 8.28 crores amounting to about 3.83% of the total issue size. The break up of the same is as follows:

Particulars	(Rs. in Crores)	% of Issue Size
Lead Manager's Fees (including out of pocket expenses)	1.10	0.51
Brokerage & incentives	1.75	0.81
Advertisement & Media	2.00	0.93
Printing & Stationery expenses	1.25	0.58
Registrar fees & expenses	0.20	0.09
Travelling for conference and other expenses	0.90	0.42
Contingencies	1.08	0.50
Total	**8.28**	**3.83**

These expenses would be met out of the proceeds of the public issue.

VI. OVERVIEW OF THE BANKING SECTOR

Performance of Banking Industry

The aggregate deposits of scheduled commercial banks increased by 17.5% in 2003-04, which is higher than the growth rate of 13.4%, recorded in 2002-03.

During 2003-04 the non-food credit of scheduled commercial banks registered an annual increase of 18.4% as against 18.6% in the previous year.

The growth rate of aggregate assets during 2003-04 at 16.2% was higher by nearly 6 percentage points over the growth of 2002-03.

The Deposit rates across all maturities have come down during 2003-04; the degree of moderation being similar across the tenors. The deposit rates of PSBs which were ranging from 4.0-7.0 percent by March 2003, declined to 3.75-6.00 percent by March 2004. The term deposit rates for PSBs for maturities upto 1 year moved down to 3.75-5.25 percent by April 2004 from a range of 4.00-6.00 percent in March 2003. Similarly the interest rates on term deposits over one year had declined to 5.00-5.75 percent from a range of 5.25-7.00 percent during the period.

The yields on Government securities with a five year and ten year residual maturity declined to 4.78 and 5.15 percent in March 2004 from 5.92 and 6.21 percent, respectively, in March 2003.

Recent Trends in Banking Industry

With liberalization of the FDI regime, FDI in the Banking sector has been brought under the automatic route. GoI, in May 2001, permitted FDI upto 49% in private sector banks subject to guidelines issued by RBI. With a view to further liberalizing foreign investment in Banking sector,GoI increased the FDI limit from 49% to 74% under automatic route.

The Basel accord of 1998 was revised by the Basel Committee to strengthen the stability of the international banking system by promoting adoption of stronger risk management practices by the banking industry. This International Convergence of Capital Measurement and Capital Standards was introduced in June 2004 and is expected to be implemented by the end of 2006.

With the enactment of Legal Services Authority Act,1987, Lok Adalats were conferred a judicial status and have since emerged as a convenient method of settlement of disputes between banks and small borrowers. The monetary ceiling of cases to be referred to Lok Adalats organized by civil courts has been raised from Rs.5 lakh to Rs.20 lakh. The number of cases filed by commercial banks with Lok Adalats stood at 4,85,046 involving an amount of Rs.2433 crores. The number of cases decided was 2,05,032 involving an amount of Rs.974 crores.

The Recovery of Debts Due to Banks and Financial Institutions Act was enacted in 1993 to provide for the establishment of tribunals for expeditious adjudication and recovery of debts due to banks and FIs. The amendments made in 2000 to the above Act and the Rules framed thereunder have strengthened the functioning of DRTs. As on June 30, 2004, out of 63,600 cases (involving Rs.91,926 crore) filed with DRTs by the banks, 27,956 cases (involving Rs.25,358 crore) have been adjudicated by them. The amount recovered so far through the adjudicated cases is placed at Rs.7,845 crore.

To solve the problem of bad loans, several institutions have initiated steps towards establishment of ARCs, which takeover non performing loans of banks and FIs at a discounted rate, and manage and dispose such assets. The Reserve Bank has granted Certificate of Registration (CoR) to three ARCs so far out of which ARCIL has already started its operations. So far ARCIL has acquired NPAs worth Rs.9,631 crore from banks and FIs at a price of Rs.2,089 crore.

The Sick Industrial Companies (Special Provisions) Repeal Bill, 2001 was passed on December 11, 2003 and has become an Act of Parliament.

Computerisation of banking has received high importance in recent years. While the new private sector banks, the foreign banks and a few old private sector banks have already put in place ‘Core Banking solutions’, the public sector banks are adopting similar systems. Although all the public sector banks have already crossed the 70 per cent level of computerisation of their business, efforts are being made to achieve 100 per cent computerisation which could go a long way to better customer service. Networking in banks has also been receiving focused attention during recent times.

The salient features in the evolution of Indian Banking

The number of Banks (Including Regional Rural Banks) has increased from 89 in 1969 to 290 as on June 30,2004. With the nationalization of banks in 1969, the number of bank branches (including regional rural banks) increased from 8262 in 1969 to 67118 in June 2004. The Credit-Deposit ratio (as per sanctions) as on March 2004 is 58.7% as a whole while for the Western Region it accounts for 72%.

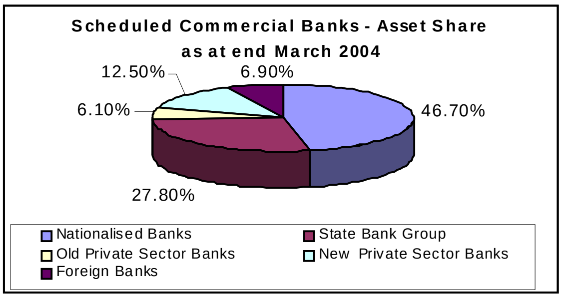
Gross Bank credit outstanding as on March 19, 2004 is Rs.7,64,383 crores. Non Food Gross Bank Credit & Public Food Procurement Credit amount to Rs.7,28,422 cr. & Rs.35,961 cr. respectively. Credit to Priority Sector accounted for Rs. 2,63,834 crores in March 2004 as compared to Rs. 2,11,609 cr. in March 2003 (Credit to the agricultural sector and small-scale sector was one of the key objectives of the nationalization of banks).

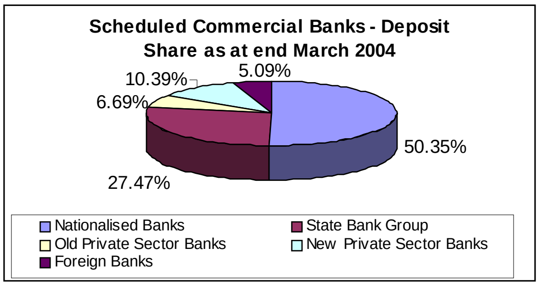
Scheduled Commercial Banks (SCBs)

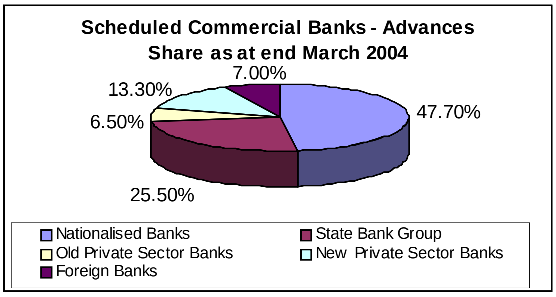
Break up of Assets Deposits, Advance and Investments of the Banking Industry

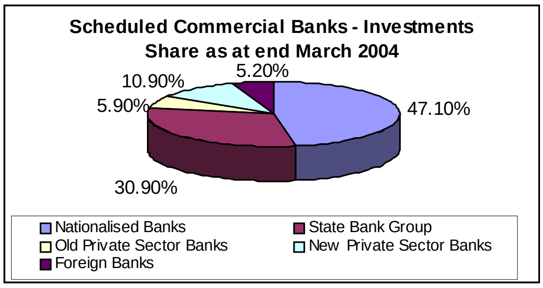
(As at end March) (%)

Bank Group	Assets		Deposits		Advances		Investments	
	2003	2004	2003	2004	2003	2004	2003	2004
Scheduled Commercial Banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Public Sector Banks	75.6	74.5	79.6	77.9	74.2	73.2	78.6	78.0
Nationalised Banks	46.5	46.7	50.8	50.4	48.6	47.7	46.5	47.1
State Bank Group	29.1	27.8	28.8	27.5	25.6	25.5	32.2	30.9
Private Sector Banks	17.5	18.6	15.3	17.0	18.8	19.8	15.5	16.8
Old Private Sector Banks	6.2	6.1	6.7	6.7	6.7	6.5	5.8	5.9
New Private Sector Banks	11.3	12.5	8.5	10.4	12.1	13.3	9.7	10.9
Foreign Banks	6.9	6.9	5.1	5.1	7.1	7.0	5.9	5.2









Source: Report on Trend and Progress of Banking in India, 2003-04 by Reserve Bank of India

Public Sector Banks

The banking sector in India has been characterized by the predominance of Public Sector Banks. The PSBs had 46635 branches (SBI & Associates – 13505 branches & Nationalised Banks – 33130) as on June 30, 2004.

The total assets of all PSBs stood at Rs. 14,71,427.67 crores as on March 2004 constituting 74.50% of all assets of Scheduled Commercial Banks in India. The total income of PSBs as on March 2004 was Rs. 1,37,601.8 crores account for 74.88% of the total Income of all SCBs. The large network of branches enable them to fund themselves out of low-cost deposits. The deposits of PSBs as on March 2004 stood at Rs. 12,26,838 crores accounting for 77.89% of the Deposits of all SCBs. Advances of PSB stood at Rs. 6,32,739.7 crores as on March 2004 accounting for 73.22% of Advances of all SCBs.

Private Sector Banks

In July 1993, as part of the banking sector reforms process and as a measure to induce competition in the banking sector, the RBI has permitted entry by the private sector into the Banking system. This resulted in the introduction of 10 private sector banks. These banks are collectively known as the “new” private sector banks.

At the end of FY04 the total income of “new” private sector banks aggregated Rs.21602.01 crores while that of “old” private sector banks aggregated Rs.11551.33 crores. The total assets of private sector banks as on March 2004 aggregated Rs.367276.18 crores.

Foreign Banks

Foreign banks have been permitted more liberal entry into the Indian financial market since the inception of reforms. As at end-March 2004, the number of foreign banks in India were 32 with 215 branches. The total income of Foreign Banks for FY 2003-04 aggregated Rs.13012.09 crores.

The Source for the discussion on the Overview of the Banking Sector is Report on Trend and Progress of Banking in India, 2003-04 by Reserve Bank of India.

VII BANK AND MANAGEMENT

BRIEF HISTORY AND BACKGROUND

Dena Bank was founded on May 26, 1938 by Seth Pranlal Devkaran Nanjee, a businessman with great vision. Inspired by patriotic and nationalistic fervor, Shri Pranlal laid the foundation of this Swadeshi Bank based on the principle of 'service to people'. Having been originally incorporated as "Devkaran Nanjee Banking Company Ltd.", the Bank's name later changed to Dena Bank Limited. In July 1969, Dena Bank along with 13 other major banks was nationalised.

Over a period of more than six decades, Dena Bank has undergone momentous changes. Today, the Bank has successfully integrated the latest technology with contemporary banking concepts while retaining its traditional values and principles of customer satisfaction. From 235 branches and business volume of about Rs 205 crores at the time of nationalisation, the Bank has made rapid strides and has expanded its business mix to over Rs. 29,000 crores with 1130 branches spread across the country as on 30th September 2004. The Bank has sponsored 4 Regional Rural Banks out of which 3 are in Gujarat and 1 is in Chhatisgarh.

Customer satisfaction through the optimum use of technology has all along been the focal point of the Bank. Towards, this end, the Bank has already computerised 1037 braches as on September 30, 2004 covering more than 90% of its business. The Bank has already started Any Branch Banking in 100 branches at 43 centres under which customers of any of the selected branches can transact at any of the designated branches.

On October 29, 2004, the Bank moved its Head Office from 10th Floor, Maker Tower E, Cuffe Parade Mumbai 400 005 to Dena Corporate Centre, C-10 'G' Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

The prime objective of the Bank is to provide value maximisation to all its customers, employees & shareholders with strong ethos of self-governance.

The business indicators are given below:

(Rs. in crores)

Year ended March 31	2000	2001	2002	2003	2004	Sept' 04
Deposits	13287	14573	15355	16491	18349	19523
Advances (Gross)	7703	7618	8278	9049	10011	10331
Branches (Excl. extension counters)	1170	1175	1135	1135	1135	1130

With a view to improve profitability, the Bank had reduced the number of branches, by merging some of the branches which were either loss making or for consolidation.

The Bank's share of aggregate deposits and net advances as the last reporting Friday of March 2004 is 1.16% and 1.17% respectively of all scheduled commercial banks.

Present Status

As on 30.09.2004, the Bank had 1,130 branches in India, comprising 492 rural, 191 semi-urban, 236 urban and 211 metropolitan/port town branches. The branches include 76 specialised branches (i.e. 11 Service Branches, 3 Hi Tech Agricultural Branches, 1 Industrial Finance Branch, 1 International Banking Branch, 52 Designated SSI Branches, 1 Capital Market Branch, 5 Asset Recovery Branches and 2 Overseas Business Branches). The Bank also has 13 extension Counters.

The Bank has been entrusted with State Level Bankers' Committee (SLBC) convenorship in the state of Gujarat and Union Territory Level Bankers' Committee in the UT of Dadra & Nagar Haveli. The Bank is continuing its endeavor for economic upliftment of the state / UT through effective implementation of various developmental programmes. The Bank has lead responsibility in 13 districts in 2 States and one UT, which are in Gujarat (7 districts), Chhattishgarh (5 districts) and UT.of Dadra & Nagar Haveli. The assigned lead bank responsibilities are discharged by maintaining Inter institutional coordination in the preparation and implementation of various developmental programmes in each district.

Main Object of the Bank

The main object and business of the Bank, as laid down in the Bank Nationalisation Act is as under:

The main object of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 under which the undertaking of the Bank was taken over by the Central Government is as under: "An Act to provide for the acquisition and transfer of the undertakings of certain Banking Companies, having regard to their size, resources, coverage and organisation, in order to control the heights of the economy and to meet progressively, and serve better, the needs of the development of the economy, in conformity with national policy and objectives and for matters connected therewith or incidental thereto".

The Main Object of the Bank enables it to undertake the activities for which the funds are being raised and the activities, which it has been carrying on till date.

Business of the Bank

The Bank shall carry on and transact the business of banking i.e. "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." As defined under Clause (b) of Section 5 of The Banking Regulation Act, 1949.

The Bank may engage in one or more of the other forms of business specified in Sub-section (1) of Section 6 of Banking Regulation Act, 1949.

The banking business is governed by Section 3 (7) and Section 3 (5) of Chapter II of the Banking Companies (Acquisition) Act 1970.

Other Business that the Bank may undertake - Section 3 (7)

Sections 3 (7) of Chapter II of the Banking Companies (Acquisition & Transfer of Undertakings) Act 1970 provides for the Bank to act as Agent of Reserve Bank (Section 3 (7))

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

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

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

(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) above, 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 function entrusted to it under Clause (i) by itself or through any agent approved by the Reserve Bank.

Corporate Mission:

The Bank's mission is to be identified and recognised as a dynamic, modern Bank with enduring age-old values. A Bank that provides exemplary customer service backed by professional competence and the latest technology.

Corporate Vision:

The Bank will strive to be a 'financially strong' and 'competitive' Bank with main focus towards providing personalised services to its customers with the optimum use of technology. The key objective shall be to provide "Value Maximisation" to all its stakeholders. In the changing environments, the ethos of the Bank would now be more of "Self Governance".

Note: The term Self Governance means that in a situation of changing environment, the bank will initiate steps on its own to meet the challenges posed by the changing environment.

Corporate Strengths:

- Consistent track record of posting operating profit since inception i.e. for last 66 years.
- A well-structured organisation with properly delegated discretion/authority.
- Wide network of 1130 branches in major States & Union Territories.
- Over 90% of the business has already been computerized.
- Availability of V-Sat connectivity & Dena Net (Intra Net) at over 300 branches across the country.
- Diversified investment portfolio.
- Diversified large portfolio of products & services.
- Well-placed policies for credit, investment & recovery aspects.

Corporate Focus:

The focus of the Bank is to multiply the business by canvassing current, savings deposits and retail banking business and lending to corporate in Public as well as Private Sector. The Bank is working towards prevention of fresh slippages and aiming at reducing its Net NPA to Net Advances ratio to less than 5% by March 2005 and to improve its Capital Adequacy Ratio. The Bank aims to expand its clientele base and the network of fully computerised branches and ATMs.

Sharp focus on HRD approach, cadre-building, career planning, identifying training needs and providing intensive training in specialised and focus areas are also the key aspects being addressed during the year.

Corporate Strategy:

- The Bank aims at multiplying its business by utilising IT in an aggressive manner and promoting marketing strategies.
- Mobilising Low Cost Deposits and expanding retail lending by aggressive marketing efforts.
- Controlling Non-Interest Expenses in the area of overheads by using Corporate E-mail facilities.
- Improving Capital Adequacy Ratio by augmenting Tier-I Capital.

Branch Network of the Bank

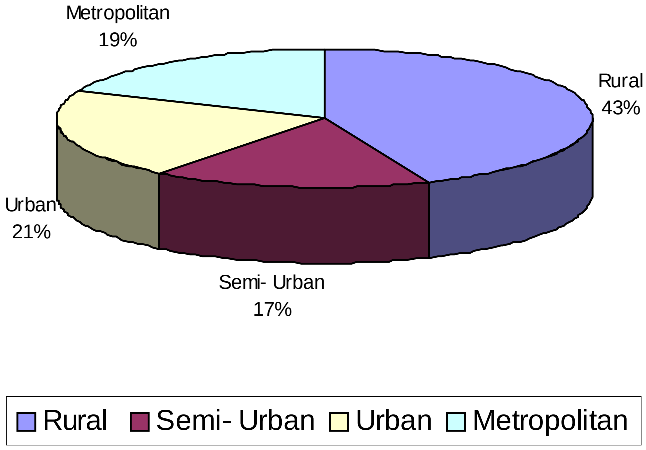
The Bank has 18 Regional Offices controlling 1,130 branches and 13 Extension Counters as on September 30, 2004. This includes 76 specialised branches.

Distribution of Branch network as on September 30, 2004

The population group wise break up of branches in India is as follows:

Population Group	No.	% Share to Total
Rural (population of less than 10000)	492	43.54
Semi-Urban (population of 10000 or more but less than 1 lakh)	191	16.90
Urban (population of 1 lakh or more but less than 10 lakhs)	236	20.89
Metropolitan (population of 10 lakhs and more)	211	18.67
Total	**1,130**	**100.00**

Population Group wise break up of branches



Geographical Distribution of Branches is as under:

State/Union Territory	No.	% Share of Total
Andhra Pradesh	18	1.59
Assam	2	0.18
Bihar	7	0.62
Chhatisgarh	74	6.55
Goa	17	1.50
Gujarat	521	46.11
Haryana	10	0.88
Jammu & Kashmir	2	0.18
Jharkhand	5	0.44
Karnataka	27	2.39
Kerala	9	0.80
Madhya Pradesh	32	2.83
Maharashtra	253	22.39
Orissa	3	0.27
Punjab	10	0.88
Rajasthan	16	1.42
Tamil Nadu	21	1.86
Uttaranchal	1	0.09
Uttar Pradesh	42	3.72
West Bengal	26	2.30
Delhi	26	2.30
UNION TERRITORIES		
Chandigarh	1	0.09
Dadra Nagar Haweli	6	0.53
Daman	1	0.09
TOTAL	**1,130**	**100**

Specialised Branches

The Bank has setup 76 specialised branches (as on September 30, 2004) with a view to provide specialized services more effectively. These branches are engaged in financing its corporate borrowers, small-scale industries and other specialised services. The details are as given below:

Specialised Branches	No. of branches
Asset Recovery Branch	5
Service Branch	11
Hi Tech Agricultural Branch	3
Industrial Finance Branch	1
International Banking Branch	1
Designated S.S.I. Branch	52
Capital Market Branch	1
Overseas Business Branch	2
TOTAL	**76**

Products and Services of the Bank

Other than offering traditional banking products such as corporate loans, the Bank has made its presence felt by introducing certain new products and value added services while continuing to popularise the existing products.

Brief description of the Bank's retail schemes is as under:

Sr.	Scheme	Details
1)	Dena Niwas Housing Finance Scheme	Loan upto Rs.100 lacs for purchase of house and upto Rs.5 lacs for repairs / renovation of house.
2)	Dena VidyaLaxmi Educational Loan Scheme	Loan upto Rs. 7.50 lacs for studies in India and upto Rs. 15 lacs for studies abroad.
3)	Dena Suvidha Personal Loan Scheme	Clean Loan upto Rs.1.00 lac for salaried persons between 24 and 55 years of age, who are permanent employees of Central / State Govt. / PSUs / Reputed Educational Institutions / Companies / MNCs.
4)	Dena Consumer Durables Loan Scheme	Loan upto Rs.1,00,000/- for purchase of new consumer durables like TV, VCD Players, Fridge, Cooking Range ,Health & Gym related products etc.
5)	Car & Two Wheeler Loans	Loan upto Rs.0.50 lacs for purchase of Two Wheeler and upto Rs. 8.00 lacs for cars.
6)	Dena Corporate Wheel	Loan to Corporate Borrowers for purchase of maximum 5 cars.
7)	Trade Finance Scheme	Working capital finance between Rs 2.50 lacs and Rs.25 lacs for traders.
8)	Dena Rent Scheme	Loans upto Rs 200 lacs to Landlords [individual, corporates, trusts etc.] are available under the scheme against rent receivables.
9)	Dena Mortgage Loan Scheme	The scheme provides for general-purpose loan from Rs 2.00 lacs to Rs 100.00 lacs to all categories of individuals against the security of immovable property.
10)	Dena Shakti Scheme	A special scheme for loan to women entrepreneurs at concessional interest rate.
11)	Dena Senior Citizens Scheme	A special loan scheme for pensioners of Central/State governments etc. (Loans upto Rs 50000)
12)	Dena Savifix Deposit Scheme	A flexible savings scheme giving higher interest of Fixed Deposit by auto and reverse sweep.
13)	Dena Freedom Deposit Scheme	Term Deposit account with in built overdraft facility with cheque book
14)	Samruddhi Deposit Scheme	A term deposit scheme with cumulative interest feature
15)	Minor Savings Scheme	A special savings scheme for Minors who have attained an age of 10 years and above.

New Products

The Bank is dedicated to provide new value added services and Hi-Tech products to suit the requirements of its valued customers. The Bank has various schemes and services to cater to the needs of all the segments of the society.

In its endeavour to give the technological advantage to its customers, the Bank has launched Dena International Debit Card with affiliation to Visa International. The Bank has also introduced Dena Laghu Udyami Credit Card for Small Borrowers.

Bancassurance

The Bank has Referral Arrangements with Kotak Mahindra Old Mutual Life Insurance Co. Ltd for the purpose of selling life insurance products through selected branches.

The Bank has similar Referral Arrangement with The Oriental Insurance Company Ltd for selling non- life insurance products through the Bank's branches.

These arrangements have opened up opportunities for the bank for enhancing non-interest income and profitability.

Details of Sources of Funds

DEPOSITS

(Rs. in crores)

As on March 31	2000	2001	2002	2003	2004	Sept' 04
Deposits	13287	14573	15355	16491	18349	19523
Annual Growth- Amount	1492	1286	782	1136	1858	1174*
- Percent	12.65	9.68	5.37	7.40	11.27	6.40*
Cost of Deposits (%)	8.08	7.74	7.23	6.65	5.78	5.09

* For the half year

Total deposits of the Bank grew by 11.27% to Rs. 18,349 crores as on March 31, 2004 from Rs. 16,491 crores as on March 31, 2003 and to Rs. 19523 crores as on Sept. 30, 2004. The share of low-cost deposits (Current and Savings Bank Deposits) in aggregate deposits (excluding inter bank deposits) was 42.73% as on March 31, 2004 as compared to 40.83% as on March 2003. Improved customer services have resulted in increase in the share of low cost deposits in the overall deposit mix. Mobilisation of low cost resources remained the focus of attention of the Bank. Average Cost of Deposits declined to 5.78% during 2003-04 from 6.65% during 2002-03. The cost has further come down to 5.09% in the half year ending September 30, 2004.

The category-wise break-up of total deposits (including inter bank deposits) during last 5 years is presented below:

(Rs. in crores)

As on March 31	2000	2001	2002	2003	2004	Sept. 04
Current Deposits	1599	1634	1682	1699	1941	1971
Savings Bank Deposits	3350	3951	4362	4854	5680	6262
Term Deposits	8338	8988	9311	9938	10728	11290
Total	**13287**	**14573**	**15355**	**16491**	**18349**	**19523**

Maturity Profile of Term deposits in the last three years is as under:

(Rs. in crores)

As on 31st march	2002	%	2003	%	2004	%
Upto 1 year	4999.56	53.70	5239.10	52.72	2623.96	24.46
1 Year to 3Years	2875.77	30.89	3153.24	31.73	3453.65	32.19
3 years to 5 Years	907.21	9.74	974.30	9.80	2358.13	21.98
Over 5 years	528.46	5.67	571.36	5.75	2292.47	21.37
Total term deposits	**9311.00**	**100.00**	**9938.00**	**100.00**	**10728.21**	**100.00**

Distribution of Deposits

Deposits from Rural & Semi-Urban populace

The share in aggregate deposits of rural & semi-urban branches of Dena Bank as on March 31, 2004 is 34.87%. The Bank is focusing on rural and semi-urban areas for retail finance. The population group-wise break-up of aggregate Domestic deposits for the last five years is as given in the table below:

The Distribution of Aggregate Deposits (excluding inter bank deposits) in terms of types of Centres is as follows:

As on March	2000		2001		2002		2003		2004		Sept. 2004	
	(Rs Crs.)	%	(Rs Crs.)	%	(Rs Crs.)	%	(Rs Crs.)	%	(Rs Crs.)	%	(Rs Crs.)	%
Rural	1878	14.90	2170	15.70	2485	17.03	2775	17.41	3039	17.17	3224	17.03
Semi-Urban	1941	15.40	2257	16.32	2730	18.71	2939	18.43	3198	18.07	3376	17.84
Urban	2584	20.51	3045	22.02	3379	23.15	3776	23.68	4020	22.71	4311	22.78
Metro	6198	49.19	6354	45.96	5998	41.11	6454	40.48	7443	42.05	8015	42.35
Total	**12601**	**100.00**	**13826**	**100.00**	**14592**	**100.00**	**15944**	**100.00**	**17700**	**100.00**	**18926**	**100.00**

Non-Resident Indian deposits

The total NRI deposits of the Bank as on March 31, 2004 were Rs. 905.42 crores.. The details of NRI deposits during the last 3 years are as under:

(Rs. in crores)

As on March 31	2002	2003	2004	Sept. 04
FCNR (B)	242.01	256.53	261.28	265.64
NRE	319.65	503.57	596.30	587.74
NRNR	217.79	102.10	47.84	34.38
Total	**779.45**	**862.20**	**905.42**	**887.76**

State-wise distribution of deposits (in India)

The state-wise distribution of total deposits (in India) is given below:

(Rs. in crores)

Sl.No.	State	March 31, 2002	March 31, 2003	March 31, 2004	Sept. 04
1	Andhra Pradesh	166.69	218.85	250.78	289.08
2	Assam	23.10	25.41	27.91	29.07
3	Bihar	50.29	55.24	67.36	73.98
4	Chandigarh	18.78	25.47	14.15	14.47
5	Chattisgarh	404.89	471.86	476.90	504.41
6	Dadra Nagar Haveli	175.30	182.39	177.62	203.24
7	Daman	29.06	31.32	26.08	29.82
8	Delhi	613.34	653.56	766.60	952.76
9	Goa	249.43	277.30	303.71	316.61
10	Gujarat	5680.59	6247.18	6757.43	7108.78
11	Haryana	67.41	64.96	72.96	80.41
12	Jammu & Kashmir	6.89	7.68	7.81	7.91
13	Jharkhand	44.99	47.96	57.63	60.41
14	Karnataka	253.07	221.38	268.14	250.37
15	Kerala	95.56	101.65	111.08	99.86
16	Madhya Pradesh	558.37	568.66	631.57	675.46
17	Maharashtra	4666.20	5055.70	5741.91	6093.76
18	Orissa	21.16	27.75	31.67	38.78
19	Punjab	115.19	134.57	131.00	132.16
20	Rajasthan	181.28	198.74	205.25	219.69
21	Tamilnadu	243.60	265.39	336.64	366.16
22	Uttar Pradesh	530.76	606.12	687.10	771.50
23	Uttaranchal	14.88	17.89	20.78	23.29
24	West Bengal	381.27	437.46	527.95	584.52
	Total*	**14592.10**	**15944.49**	**17700.03**	**18926.50**

*Excluding Inter-bank deposits.

BORROWINGS

As on March 31, 2004, the borrowings of the Bank are as follows:

(Rs. in crores)

Particulars of Borrowings from	Amount
Institutions & Agencies	92.55
Subordinated Debt from Central Government	72.28
Unsecured Redeemable Bonds	470.00
Borrowings Outside India	215.82
Total	**850.65**

As per the guidelines of Reserve Bank of India, Subordinated Debt from Central Government of Rs. 72.28 crores and unsecured redeemable bonds (Tier II bonds) of Rs 470 crores are included under Other Liabilities and Provisions in the Balance Sheet. The rates of interest in respect of these unsecured redeemable bonds vary between 6.20% and 13.75 %. The details are as under:

- Tier II Series III for Rs.45 crs @ 13.75% payable annually redeemed on June 23, 2004.
- Tier II Series IV for Rs.100 crs @ 13% payable annually maturing on April 03, 2005.
- Tier II Series V for Rs. 75 crs @ 11.75% payable annually maturing on April 23, 2008.
- Tier II Series VI for Rs. 100 crs @ 7% payable annually maturing on June 30, 2008.
- Tier II Series VII for Rs.150 crs @ 6.20% payable annually maturing on April 30, 2013.

Subordinated Debts from Central Government is in the form of modernisation loan of Rs. 72.28 crores. The original tenor of the loan is for 10 years. This is maturing on March 27, 2007. The interest on this loan is on floating basis, the rate of interest being 50 basis points (100 basis points = 1%) over average rate of 364 days T-Bill for previous two quarters. Details in respect of some of the outstanding unsecured loan of more than Rs. 1 crore as on March 31, 2004 are as follows:

Sr. No.	Name of the Lender	Amount (Rs. in crores)	Repayment Schedule Nearest Due Date	Farthest Due Date	Rate of interest
1	NABARD*	66.48	31.07.2004	31.07.2016	6.50 - 14.00
2	SIDBI	5.58	31.05.2004	28.02.2011	10 - 13
3	NHB*	4.24	01.04.2004	01.10.2017	5.50 - 6.50

* The borrowing from NABARD has been fully paid of as on July 31, 2004 and those from NHB has been fully paid of as on October 21, 2004.

The borrowings from SIDBI as shown above include an unreconciled amount of Rs. 0.11 cr. towards National Equity Fund Scheme.

The above borrowings are all unsecured. None of the directors has given any personal guarantee for collaterally securing the borrowings. None of the lenders is an affiliate/associate of the Bank. The Bank has not defaulted in repayment/redemption of any of the borrowings. RBI's nominee director is on the Board of the Bank, the details of which are shown under the section "Board of Directors".

Covenants governing the major borrowings

The above borrowings are in the nature of refinance. The refinance from NABARD are against term loans to Farm and Non Farm sector. The borrowing from SIDBI are against lending to small scale industries and those from NHB are against lending under the scheme for housing in earthquake affected district of Gujarat as applicable to Scheduled Banks - 2001.

Details of top 10 borrowings of the Bank as on March 31, 2004:

S. No.	Party	Outstanding Balance (Rs. in crores)	Interest Range (%)
1	NABARD*	66.48	6.5-14.00
2	World Bank	16.23	2.47
3	SIDBI	5.58	10-13
4	NHB*	4.24	5.5 – 6.5
	Total	**92.53**	

* Since repaid

Details of top 10 borrowings of the Bank as on September 30, 2004 :

S. No.	Party	Outstanding Balance (Rs. in crores)	Interest Range (%)
1	World Bank	11.04	2.47
2	NHB*	9.25	5.5 – 6.5
3	SIDBI	2.64	10-13

* Since repaid

List of Top 25 Borrowings including deposits made as on September 17, 2004 :

(Rs. in crores)

	Name of the Depositors	Form of Borrowing	Amount
1	Depositor A	Term Deposit	325.48
2	Depositor B	Term Deposit	140.12
3	Depositor C	Term Deposit	139.63
4	Depositor D	Term Deposit	84.75
5	Depositor E	Term Deposit	75.20
6	Depositor F	Term Deposit	73.25
7	Depositor G	Term Deposit	69.11
8	Depositor H	Term Deposit	66.00
9	Depositor I	Term Deposit	64.50
10	Depositor J	Term Deposit	57.80
11	Depositor K	Term Deposit	57.39
12	Depositor L	Term Deposit	50.00
13	Depositor M	Term Deposit	49.29
14	Depositor N	Term Deposit	47.90
15	Depositor O	Term Deposit	39.79
16	Depositor P	Term Deposit	34.32
17	Depositor Q	Term Deposit	31.80
18	Depositor R	Term Deposit	31.40
19	Depositor S	Term Deposit	30.00
20	Depositor T	Term Deposit	29.70
21	Depositor U	Term Deposit	29.31
22	Depositor V	Term Deposit	28.00
23	Depositor W	Term Deposit	27.90
24	Depositor X	Term Deposit	27.75
25	Depositor Y	Term Deposit	25.50

Subordinated bonds have not been included in borrowings as these form other interest bearing liabilities. The details of the same have been disclosed on page 28. All the above borrowings are unsecured in the nature of term deposits. The above represent borrowing from a particular entity, within that, there are multiple deposits at various points of time/ different branches/ different rates etc, hence it is not possible to give details on date of borrowings, date of maturity, interest rates etc. None of the lenders are affiliates/associates of the Bank except deposits in routine case of business of Rs. 158.31 crores from 3 Regional Rural Banks sponsored by Dena Bank. The directors have not given any personal guarantee for collaterally securing these borrowings.

There has not been any default in repayment/redemption and none of the borrowings has been rolled over. In few instances, deposits are rolled over at the request of the depositor. There are no covenants in any of the borrowings restricting the Bank in any manner for issue of capital, change in management, making further borrowings etc. None of the lenders/trustees have appointed nominee directors on the Board.

Fixed and floating rate liabilities of the Bank

The break-up of fixed and floating rate liabilities of the Bank as on March 31, 2004 & September 30, 2004 is furnished in the following table:

(Rs. in crores)

	March 31, 2004	September 30, 2004
Fixed rate liabilities		
Fixed deposits	10728	11290
Balance in savings bank account	5680	6262
Borrowings	308	359
Tier II	470	425
Floating rate liabilities		
Subordinated debt from Central Govt.	72	72

Details of Deployment of Funds

ADVANCES

Population group wise classification of Gross advances

The population groupwise classification of the Bank's Gross advances is as follows:

(Rs. in crores)

Gross Bank Credit	31.03.01	31.03.02	31.03.03	31.03.04	30.09.04
Rural	823	838	873	865	870
Semi-urban	706	701	855	963	985
Urban	1681	1675	1955	2371	2395
Metropolitan	4408	5064	5366	5812	6081
Total	**7618**	**8278**	**9049**	**10011**	**10331**

Growth of advances

The growth of the Bank's Gross advances during the past five years is as follows:

(Rs. in crores)

As on March 31	Gross Credit	Annual Increase (%)
2000	7703	11.11
2001	7618	-1.11
2002	8278	8.66
2003	9049	9.32
2004	10011	10.64
Sept 2004	10331	3.20*

* growth during half year from April to September 2004.

In the year 2000-2001, on account of likely loss situation for the year ending March 2001 and also on account of heavy pressure on capital adequacy position, the bank had consciously restricted growth of advances and also reduced the credit portfolio by Rs. 376 crores by way of bill rediscounting and issuance of inter bank participation certificates.

Details of Advances given above represent the Gross Advances. The amount of Advances shown in Balance Sheet indicates Net Advances. There are no Loans and Advances in which the Directors of the Bank are interested except as stated elsewhere in the document.

Region wise credit exposure

The region wise credit exposure of the Bank's Gross Credit portfolio as on September 30, 2004 is given below :

(Rs. in crores)

Region	Amount	% of gross credit
West	6346.94	61.43
East	362.70	3.51
North	1610.98	15.59
South	1263.30	12.23
Central	747.57	7.24
Total	**10331.49**	**100.00**

Sector wise credit portfolio (Domestic)

The sector-wise credit portfolio of the Bank as on September 30, 2004 :

(Rs. in crores)

	Industry	Amount	Exposure to gross bank credit (%)
	Gross Bank Credit	10331.49	100.00
1	**Food Credit**	**616.76**	**5.97**
2	**Non Food Credit**	**9714.73**	**94.03**
2 a	Medium & Large Scale Industry	3121.27	30.21
2 b	Wholesale Trade	247.79	2.39
2 c	Priority Sector	3864.54	37.41
2 d	Other Sectors	2481.14	24.02

Industry wise Deployment of Gross Bank Credit as on September 30, 2004 :

(Rs in crores)

Industry	Total outstanding in Rs. Crores	Total outstanding of the top ten companies in Rs. Crores	Total outstanding of the top Ten companies as a percentage of the total exposure to the industry.
Coal	0.60	0.54	90.00
Tea	3.19	3.19	100.00
Mining	27.10	12.68	46.79
Petro-Chemicals.	181.76	160.18	88.13
Sugar	37.18	36.06	96.99
Food Processing	123.26	50.97	41.35
Vege. Oils	38.97	27.94	71.70
Tobacco & Prod.	4.37	3.85	88.10
Cotton Tex.	63.08	32.43	51.41
Jute Tex.	1.63	1.54	94.48
Other Tex.	273.52	87.99	32.17
Paper & Prod.	105.99	55.37	52.24
Leather & Prod.	50.52	41.56	82.26
Rubber & Prod.	12.06	9.95	82.50
Chem. Dyes, Paints, etc.	144.32	99.91	69.23
Fertilisers	54.07	52.95	97.93
Drugs & Pharmaceuticals	101.26	70.01	69.14

Cement	249.74	224.41	89.86
Iron & Steel	355.87	143.10	40.21
Other Metals & Metal Products.	48.76	29.01	59.50
Petroleum	1.22	1.20	98.36
Electronics	68.00	57.88	85.12
Automobiles	32.14	24.27	75.51
Gems & Jewellery	351.55	176.47	50.20
Infrastructure*	1158.28	673.98	58.19
Ship Breaking Industries	27.87	27.86	99.96
Other Industry	797.16	196.95	24.71
Total	**4313.47**	**2302.25**	**53.37**

* excluding those covered under separate heading

Exposure to top ten companies of the credit portfolio as on September 30, 2004:

Account Name	Industry	Outstanding (Rs. In Crores)	% of Gross Advances	Asset Quality
Borrower A	Food Credit	616.76	5.97	Standard
Borrower B	Infrastructure	230.87	2.23	Standard
Borrower C	Infrastructure	180.50	1.75	Standard
Borrower D	Cement	151.29	1.46	Standard
Borrower E	Infrastructure	133.18	1.29	Standard
Borrower F	Financial & Development Institutions	132.58	1.28	Standard
Borrower G	Infrastructure	125.63	1.22	Standard
Borrower H	NBFC	119.47	1.16	Standard
Borrower I	Infrastructure	100.63	0.97	Standard
Borrower J	Infrastructure	100.00	0.97	Standard
Total		**1890.91**	**18.30**	

Exposure to top five business groups as on September 30, 2004 :

Name of borrower	Industry	Outstanding Amount (Rs. in crores)	% of gross advances
Group A	Cement	207.71	2.01
Group B	Telecom	180.50	1.75
Group C	Petrochemical	95.16	0.92
Group D	Textile	56.97	0.55
Group E	Cement	41.55	0.40
Total		**581.89**	**5.64**

Average Balances and Interest Rates

The following table shows average balances and interest rates of interest earning assets and interest bearing liabilities for the last three financial years:

Year ended	2002			2003			2004		
	Avg. Bal.	Total Int.	Avg. Rate (%)	Avg. Bal.	Total Int.	Avg. Rate (%)	Avg. Bal.	Total Int.	Avg. Rate (%)
Average interest earning assets	16958.10	1708.40	10.07	18035.45	1772.30	9.83	19992.55	1735.48	8.68
Average interest bearing liabilities	14538.63	1265.56	8.70	16057.33	1204.19	7.50	17590.07	1143.21	6.50
Average interest bearing Rupee liabilities	14538.63	1265.56	8.70	16057.33	1204.19	7.50	17590.07	1143.21	6.50

Export Credit

The total export credit of the Bank stood at Rs. 922.71 crores as on September 30, 2004 against Rs. 951.12 crores as on March 2004.

The total Foreign Exchange Business turnover of the Bank during April 2004 to Sep 2004 stood at Rs.4560.96 crores, showing an increase of Rs. 395.86 crores or about 9.48% over the level of Rs.4175.95 crores during the corresponding period April-September, 2003.

(Rs. in crores)

Year ended 31st March	2000	2001	2002	2003	2004	30.9.2004
Export Credit	967.92	983.78	844.92	949.92	951.12	922.71
% of Export Credit to Net Credit	12.63	12.35	10.21	10.49	10.02	9.49
Foreign Exchange Business Turnover for the year	6157.85	7199.37	6268.54	6673.41	9258.50	4560.96
Foreign Currency Loan	170.70	37.76	31.06	139.47	542.97	573.98

Foreign Currency Loans:

Details of the Foreign Currency Loans portfolio for the last 5 years is as follows:

	2000	2001	2002	2003	2004	Sept' 04
Foreign Currency Loans (USD mln.)	31.57	6.12	6.5	24.98	102.13	107.80
Foreign Currency Loans (GBP mln.)	4.79	0.75	Nil	2.56	9.36	10.00
Foreign Currency Loans (JPY mln.)	Nil	150.0	Nil	Nil	0.00	0.00
Foreign Currency Loans (Total in Rs. crs.)	170.70	37.76	31.06	139.47	542.97	573.98

Priority Sector Lending

As per RBI norms, the public sector banks' credit to the priority sector should be minimum 40% of the net bank credit and that for agriculture should be 18% of the net bank credit. The policy of the Bank with regard to financing the priority sector is based upon the norms stipulated by Reserve Bank of India. As on March 2004, the priority sector credit stood at 44.65% of the net bank credit and agricultural credit stood at 18.52% of the net bank credit.

The Bank has registered a growth of 18.19% in agricultural sector during 2003-2004.During the year 2003-04, 14,025 Kisan Credit Cards were issued. Credit linking of Self Help Groups(SHG) is another thrust area of Dena Bank's rural lending. SHG are group of persons of small means. These groups regularly save small amounts. The collected savings are lent to the needy members of the group for meeting their small financial requirements. The bank grade them and extend finance if found creditworthy. The Bank loan is utilized by the group for on lending to their members or undertaking a joint economic activity. Such financing to the SHG is known as credit linking. As many as 2,062 groups have been assisted with financial assistance of Rs.1298.34 lakhs as of March 31, 2004.

Details of Sector-wise distribution of Gross Priority Sector Advances for the last five years is given below:

(Rs. in crores)

Year ended March 31	2000	2001	2002	2003	2004
Agriculture	1,128.10	1,158.99	1,165.56	1,475.21	1,743.63
Small Scale Industry	1,216.88	1,240.64	1,345.72	1,377.45	1,317.51
Other Priority Sector Advances	689.32	764.10	828.21	984.94	1,143.19
Gross Priority Sector Advances	3,034.30	3,163.73	3,339.49	3,837.60	4,204.33
Percentage to Net Bank Credit	42.86	43.80	44.05	46.18	44.65

Gross Bank Credit represents Gross Advances of the Bank . Net Bank Credit is arrived at after deducting FCNR (B) and NRNR deposits as these are eligible for deductions while calculating the net bank credit for the purpose of priority sector advances in line with RBI circular No. RPCD BC.147/11.01.01/94-95 dated April 21,1995. The calculation of net bank credit is shown below:

As on last reporting Friday of March 2004

(Rs. in crores)

	Amount
Gross Bank Credit	9752.69
Less : NRNR deposits	59.78
Less FCNR (B) deposits	276.99
Less : Inter Bank Participation Certificates	——
Net Bank Credit	9415.92

Lead Districts

As required by the GOI/RBI , the Bank has been assigned the role of lead bank in 13 districts in 2 States and one UT of Dadra & Nagar Haveli, which are in Gujarat (7 districts), Chhattishgarh (5 districts) and UT of Dadra & Nagar Haveli (1). The assigned lead banks responsibilities are being discharged by maintaining inter institutional coordination in the preparation and implementation of various development programmes in each district. Besides, the Bank has also been assigned the role of convenor of State Level Bankers' Committee for the State of Gujarat and UT of Dadra & Nagar Haveli, which is being discharged satisfactorily.

The role/ functions of a lead bank are as under:

1) Development of banking facilities particularly in rural and backward areas,
2) Eradication of unemployment and under employment through channelising banks advances for regional development.
3) Ensuring appreciable rise in the standard of living of the poorest sections of the population by providing credit for taking up self-employment ventures by them and also for some of their basic needs.
4) Bringing about greater understanding and cooperation between banks and government departments/agencies in implementing various developmental programmes/schemes.
5) Identifying major constraints impeding the development of the districts economy and inducing the appropriate agencies to take remedial measures.
6) Formulation of annual district credit plan and its implementation
7) Monitoring and review of the progress made by Banks in credit deployment in general and in priority sector advances, in particular and under Government sponsored credit programmes.

Details of branch network, resources mobilised and advances made in the lead districts are as under :

(Rs. in crores)

State	No. Of Lead districts	No. Of Branches	Total Deposits	Total Advances
Gujarat	7	258	2994.36	1467.32
Chhattishgarh	5	66	444.13	172.26
UT of Dadra & N. Haveli	1	6	177.60	22.71

Credit Approval Authority

Amounts sanctioned by the Bank (Category-wise) in the FY2004 are as follows :

(Rs. in crores)

Sanctioning Authority	No of accounts	Amount	Fund Based Facility	Non-Fund based Facility
Chairman & Mg. Director	83	1087.12	871.56	215.56
Executive Director*	1	10.77	5	5.77
General Manager	373	2295.63	1491.77	803.86
TOTAL	**457**	**3393.52**	**2368.33**	**1025.19**

* The post was vacant for 11 months during FY04.

(Rs in crores)

Sanctioning Authority		Power for Limits w.e.f August 7, 2004
1	Management Committee of the Board consisting of CMD, ED and Four Directors	*Above 25.00 crores (Subject to prudential norms like single borrower exposure norms, group borrower exposure norms etc.)
2	Chairman & Managing Director	*25.00
3	Executive Director	*18.75
4	General Manager	*10.00
5	Dy. General Manager	*5.00
6	Asst. General Manager	*3.00
7	Headed by Scale - IV	#1.00
8	Headed by Scale - III	#0.50
9	Headed by Scale – II	#0.10
10	Headed by Scale – I	#0.03

* Composite Fund Based & Non Fund Based Limits

Fund Based Limits

INVESTMENTS

Investment Policy

The bank has in place a comprehensive investment policy updated from time to time taking into consideration RBI Guidelines and perception of management based on experience and market conditions. The policy covers among other things:

- Allocation of resources
- Maintenance of Cash Reserve Ratio & Statutory Liquidity Ratio
- Prudential Exposure Limits
- Investment in SLR and Non SLR Securities
- Money Market Operations
- Credit Rating
- Risk Management

Investment portfolio

The investment portfolio of the Bank as on March 3, 2004 & September 30, 2004 is as under:

(Rs. in crores)

	March 31, 2004	Sept. 30, 2004
Government Securities	7603.65	8077.44
Other Approved Securities	297.92	293.82
Shares	117.70	108.87
Debentures & Bonds	1530.10	1267.78
Subsidiaries & Joint Ventures	21.72	21.72
Others	200.06	151.65
Total Gross investments	**9771.15**	**9921.28**

The investment figures given in the above table represent the Gross Investments while the Net Investment figures after deducting depreciation/provisions are given in the Balance Sheet.

With the introduction of prudential norms, deregulation of interest rates and capital adequacy measures, there has been a gradual shift of focus to investment activities. Accordingly, the investment portfolio of the Bank has increased steadily over the years. A large proportion (84.37%) of the Bank's total gross investment is held in Government and other approved securities as on 30th September 2004.

The Bank has been able to maintain a fairly consistent portfolio yield by changing portfolio mix by regular churning without changing the portfolio risk.

Investment strategy

I) Portfolio Analysis :

Yield on Investments for the half year ended 30.9.2004 (which is measured by dividing interest income by the book value of investments) or Return on Investments stands at 8.34%. The drop in yield during this period was approx. 0.75% as compared to previous financial year ended 31st March 2004 due to downward trend in interest rate scenario.

Valuation of the "Available for Sale" segment as per RBI norms/FIMMDA methodology shows total uncashed appreciation of Rs.139.66 crores as on 30th Sep 2004.

Bank has provided depreciation of Rs. 3.95 crores in shares & Rs. 21.82 crores in bonds & debentures on account of NPI as per RBI guidelines. Further Rs. 2.49 crores in Central Govt securities and Rs. 0.73 crores in Others category, which includes Rs. 0.02 crores depreciation in the Equity-oriented units of Mutual Funds has been provided on account of Mark to Market.

Profit on Sale of Securities for the half year ended 30-09-2004 was Rs.104.36 crs.

Secondary Market Turn over for the year ended 30-09-2004 reached Rs. 2164.86 crs. (excluding Inter-bank Repo transactions), as against Rs. 5151.80 crs, last year.

Overseas Investments: The Bank has no overseas investment.

II) Strategy for 2004-2005 :

The potential risk is in the form of Interest Rate Risk, against which the portfolio needs to be immunized as far as possible. So far, the approach towards Duration of the portfolio has been reactive rather than proactive for the following reasons:

- Issue of Dated Central Govt. securities during the year were towards medium/long term. Even secondary market trading centered around the medium/long term securities.
- State Development Loans were generally issued for a standard 10-year – 12 year maturity.
- Non-SLR securities, which are issued in all tenors, were less in number and thus its effect on the duration was not significant during the year.
- The main objective is to preserve the Current yield on a few securities, while utilizing the upward movement in prices in a few other securities.
- A volatile yield on Govt. securities has had a strong effect on Non-SLR portfolio, as the risk premium levels have started rising. The market has since recognized the importance of rating and the effect of lack of rating on liquidity and valuation.

Investments by the Bank

(Rs. in crores)

As on March 31	2000	2001	2002	2003	2004	Sept, 04
Gross investments (domestic)	6945.03	6886.68	7723.71	8584.57	9771.15	9921.28
SLR investments	4326.75	4279.03	5269.08	6012.47	7619.83	8089.52
Held Till Maturity (HTM) *	303.71	2111.41	2310.76	2465.42	2322.08	2507.57
Available for Sale *	6641.32	4730.99	5318.85	5985.29	7325.17	7304.68
Held for Trading *	0	44.28	94.10	133.86	123.90	109.03
% of HTM to entire portfolio	4.37	24.00**	24.00**	23.11**	18.86**	20.68**

* The Bank has reclassified investments with effect from September 30, 2000 as per RBI guidelines. As a result of which, the permanent category has been named as Held to Maturity and Current category has been further been divided into two categories – Available for Sale and Held for Trading.

** Exempted investments treated as advances are excluded.

The break up of gross investments for a period of five years is given in table below:

(Rs. in crores)

Security Details	As of 31.03.00	As of 31.03.01	As of 31.03.02	As of 31.03.03	As of 31.03.04	As of 30.09.04
Government Securities	4321.97	4285.10	5256.32	5978.74	7603.65	8077.44
Other Approved Securities	286.52	275.67	294.50	315.47	297.92	293.82
Shares	89.01	145.61	146.89	151.69	117.70	108.87
Debentures & Bonds	2161.35	2093.72	1960.17	1869.48	1530.10	1267.78
Subsidiaries & Joint Ventures	21.72	21.72	21.72	21.72	21.72	21.72
Others	64.46	64.86	44.11	247.47	200.06	151.65
Total	**6945.03**	**6886.68**	**7723.71**	**8584.57**	**9771.15**	**9921.28**

Yield on investments

The yields on investments (%) for the last five years are given below:

As on March 31.	2000	2001	2002	2003	2004	Sept 2004
Yield including profit on sale of investments (%)	12.98	12.08	13.80	13.04	13.66	10.44
Yield excluding profit on sale of investments (%)	11.91	11.56	11.10	10.17	9.09	8.34

CREDIT POLICY

Credit Priorities

The bank believes in adopting a system of calculated risk. Priorities set for credit flow are as follows:

- Around 30% to 35% of the incremental credit flow shall be under various schemes for Retail Banking products;
- Around 15% to 20 % of incremental credit flow shall be to healthy Public Sector undertakings and first class corporate i.e. AA+ and above or equivalent rating by external rating agencies;
- The balance incremental credit shall be utilised to meet other credit demand including requirements of Priority Sector, mid-corporate, additional credit requirement of existing constituents etc.;
- The total term loan, Deferred Payment Guarantee not to exceed 50% of the total advances.

Objective of Credit Policy

The objectives of the credit policy are:

- To strengthen the credit delivery system and to clearly lay down the preferred deployment of credit keeping in view the socio-economic obligations and the past experience of asset impairment and with greater focus on retail banking.
- To aid building up and maintaining a well diversified credit portfolio.
- To set up a Credit Risk Management System with parameters for risk identification, measurement, monitoring and mitigation;
- To address issues of credit concentration and to set up prudential credit exposure norms;
- To set up standard and uniform credit evaluation procedures, systems & procedures to monitor portfolio performance and set up guideposts to augment income from non fund exposures ;
- To provide for dissemination of information to enable informed credit decision-making at all levels and to enable proper training of field staff of credit appraisal and monitoring.
- To provide for adequate delegation of discretionary authority at all levels consistent with the canons of this Policy Document.
- To provide for Loan Review Mechanism; and
- To set up a risk based Loan Pricing Policy.

Applicability of Credit Policy

The provisions of this Credit Policy shall be applicable to :

- All working Capital Facilities (including all types of demand loans, short term loans, bills facilities, ad-hoc limits, bridge loans etc);
- All Term facilities including term loans (with repayment terms of over 3 years, deferred payment guarantees, etc) :
- All non-fund based facilities (financial/performance guarantee, letters of Credit (inland and foreign), acceptance/ co-acceptance of bills & endorsements etc.)

EXPOSURE LIMITS OF THE BANK

The Banks overall exposure to Capital Market Sector in terms of fund and non-fund exposure shall be limited to 5% of the Banks gross credit as at the close of previous financial year.

The Bank will adhere to the prudential exposure norms for taking exposure towards an individual borrower, group of borrowers and for infrastructure projects prescribed by that Regulator which at present is as under :

Prudential Exposure Limit (as per Regulatory Guidelines in force)

Borrower	Limit
Individual Borrower Exposure limit	15% of TIER-I & TIER-II Capital
Group Borrower Exposure limit	40% of TIER-I & TIER-II Capital
Individual Borrower Exposure limit for infrastructure projects	20% of TIER-I & TIER-II Capital
Group Borrower Exposure limit for Infrastructure Projects.	50% of TIER-I & TIER-II Capital

In addition, it has been announced by RBI in Annual Policy on May 18, 2004 that banks may, in exceptional circumstances, with the approval of their Boards, consider enhancement of the exposure to a borrower up to a further five per cent of capital funds (*i.e*., 20 per cent for single borrower and 45 per cent for group borrowers). In respect of exposure to infrastructure, banks could consider additional sanctions up to five per cent and 10 per cent as indicated above, over and above the limits of 20 per cent and 45 per cent, respectively.

As stated above, limits are calculated as specified percentage/s of the Bank's Capital Funds which may vary from year to year, the Bank will observe these limits as calculated for each financial year in the manner as stipulated by the Regulator.

Prudential Exposure Limit as approved by the Board

The Board of Directors of Dena Bank in its meeting held on May 26, 2004, approved the following exposure limits:

Borrower	Limit
Individual Borrower Exposure limit (15% of the Capital Funds of the bank as on March 31, 2004)	Rs. 135.91 cr.
Group Borrower Exposure limit (40% of the Capital Funds of the bank as on March 31, 2004)	Rs. 362.42 cr.
Individual Borrower Exposure limit for infrastructure projects (20% of the Capital Funds of the bank as on March 31, 2004)	Rs. 181.21 cr.
Group Borrower Exposure limit for Infrastructure Projects. (50% of the Capital Funds of the bank as on March 31, 2004)	Rs. 453.03 cr.

In the light of the liberalized access of borrowers to ECBs and their ability to raise resources through Debt/ Capital market, RBI has decided to discontinue with the practice of giving case by case approval for exceeding prudential exposure limits. Banks would phase out the excess exposures beyond the prescribed limits either by increasing the capital funds or reducing exposure by March 31, 2005.

Credit Concentration

With a view to avoid concentration of credit in some particular sectors the Bank will observe the following ceiling in respect of total exposure as a percentage to Gross Advance, Industry-wise as under :-

Sr No	Industry / Sector	Ceiling as percent to Gross Advances Not to Exceed.
1	Infrastructure Finance	
	a) Power – Other than SEBs	10%
	b) Roads/Bridges/Ports	8%
	c) Educational Institutions/Hospitals	2%
2	Information Technology /Bio-technology	1.50%
3	Gems & Jewellery	8%
4	Iron & Steel	4%
5	Metal & Metal Products	2%
6	Sugar Industry	0.5%
7	Advances against Shares & Debentures	1.5%
8	Advance to NBFCs	3%
9	Advances to Ship Breaking Industry	0.5%
10	Construction Industry	3%
11	Chemicals & Petro Chemicals	5%
12	Advance to any other Particular Industrial Sector	5%
13	Telecom	2%

The ceilings as above are indicative only and it is not envisaged that any credit worthy proposal will be turned down only on the ground that above ceiling may be exceeded. In the event of such a situation, the Board of Directors may, at their discretion consider such proposals beyond the prescribed ceiling on merits.

The sector-wise ceilings will be monitored at quarterly intervals and compliance thereto along with details of deviations if any be placed before the Board of Directors.

VIII. ASSET CLASSIFICATION, INCOME RECOGNITION & PROVISIONING

Regulatory position

In keeping with RBI guidelines on asset classification, income recognition and provisioning, the Bank has adopted the system of classifying the advances under four categories:

Category	Classification
1. Performing	
Standard Asset	An asset which has not posed any problem and which does not carry more than the normal business risk
2. Non-Performing	
a) Sub-standard Asset	An asset which has been non-performing for a period less than or equal to twelve months as of March 2004.
b) Doubtful Asset	An asset, which has been non-performing for a period exceeding twelve months.
c) Loss Asset	Asset where loss has been identified by the Bank or auditors/RBI .The value of security is less than 10%.

For this purpose, all advances are segregated into performing assets (standard assets) and non-performing assets. A borrowal account is classified as Non Performing Assets (NPA) when interest and/or instalment are due for more than 90 days. Borrowal accounts treated as NPA for not exceeding one and half years are classified as sub standard assets and borrowal accounts treated as NPA for more than one and half years are treated as doubtful assets. NPAs where securities are less than 10% and which are considered as irrecoverable are treated as loss assets.

When an account is classified as NPA, interest already debited to the account but not realised, is de-recognised and further interest accrued is collected on cash basis.

Provisions are arrived at on all outstanding NPAs, as under:

- Sub Standard Assets at 10% of the outstanding
- Doubtful Assets at 20% or 30% or 50% of the secured portion based on the number of years the account remained as “Doubtful Asset” (i.e. up to one year, one to three years and more than three years respectively) and at 100% of the unsecured portion of the outstanding after netting retainable or realisable amount of the guarantee claims already received/lodged with DICGC/ECGC, if any.
- Loss Assets at 100% of the outstanding after netting retainable amount of the guarantee claims already received/lodged with DICGC/ECGC, if any.
- Norms on Asset classification, Income recognition and provisioning are subject to change from time to time as per RBI guidelines.

Asset classification of performing and non-performing assets for the last 5 years is given below:

(Rs in crores)

Classification of assets as on March 31	2000	2001	2002	2003	2004
Standard Assets	6303	5690	6282	7432	8527
Sub Standard	831	948	629	388	327
Doubtful	490	868	1250	1096	1037
Loss	79	112	117	133	120
Gross NPAs	1399	1928	1996	1617	1484
Gross Advances	7703	7618	8278	9049	10011

Advances given above are Gross Advances while the Balance Sheet indicates Net Advances after setting off provisions, interest suspense etc., Gross Advances - (Provisions, Interest Suspense and DICGC & ECGC claims) = Net Advances

Asset classification of performing and non-performing assets for the last 5 years is given below:

(as a % of Gross Advances)

Classification of assets (%) as on March 31	2000	2001	2002	2003	2004
Standard Assets	81.82	74.69	75.89	82.13	85.18
Sub Standard	10.79	12.44	7.60	4.29	3.26
Doubtful	6.36	11.40	15.10	12.11	10.36
Loss	1.03	1.47	1.41	1.47	1.20
Total	100.00	100.00	100.00	100.00	100.00

Classification of assets as on 30th September' 2004	Amount (Rs. in crores)
Standard Assets	8951.95
Sub Standard	221.33
Doubtful	1049.67
Loss	108.43
Gross NPAs	1379.43
Gross Advances	10331.38

The asset quality of the Bank has improved considerably during the last few years, Gross NPA to Gross Advances dropped from 17.86% in FY03 to 14.82% in FY04 while Net NPA to Net Advances fell from 11.83% in FY03 to 9.40% in FY04 and further reduced to 7.85% as of Sept 2004.

All disclosures regarding NPAs conform to RBI norms.

General data on non-performing assets

The details of Non-Performing Assets of the Bank are furnished in various tables below:

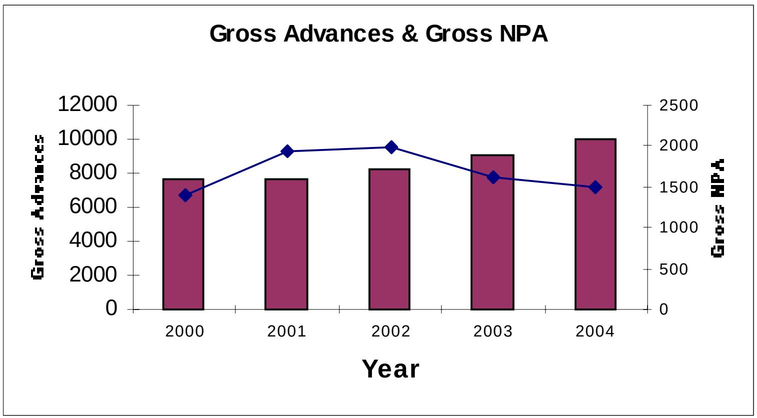
(Rs. in crores)

PARTICULARS (As on March 31)	2002	2003	2004
Gross NPA at the beginning of the year	**1928.26**	**1996.02**	**1616.58**
Addition during the year	496.22	293.54	458.75
Reduction during the year	428.46	672.98	591.32
Upgradation	49.80	119.41	42.78
Cash Recovery	129.18	174.02	227.53
Compromise / Write-off	190.05	372.09	319.14
Others	59.43	7.46	1.87
Gross NPA at the end of the year	**1996.02**	**1616.58**	**1484.01**
Provision	713.79	592.43	579.44
Interest Suspense	40.99	19.41	18.35
DICGC & ECGC Balance	13.99	7.46	1.87
Net NPA at the end of the year	**1227.25**	**997.28**	**884.35**

An amount of Rs.579.45 crores has been provided for Non Performing Assets, as on March 31, 2004. This provision of Rs.579.45 crores has been deducted from the Gross Advances to arrive at the Net Advances. Provisions made during the year 2003-2004 amounts to Rs. 306.16 crores.

(Rs in crores)

As on March 31,	2000	2001	2002	2003	2004
Gross Advances	7703.00	7618.41	8277.74	9048.92	10011.45
Gross NPAs	1399.60	1928.26	1996.02	1616.58	1484.01
Gross NPAs to Gross Advances (%)	18.17	25.31	24.11	17.86	14.82
Net Advances	7117.88	7001.90	7522.96	8435.60	9411.79
Net NPAs	983.01	1280.27	1227.25	997.28	884.35
Net NPA to Net Advances (%)	13.47	18.37	16.31	11.83	9.40



The slab-wise details of the current NPA accounts (Global) as on March 31, 2004 are indicated below:

(Rs. in crores)

Particular	No. of accounts	Gross NPA amount	Interest de-recognised
Below Rs.25000/-	70323	41.87	55.21
Rs.25000/- & above	26936	1442.14	2812.14
Total	**97259**	**1484.01**	**2867.35**

Industry-wise classification of Non Performing Assets

The industry classification of the top ten NPAs (borrower-wise classification) of the Bank as at March 31, 2004 is given as under:

	Industry	Amount (Rs. in Crores)	% of Gross Advances	Asset quality as on March 31, 2004
1.	Cement	30.14	0.30	Doubtful II
2.	Other Industries	29.24	0.29	Doubtful II
3.	Other Industries	27.59	0.28	Doubtful II
4.	Chemicals	27.59	0.28	Sub Standard
5.	Other Industries	27.25	0.27	Doubtful II
6.	Engineering - Electricity	25.39	0.25	Sub Standard
7.	Other Industries	24.91	0.25	Doubtful II
8.	Chemicals	24.60	0.25	Doubtful III
9.	Services	20.19	0.20	Doubtful I
10	Engineering	18.52	0.19	Sub Standard

The details of top 10 NPAs in different industry sectors as on March 31, 2004 are as under:

(Rs. in crores)

Industry	Total Advance to the industry (A)	Top ten NPA Amount in the industry (B)	Top 10 NPAs as a % of Advance given to industry (B/A)
Jute	1.58	1.27	80.38
Other Metal	45.73	20.58	45.00
Cement	92.88	38.12	41.04
Gem & Jewellery	14.49	5.70	39.34
Petro Chemical	59.13	18.66	31.56
Iron & Steel	187.35	52.46	28.00
Electronic	18.61	5.17	27.78
Tea	0.15	0.04	26.67
Pharmaceutical	48.97	12.48	25.48
Fertilizer & Chemicals	29.99	5.45	18.17

Top ten impaired credits as on March 31, 2004

(Rs in crores)

Name of the Borrower	Loans and Advances	Total Exposure	Risk Classification	Loss Provision held	Interest in Arrears
Borrower A	65.58	65.58	Sub standard	2.49	4.32
Borrower B	30.38	30.38	Doubtful II	9.04	1.51
Borrower C	34.07	34.07	Doubtful II	8.27	2.56
Borrower D	24.91	24.91	Doubtful II	8.54	1.67
Borrower E	36.53	36.53	Doubtful II	8.77	4.42
Borrower F	27.59	27.59	Sub standard	8.27	10.48
Borrower G	27.25	27.25	Doubtful II	21.66	15.53
Borrower H	26.10	26.10	Doubtful I	4.04	2.07
Borrower I	24.60	24.60	Doubtful II	18.09	16.97
Borrower J	18.36	18.36	Doubtful II	5.64	9.54

Sector wise analysis of Gross Non- Performing Assets

The sector-wise analysis of NPAs for the last three years is as under:

(Rupees in crores)

Sector	2001-02			2002-03			2003-04		
	Gross Adv.	Gross NPA	%	Gross Adv.	Gross NPA	%	Gross Adv.	Gross NPA	%
Agriculture	1165.56	161.44	13.85	1475.21	135.05	9.15	1374.6	165.45	12.04
SSI	1345.72	356.15	26.46	1377.45	315.63	22.91	1459.06	298.34	20.45
Other PSC*	828.21	247.73	29.91	984.94	258.62	26.25	1218.03	186.76	15.33
Total PSC	3339.49	765.32	22.92	3837.60	709.30	18.48	4051.69	650.55	16.06
Non PSC	4938.25	1230.7	24.92	5211.32	907.28	17.41	5959.76	833.46	13.98
Total	**8277.74**	**1996.02**		**9048.92**	**1616.58**		**10011.45**	**1484.01**	

PSC* means Priority Sector Credit

NPA Management Strategy

The NPA cash recovery target for the year 2003 - 2004 was fixed at Rs.208.38 crores and actual cash recovery made by the Bank is Rs.227.53 crores. The NPA cash recovery target for the six months ending September 30, 2004 was fixed at Rs.128.25 crores and actual cash recovery made by the Bank is Rs.102.75 crores The Bank is utilising the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002, as an effective tool. During the year the main focus was on containing fresh slippages through appropriate measures including recovery of critical amount due, restructuring, reschedulement, rephasement, etc. Towards this objective the Bank has opened Asset Recovery Branches (ARBs) to give necessary impetus to closely monitor recovery of suit filed cases at DRT and Civil courts.

As a part of the strategy for management of NPAs, an ‘EARLY ALERT SYSTEM’ has been put in place, in the Bank, to identify Potential NPAs. Such identified accounts are Termed as ‘Standard ‘B” A/cs. A ‘Central Slippage Prevention Committee’ has been constituted at Corporate Level, headed by General Manager (Credit) to monitor each of such large borrowal account (exposure of Rs. 1 Cr & above). The committee deliberates on the reasons for sickness / irregularities and possible remedial measures for regularisation and constantly monitors the progress on the accounts. Each Fresh slippage of Rs. 5 lacs and above is also closely followed up for its causes and early upgradation. Similar NPA Prevention Cells have also been established at each of the Regional Office to monitor Standard B Accounts having exposure of less than Rs. 1 Cr.

The senior level executives visit the Regions to take decisions on the spot for One Time Settlement (OTS) / Out of Court Settlements (OCS). Focus in case of the Doubtful assets and Loss will be by way of recoveries through compromise and negotiated settlements. Second Level Executives are allotted responsibility for NPA recovery. Lok Adalats are being conducted periodically at various centres during the year to settle chronic NPA cases.

Asset Liability Management

ALM Strategy of the Bank

ALM system of the Bank has been strengthened with full computerisation towards the close of the year. During the year, the Bank could cover 100% of the Bank's business under ALM.

Asset Liability Management Policy

The present regulations require banks to devise their own survival strategies by having in place its own policies for pricing of Assets and Liabilities, restructuring of its portfolios in a balanced manner to arrive at desired maturity profiles, adopting of suitable risk identification, measurement and mitigation policies etc with the twin aims of maximization of profits and maintenance of adequate level of capital.

With this objective in mind, the bank has framed a comprehensive policy for management of its Assets and Liabilities. The policy covers, among other things, detailed guidelines for management of bank's Assets, Liabilities, Liquidity Management Techniques, Interest Rate and Forex risk Management Techniques.

The ALM Policy of the Bank concentrates on control/mitigation of market risk factors comprising of the following:

- Liquidity Risk
- Forex Risk
- Interest Rate Risk
- Commodity Price Risk
- Equity Price Risk

The Asset Liability Management Committee (ALCO)

The ALCO is headed by CMD/Executive Director or in their absence, by the senior most General Manager in the committee. The other members include all functional General Managers at corporate office having responsibilities of international division, investments & funds management, credit administration, accounts and information technology etc.

The ALCO will look after among others the following functions:

- Overseeing market risk management;
- Fixation of interest rates;
- Ensure that not less than 30% of net profits are transferred to Statutory reserves;
- To maintain the Capital Adequacy ratio at a level above the minimum statutory prescribed by RBI from time to time;
- To increase the share of low cost deposits in the total deposits.

Pricing Policy

The Bank's assets and liabilities consist of items sensitive to re-pricing as well as non-sensitive items. The differentials between interest rate sensitive assets and liabilities affect Net Interest Income and Net Interest Margin (NIM) depending on market perception on movement in interest rates. The Bank has therefore, adopted a Pricing and Re-pricing Policy to dynamically adjust its position in this regard.

The Bank prices its liabilities in line with the market scenario.

The Bank prices its Assets in line with the market scenario and the cost of funds deployed. The Bank, within the regulatory parameters, has extended the floating rate concept to cover a major portion of its credit portfolio, Pricing policy also takes into account volume considerations. The Bank identifies on an on-going basis and reviews the policies in this regard including the aspects of pricing credit to certain sectors/ activities like housing, consumer loans etc on fixed rate basis with a view to enhance flow of credit into profitable channels.

The Bank has adopted a policy of maintaining its Benchmark Prime Lending Rate (BPLR) at a level equal to cost of liabilities, cost of capital, cost of provisions and margin. The default risk factor is being assessed based on credit rating of loans.

The Bank constantly undertakes review of the prices of its products and services with a view to near-achieve this target level on NIM. As long-term goal the Bank is working towards improving NIM.

Liquidity Management Techniques

The Bank will use the Gap Analysis Methodology to identify Liquidity Gaps, if any , in various time-bucket grids.

The Bank will measure its liquidity by using following ratios with the benchmark levels expressed as percentages for the time being fixed as indicated herein:

- Net Advances to Total Assets with a benchmark level not exceeding 50% to 55%.
- Core deposits (total deposits less bulk deposits) to Net Advances with a benchmark level of around 150%.
- Purchased Funds (inter-bank deposits and other money market borrowings and Certificate of Deposits) to Total Assets with a benchmark level of around 12%.

The Bank will strive to achieve the following prudential limits as part of its Liquidity Management Plans.

- The Negative gap, if any, in liquidity analysis in the first two statutory cycles (i.e. 1-14 days and 15-28 days) should not exceed 20% in time bucket.
- In the time buckets of 29 days- 3 months, 3 months -6 months and 6 months- 1 year, the negative gaps, if any should not exceed 45% in any time bucket.
- If at quarter end positions, the tolerance limits in first two time buckets are exceeded, IRMC's permission to operate with such higher gaps for a specified time period should be obtained.

Forex Risk Management

The Bank will utilize MAP (Maturity and Position) statement and SIR (Sensitivity to Interest Rates) statement (which are regulatory prescriptions) as the Tools of Risk Management for its Forex Operations.

The prudential limits/caps etc as prescribed by Reserve Bank of India from time to time will be fully adhered to.

The maturity profile of l deposits as on March 31, 2004 is as under:

(Rs. in crores)

Residual Maturity	Amount
1-14 days	1493.63
15-28 days	365.53
29 days – 3 months	1282.89
3-6 months	1426.22
6-12 months	2717.07
1-3 years	9914.94
3-5 years	684.96
Over 5 years	463.94
Total	**18349.18**

The maturity profile of global deposits in the last three years is as under:

Year ended March 31	2002		2003		2004	
	Rs. in crores	% to Total	Rs. in crores	% to Total	Rs. in crores	% to Total
Up to 1 year	5555.82	36.18	6170.76	37.42	7285.34	39.70
1 Year to 3 Years	8734.57	56.89	9253.09	56.11	9914.94	54.03
3 Year to 5 Years	685.25	4.46	689.92	4.18	684.96	3.73
Over 5 Years	379.05	2.47	377.49	2.29	463.94	2.52
Total	15354.69	100.00	16491.26	100.00	18349.18	100.00

Maturity Profile of the Domestic Assets and Liabilities in INR as on the last reporting Friday of March 2004:

(Rs. in crores)

Maturity	**1-14 days**	**15-28 days**	**29 days-3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Outflows									
Capital	0	0	0	0	0	0	0	206.82	206.82
Reserves & Surplus	0	0	0	0	0	0	0	785.44	785.44
Deposits	590.07	117.39	410.26	478.58	919.65	10113.61	2414.30	2156.69	17200.58
Borrowings	85.50	68.93	84.01	263.93	120.78	196.25	8.76	0.00	828.19
Other Liabilities & Provisions	957.06	36.44	566.06	712.36	1234.65	392.01	454.66	1288.08	5641.30
A: Total Outflows	1632.63	222.76	1060.33	1454.87	2275.08	10701.87	2877.72	4437.03	24662.33
B: Cumulative Outflows	1632.63	1855.39	2915.72	4370.59	6645.67	17347.54	20225.26	24662.29	
Inflows									
Cash	142.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	142.64
Balance with RBI	312.31	4.10	14.34	16.73	32.14	353.54	84.39	75.39	892.98
Balance with other Banks	45.18	10.00	0.00	0.00	0.00	0.00	0.00	0.00	55.18
Investments	193.59	54.61	205.42	160.92	399.23	614.38	902.67	7173.61	9704.43
Advances (performing)	594.22	215.35	368.77	643.34	563.81	2264.47	1552.89	1977.65	8180.54
NPAs	0	0	0	0	0	0	0	1623.99	1623.99
Fixed Assets	0	0	0	0	0	0	0	293.76	293.76
Other Assets	241.43	0.02	0	642.83	0.05	31.38	7.06	444.20	1367.00
C:Total Inflows	2025.81	323.02	947.13	1950.53	1572.21	3264.22	2547.20	11588.85	24219.00
Mismatches									
D: Mismatch (C-A)	393.18	100.26	-113.20	495.66	-702.87	-7437.65	-330.52	7151.82	-443.33
E:% Mismatch (D as % of A)	24.08	45.00	-10.67	34.06	-30.89	-69.49	-11.48	161.18	-1.79
F: Cum. Mismatch	393.18	493.44	380.24	875.9	173.03	-7264.62	-7595.14	-443.32	-886.65
G:% Cum. Mismatch F as % of B	24.08	26.59	13.04	20.07	2.60	-41.87	-37.55	-1.79	

The bank has taken steps to reduce the mismatch in the time buckets of 1 year to 3 years and 3 years to 5 years like resetting interest rates to arrive at desired maturity profile of deposits, focus on retail assets with longer maturities, revising the limits etc. Further as these time buckets are in medium term horizon, the bank is confident of restructuring its assets and liabilities on an ongoing basis to overcome these mis matches.

Maturity Profile of the Domestic Assets and Liabilities in INR as on the last reporting Friday of March 2003:

(Rs. in crores)

Maturity	**1-14 days**	**15-28 days**	**29 days- 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Outflows									
Capital	0	0	0	0	0	0	0	206.82	**206.82**
Reserves & Surplus	0	0	0	0	0	0	0	769.74	**769.74**
Deposits	587.74	465.39	492.86	941.26	3082.64	8754.99	713.71	397.31	**15435.9**
Borrowings	109.31	2.41	126.37	191.28	39.23	172.87	4.2	0.13	**645.79**
Other Liabilities & Provisions	108.64	17.34	45.46	138.35	627.4	576.36	254.31	1096.94	**2864.8**
A: Total Outflows	805.69	485.14	664.69	1270.89	3749.27	9504.22	972.22	2470.94	**19923.05**
B: Cumulative Outflows	805.69	1290.83	1955.52	3226.41	6975.68	16479.9	17452.12	19923.06	**39846.11**
Inflows									
Cash	145.34	0	0	0	0	0	0	0	**145.34**
Balance with RBI	242.31	0	0	0	0	575.85	0	0	**818.16**
Balance with other Banks	56.49	0	0	0	0	0	0	0	**56.49**
Investments	166.1	50.92	34.27	75.84	131.27	1279.14	647.62	6299.53	**8684.69**
Advances performing	395.44	362.8	521.66	514.13	610.07	1648.45	876.4	2334.06	**7263.02**
NPAs	0	0	0	0	0	0	644.78	992.82	**1637.6**
Fixed Assets	0	0	0	0	0	0	0	335.8	**335.8**
Other Assets	201.92	0.11	0.56	321.63	343	86.73	273.58	14.13	**1240.2**
C:Total Inflows	1207.6	413.83	556.49	911.6	1084.34	3590.17	2442.38	9976.34	**20181.3**
Mismatches									
D: Mismatch (C-A)	401.91	-71.31	-108.2	-359.29	-2664.93	-5914.05	1470.16	7505.4	**258.25**
E:% Mismatch (D as % of A)	49.88%	-14.70%	-16.28%	-28.27%	-71.08%	-62.23%	151.22%	303.75%	**1.30%**
F: Cum. Mismatch	401.91	330.6	222.4	-136.89	-2801.82	-8715.87	-7245.71	259.68	**517.93**
G:% Cum. Mismatch F as % of B	49.88%	25.61%	11.37%	-4.24%	-40.17%	-52.89%	-41.52%	1.30%	**1.30%**

Maturity Profile of the Domestic Assets and Liabilities in INR as on the last reporting Friday of March 2002:

(Rs. in crores)

Maturity	**1-14 days**	**15-28 days**	**29 days- 3 months**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Outflows									
Capital	0	0	0	0	0	0	0	206.82	206.82
Reserves & Surplus	0	0	0	0	0	0	0	555	555
Deposits	569.27	102.98	599.77	479.16	1209.2	9172.64	2109.57	396.17	14638.76
Borrowings	364.12	80.32	48.8	119.86	107.62	194.43	1.85	5.38	922.37
Other Liabilities & Provisions	606.84	34.95	69.24	74.13	299.37	948.04	375.12	769.85	3177.54
A: Total Outflows	1540.23	218.25	717.81	673.15	1616.19	10315.11	2486.54	1933.22	19500.49
B: Cumulative Outflows	1540.23	1758.48	2476.29	3149.44	4765.63	15080.74	17567.28	19500.5	39000.99
Inflows									
Cash	109.92	0	0	0	0	0	0	0	109.92
Balance with RBI	429.75	0	0	0	0	570.84	0	0	1000.59
Balance with other Banks	32.11	0	0	0	74.93	0	0	0	107.04
Investments	64.61	46.92	67.43	170.72	283.08	1093.15	552.2	5478.17	7756.28
Advances performing	604.93	135.33	750.12	1138.6	2132.53	917.72	309.88	384.94	6374.04
NPAs	0	0	0	0	0	0	518.62	1375.94	1894.56
Fixed Assets	0	0	0	0	0	0	0	325.14	325.14
Other Assets	522.5	0.53	494.69	55.99	57.13	222.72	481.2	135.89	1970.65
C:Total Inflows	1763.82	182.78	1312.24	1365.31	2547.67	2804.43	1861.9	7700.08	19538.22
Mismatches									
D: Mismatch (C-A)	223.59	-35.47	594.43	692.16	931.48	-7510.68	-624.64	5766.86	37.73
E:% Mismatch (D as % of A)	14.52%	-16.25%	82.81%	102.82%	57.63%	-72.81%	-25.12%	298.30%	0.19%
F: Cum. Mismatch	223.59	188.12	782.55	1474.71	2406.19	-5104.49	-5729.13	37.73	75.46
G:% Cum. Mismatch F as % of B	14.52%	10.70%	31.60%	46.82%	50.49%	-33.85%	-32.61%	0.19%	0.19%

Structural Liquidity Analysis

An analysis of the liquidity of the Bank in a structured format as required by RBI is known as structural liquidity analysis. The Structural Liquidity as on March 31 for the last three years is given below:

(Rs. in crores)

	TOTAL INFLOWS			TOTAL OUTFLOWS			MISMATCH		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
1-14 days	1863.81	1357.10	2167.42	1848.49	1616.05	1437.50	15.33	-258.95	729.92
15-28 days	216.54	378.68	320.27	228.63	439.07	235.24	-12.09	-60.39	85.03
29 days and upto 3 months	1312.23	615.45	1019.95	727.94	1465.30	1461.80	584.29	-849.85	-441.85
Over 3 months and upto 6 months	1365.31	576.43	1153.31	699.53	1542.62	1063.38	665.78	-966.20	89.93
Over 6 months and upto 1 year	2547.66	1257.63	1918.55	1623.33	2905.17	2228.68	924.33	-1647.54	-310.13
Over 1 year and upto 3 years	2804.43	6646.76	6710.13	10326.00	9837.83	11170.78	-7521.57	-3191.07	-4460.65
Over 3 years and upto 5 years	1861.90	1470.96	1884.83	2486.62	1104.40	2713.49	-624.72	366.56	-828.66
Over 5 years	7700.09	9065.95	8762.56	1935.22	2364.96	3675.63	5764.87	6700.99	5086.93
Total	19671.98	21368.96	23937.05	19875.75	21275.41	23986.52	-203.77	93.54	-49.47

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

(Rs. in crores)

	1-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Loans and Advances	665.71	163.40	391.57	420.77	494.86	4836.27	895.38	1543.83	9411.79
Deposits	1493.63	365.53	1282.89	1426.22	2717.07	9914.94	684.96	463.94	18349.18
Borrowings	43.51	4.45	166.64	22.12	17.24	37.58	11.06	5.77	308.37
Foreign Currency Assets	91.62	264.53	114.40	271.29	4.59	1.76	0	0	748.19
Foreign Currency Liability	77.01	11.03	190.33	30.53	39.62	170.48	0	0	519.00

Maturity Pattern of Assets and Liabilities (as on March 31, 2003):

(Rs. in crores)

	1-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Loans and Advances	233.67	135.62	336.79	317.31	439.29	4771.94	750.48	1450.50	8435.60
Deposits	1113.29	359.53	942.19	1208.16	2547.59	9253.09	689.92	377.49	16491.26
Borrowings	0.03	0.00	101.65	16.04	19.85	66.05	17.61	6.98	228.21
Foreign Currency Assets	183.05	108.44	137.53	149.97	16.97	0.00	0.00	0.00	595.96
Foreign Currency Liability	55.76	6.41	128.52	33.88	57.15	108.68	0.00	0.00	390.40

Maturity Pattern of Assets and Liabilities (as on March 31, 2002):

(Rs. in crores)

	1-14 days	15-28 days	29 days-3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Total
Loans and Advances	331.09	134.09	367.54	175.36	305.54	2682.42	2267.88	1259.04	7522.96
Deposits	1197.52	349.04	939.78	953.41	2116.07	8734.57	685.25	379.05	15354.69
Borrowings	102.55	0.00	8.27	18.32	25.60	79.24	26.86	5.41	266.25
Foreign Currency Assets	174.29	61.46	144.87	120.55	2.51	0.00	0.00	0.00	503.68
Foreign Currency Liability	42.04	5.22	20.09	20.21	69.78	127.78	0.00	0.00	285.12

Financial Ratios and other Financial Information of the Bank for the last 5 years:

(Rs. in crores)

Year ended March 31	2000	2001	2002	2003	2004	Sept. 30, 2004
Avg. Int. Earning Assets (Rs. In Crs.)	13656.54	16143.02	16958.10	18035.45	19992.55	21815.00
Avg.Int rate for the above (%)	11.59	10.63	10.07	9.83	8.68	8.06
Int. Income (Rs. In Crs.)	1583.23	1716.38	1708.40	1772.30	1735.48	878.61
Avg. Int bearing liabilities (Rs. In Crs.)	11796.60	12611.34	14538.63	16057.33	17590.07	19173.73
Avg. Int Rate for the above (%)	9.91	10.05	8.70	7.50	6.50	5.74
Total Int. expenses (Rs. In Crs.)	1169.19	1267.46	1265.56	1204.19	1143.21	550.63
Avg. Int. Bearing Rupee liability (Rs. In Crs.)	11796.60	12611.34	14538.63	16057.33	17590.07	19173.73
Avg. Int Rate for the above (%)	9.91	10.05	8.70	7.50	6.50	5.74
Ratio of average int earning assets to average int. bearing liabilities	1.16	1.28	1.17	1.12	1.14	1.14
Int. expenses apportioned to Int. earning assets (%)	8.56	7.85	7.46	6.68	5.72	2.52
Net Int Income (Rs. In Crores)	414.04	448.92	442.84	568.11	592.27	327.98
Net Int. margin (%)	3.03	2.78	2.61	3.15	2.96	1.50
Gross yield %	10.82	10.45	10.41	9.65	8.68	7.99
Avg.cost of funds (%)	8.93	8.88	7.36	6.86	5.95	5.28
Yield spread (%)	2.73	2.58	2.48	2.96	2.84	2.88
Return on avg. Assets (%)	0.38	-VE	0.06	0.57	1.11	0.68
Avg. Share capital, Reserves to av. Total assets (%)	4.98	3.89	2.96	3.01	3.56	3.41
Cash EPS (Rs.)	3.91	-11.83	1.70	6.87	12.59	8.66

The Gap analysis for rate sensitive assets and rate sensitive liabilities as on March 31, 2004 is as follows:

(Rs. in crores)

Rate Sensitive Assets/ Liabilities	1 day to 28 days	29 days to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years
Rate Sensitive Liabilities	729.95	741.40	647.25	1228.12	3840.29	2518.95	2498.01
Rate Sensitive Assets	1846.63	629.58	594.92	845.29	6415.26	1592.61	7559.63
Rate Sensitive Gap	1116.68	-111.82	-52.33	-382.83	2574.97	-926.34	5061.62
GAP as a % of Rate Sensitive assets	60.47%	-17.76%	-8.80%	-45.29%	40.14%	-58.16%	66.96%

IX. CAPITAL ADEQUACY RATIO

The RBI's guidelines on Capital Adequacy Ratios (CAR) generally conform to the guidelines adopted by the Committee on Banking Regulations and Supervisory Practices of the Bank of International Settlements ("BIS"). The RBI requires that assets, non-funded items and other off-balance sheet exposures are assigned weights according to prescribed risk weights and that each Bank must maintain capital levels equivalent to a prescribed ratio to such risk weighted assets. All financial ratios and capital adequacy ratios conform to RBI norms.

Capital

For the purpose of calculating the CAR, capital of a Bank is divided into two classes i.e. Tier I capital and Tier II capital. Tier I capital also known as core capital, represents amounts readily available to support the Bank against unexpected losses. Tier-I capital consists of paid up capital, statutory reserves and other disclosed free reserves. Tier-II capital comprises elements that are less permanent in nature and thus less readily available. Tier II capital consists of subordinated debt (with a minimum maturity of five years), undisclosed reserves, revaluation reserves (to the extent of 45% of the total amount of revaluation reserves on the Bank's book), general provisions and hybrid capital. The total capital for the calculation of CAR is the sum of Tier I capital and Tier II capital and is taken, with the condition that the Tier II capital should not exceed Tier I capital. RBI vide its circular dated October 31, 1998 prescribed that banks should achieve a minimum CAR of 9% with effect from the year ending March 31, 2000.

Risk weighted assets

Each class of assets of the Bank (including off-balance sheet assets) is assigned a risk weight (following certain norms laid down by RBI). The value of risk weighted assets for each class of assets is obtained by multiplying the amount of each asset class by its risk weight. The total risk weighted assets are obtained by summing up the individual risk weighted assets.

An International Committee of Banking Regulations and Supervisory Practices of the BIS released an agreed framework on international convergence of CAR for commercial Banks. The minimum CAR was set at 8%. The capital adequacy norms are to be enforced by the Banking Supervisory Authority of the respective country. RBI being the Central Bank of the country, had issued guidelines and prescribed that Indian Banks should achieve CAR of 9%, by March 31, 2000.

Risk Management

With a view to ensure proper management of various risk factors and for monitoring of the same, a Committee of Directors on Integrated Risk Management has been constituted. At Management level, Asset Liability Management Committee (ALCO) oversees the Market Risk Management and the Credit Risk Management Committee oversees the Credit Risk Management.

Market Risk Management

Management of major factors of Market Risk i.e., Liquidity Risk and Interest Risk is being done in accordance with the Bank's ALM policy. The Treasury Portfolio of the Bank is managed in line with Bank's Investment Policy. Due to efficient liquidity management, the Bank has remained a net lender in Call and Short Notice Market during the Financial Year 2003-04.

Credit Risk Management

The Bank has set in place a system of management of credit risk by way of credit rating system. Prudential limits for exposure to individual borrower or group borrowers and also industry wise exposure have been laid down to scatter the credit risks into various segments.

Loan Review Mechanism

The Loan Review Mechanism has been introduced in the Bank as a part of Risk Management exercise. The functioning of the Department has been stabilised and it is playing a pivotal role in improvement of the quality of the Bank's Credit Portfolio by helping it to identify loans developing credit weakness for timely corrective actions. It is also acting as a watchdog to assess the adequacy of and adherence to loan policies and procedures and to monitor compliances with relevant laws and regulations. During the Financial Year ended March 2004, the Credit Audits were completed in respect of 75 large value Standard Accounts . The effectiveness of the Loan Review Mechanism is witnessed by lower mortality rate in loan assets and overall improvement in loan administration.

Internal Control System in the Bank

Internal Inspection

Branches/Offices of the Bank are subject to Regular inspection by internal inspecting officials at periodical intervals of 9 to 18 months. The inspection reports of branches/offices under the jurisdiction of Regional Offices are scrutinised and the broad thrust areas are taken up with the ROs concerned for speedy rectification. During the year ended March 31, 2004 out of 1056 branches (excluding satellite offices), 962 branches were inspected by internal staff/outside Chartered Accountant firms. In respect of branches rated

'Unsatisfactory', a brief summary is being placed before the Audit Committee of Board (ACB) and the observations of the ACB are taken up with the branches for compliances. Similar is the case with Special Reports, which the inspecting officials submit from the spot itself in case some serious irregularities are observed during the course of inspection, for which urgent remedial steps are warranted to protect the interest of the Bank. Moreover the progress towards upgradation of 'Unsatisfactory Branches' is placed before the Audit Committee of Board and observations/ suggestions are promptly taken up for implementation.

In order to strengthen the internal inspection machinery the Bank, besides a Central Inspection Department at the Corporate Office, has set up one inspection cell at Ahmedabad as the Bank is having major presence in Gujarat.

Loan Review Mechanism/ Credit Audit

Credit Audit examines compliance with extant sanction and post-sanction processes / procedures laid down by the bank from time to time.

Objectives of Credit Audit

- Improvement in the quality of credit portfolio
- Review sanction process and compliance status of large loans
- Feedback on regulatory compliance
- Independent review of Credit Risk Assessment
- Pick-up early warning signals and suggest remedial measures
- Recommend corrective action to improve credit quality, credit administration and credit skills of staff, etc.

Structure of Credit Audit Department

The credit audit / loan review mechanism may be assigned to a specific Department or the Inspection and Audit Department.

Functions of Credit Audit Department

- To process Credit Audit Reports
- To analyse Credit Audit findings and advise the departments / functionaries concerned
- To follow up with controlling authorities
- To apprise the Top Management
- To process the responses received and arrange for closure of the relative Credit Audit Reports
- To maintain database of advances subjected to Credit Audit

Scope and Coverage

The focus of credit audit needs to be broadened from the account level to look at the overall portfolio and the credit process being followed. The important areas are :

Concurrent audit

During the year ended March 31, 2004 the concurrent audit covered 191 branches accounting for 51% of deposit portfolio and 67% of advances portfolio as against RBI stipulation of 50% against each category.

Revenue audit

During the year-ended March 31, 2004 Revenue Audit was carried out in 868 branches.

E.D.P. audit

As per Bank's policy large branches (Scale-IV and above) were subjected to computer audit once in two years and the other branches (Scale-III and below) once in three years. During the year ended March 31, 2004 Audit of Computer Systems and Software has been conducted in 142 branches along with EDP audit to ensure safety, security and integrity of data, so as to achieve the organisational goals effectively and efficiently. Internal Inspectors/concurrent auditors also point out if any deficiency is observed on this score during the course of their inspection of branches/offices, so that prompt remedial measures may be taken.

Vigilance Mechanism

The Bank has a well-organised vigilance set-up to take care of the vigilance issues efficiently and effectively. Vigilance mechanism pursued by the Bank to contain fraud/forgery and malpractices in the Bank has been quite effective. The guidelines issued by Central Vigilance Commission /RBI / GOI in respect of vigilance matters are promptly implemented and adhered to. Special emphasis is given to expeditious completion of disciplinary cases. Special emphasis is also laid on Preventive Vigilance and Educative Vigilance so as to ensure observance of the prescribed systems and procedures at field level and augment awareness about the need and implication of Preventive Vigilance among the rank and file. Training programmes for the employees on preventive vigilance are regularly held at the Bank's training centres. Apart from routine inspection/audit, Surprise Vigilance Inspection of Branches is also conducted. To make the machinery more effective, the Bank has Vigilance Officers at its Regional Offices.

Housekeeping

Housekeeping which includes balancing of books, is constantly monitored and is generally satisfactory. Inter-branch reconciliation was given focused attention during the year and the lead-time was maintained at less than three months. The Bank has established systems and procedures for balancing of books of accounts for which specific guidelines have been provided to the field functionaries for proper house keeping. At present about 1% of the branches are carrying arrears in balancing of books for which rectification measures are being taken. The Bank has centralised system of data processing and reconciliation of interbranch transaction. The matching reconciliation is being done on daily basis through IBR software at its Head Office, Mumbai.

X. REGIONAL RURAL BANKS SPONSORED BY DENA BANK

The Bank has sponsored four Regional Rural Banks, viz, Kutch Gramin Bank (KGB), Banaskantha Mehsana Gramin Bank (BMGB) and Sabarkantha Gandhinagar Gramin Bank (SGGB), all in State of Gujarat and Durg Rajnandgaon Gramin Bank (DRGB) in the State of Chhattisgarh. The RRBs together have 256 branches (including satellite offices), deposits of Rs. 927.25 crores and gross advances of Rs. 277.22 crores as on March 31, 2004. During the financial year 2003-04, the growth rate of deposits and advances was 11.11% and 5.08% respectively. For the year ended March 31, 2004, RRBs sponsored by the Bank have posted combined profit of Rs.16.82 crores (without adjusting for the combined accumulated losses).

Kutch Gramin Bank (KGB) :

Kutch Gramin Bank (KGB) established on December 26, 1978 is having its Head Office at Bhuj (Gujarat). The operational area of the Bank covers only one district viz. Kutch. The Bank has network of 49 branches (including satellite office) with a total staff strength of 177. The Bank is making net profit for the last five years. During the year 2003-04, the Bank has earned net profit of Rs. 5.03 crores.

The Audited financial position of Kutch Gramin Bank (KGB) for the last five years is as under:

(Rs. in crores)

	FY2000	FY2001	FY2002	FY2003	FY2004
Capital	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
Share Capital Deposit	7.56	7.56	7.56	7.56	7.56
Reserves & Surplus	—	2.21	8.06	13.99	19.02
Deposits	97.66	123.26	192.58	184.95	191.72
Advances *	35.85	38.79	45.80	52.63	49.92
Priority Sector Advances	27.20	29.91	36.96	43.95	40.36
Profit/(Loss)	2.75	3.59	5.85	5.92	5.03
Accumulated losses	(-) 1.38	0.00	0.00	0.00	0.00
Productivity Per employees	0.75	0.92	1.35	1.33	1.37

* Gross Advances

Transactions between Kutch Gramin Bank (KGB) and Dena Bank in the past three years:

(Rs. in crores)

Particulars	March 2002	March 2003	March 2004
Deposit with Dena Bank	75.01	41.91	45.01
Refinance Outstanding	0.04	1.85	0

Banaskantha Mehsana Gramin Bank:

Banaskantha Mehsana Gramin Bank (BMGB) established on November 29, 1981 is having its Head Office at Patan (Gujarat). The operational areas of the Bank cover four districts viz. Banaskantha, Mehsana, Gandhinagar and Patan. The Bank has network of 76 branches (including satellite office) with a total staff strength of 309. The Bank is making net profit for the last five years. During the year 2003-04, the Bank has earned net profit of Rs. 2.84 crore.

The Audited financial position of Banaskantha Mehsana Gramin Bank (BMGB) for the last five years is as under:

(Rs. in crores)

	FY2000	FY2001	FY2002	FY2003	FY2004
Capital	1.00	1.00	1.00	1.00	1.00
Share Capital Deposit	20.81	20.81	20.81	20.81	20.81
Reserves & Surplus	—	—	—	—	—
Deposits	119.74	140.70	168.52	188.13	222.52
Advances *	60.43	79.69	87.01	95.62	98.87
Priority Sector Advances	51.71	64.79	74.85	83.41	83.94
Profit/(Loss)	0.37	1.81	0.65	1.00	2.84
Accumulated losses	(-) 23.80	(-) 21.99	(-) 21.33	(-) 20.33	(-)17.49
Productivity Per employees	0.58	0.71	0.83	0.92	1.04

* Gross Advances

Transactions between Banaskantha Mehsana Gramin Bank (BMGB) and Dena Bank in the past three years :

(Rs. in crores)

Particulars	March 2002	March 2003	March 2004
Deposit with Dena Bank	55.21	24.72	28.42
Refinance Outstanding	2.89	0.00	0.00

Sabarkantha Gandhinagar Gramin Bank (SGGB):

Sabarkantha Gandhinagar Gramin Bank (SGGB) established on August 9, 1984 is having its Head Office at Himatnagar (Gujarat). The operational areas of the Bank cover two districts viz. Sabarkantha and Gandhinagar. The Bank has network of 30 branches (including satellite office) with a total staff strength of 108. The Bank is making net profit for the last five years. During the year 2003-04, the Bank has earned net profit of Rs.3.90 crores.

The Audited financial position of Sabarkantha Gandhinagar Gramin Bank (SGGB) for the last five years is as under:

(Rs. in crores)

	FY2000	FY2001	FY2002	FY2003	FY2004
Capital	1.00	1.00	1.00	1.00	1.00
Share Capital Deposit	3.86	3.86	3.86	3.86	3.86
Reserves & Surplus	2.06	4.23	6.70	9.25	13.15
Deposits	75.22	97.19	106.95	115.25	134.34
Advances*	25.61	29.22	33.70	39.44	43.64
Priority Sector Advances	19.55	20.36	23.69	26.53	28.11
Profit/(Loss)	2.10	2.16	2.47	2.55	3.90
Accumulated Losses	0.00	0.00	0.00	0.00	0.00
Productivity Per employees	0.92	1.16	1.30	1.43	1.65

* Gross Advances

Transactions between Sabarkantha Gandhinagar Gramin Bank (SGGB) and Dena Bank in the past three years:

(Rs. in crores)

Particulars	March 2002	March 2003	March 2004
Deposit with Dena Bank	61.79	47.49	46.76
Refinance Outstanding	0.00	0.00	0.00

Durg Rajnandgaon Gramin Bank (DRGB) :

Durg Rajnandgaon Gramin Bank (DRGB) established on March 12, 1980 is having its Head Office at Rajnandgaon (Chhattisgarh). The operational areas of the Bank cover three districts viz. Durg, Rajnandgaon and Kawardha. The Bank has network of 102 branches (including satellite office) with a total staff strength of 417. The Bank is making net profit for the last five years. During the year 2003-04, the Bank has earned net profit of Rs.5.05 crores.

The Audited financial position of Durg Rajnandgaon Gramin Bank (DRGB) for the last five years is as under:

(Rs. in crores)

	FY2000	FY2001	FY2002	FY2003	FY2004
Capital	1.00	1.00	1.00	1.00	1.00
Share Capital Deposit	25.21	25.21	25.83	25.83	25.83
Reserves & Surplus	0.00	0.00	0.00	0.00	0.00
Deposits	206.10	235.04	287.45	346.20	378.67
Advances *	69.61	73.56	73.28	76.13	84.79
Priority sector Advances	56.06	57.33	55.08	52.94	54.95
Profit/(Loss)	2.21	1.52	3.69	4.12	5.05
Accumulated losses	(-) 22.02	(-) 20.50	(-) 18.86	(-) 14.80	(-)9.75
Productivity Per employees	0.64	0.72	0.85	1.01	1.11

* Gross Advances

Transactions between Durg Rajnandgaon Gramin Bank (DRGB) and Dena Bank in the past three years :

(Rs. in crores)

Particulars	March 2002	March 2003	March 2004
Deposit with Dena Bank	107.40	81.90	62.31
Refinance Outstanding	0.00	0.00	0.00

CONTINGENT LIABILITIES OF REGIONAL RURAL BANKS :

As on March 31, 2004, the contingent liabilities of Regional Rural Banks are as given in the following table :

(Rs. in crores)

S. No.	Name of the Gramin Banks	Contingent Liability
1	Kutch Gramin Bank (KGB)	1.17
2	Durg Rajnandgaon Gramin Bank (DRGB)	0.24
3	Banaskantha Mehsana Gramin Bank (BMGB)	0.86
4	Sabarkantha Gandhinagar Gramin Bank (SGGB)	0.10
	Total	**2.37**

As per the RRB Act, RRBs are exempted from payment of Income Tax. They have complied with the CRR and SLR requirements. The above contingencies have arisen in the normal course of business of the RRBs.

Listed Ventures of Promoters:

Since the Government of India is the promoter of the Bank, it is not possible to give details of previous issues of its listed ventures because of the large number of such undertakings.

XI. ORGANISATIONAL STRUCTURE & MANAGEMENT

The Bank has its Head Office at the apex, controlling 18 Regional Offices, which supervise the 1130 branches of the Bank. The system is functioning satisfactorily and the span of control being efficiently managed with the above organisation structure. The decision making in various matters relating to sanctioning advance , operational matters etc. is decentralised.

Hierarchy and Responsibilities

The Bank's affairs are managed by a Board of Directors with appointees of Government of India, nominees from the Government of India, Reserve Bank of India, Shareholder Directors and representatives of the Employees Union and Officers Association. The day-to-day affairs of the Bank are managed by the Chairman & Managing Director and the Executive Director assisted by a Senior Management team comprising of qualified and experienced bankers.

Board of Directors

The details of the Board of Directors of the Bank as on September 30, 2004 is as given in the following table:

Sr.	Name & Address	Age	Qualifications	Other Directorships	Experience
1	Dr. Anil K. Khandelwal S/o. Shri Dwarkaprasad Khandelwal Chairman & Managing Director A-3, Sterling Apartment, Dr. V.G. Deshmukh Marg, Peddar Road, Mumbai - 400 026.	56 Years	B.E, (Ch. Engg), LL.B, PhD. in Management, PGD– Training Developments, PG in Labour Laws	1. Agricultural Finance Corporation Ltd. 2. New India Assurance Company Ltd. 3. Centre for Organisation Development, Hyderabad 4. Academy of Human Resource Development, Ahmedabad	33 years
2	Shri M.V. Nair S/o. Late Shri M.K.R Nair Executive Director Shanti Kutir, 215, Marine Drive, Netaji Subhash Road, Nariman Point, Mumbai - 400 020.	52 Years	B.Sc CAIIB-I	Nil	30 years
3	Shri R. Renganath S/o. Ramakrishna Pillai Director, DII-168, West Kidwai Nagar, New Delhi 110 023	55 Years	M.A., LL.B.	The Oriental Insurance Company Limited	29 years
4	Shri H. R. Khan S/o Late Shri Abdul Jalil Khan Director Principal, College of Agricultural Banking, Reserve Bank of India Campus, University Road, Pune – 411016.	50 Years	M.A. M-Phil, CAIIB, DBM	Nil	26 years
5	Shri Sudhir Joshipura S/o. Shri Kumudchandra Joshipura, Director 304, Bhavna Apartment, Ellora Park, Vadodara - 390 007.	55 Years	B.Com.	Nil	31 years
6	Shri B.T.R. Reddy, S/o. Shri T Chennappa, Director 609, 5th Main, 4th Cross, OMBR Layout, Bhuvangiri, Bangalore - 43.	59 Years	B.Sc.	Nil	34 years
7	Smt. Sudesh Yadav * W/o. Shri Hukumdev Yadav Director 19, Teen Murti Marg, New Delhi - 110 001.	52 Years	M.A., LLB.	Phoenix Lamps India Ltd.	28 years

* Since retired on December 11, 2004

8	Shri Subhash Chandra Wadhwa S/o. Shri L. R. Wadhwa Director 64, Aashirwad, ICICI Flats, Spring Mills Compound, G.D. Ambekar Marg, Dadar (East), Mumbai – 400 016.	63 Years	M.A., CAIIB	KJMC Investment Trust Co. Ltd.	39 years
9	Shri Atul Ashok Galande S/o. Shri Ashok Galande Director 861/302, Indira Apartments, Adjacent to Yashoda Building, Opp. ICICI Bank, Bhandarkar Road, Pune - 411 004.	38 Years	M.Com., FCA	Malhar Consultants Private Limited	17 years
10	Shri C.M. Dixit S/o. Shri Mahadeo Dixit Director Laxmi Nivas, 759/122, Deccan Gymkhana, Prabhat Road, Pune - 411 004.	54 Years	B.Com. (Hons.), CA	1. GDA Trustees & Consultancy Pvt. Ltd. 2. Shriram Chits (Mumbai) Ltd. 3. Armour Consultants Pvt. Ltd.	28 years
11	Shri Manu Chadha S/o. Shri T.R. Chadha Director C-35, Malcha Marg, Chanakyapuri, New Delhi - 110 021.	49 Years	B.Com. (Hons.), CA, LL.B.	1. TRC Corporate Consulting Pvt. Ltd. 2. TRC Financial Services Ltd. 3. GIC Housing Finance Ltd. 4. Orient Papers and Industries Limited 5. Ispat Industries Ltd. 6. SBI Funds Management Pvt. Ltd. 7. Kotla Hydro Power Ltd.	25 years

The directors of the Bank together hold 1650 shares in the Bank as on September 30, 2004 as detailed below:

Name of the Director	Share Holding
Shri Subhash Chandra Wadhwa	100
Shri Atul Ashok Galande	100
Shri C.M. Dixit	150
Shri Manu Chadha	1000
Smt. Sudesh Yadav *	100
Shri B.T.R. Reddy	200
Total	**1650**

* Since retired

As per Section 65(i)(a) of the Dena Bank (Shares and Meetings) Regulations 2003, a shareholder representative director is required to hold not less than 100 share. All the four shareholder directors of Dena Bank i.e. Shri Subhash Chandra Wadhwa, Shri Manu Chadha, Shri C. M. Dixit and Shri Atul Ashok Galande hold the requisite 100 shares. There is no requirement for any other directors to hold qualification shares.

Date of Appointment and date of termination of the terms of the Directors:

Name	Date of Appointment/ Reappointment	Date of Termination of terms
Dr Anil K.Khandelwal	February 05, 2004	March 31, 2008
Shri M.V. Nair	August 27, 2004	August 26, 2009
Shri R. Renganath	June 01, 2004	Until further order
Shri H.R.Khan	September 10, 2004	Until further order
Shri Sudhir Joshipura	February 08, 2002	February 07, 2005*
Shri B.T.R. Reddy	March 21, 2003	April 30, 2005
Shri Subhash Chandra Wadhwa	January 19, 2000**	January 18, 2006
Shri Atul Ashok Galande	January 19, 2003	January 18, 2006
Shri C.M. Dixit	January 19, 2003	January 18, 2006
Shri Manu Chadha	January 19, 2000**	January 18, 2006

* And thereafter until his successor is appointed or till he ceases to be employee of the Bank
** Re- elected on January 19, 2003

The Bank has taken initiatives in improving corporate governance practices leading to greater transparency and better coordination between the Board and Management and the members of the organisation. The Bank has constituted various Committees of the Directors in keeping with the extant guidelines of the Govt. of India and RBI as follows:

Management Committee of the Board of Directors

The Bank has constituted Management Committee as per provisions of Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970. The main functions of the Management Committee include sanctioning of credit proposals, proposals for approval of capital and revenue expenses and investments in government and other approved securities / shares and debentures of companies including underwriting etc., which are beyond the discretionary powers of the Chairman & Managing Director.

The Board in its meeting held on 30.11.2002 has delegated discretionary powers to the Management Committee for taking up the agenda items falling within the discretionary powers of the Management Committee.

Audit Committee of the Board

The Bank has constituted Audit Committee of the Board of Directors in October 1995 as per guideline of the Reserve Bank of India and the same was reconstituted in the month of September 1997. In accordance with guidelines under clause 49 of the listing agreements, the Bank has delegated more powers and role to the Audit Committee. The Audit Committee of the Board of Directors comprises five members of Board of Directors. The present members comprises of Mr. M. V. Nair, Executive Director, Mr. R. Renganath and Mr. H. R. Khan, two official Directors and Mr. Atul Galande a Non-Official, Non-Executive Director. One post for a Non-Official, Non-Executive Director is vacant.

The function of the Audit Committee includes overseeing the Audit functions, review of Bank's financial performance, review critical findings of concurrent/ other inspections/ audits, compliance with Accounting Standards and all other matters specified under Clause 49 of the Listing Agreement of the Stock Exchange.

Shareholders / Investors Grievance Committee

The Bank has constituted Shareholders/ Investors Grievance Committee in the month of October 2001 for addressing issues of shareholders/ investors like transfer of shares/bonds, non-receipt of Annual Accounts, non-receipt of Dividend/ Interest etc. The Committee meets on a quarterly basis and discusses the issues relating to shareholders/ investors grievance etc.

Payments to Directors

The cumulative expenditure on traveling allowance (TA), hotel / halting expenses (HA) and fees for directors in the last one year is as follows (excluding remuneration to Wholetime/ Working Directors):

Year ended March 31, 2004	**Amount (Rs. in lacs)**
Sitting fees paid to Directors	3.70
TA incurred / paid to Directors	49.14
Hotel Expenses incurred by Directors	19.58
HA (Halting Allowance) paid to Directors	0.62
Other Expenses	5.64
Total	**78.68**

Key Managerial Personnel:

Name, Qualification & Age(Years)	Joining Date	Experience in Industry	Position Held	Previous Employment
Shri S.K. Tandon (59) M.A., LLB, Post Graduate Diploma in LL/LW/PM	05.12.1983	33 Years	General Manager*	1. Govt. of U.P. - District Supply Officer. 2. State Bank of Bikaner & Jaipur - Officer 3. Bank of Baroda - Manager
Shri Purushottam Kumar (57) B.A., LLB, M.S.W.	26.10.1983	27 Years	General Manager - (Operations & Planning)	1. Bank of India - Officer 2. Punjab National Bank - Asst. Manager 3. Kelvinator of India – Labour Welfare Officer 4. Jawala Textile Mills - Labour Officer 5. Labour Law Society - Junior Advocate 6. Asco Hicksons Ltd. - Legal Officer
Shri Ramnath Pradeep (51) M.A.,LLB	09.10.1984	23 Years	General Manager- On deputation as CVO in Bank of India	1. ONGC - Astt. Legal Advisor 2. Dena Bank - Law Officer 3. MPFC - Astt. Law Officer
Shri T.R.Chawla (50) B.A., LLB, MBA, CAIIB	05.02.1996	28 Years	General Manager - (Gujarat Operations)	1. Punjab National Bank - Manager / Senior Manager 2. Ministry of Works & Housing, GOI – Assistant
Shri M.G.Sanghvi (51) B.Com, LLB, FCA,CAIIB	06.08.1981	24 Years	General Manager - (IFM and Accounts)	1. Bank of Baroda – Credit Officer 2. M/s. Haribhai & Co. - Sr. Audit Asst.
Shri Arun Singh Barhat (57) B.Sc, LLB, Diploma in LL & PM	14.11.1984	21 Years	General Manager - (Retail Banking)	1. Bank of India - Indl. Rel. Officer 2. NTC - Labour Officer 3. MSU Mills Ltd. - Asst. Labour Officer
Shri R.Sridharan (53) M.Sc,CAIIB (I), PGD in Bank Mgmt.	29.10.1973	31 Years	General Manager - (Credit)	
Shri P.Paresh Kumar (54) M.Sc,CAIIB (I),Certificate in Computer	01.02.1996	28 years	General Manager- (IT, Personnel, HRD, Forex)	1. Andhra Bank - Senior Manager
Shri R.M.Surve (56) M.A.(Eco), CAIIB	28.10.2004	36 Years	General Manager- On deputation (CVO & Inspection) Inspection & internal Audit, Credit Audit, Compliance to letters/ circulars received from RBI	1. SBI – Circle Financial Officer – Delhi, RM, Mumbai, IFB 2. SBI Factors

Name, Qualification & Age(Years)	Joining Date	Experience in Industry	Position Held	Previous Employment
Shri Anandi Lal (53) M.Sc.Ag(Hons), PMA (IIMA), LL.B, CAIIB.	01.04.1985	29 years	General Manager - (Officiating) Independent charge of Priority Sector, Regional Rural Banks	1. SKI Ltd. - Trainee Officer 2. Union Bank of India - Asst. Supdt.
Shri P.L.Jakkanwar (55) M. Sc.(Agri), PMA, Dip. (TD)	01.04.1985	31 years	General Manager- (Officiating) Independent charge of Recovery Management, Legal	1. Bank of Baroda - Officer 2. Union Bank of India - Officer 3. Sandoz - Sales Rep. 4. College of Agri. Nagpur – Teaching & Research

*Under Suspension

The Key Managerial Personnel listed above are permanent employees of the bank except Shri R. M. Surve who is on deputation.

The Key Managerial Personnel are entitled to the compensation & benefits as applicable to the permanent employees of the Bank. All the Key Managerial Personnel are of the General Manager and higher grade and hence their compensation falls in the scale of Rs. 19340-420/2-21080-520/1-20700-600/1-21300 p.m. The other benefits include the festival loan, the housing loan, reimbursement of certain expenses etc. as per employees' service rules. Other than CMD and ED, the key managerial personnel hold 2900 shares of the Bank. The details of the same are as follows:

Name of the KMP	No. of Shares Held
Shri Purushottam Kumar	200
Shri Ramnath Pradeep	200
Shri T.R.Chawla	200
Shri Arun Singh Barhat	400
Shri M.G.Sanghvi	1100
Shri R.Sridharan	200
Shri P.Paresh Kumar	200
Shri P.L.Jakkanwar	200
Shri Anandi Lal	200
Total	**2900**

Changes in the Key Managerial Personnel during the last three years (from April 1, 2001) are as under:

Name & Qualification	Position Held	Date Of Appointment / Resignation	Reason for change
Shri S.C. Vohra	Executive Director	21.12.2000 30.04.2003	Appointed Retired
Shri K. Anantharaman	General Manager	17.05.1961 30.06.2001	Appointed Retired
Dr. G.L. Khandelwal	General Manager	30.05.1983 30.04.2003	Appointed Retired
Shri A.G.Joshi	Chairman & Managing Director	15.05.2000 31.12.2003	Appointed Retired
Dr.A.K.Khandelwal	Chairman & Managing Director	5.02.2004	Joined as CMD
Shri M.V.Nair	Executive Director	27.08.2004	Joined as ED
Shri T Ramesh Babu	General Manager	18.09.2001 14.10.2004	Deputed Relieved on completion of deputation
Shri R.M.Surve	General Manager	28.10.2004	Joined on deputation
Shri R.H.Khandelwal	General Manager	14.06.1971 6.11.2004	Appointed Resigned & relieved

Human Resources Development

The total manpower of the Bank as on September 30, 2004 was 10,335 comprising of 2,989 Officers, 4,681 Clerks and 2,665 Sub staff.

The Bank believes that Human Resources are its key assets. The Bank's Human Resources Policies are driven by this belief system. Special emphasis is laid by the Bank to develop core skills and competencies in identified thrust business areas. In tune with the times, the Bank promotes frontline excellence through a variety of initiatives like identifying and posting smart staff, retraining and reskilling them and providing opportunities for them to interface with organisations pursuing best practices. The Bank also encourages younger generation to take up higher responsibilities. Identification of Promising officers and grooming them to take up challenging assignments in thrust areas are the other initiatives pursued by the Bank.

Management Development, Executive Development and Leadership Development are also pursued by the Bank in a systematic manner, with the help of reputed external Agencies / Institutes.

Training and HR Policy

The Bank is imparting training to all its employees to acquire required job knowledge for effectively discharging their day-to-day duties and also mould them to shoulder higher responsibilities and meet future challenges, both through its various Staff Training Colleges situated at different places across the country, and through outside agencies/institutes of repute. The employees are also imparted training in IT and computer literacy through the Bank's own State-of-the-art Institutes for *e*-learning at Mumbai.

The manpower position of the Bank for the last five years is as under:

As on	Officer	Clerical Staff	Sub-Staff	Total number of employees
31.03.2000	4,174	6,512	3,726	14,412
31.03.2001	2,815	5,156	2,976	10,947
31.03.2002	2,684	5,101	2,915	10,700
31.03.2003	2,899	4,873	2,781	10,553
31.03.2004	2,941	4,709	2,697	10,347
30.09.2004	2,989	4,681	2,665	10,335

With a view to injecting new skills and fresh talent, the Bank has recently recruited 83 specialised officers and is in the process of recruiting 275 Officers specialised in thrust-areas like Credit, Treasury, Information Technology, Forex, Personnel/HRD, Marketing, Legal, MIS etc. Besides, the Bank is also in the process of recruiting 5 officers in specialised disciplines in Top Executive Grade VI.

The business per employee of the Bank has been on the increasing trend. The position as on 31st March during the last five years is depicted in the table below:

Year	2000	2001	2002	2003	2004
Business per employee (in Rs.crores)	1.45	2.07	2.21	2.42	2.74
Net profit per employee (in Rs.lacs)	0.41	**(-) ve**	0.12	1.08	2.23

Voluntary Retirement Scheme

In order to rightsize the manpower, the Bank introduced a Voluntary Retirement Scheme in the year 2000. In response to the scheme, a total of 3434 applications were accepted.

Information Technology:

The Bank has built up a sound and robust IT infrastructure. It had taken the lead in introducing total branch computerisation. As at the end of September 2004, 1037 branches out of 1130 branches (91.77%) were computerised. Of these, 796 branches were fully computerised and 241 partially computerised. 91.19% of Bank's business at branches was computerised as on 30th September 2004.

In its quest to transform itself into a Techno-Savvy Bank and with a view to afford greater and greater convenience to the customer, the Bank has introduced a number of IT products like Dena m-Banking, Billpay, Debit Card, Telebanking, Kiosk at selected branches . The Bank has also set up its own network of 121 ATMs covering 58 centres. All the ATMs are interconnected. With its tie-up arrangements with Cash Tree group of Banks and VISA Electron, the Bank provides well over 10,000 access points in India and over 800,000 access points around the world, to its customers.

The Bank has its own Net "DENANET". Multi Branch Banking facility is offered to the customers using this Net.

The Bank is committed to continue its technology upgradation initiatives in order to reach out to the customer and provide him greater and greater convenience and access, through multiple delivery channels and 24x7 banking at selected branches.

XII. SIGNIFICANT REGULATORY MATTERS RELATED TO THE BANK

Regulatory Supervision of RBI over various aspects of the Bank

Reserve Bank of India (RBI) conducts inspection every year under Section 35 of the Banking Regulation Act, 1949. For the financial year ending March 31, 2004, the inspection was started on May 14, 2004 and completed on July 19, 2004.

The following are the major aspects in which RBI concentrates:

- ❖ Changes in Management between last inspection and the present inspection
- ❖ The developments in the bank's affairs since the last report
- ❖ Assessment of the Capital to the Risk weighted assets ratio
- ❖ Review of the Loan Policy of the Bank that includes:
  - The Size and composition of the loan portfolio
  - The exercise of the discretionary power by various layers of authority
  - Credit appraisal
  - Credit supervision
  - Systems pertaining the Customer Rating and pricing of the Loans
  - Review and renewal of credit facilities
  - Dispersal of Risk
  - Asset classification and provisioning
  - Divergence in assessment of Loan Losses
  - Staff accountability
- ❖ Review of the Investments Policy of the Bank including:
  - Size and Composition of the portfolio
  - Adherence to the investment policy
  - Compliance with the regulatory norms
  - Adherence to other regulatory and internal guidelines
  - Maturity patterns of the SLR investments and yield thereon
- ❖ Review of the Non Banking Assets of the Bank
- ❖ Review of the Management which includes
  - Working of the Board
  - Functioning of the Management and Audit Committee of the Board
  - Organizational structure and its effectiveness
- ❖ Earnings appraisal
- ❖ Review of the Expenditure Management
- ❖ Impact of Income from Para banking activities and subsidiaries and Joint ventures
- ❖ Review of the Asset Liability Management which includes
  - Functioning of the Asset Liability Management Committee
  - Prudence in raising of the resources and their deployment
  - Maturity profile of deposits
  - Assessment of Liquidity Management
- ❖ Review of the Systems and Control which includes:
  - Internal Inspection Policy
  - Concurrent audit, Revenue Audit, Test Check Audit
  - Computerisation and EDP audit
  - Implementation of the various committees on inspection
  - House Keeping
  - Management
  - Information systems

- ❖ Review of Vigilance mechanism, customer service and complaints
- ❖ Foreign Exchange Management including
  - Management of Nostro and Vostro
  - Working of foreign branches
- ❖ Analysis of the areas pertaining to the fee based income
- ❖ Compliance review such as maintenance of SLR, CRR, Exposure ceilings etc.,

Annual Financial Inspection by RBI

RBI conducts an annual inspection of the Bank based on the audited accounts. Simultaneously, RBI carries out inspection of branches/ controlling offices on a selective basis. RBI also conducts offsite surveillance of the branches of the Bank on a quarterly basis. Discussions with the management of the Bank also form a part of the inspection and surveillance process.

The Annual Inspection Report of the Reserve Bank of India with reference to the position as on March 31, 2004 points out irregularities and other deficiencies in the internal controls. The inspection of the Bank by RBI is a regular exercise and is carried out periodically for all the banks and Financial Institutions. The reports of RBI are strictly confidential and the Bank has informed the RBI about the actions already taken and measures that are under implementation in respect of observations made by RBI. The issues raised by RBI in the aforesaid report have been replied to by the Bank.

THE NEW BASEL ACCORD

The need for better risk management, which led to the agreement on the New Basel Accord, which will replace the existing Basel 1 rules by the end of 2006.

The finalized set up of Basel 2 will have 3 pillars,

1. Minimum capital requirements
2. Supervisory control and review process and
3. Market discipline and Public disclosure

Pillar 1: Minimum capital requirements

The first pillar sets out the parameters for minimum capital requirement. Just like Basel I, the new Accord also requires banks to maintain the capital as a percentage of the risk weighted assets. But the definition of risk weighted assets is made scientific with better emphasis for credit and market risk and introduction of an explicit treatment for operational risk. These norms are proposed to be implemented in stages as indicated below:

Type of risk	**Stages for Implementation**
Credit Risk	Standardised Approach Foundation Internal Rating Based Approach Advanced Internal Rating Based Approach
Market Risk	BCBS approach or Standardised Approach
Operational Risk	Basic Indicator Approach Standardised Approach Advanced Measurement Approach

a) Credit Risk :

As per Basel II there are 2 approaches to credit risk management – Standardized, and Internal Rating Based (IRB). The latter may be Foundation or Advanced.

- **Standardised approach :** In the Standardised approach, the various types of assets are first classified on the basis of their credit risk rating and risk weights are assigned as predetermined for each of these rating categories instead of a common risk weight for the assets, making it more risk sensitive when compared to the existing approach.
- **Internal Rating Based (IRB) Approach :** The Internal Rating Based (IRB) approach is based on measures of Expected Loss (EL) and Unexpected Loss (UL). The risk weight functions as aforesaid will produce capital requirement for UL. The EL is a function of Probability of default (PD), Loss Given Default (LGD) and exposure at Default (EAD). In the **Foundation IRB**, the values are assigned through the inputs provided by the bank as well as the Regulatory Authority. The PD will be calculated by the bank and the values for LGD, EAD will be set by the Regulator depending upon the maturity and the granularity of advances (concentration pattern).

b) Market Risk:

There is only one approach, the Standardised approach to market risk management. The bank's balance sheet is required to be divided into two categories banking book and trading book. The trading book will comprise of the assets in 'Held for trading' and 'Available for Sale' categories. The remaining assets will make up the banking book. On banking book, the bank would continue to calculate the risk weighted assets as being done hitherto taking the risk weightage at 0, 20,50 or 100 percent as the case may be to take care of the credit risk. On the trading book, the capital charge will be maintained in a phased manner over a period of next 2 years- on 'held for trading' category by March 2005 and on 'Available for sale' category by March 2006. The capital requirement on trading book will constitute two separately calculated charges, specific risk (akin to credit risk on banking book) and general market risk. The specific risk charge is graduated for various exposure from 0% for government , 0.30% to 1.80% (depending on residual maturity) for claims on banks, 4.5% on investments in mortgage backed securities of residential assets recognized by NHB and securitized paper pertaining to infrastructure and 9% for other claims. The capital requirement for the general market risk is measured by calculating the price sensitivity or the modified duration with due disallowance for matched position in each time band.

c) Operational Risk:

Basel II contains two simpler approaches to operational risk, the Basic Indicator approach and the Standardized approach and one Advanced Measurement approach.

- **Basic Indicator Approach :** In the **Basic Indicator approach**, the average annual gross income (interest and non interest excluding realized profits/ losses from the sale of securities in the banking book and extraordinary or irregular items), taking into account the gross income for the last three years will be calculated and 15% (Alpha) thereof will be the minimum capital requirement. This value multiplied by 12.5 (100/8) will be the value to be added to the risk weighted assets of the bank.
- **Standardized Approach :** In the **standardized approach** the income will be bifurcated into 8 business lines and the value of the multiplier (Beta) will be provided by the Regulator. If the bank is unable to allocate the activity to a particular business line then the income relating to that activity will be subject to the highest beta factor. Under the **Advanced Measurement approach**, the capital requirement will equal the risk measure generated by the bank's internal operational risk measurement system. But this approach can be adopted only after approval from the supervisor. Here the capital charge is a function of expected losses, calculated based on the probability of operational risk, the average loss given that event occurs and the exposure indicator that scales the banks exposure to a particular line of activity.

Pillar 2: Supervisory review of capital adequacy:

Pillar 2 introduces two critical risk management concepts: the use of economic capital and the enhancement of corporate governance, encapsulated in the following four principles:

Principle 1: Banks should have a process for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels. The key elements of this rigorous process are;

i) Board and senior management attention
ii) Sound capital assessment
iii) Comprehensive assessment of risks
iv) Monitoring and reporting and
v) Internal control review

Principle 2: Supervisors should review and evaluate Banks internal capital adequacy assessment and strategies as well as their ability to monitor and ensure their compliance with regulatory capital ratios. Supervisor should take appropriate supervisory action if they are not satisfied with the result of this process. This could be achieved through :

i) On site examination or inspections
ii) Off site review
iii) Discussion with Bank management
iv) Review of work done by external auditors and
v) Periodic reporting

Principle 3: Supervisors should expect Banks to operate above the minimum regularity capital ratios and should have the ability to require banks to hold capital in excess of the minimum.

Principle 4: Supervisor should seek to intervene at an early stage to prevent capital from falling below the minimum level required to support the risk characteristics of a particular Bank and should require rapid remedial action if capital is not maintained or restored.

Prescription under Pillar 2 seek to address the residual risk not adequately covered under Pillar 1 such as concentration risk, interest rate risk in banking book, business risk and strategic risk. Stress testing is recommended to capture events risks. Pillar 2 also seeks to ensure that internal risk management process in the banks is robust enough. The combination of Pillar 1 & Pillar 2 attempt to align regulatory capital with economic capital.

Pillar 3: Market discipline and Disclosures

The purpose of pillar 3 is to complement the minimum capital requirements of pillar 1 and the supervisory review process addressed in pillar 2. The focus of Pillar 3 on market discipline is designed to compliment the minimum capital requirement (Pillar 1) and the supervisory review process (Pillar 2) . With this Basel Committee seeks to enable market participants to assess key information about Banks risk profiles and level of capitalization thereby encouraging market discipline through increased disclosures. Public disclosure assumes greater importance in helping Banks and supervisors to manage risk and improve stability under the new provisions which place reliance on internal methodologies providing Banks with greater discretion in determining their capital needs.

Bank's response to Basel II norms

Basel II accord has stipulated norms for capital adequacy for credit, market and operational risk factors under Pillar I in various graded stages. The Bank is gearing up to adhere to these norms by March 2006 by way of Standardised approach for credit risk, price sensitiveness and maturity based approach for market risk, for assets held for trading (by March 2005) and available for sale (by March 2006) and Basic Indicator approach for operational risk. The Bank is taking necessary steps to move to more graded approaches in line with RBI guidelines. The Bank has introduced a credit rating system to cover all advances of Rs. 10 lacs and above. The Bank has framed operational risk management policy. The Bank has made templates based assessement of its risk profile in preparation for risk based supervision. The Bank has also taken steps to move towards risk focused internal audit.

ACTION BY REGULATOR

Securities Exchange Board of India (SEBI) has, under Regulations 28 (3) of the SEBI (Bankers to the Issue) Regulations, 1994 issued a warning to the Bank to exercise more care and diligence in its dealings as Bankers to the Issue. The warning was issued for non-compliance of the regulations i.e. one of the branches of the Bank had accepted applications along with stock invest after the date of closure of the issue in the public issue of M/s. Saket Extrusion Limited in 1994, where the Bank was one of the Bankers to the Issue.

XIII. STOCK MARKET DATA

The Bank's shares are listed with The Stock Exchange, Mumbai, National Stock Exchange of India Ltd., Ahmedabad Stock Exchange and Delhi Stock Exchange in Dec. 1996 after its maiden public issue. The shares of the Bank are not actively traded on the Ahmedabad Stock Exchange and the Delhi Stock Exchange. Hence the stock market data recorded at the Stock Exchange, Mumbai and National Stock Exchange of India Ltd. is shown below.

a. ***High, Low and Average market prices of the share of the Bank during the preceding three years:***

In Rs.	March 31, 2002		March 31, 2003		March 31, 2004	
	BSE	NSE	BSE	NSE	BSE	NSE
High	9.50	9.25	16.95	16.85	34.00	33.70
Low	5.30	5.35	7.25	7.10	11.95	12.05
Average	7.40	7.30	12.10	11.98	22.98	22.88

b. ***Monthly High and Low prices for the last six months:***

(in Rs.)

MONTH	BSE			NSE		
2004	High	Low	Avg.	High	Low	Avg.
May	38.75	23.40	31.08	38.80	23.00	30.90
Jun	25.10	21.35	23.23	25.15	21.30	23.23
July	25.50	21.40	23.45	24.45	21.40	22.93
Aug	23.45	21.10	22.28	23.45	21.05	22.25
Sept	25.15	23.00	24.08	25.30	23.05	24.18
Oct	26.30	24.10	25.20	26.30	24.05	25.18
Nov	32.05	24.55	28.30	32.15	24.60	28.38
Dec	40.35	30.45	35.40	40.45	30.60	35.53

c. Number of shares traded on the days when the High and Low prices are recorded:

NSE	HIGH				LOW			
	Price	Date	Volume (No. of Shares)	Rs. In Lacs	Price	Date	Volume	Rs. In Lacs
2001-2002	9.25	18/2/02	258328	25.01	5.35	17/01/02	14000	0.77
2002-2003	16.85	21/01/03	545962	93.65	7.10	01/04/02	13660	0.97
2003-2004	33.70	15/01/04	1376909	466.36	12.05	01/04/03	14514	1.75
May 2004	38.80	06/05/04	3285247	1253.58	23.00	17/05/04	1254125	296.19
June 2004	25.15	02/06/04	436207	109.02	21.30	24/06/04	324680	68.31
July 2004	25.45	23/07/04	209597	53.23	21.40	09/07/04	172461	36.88
Aug 2004	23.45	02/08/04	131952	31.07	21.05	23/08/04	201684	42.67
Sept 2004	25.30	22/09/04	812585	202.63	23.05	09/09/04	265216	61.70
Oct 2004	26.30	21/10/04	1047689	274.81	24.05	18/10/04	118620	28.69
Nov 2004	32.15	29/11/04	550566	179.10	24.60	09/11/04	123108	30.35
Dec 2004	40.45	27/12/04	10684239	4385.31	30.60	01/12/04	2148356	666.98

BSE	HIGH				LOW			
	Price	Date	Volume (No. of Shares)	Rs. In Lacs	Price	Date	Volume	Rs. In Lacs
2001-2002	9.50	25/05/01	4215	0.37	5.30	23/01/02	5900	0.32
2002-2003	16.95	21/01/03	216835	37.21	7.25	03/04/02	6475	0.47
2003-2004	34.00	15/01/04	686306	232.89	11.95	01/04/03	7800	0.94
May 2004	38.75	06/05/04	1482303	564.89	23.40	31/05/04	372538	87.92
June 2004	25.10	02/06/04	162342	40.53	21.35	24/06/04	115980	24.36
July 2004	25.50	23/07/04	85702	21.77	21.40	09/07/04	113613	22.52
Aug 2004	23.45	02/08/04	53380	12.56	21.10	24/08/04	31599	6.63
Sept 2004	25.15	23/09/04	213065	54.01	23.00	09/09/04	123186	28.55
Oct 2004	26.30	21/10/04	521146	136.83	24.10	15/10/04	76006	18.52
Nov 2004	32.05	29/11/04	225192	72.90	24.55	11/11/04	58034	14.32
Dec 2004	40.35	27/12/04	3288146	1349.35	30.45	01/12/04	961284	298.79

The closing market price immediately after the date on which the resolution of the Board of Directors approving the issue was approved i.e. on October 23, 2003 was Rs.21.25 (NSE) and Rs.21.10 (BSE), thereafter the Board in its meeting held on October 30, 2004 authorised CMD and ED of the Bank to proceed with the public issue to augment the Tier I capital of the Bank. The closing market price on this day was Rs.24.80 (NSE) and Rs.24.85 (BSE).

XIV. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE

Financial Highlights of the Bank for the last three financial years as per the audited balance sheets of the Bank are as given in the following table:

(Rs. in crores)

Year Ended March 31	2002	2003	2004	% Change from 2002 to 2003	% Change from 2003 to 2004
Total Income	2061.35	2209.29	2352.89	7.18	6.50
Interest Income	1708.40	1772.29	1735.48	3.74	-2.08
Other Income	352.95	437.00	617.41	23.81	41.28
Expenditure	1725.96	1715.46	1642.30	-0.61	-4.27
Interest Expenditure	1265.56	1204.19	1143.21	-4.85	-5.06
Operating Expenditure	460.40	511.27	499.09	11.05	-2.38
Profit Before Provisions	335.39	493.83	710.59	47.24	43.89
Provisions & Contingencies	324.03	379.64	480.09	17.16	26.46
Net Profit	**11.36**	**114.19**	**230.50**	**905.19**	**101.86**

Significant items of income and expenditure during 2003-04 (comparison of financials for the year ended March 2004 with March 2003):

Interest Income:

Total interest income decreased from Rs.1772.29 crore to Rs.1735.48 crore. Of the components of interest income, income on advances decreased from Rs.872.40 crore in 2002-03 to Rs. 817.14 crore in 2003-04. Interest income on advances has decreased because Bank had booked interest income of prior years of about Rs 45 crores in the year 2002-03 on project accounts as per RBI guidelines. Global Net Advances of the Bank increased by 11.57% from Rs.8435.60 crore as on 31.03.2003 to 9411.79 crores as on 31.03.2004.

Net investment of the Bank increased by 14.54% from Rs. 8500 crores as on 31.03.2003 to Rs. 9736 crores as on 31.03.2004. Interest earned on investment also went up to Rs. 867.95 crores in 2003-2004 from Rs. 836.35 crores in 2002-2003.

Other income:

In view of the increasing pressure on interest spread, the Bank considers income from non-fund / non-interest business equally important for generating additional income to increase profitability. Other income of the Bank comprises income from Commission exchange and brokerage, income from investments trading, insurance business and Forex operations, dividend income and miscellaneous income. These incomes are carried in the normal course of business of the Bank.

The profit on sale of investments showed substantial increase of Rs.201.25 crore from Rs. 240.06 crores in 2002-2003 to Rs. 441.31 crores in 2003-04 and income from Commission, exchange and brokerage increased by Rs.4.92 crores. Miscellaneous and other non-interest income has decreased by Rs. 25.76 crores.

Interest expenses:

Interest paid on deposits declined from Rs. 1124.52 crores in 2002-2003 to Rs. 1071.08 crores in 2003-2004 in spite of growth of deposits by Rs.1858 crore during the same period i.e. from Rs. 16491crores as on March 31, 2003 to Rs. 18349 crores as on March 31, 2004.

Operating expenses:

During the year 2003-04, the total staff costs decreased by Rs. 27.25 crores because in the year 2002-03 amortisation of VRS expenditure was higher by Rs. 46.08 crores due to additional amortisation of Tax benefits availed by the Bank in the first year of VRS. whereas non-staff operating expenses went up by Rs. 15.06 crores. Thus the total operating expenditure declined by Rs. 12.19 crores.

Total income:

Total income of the Bank went up by Rs. 143.60 crores from Rs. 2209.29 crores in 2002-2003 to Rs. 2352.89 crores in 2003-2004 mainly due to increase in profits from sale of securuities by Rs. 201.25 crores, commission income by Rs. 4.92 crores from Rs 77.26 crores to Rs. 82.18 crores and exchange income on Forex transactions by Rs. 5.36 crores from Rs. 18.83 crores to Rs. 24.19 crores..

Total expenditure:

Total expenditure (including provisions & contingencies) of the Bank increased by Rs. 27.28 crores or from Rs. 2095.10 crores to Rs. 2122.38 crores mainly due to increase in provisions for Bad & doubtful assets by Rs. 36.48 crores and provision for income tax by Rs. 71.11 crores in the year 2003-04 as compared to the year 2002-03.

(Rs. in crores)

Particulars	Sept' 2003	Sept' 2004	% Change from Sept' 2003 to Sept' 2004
Total Income	1149.20	1065.50	-7.29
Interest Income	867.95	878.61	1.23
Other Income	281.26	186.88	-33.56
Expenditure	820.83	808.65	-1.48
Interest Expenditure	583.73	550.63	-5.67
Operating Expenditure	237.10	258.02	8.82
Profit Before Provisions	328.38	256.84	-21.79
Provisions & Contingencies	228.12	179.58	-21.28
Net Profit	100.26	77.26	-22.94

Significant items of income and expenditure during HY Sept' 04 (comparison of financials for the half year ended September 2004 with September 2003:

Interest Income:

Total interest income increased from Rs.867.95 crore to Rs.878.61 crore. Of the components of interest income, income on advances increased from Rs.416.88 crore in HY Sept 2003 to Rs. 429.76 crore in HY Sept 2004. Global Net Advances of the Bank increased by 15.33% from Rs.8423 crore as on September 30, 2003 to Rs.9714 crores as on September 30, 2004.

Net investments of the Bank have remained almost stagnant at the level of Rs.9890 crores as on September 30, 2004 as against Rs.9897 crores as on 30.09.2003. The interest income on investments has decreased by Rs. 15.36 crores from Rs. 427.75 crores to Rs. 412.39 crores while, Interest income on balances with RBI/other banks has increased by Rs. 13.01 crores from Rs. 23.39 crores to Rs. 36.30 crores.

Other income:

Profit on sale of investments has decreased by Rs.95.26 crores i.e. from Rs.199.62 crores in HY Sept 2003 to Rs.104.36 crores in HY Sept 2004. Commission Income, exchange, brokerage and miscellaneous income earned has increased from Rs.81.64 crores during HY Sept 2003 to Rs.82.52 crores during HY Sept 2004.

Interest expenses:

Total Interest expenses declined from Rs. 583.73 crores in HY Sept 2003 to Rs.550.63 crores in HY Sept 2004. Of the components of interest expense, interest paid on deposits has declined to Rs. 518.40 crores from Rs. 545.25 crores. However deposits grew by Rs.1867 crore during the same period i.e. from Rs. 17656 crores as of Sept. 30, 2003 to Rs. 19523 crores as on Sept 30, 2004.

Operating expenses:

Total staff costs increased by Rs. 13.27 crores due to higher provisioning for pension, gratuity etc. Non-staff operating expenses went up by Rs. 7.65 crores. Thus the total operating expenditure went up by Rs.20.92 crores.

Total income:

Total income of the Bank declined by Rs.83.72 crores from Rs.1149.21 crores in HY Sept 2003 to Rs.1065.49 crores in HY Sept 2004 mainly due to lower level of profits from sale of securities by Rs. 95.26 crores.

Total expenditure:

Total expenditure (including provisions & contingencies) of the Bank decreased by Rs. 60.72 crores from Rs.1048.95 crores to Rs.988.23 crores mainly due to a) reduction in interest expenses by Rs. 33.10 crores b) provisions and contingencies requirements reduced by Rs. 48.54 crores.

Significant items of income and expenditure during 2002-03 (comparison of financials for the year ended March 2003 with March 2002:

Interest Income:

Total interest income increased from Rs.1708.40 crore to Rs.1772.29 crore. Of the components of interest income, income on advances improved from Rs.809.66 crore in 2001-02 to Rs. 872.40 crore in 2002-03. Global Net Advances of the Bank increased by 12.13% from Rs.7522.96 crore as on 31.03.2002 to 8435.60 crores as on 31.03.2003.

Net investment of the Bank increased by 11.14% from Rs. 7648.06 crores as on 31.03.2002 to Rs. 8500.38 crores as on 31.03.2003. Interest earned on investment also went up to Rs. 836.35 crores in 2002-2003 from Rs. 824.54 crores in 2001-2002.

Other income:

While profit on sale of investments showed substantial increase of Rs.38.73 crore from Rs. 201.34 crores in 2001-2002 to Rs. 240.07 crores in 2002-03, income from Commission exchange and brokerage declined marginally by 0.77 crores. Miscellaneous and other non-interest income also improved by Rs. 2.82 crores.

Interest expenses:

Interest paid on deposits declined from Rs. 1166.14 crores in 2001-2002 to Rs. 1124.52 crores in 2002-2003. However deposits grew by Rs.1136.58 crore during the same period i.e. from Rs. 15354.68 crores in 2001-02 to Rs. 16491.26 crores in 2002-03.

Operating expenses:

During the year, the Bank charged to Profit & Loss account the entire amount of retirement benefits of leave encashment under AS-15 issued by Institute of Chartered Accountants of India, aggregating to Rs. 13.33 crores and higher VRS amortisation by Rs. 25.91 crores due to additional amortisation of tax benefits availed by the bank as compared to previous year. The total staff costs increased by Rs. 43.46 crores, which includes normal rise in staff expense in addition to Rs. 39.24 crores as stated above. Non-staff operating expenses marginally went up by Rs. 7.40 crores. Thus the total operating expenditure went up by Rs. 50.86 crores.

Total income:

Total income of the Bank increased by Rs. 147.93 crores from Rs. 2061.36 crores in 2001-2002 to Rs. 2209.29 crores in 2002-2003 due to increase in interest income by Rs. 63.89 crores and profit on sale of securities by Rs. 38.73 crores.

Total expenditure:

Total expenditure of the Bank decreased by Rs. 10.51 crores or from Rs. 1725.97 crores to Rs. 1715.46 crores. There was reduction in interest expenses by Rs. 61.37 crores and increase in staff expenses by Rs. 43.46 crores due to higher amortisation of VRS expenditure & making provision for leave encashment under AS 15.

Significant items of income and expenditure during 2001-2002 (comparison of financials for the year ended March 2002 with March 2001)

Net Profit:

Bank had posted a net profit of Rs 11.36 crores in 2001-02 as against loss of Rs. 266.12 crores in 2000-2001.

Interest income:

Interest income from advances declined from Rs. 838.96 crores in 2000-2001 to Rs. 809.66 crores in 2001-2002. Global net advances of the Bank increased by 7.44% from Rs. 7001.90 crores as on 31.03.2001 to Rs. 7522.96 crores as on 31.03.2002.

Net investment of the Bank increased by 12.21% from Rs. 6816.04 crores as on 31.03.2001 to Rs. 7648.06 crores as on 31.03.2002. Interest earned on investment also went up to Rs. 824.54 crores in 2001-02 from Rs. 816.33 crores in 2000-01.

Net interest income of the Bank declined marginally from Rs. 448.93 crores from 2000-2001 to Rs. 442.84 crores in 2001-2002.

Other income:

Commission on exchange income of the Bank decreased from Rs. 83.96 crores in 2000-2001 to Rs. 78.00 crores in 2001-2002. Due to an active securities market profit of sale of investment increased from Rs. 37.11 crores in 2000-2001 to Rs. 201.34 crores in

2001-2002. Consequently total other income of the Bank increased from Rs. 199.08 crores in 2000-2001 to Rs. 352.95 crores in 2001-2002. The Bank is aware of the need to increase non-interest income in order to improve overall profitability and is exploring various avenues to increase fee-based income.

Interest expenses:

Interest paid on deposits increased from Rs. 1139.24 crores in 2000-2001 to Rs. 1166.14 crore in 2001-02 due to growth in deposits from Rs. 14573.00 crore as on 31.03.01 to Rs. 15354.68 crore as on 31.03.2002.

OTHER MATTERS RELATING TO THE OPERATIONS OF THE BANK

Unusual or Infrequent events and transactions:

Bank under Dena Bank VRS Scheme 2000, had relieved about 3500 employees in March 2001. Expenditure of Rs. 428.50 crores relating to VRS is being amortised over the period of 5 years from the year 2000-01 onwards. The said expenditure will be fully amortised by March 31, 2005. Bank has charged Rs. 118.82 cr. Rs. 73 crores to Profit & Loss account during the year ended March 31, 2003 and 2004 respectively. For the year ending March 31, 2005, an amount of Rs. 72.99 crores will be debited to profit and loss account (Rs. 36.50 cr. has already been debited till September 2004). In the absence of such debits in subsequent years, the profitability of the Bank will improve from the year 2005-06 to the extent of said debit.

Further, during the first half ended Sept 2004, the Bank has made a provision of Rs 25.90 crores for proposed wage revision, which relates to the period from November 2002. However from the year 2005-06, only wage revision effect pertaining to the relevant year will be there, which may improve the profitability of the Bank.

Significant economic changes that materially affected or are likely to affect income from continuing operations:

Changes in the interest rate structure that is any upward movement in interest rate, is going to reduce the value of the investment portfolio.

Known trends or uncertainties that have had or are expected to have a material adverse impact on income from operations:

The introduction of prudential accounting norms during 1992 by Reserve Bank of India affected all banks operating in the country. The Bank with its established systems of banking practices was able to adapt to the deregulated climate. Though the Bank suffered initial setbacks, the Bank has been posting consistent profits in the last three years.

Future relationship between costs and revenue:

The globalisation of economy and liberalisation of the financial sector have resulted in intense competition, thinner margins and increasing operational expenses. The Bank has introduced new IT based services towards capturing new market and retaining its market share. The Bank has evolved a multi pronged strategy of mobilising low cost deposits, better recovery in NPA, focused attention on retail lending and non interest income, control on operating expenses etc.

Extent to which material increases in net revenues are due to increased volume, introduction of new products or prices:

The increase in revenues of the Bank is on account of increased level of business operations. The Bank has also introduced number of new products / schemes such as International Debit Card, Dena Suvidha – Clean Loan Scheme for personal needs, Dena Mortgage Loan Scheme, SAVIFIX etc.. The Bank has also introduced retail shops under the name of ‘Finmarts’, which caters exclusively to retail banking products of the bank. Such initiatives to some extent have resulted in increased revenues. In the coming years, the contribution from the same is expected to grow.

Extent of seasonality in the business:

Bank’s business is not likely to be affected by seasonality.

Non-dependence on a few customers:

The Bank has a diversified credit portfolio to prevent any concentration in exposures both industry-wise and client wise. The Bank has an adequately designed credit risk policy to ensure the prevention of excess exposure to few customers.

Total revenue by major industry segment:

All the revenue of the Bank accrues from normal banking business.

Competitive conditions:

The Bank has 492 offices in rural and 191 in semi urban areas. In most of these places the Bank is not facing substantial competition.. The large network of rural and semi-urban branches ensure that a huge captive business automatically flows into the Bank. In metro centres, the Bank faces a stiff competition from other Banks. But the Bank is fully equipped to meet the challenges of its competition.

Servicing Behaviour:

The Bank has been servicing all its principal and interest liabilities on time and there have been no defaults

Material Developments:

In the opinion of the Directors of the Bank, there have been no material developments after the date of the last financial statements as disclosed in the Prospectus, which would materially and adversely affect or are likely to affect the trading or profitability of the Bank or the value of its assets, or its ability to pay its liabilities within the next twelve months, other than what has been already set out elsewhere in this Prospectus.

Particulars Regarding Listed Companies:

There is no other listed company under the same management.

XV. BASIS FOR ISSUE PRICE

Quantitative factors

1. Adjusted Earnings per Share (EPS)#

Financial Year	EPS (Rs.)	Weight used
2001-02	0.55	1
2002-03	5.52	2
2003-04	11.14	3
Weighted Average	**7.50**	

After extraordinary items.

Based on the above Weighted Average EPS is: Rs.7.50

2. Price/Earning Ratio (P/E Ratio) in relation to the issue price

Offer Price	27
Weighted Average EPS	7.5
P/E based on weighted average EPS	3.6
P/E based on EPS of 2003-04	2.4
Industry P/E Highest *	7.6
Industry P/E Lowest *	2.1
Industry P/E Average *	4.3

* Based on “Capital Market”, Volume XIX, No. 17, dated Oct 25 – Nov 7, 2004

3. Adjusted Average Return on Net Worth (RONW)#

Year	RONW (%)	Weight
2001-02	2.88	1
2002-03	41.00	2
2003-04	46.44	3

After extraordinary items

Based on the above Weighted Average RONW is 37.40 %.

4. Minimum Return on increased Net Worth required to maintain pre-issue EPS

(Rs. in crores)

Offer Price (Rs.)	27.00
Adjusted Net Worth as on 30.09.2004	561.56
Issue Proceeds	216.00
Post Issue Net Worth	777.56
Post Issue EPS to be maintained (Rs.)	11.14
Min RONW required to maintain Pre-issue EPS (%)	41.09

5. Adjusted Net Asset Value (NAV) per share

NAV as at 31.03.2004 (Rs.)	23.58
NAV as on 30.09.2004 (Rs.)	27.03
NAV after the issue (Rs.)	27.02
Offer Price (Rs.)	27.00

6. Comparison of all accounting ratios of the Bank with industry average and accounting ratios of peer companies:

Company	EPS	P/E	RONW	Book Value
Allahabad Bank	13.11	4.43	41.03	38.10
Andhra Bank	11.23	6.04	36.10	36.31
Vijaya Bank	9.49	6.03	40.58	29.48
UCO Bank	5.32	4.32	36.21	18.70
IOB	9.41	6.74	31.74	35.43
Indusrty Average	9.71	5.51	37.13	31.60
Dena Bank	11.14	2.88	46.44	23.58

The above data, except relating to Dena Bank, are based on data from Capital Line as on November 29, 2004. Figures of EPS, NAV and RONW are for the financial year ended March 31, 2004. P/E is arrived at considering the closing prices on NSE as on 29th November 2004 and the EPS as on 31st March 2004. Industry Average is the simple average of the above given data for the banks (except Dena Bank).

The data for DENA BANK has been sourced from the Auditors Report relating to March 31, 2004 and not from "Dalal Street".

7. The Face value per share is Rs.10 and the Issue Price is 2.7 times the Face value.

Qualitative factors

- The Bank has a large network of branches spread throughout the country that enables it to raise funds competitively. The domestic network of the Bank stood at 1143 offices as on 30.09.2004, which includes 1130 branches and 13 extension counters.
- The Western Region, which is industrially developed and financially vibrant account for more than 70% of the total branches.
- The Bank also has 76 specialised branches to cater to the needs of industrial finance, trade finance, personal banking, international banking, NRIs and small-scale industries.
- A Bank with robust technology infrastructure offering Any Branch Banking, m-banking, Dena billpay, telebanking, information Kiosks, ATM Network, etc at select branches.
- Professionally managed Bank with 66 years of existence.
- First Drive-in ATM in India at Juhu Mumbai in 1996
- 134 ATMs across 58 centres all over India, inter connected through central switch.
- First Fully Computerised branch in Public sector at Nepean Sea Road Mumbai in 1991.
- More than 90% of the total business and branches are computerised.
- Bank having own net 'DENANET', connecting over 300 branches across the country.
- Pioneer in introducing Minor Saving Scheme – a saving account for minors above 10 years.
- Pioneer in introducing Dena Krishi Sakh Patra – credit card for farmers in 1988
- Product portfolio includes Trade Finance, Consumer Loans, Bancassuarance, Credit Cards and Kisan Cards, Retail Lending products etc.
- Bank has shown a substantial increase in its Net Profit (after tax) from Rs.114.19 crore in the year 2002-2003 to Rs. 230.50 crores in FY 2003-2004.
- Consistent growth in deposits at a CAGR of 9.24% in last five years
- Consistent growth in advances at a CAGR of 8.20% in last five years
- Total business mix of more than Rs. 29000 crores as on 30.09.2004
- Business per employee is Rs. 2.74 crore and gross profit per employee is Rs.6.87 lacs as on March 31, 2004.

The Lead Managers believe that the issue price of Rs.27 is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and the financials of the Bank including important profitability and return ratios, as set out in the Auditors Report in Part II of the Prospectus to have a more informed view about the investment proposition.

XVI. OUTSTANDING LITIGATION, DEFAULTS AND MATERIAL DEVELOPMENTS

AGAINST THE BANK

Contingent Liability not provided for:

Claims against the Bank not acknowledged as debt as on September 30, 2004 is Rs.141.24 crores.

Outstanding Litigations

The litigation in which the Bank and or its subsidiaries and sponsored institutions involved are classified into 3 categories:

1. Cases filed against the Bank
2. Disputed Tax Liabilities
3. Cases filed against the RRBs sponsored by the Bank

The details of the cases filed against the Bank as on September 30, 2004 and which are outstanding as on date are:

(in crores)

		No.	Amount
i)	Cases filed by Customers/ Borrowers/ Landlords of premises	153	123.35
ii)	Cases relating to Employee Service matters	150	7.00
iii)	Criminal cases against Bank	NIL	NIL
iv)	Disputed tax liability	6	10.89
	Total	**309**	**141.24**

The details of the case where the amount involved is more than Rs. 1 crore is as below:

Outstanding Litigation where claims amount exceed Rs. 1 crore and above

Sr. No.	Suit details, Date of Filing	Name of the party	Branch	Amount claimed (Rs. in lacs)	Nature of claim made against the Bank.
1	DRT Mumbai 15.3.2004	Official Liquidator, Laxmi Starch Ltd V/s. Dena Bank & Indian Bank	ARB, Bangalore	5263.20	Borrower Company is under liquidation. Bank has filed recovery case in DRT, Mumbai against the Official Liquidator(OL) & guarantors. The OL has filed a counter claim for Rs. 87.72 crores against the consortium Banks (of which the claim against our bank is Rs. 52.63 crores), on the ground that sanction was not upto the requirement, was delayed, interest charged not as per RBI norms etc..
2	High Court, Mumbai 25.09.2001	Gaurav Continental Trading Ltd. Uma Petro Products	New Marine Lines	1906.38	The promoter directors of the borrower companies committed a fraud on the Bank is creating bogus L/cs involving an amount of Rs.19.06 Crores. On the fraud coming to light Bank filed complaint with CBI. After investigation CBI has filed the charge sheet in the court. Our Bank had declined payment in respect of all these L/Cs when the claims were made by the Banks who had discounted the bills under these L/Cs on the ground that the L/Cs are not genuine and arises out of fraud.
3	DRT, Delhi 18.1.2002	Equipment Conductors & Cables Ltd.	Nehru Place	1365.00	Counter claim filed by the borrower against the Bank for not granting limits on time as a result the project did not pick up.
4	DRT, Ahmedabad 28.3.03	M/s. Nagami Nicotine Pvt Ltd	A.R.B. A'bad	993.74	The case is filed against the Bank for non-submission of export bills and non-releasing of the sanctioned limits. We have taken plea that since the borrower is not clearing the dues of the Bank. Bank has not released the export bills as per procedure of UCPDC rules.

Sr. No.	Suit details, Date of Filing	Name of the party	Branch	Amount claimed (Rs. in lacs)	Nature of claim made against the Bank.
5	High court, Patna 14.7.93	Secretary Govt. of Haryana	Patna	371.00	Our bank had issued the guarantee for Rs. 3.71 crores Branchon behalf of our constituent Deep Mayank and associates favouring Secretary Govt. of Haryana. When the guarantee was invoked the constituent got the bank guarantee cancelled / terminated by the orders of civil court Patna on 23.6.93.Against this order of the court , the beneficiary has filed appeal in High Court.
6	DRT, Ahmedabad 21.8.2001	Bank of Rajashthan	Ellisbridge	247.18	Bank of Rajasthan Ltd.[BOR] has claimed their share of the bills discounted by GTCL with Federal Bank Ltd. the proceeds, which were received by our bank directly.
7	DRT, Mumbai 15.1.2000	Dev Pharma Lab Ltd.	A.R.B, M'bai	194.00	Counter claim is made by the borrower against the Bank for delay in releasing limits and not considering rehabilitation proposal submitted by the borrower.
8	Civil Court, Ahmedabad 10.12.2002	Visnagar Nagrik Sahakari Bk Ahmedabad	Ashram Rd. A'bad	193.59	Claim made against refusing to honour bills drawn under LC. Our Bank did not honour the bills drawn under L/c issued by us due to discrepancies in documents.
9	DRT, Delhi 1.1.2001	Gagan Plasticicers (p) Ltd	ARB New Delhi	158.35	Counter claim preferred by the borrower in their written statement in the recovery case filed by the Bank before DRT Delhi for recovery of Rs 148.00 lacs.
10	DRT, Ernakulam 12.2.2002	UTI Bank Ltd.	Ernakulam	135.15	The case is filed by party for not making payment as per the LCs issued by Bank We have denied the payments as fraud is involved and forged documents were submitted to the Bank.
11	National Tribunal New Delhi 11.10.2000	Jagdishchandra Garg	Worli	130.00	Case is filed seeking compensation for withholding the title deeds of the property not mortgaged to the Bank. Bank had while renewing the limits put a condition that borrower will give additional security in lieu of existing security which was not complied with. Bank thus took the decision not to release the earlier security.
12	DRT, Ernakulam 16.11.2001	ICICI Bank Ltd.	Ernakulam	103.72	The case is filed by party for not making payment as per the LCs issued by Bank We have denied the payments as fraud is involved and forged documents were submitted to the Bank.
13	Civil court, Surat 31.12.2002	Anita Bhandari	Sahara gate, Surat	108.00	Complainant claimed 'compensation for causing the death of her husband who was 'accidentally shot dead by Bank's security Guard.

Disputed Tax Liability:

As on March 31, 2004, certain proceedings relating to Income Tax and Interest Tax matters are pending before the Income Tax authorities. The total amount of disputed tax in respect of Income Tax and Interest Tax proceedings filed by the Bank and pending in appeal before the Commissioner of Income Tax Appeal and Income Tax Tribunal is Rs. 220.68 crores. However, as a matter of prudence, the Bank has already made provision for Rs.209.79 crores and the balance amount of Rs.10.89 crores has been shown as Contingent liability.

Except as mentioned above:

- No proceedings have been launched against the Bank for any of the offences under any enactment, irrespective of whether specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act.
- There are no pending proceedings initiated for economic offences.
- There are no penalities imposed on by any authority in India or abroad.
- No disciplinary action/ investigation has been taken by the Securities and Exchange Board of India/ Stock Exchange against the Bank and its Directors except as mentioned under para Action by Regulators.

- There are no small-scale undertaking/ creditors to which the Bank owns any sum exceeding one lakh where payment is outstanding for a period of more than 30 days.
- There are no outstanding litigation in regard to case involving criminal offence, civil offences and security related offences.
- There has been no default in meeting statutory dues, institutional dues and dues towards payment/refunds of interest or principal on due dates to holders of Bonds and Fixed Deposits. It has not defaulted on dues to holders of other Debt instruments and Preference shareholders.

OUTSTANDING LITIGATION AGAINST RRBs

We certify that there are no cases involving Criminal offences, securities related offences, civil offences, statutory and other offences, and other litigations pending against the four RRBs as per the information received from them, except as given below:

Kutch Gramin Bank (KGB):

There is a case filed by one of the staff member of the Bank, which has been decided against the bank to the tune of Rs.21,482.00. A Special Civil Application number 12300/2004 has been filed by the Bank with the Honourable High Court of Gujarat. The Honourable High Court has granted ad-interim relief vide order dated 24/09/2004.

There is a case vide Recovery Application No. 1/2000 filed against the Bank by the General Secretary KGB Employees Association and General Secy. KGB Officers Association regarding rate of interest on staff personal loan and medical aid arrears in the Honourable Labour Court, Bhuj.

A staff member of Naranpar Branch has filed LCD 3/02 in the Honourable Labour Court, Bhuj regarding penalty order dated 31/07/1997 served by the Bank.

Banaskantha Mehsana Gramin Bank (BMGB):

Eight cases relating to staff matters and by clients are pending with High Court of Gujarat.

Sabarkantha Gandhinagar Gramin Bank (SGGB):

There is a civil suit filed against the Bank to the tune of Rs. 53.76 lacs. Special Civil application No 9904 of 2002 filed by Bank in the Hon'ble High Court of Gujarat against the letter of Regional Provident Fund Commissioner Gujarat (R.P.F.C) advising that under Section 12 of E.P.F Act the employer cannot reduce his liability for the payment. The burden of arrears w.e.f. Dec 1994 will be Rs 53.76 lacs.

There is a case filed against the Bank by a removed employee in the Industrial Tribunal Ahmedabad, vide reference no. (ITC) 30/2000.

Durg Rajnandgaon Gramin Bank (DRGB):

There are 34 civil cases pending against the Bank not acknowledged as debt. Out of these, 24 cases are filed by staff members while the other 10 are by various petitioners. The amount involved in the legal cases lodged against DRGB is Rs. 1.76 lacs.

OUTSTANDING LITIGATION AGAINST THE DIRECTORS OF THE BANK

There are no outstanding litigations, disputes or penalties against the Directors of the Bank, including tax liabilities, economic offences, criminal or civil prosecution for any offence, irrespective of whether specified under any enactment in Paragraph 1 of Part I of Schedule XIII, of the Companies Act, 1956 or any other liability in their personal capacities or as Director/Partner/Sole Proprietor in the Company or any other company/firm other than as follows:

A criminal complaint bearing no. CC-217/C/2003 has been filed for offence punishable under section 420, 409 read with 120-B of Indian Penal Code on May 23, 2002 by one Shri Prakash Kantilal Shah an ex-employee of Bank of Baroda. The criminal complaint has been filed against Bank of Baroda (BOB), Mr. P.S. Shenoy, Chairman and Managing Director of BOB, Dr. A. K. Khandelwal, Executive Director of BOB, Mr. K. K. Agarwal, General Manager of BOB and others before the Metropolitan Magistrate, 31st Court, Vikroli, Mumbai. Dr. Anil K. Khandelwal, the Chairman and Managing Director, Dena Bank was then the Executive Director of Bank of Baroda and is one of the accused.

The complainant has alleged that the accused had wrongfully appropriated a sum of Rs. 2,13,766/- being a portion of the maturity proceeds of fixed deposits placed with Bank of Baroda. The said deposits were in the joint name of Shri Prakash Shah and his wife. An amount of Rs. 2,19,688 were transferred to their saving account and out of that Rs. 2,13,766 was appropriated towards alleged excess amount paid to the complainant under Bank of Baroda's Employee VRS Scheme 2001.

The Complaint sets out the payment made to Prakash Shah on his voluntary retirement in accordance with the BOB Employees VRS Scheme and that Bank of Baroda has thereafter claimed that an excess amount was mistakenly paid to the said Prakash Shah and which they have recovered by appropriation of a portion of the Fixed Deposits. It is alleged that the accused have on account of inter alia the aforesaid actions cheated the said Prakash Shah by making wrongful representations and by fraudulently and dishonestly appropriating the aforesaid sum. In the said Complaint, the Learned Metropolitan Magistrate by an Order dated 14th August 2003 directed issue of process against all the accused.

Aggrieved by the said Order Mr. P.S. Shenoy, Chairman and Managing Director of Bank of Baroda and Dr. A. K. Khandelwal, the then Executive Director of Bank of Baroda and now Chairman and Managing Director of Dena Bank, filed Criminal Application No. 582 of 2004.

The Honourable Bombay High Court vide its order dated March 12, 2004 pending hearing and final disposal of the said criminal application granted ad interim relief to the extent applicable to the petitioners in the form of stay on further proceedings in the court of Metropolitan Magistrate .

The said Petition is pending and the aforesaid ad-interim Order is still in force.

Other than as disclosed above, there are no litigations against the Directors involving violation of statutory regulations or criminal offences. No disciplinary action has ever been taken by the Securities and Exchange Board of India or Stock Exchanges and no penalty has been imposed by any authority. Other than as stated above, there is no suit pending against the Directors in capacity as director or partner or sole proprietor in any other company/firm.

Other than as stated above, there are no disputes/litigations towards tax liabilities or any criminal or civil prosecutions against the Bank for any offence – economic or otherwise. No criminal proceedings have been launched against the Bank under any of the enactment irrespective of whether or not specified in paragraph 1 of part I of Schedule XIII of the Companies Act.

INTEREST OF DIRECTORS OF THE BANK

The Directors of the Bank are interested to the extent of shares held by them and/or by their friends and relatives or which may be subscribed by them and/or allotted to them by the Bank.

The Directors of the Bank are interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee and reimbursement of travelling and other incidental expenses, if any, for such attendance as per the applicable regulations.

The Directors of the Bank are not interested in the appointment of or acting as Underwriters, Registrars and Bankers to the Issue or any such intermediary registered with SEBI.

The Directors of the Bank are not interested in any property acquired by the Bank within two years of the date of Prospectus or proposed to be acquired by it.

Save as stated above, no amount or benefit has been paid or given to the Bank's Directors or Officers since its incorporation nor is intended to be paid or given to any Directors or Officers of the Bank except the normal remuneration and/or disbursement for services as Directors, Officers or employees of the Bank.

The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except:

Name of borrower	Relationship with Director	Facility sanctioned	Limit Sanctioned Rs.in lacs	Outstanding as on September 30, 2004 (Rs. in lacs)	Classification
Mr Vidyadhar U Pendse	Son-in law of Mr Sudhir Joshipura	Cash Credit (stock & book debt)	10.00	9.91	Standard

The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

The Outstanding represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

XVII. INVESTOR GRIEVANCE & REDRESSAL SYSTEM

The Bank has appointed Sharepro as Share Transfer Agents of the Bank for their existing outstanding shares. The share transfers/ transmission, dividend payments and all other investors related matters are attended to and processed at the office of Share Transfer Agents of the Bank. The Share Transfer Agents, after processing the requests of investors, put the same to Share Transfer Committee of the Executives of the Bank, which approves the transfer/transmission etc. of shares.

The Bank has constituted Shareholders/Investors Grievance Committee in the month of October 2001 for addressing issues of shareholders/investors like transfer of shares/bonds, non-receipt of Annual Accounts, non-receipt of Dividends/Interest etc. Sh. Sudhir K. Joshipura, Sh. Subhash Chandra Wadhwa and Sh. C.M. Dixit are members of the Committee as on September 30, 2004.

The Bank, as an issuer, has entered into agreements with NSDL and CDSL for dematerialisation of shares. The shares of the Bank are under compulsory demat from 15/10/1998 and 08/05/2000 for institutional investors and all investors (including individual investors) respectively. In terms of SEBI guidelines, the Share Transfer Agents of the Bank is also extending the facility of transfer-cum-dematerialisation to shareholders of the Bank.

Last five years details of investor grievance

Year ending March 31	Opening Pending Grievance	Complaints received during the year	Complaints/ grievance resolved	Complaints/ grievance pending at year end
From July 2000 –March 2001	Nil	303	303	Nil
2002	Nil	234	234	Nil
2003	Nil	147	147	Nil
2004	Nil	266	266	Nil
Sept. 04	Nil	108	108	Nil

The normal time taken by the bank for redressal of investor grievance is 10 days.

The details of the Compliance Officer of the Bank for the issue are as follows:

Shri M. G. Sanghvi
General Manager (IFM & Accounts)
Dena Corporate Centre, C – 10, 'G' Block, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: (022) 2654 5607/5606/ 5317, Fax: (022) 2654 5605

The investors can also contact the Registrars to the Issue, Sharepro Services (India) Pvt. Ltd. in case of queries/complaints, if any, regarding this issue.

Share transfers, dividend payment and all other investor related activities are attended to and processed at the office of the Registrar & Transfer agent, Sharepro Services (India) Pvt. Ltd.. The Bank has also put in place the Investor Relations Centre at its Head Office to look after the services needed by the shareholders. Any communication, documents, complaints can also be sent to the following address for redressal: Investor Relations Cell, Dena Bank, Dena Corporate Centre, C – 10, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.

Current Status on Pending Investor Grievance

As on December 31, 2004 there are no investor grievances which are pending redressal.

XVIII. RISKS ENVISAGED BY MANAGEMENT & MANAGEMENT PERCEPTIONS

Following are certain issues for the investors to consider before taking an investment decision in the Issue. In some of the risks factors and management Perceptions thereof, reference page numbers have been provided, which can be used to obtain more details about the said risk.

Following are certain issues for the investors to consider before taking an investment decision in the Issue. In some of the risks factors and management perception thereof, reference page numbers have been provided, which can be used to obtain more details about the said risk.

Internal Risks

1. Litigation against the Directors

One Shri Prakash Kantilal Shah, an ex-employee of Bank of Baroda has filed a Criminal Complaint before the Learned Metropolitan Magistrate, Vikhroli, Mumbai, against Dr. Anil K. Khandelwal (the then Executive Director of Bank of Baroda and presently the Chairman and Managing Director of Dena Bank), Bank of Baroda and other executives of Bank of Baroda, alleging that offences under Section 420, 409 read with Section 120B of the Indian Penal Code have been committed. The amount mentioned in the Complaint is Rs. 2,13,766/-.

Aggrieved by the order passed by the Learned Metropolitan Magistrate issuing process, Dr. A.K. Khandelwal and Mr. P.S. Shenoy have filed Criminal Application No. 582 of 2004 in the Hon'ble Bombay High Court. The Hon'ble Bombay High Court by its Order dated 12th March 2004 has, pending the hearing and final disposal of the said Criminal Application, granted an ad-interim relief to the extent applicable to the Petitioners in the form of stay on further proceedings in the Court of the Metropolitan Magistrate. The said Criminal Application is still pending and the aforesaid ad-interim Order is still in force.

For further details please refer to the para on "Outstanding Litigation against the Directors" on page 89.

2. Accumulated losses of the Bank

The Bank had in the past adjusted accumulated losses aggregating Rs.136.29 crores against its paid-up capital during the Financial Year 1995-96. The Bank further incurred a loss of Rs 266.12 crores during the year 2000-01 and as on March 31, 2004 the accumulated losses of the Bank were Rs. 217.29 crores, which has been adjusted and written off against Revenue Reserves as on 30.09.2004.

Management Perception

The Bank had earlier adjusted accumulated losses of Rs.136.29 crores against the capital in the year 1995-96 after taking permission from Government of India. In the year 2000-01, Bank suffered a loss of Rs 266.12 crores mainly on account of making provisions in line with the RBI guidelines for NPAs and VRS related expenditure. The amount of VRS expenditure amortised was Rs. 71.56 cr. and the amount of Provisions and Contingencies on account of NPA made were Rs. 281.54 crores (as compared to Rs. 161.96 crore in the previous year). Other expenditure related to VRS such as Leave encashment amounted to Rs. 36.27 cr. were also charged to the Profit and Loss Account. Bank has taken various corrective steps to improve its profitability like reduction in operating expenses, cost of funds and level of NPAs, increase in non-interest income etc. As a result, the net profit of the Bank has increased from Rs.11.36 crores (2001-02) to Rs.114.19 crores (2002-03) and further to Rs. 230.50 crores for the year 2003-04. In the subsequent years, it has made provisions for disputed tax liabilities and as such despite making turnaround in 2001-02 & substantial profits in the year 2002-03 & 2003-04, accumulated losses as on 31st March 2004 were Rs. 217.29 crores which Bank has adjusted and written off against Revenue Reserves during the current financial year. However, the said adjustment does not have any impact on capital Funds, Book Value of the share, Capital Adequacy Ratio etc. of the Bank.

3. Non-Performing Assets (NPAs)

As on March 31, 2004 the net NPAs of the Bank stood at Rs. 884.35 crores i.e. 9.40% of its Net Advances. In the event of non-recovery of these assets, the bank may have to provide for these NPAs in future, which might affect the profitability of the Bank going forward. For details, investors are advised to refer to para on "Asset Classification, Income Recognition and Provisioning" on page 51 of the Prospectus.

Management Perception

The Net NPAs of the Bank have been declining from 16.31% as on March 31, 2002 to 9.40% as on March 31, 2004 and further to 7.85% in September 2004. The net NPAs in absolute terms as of 31.03.2002, 31.03.2003, 31.03.2004 and 30.09.2004 were at Rs. 1227.25 crores, Rs. 997.28 crores, 884.35 crores & Rs. 763.64 crores respectively. The Bank has provided for its NPAs in conformity with RBI guidelines. The Bank has taken several steps to reduce the non-performing assets through aggressive recovery drives combined with improved risk management practices. Further, there have been substantial changes in the legislative and operating environment enabling FIs and Banks to pursue recovery of overdues. Besides Debt Recovery Tribunal (DRT) set up for faster settlement of recovery litigation, GOI has also enacted ' The Securitisation and Reconstruction of Financial

Assets and Enforcement of Security Interest Act, 2002 enabling FIs and Banks to securitise and reconstruct financial assets and enforce security more effectively. For further details of NPA Management Strategy please refer to page 54. The impact of the above measures can be seen from the movement in NPA as disclosed on page 52 "General data on non-performing assets". The bank is endeavouring to reduce its NPAs.

4. Outstanding Litigations against the Bank

As on September 30, 2004 there were 309 cases including writ petitions filed by employees/ ex-employees, suits/ writs by customers, disputed tax liabilities and consumer cases with aggregate claim of Rs. 141.24 crores i.e disputed contingent liability, for which no provisions have been made. Out of these, there are 13 cases where the claim amount is Rs. 1 cr. and above aggregating to Rs. 111.69 crores. For more details, investors are advised to refer to Para on 'Outstanding Litigations' on page 87 of the Offer Document.

Management Perception

The Bank has contested the above-mentioned cases. The Bank has disclosed the disputed amount as contingent liability.

5. Tax Disputes

As on March 31, 2004 certain proceedings related to Income Tax and Interest Tax matters is pending before the Income Tax authorities. The net amount of disputed tax in respect of these proceedings is Rs. 220.68 crores. These claims pertain to the past periods and appeals are pending before Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal.

Management Perception

The Bank has been following the provisions of Income Tax Act / Rules for calculation of taxable income. Income Tax provisions relating to allowability of bad debts as per Section 36(1)(vii) have been amended by the Finance Act, 2001, retrospectively with effect from financial year 1988-89 and accordingly, the amount actually written off as bad debts shall be considered for deduction instead of provisions made for ' Bad & doubtful debts '.

The Bank has claimed Provision made for Non Performing Advances as deductions and the same has been accepted upto CIT (Appeals) upto financial year 1995-96. However, all such assessments are at present pending before ITAT on the appeals preferred by the department. In view of experts' opinions, the Bank is of the view that no additional provision for Income Tax is necessary in spite of amendments in Income Tax Act with retrospective effect. As a prudence measure, the Bank has already made a provision of Rs. 209.79 crores till 31st March. 2004 for such disputed tax liabilities.

6. Contingent Liabilities

As on September 30, 2004 the Bank had contingent liabilities aggregating Rs. 5357.30 crores, comprising Rs. 129.68 crores as claims not acknowledged as debt by the Bank, Rs. 2845.62 crores as liability on account of outstanding Forward Exchange Contracts, Rs. 1307.00 crores as Guarantees given on behalf of constituents, Rs. 1062.52 crores as Acceptance, Endorsements and other obligations and Rs. 12.48 crores as other items.

Management Perception

The contingent liabilities have arisen in the ordinary course of business of the Bank and are subject to prudential norms as prescribed by RBI.

7. Net Asset Value per share

The Net Asset Value per share of the Bank has shown a declining trend from Rs.29.35 in FY 1999-2000 to Rs.23.58 in FY 2003-2004.

Management Perception

The decline in net asset value is due to the net loss posted by the Bank during FY 2000-01 mainly on account of making provisions in line with the RBI guidelines and VRS expenses. The Bank turned around within one year and posted Net Profit of Rs.11.36 crores during 2001-02. The Bank's net profit increased from Rs.11.36 crores (2001-2002) to Rs.114.19 crores (2002-2003), and further to Rs. 230.50 crores in 2003-04. The Bank has taken various corrective steps to improve its profitability like reduction in costs and levels of NPA, increase in non-interest income, etc, which, ultimately helped to improve the net asset value per share. The Net Asset Value per Share has been improving from Rs.13.21 in March 2003 to Rs.23.58 in March 2004 and to Rs. 27.03 in September 2004.

8. Investment Fluctuation Reserve (IFR)

Banks are required to create investment fluctuation reserves to the extent of minimum of 5% of the total investment portfolio excluding HTM category over a period of 5 years from 2001-2002 as per RBI guidelines. The market value of investments depends on a number of factors including the prevailing interest rates. In case of a rise in the interest rate, the market value of investment may fall. In order to cater to such fluctuation and meet contingencies, RBI requires banks to create IFR. Dena Bank has not created IFR so far.

Management Perception

Though there is increase in Net Profits during last three years, in view of carried forward losses, the Bank could not create IFR up to March 31, 2004 and Bank has obtained specific permission from RBI, vide letter no. DBOD.No.BP.1487/21.04.141/2003-04, for the purpose. As on September 30, 2004, balance of accumulated losses are adjusted and written off against Revenue Reserve and Bank will start creating IFR by March 31, 2004.

9. Decline in return ratios

Yield on investments of the Bank (excluding profit on sale of investments) has shown a declining trend from 11.91% in FY 2000 to 11.56% in FY 2001, 11.10% in FY 2002, 10.17% in FY 2003 and 9.09% in FY 2004.

Management Perception

The decline in yield ratios has to be viewed in the backdrop of substantial softening of the interest rates during the period, which has been a sector-wide phenomenon. The G-Sec yield on the 10-year benchmark paper has declined by 220 basis points from 7.36% as on March 30, 2002 to 5.16% as of March 31, 2004. The G-Sec yield has gone up to 6.23% by 29th September 2004. However, on the liability side, the Bank has benefited from repricing of its deposits, which brought down the average cost of deposits from 7.23% in FY 2002, to 5.78% in FY 2004, and further to 5.09% by September 2004, i.e. reduction of 214 basis points from Mar '02 to Sept '04 in two and a half years.

10. Profits from sale of Investments

The Bank made profit of Rs.240.07 crores during FY 2002-2003 and Rs.441.31 crores during FY 2003-2004 from sale of investments. Such profits from sale of investments may not be maintainable in future years and this may impede the growth in net profits of the Bank going forward.

Management Perception

The Bank has exercised prudence in booking profits from sale of investments while maintaining reasonable yield on treasury portfolio. Various factors like economic conditions, financial market trends, interest rate movements and other developments both in domestic and international markets may influence the growth rate in treasury income of the Banks. The Bank proposes to make up for any such possible reduction or slow down in pace of growth in treasury income from alternative sources of revenue generation. Towards this end, greater emphasis is laid by the management on growth in advances, reduction of NPAs, recovery in written off accounts and augmenting non fund based income, besides cost control measures. The Bank has embarked upon the strategy to diversify its income streams through new products & services. The Bank has identified retail lending as key growth area to maintain its growth trend in advances and augment income. The Bank has entered into MOU with The Oriental Insurance Co. Ltd. and Kotak Mahindra Old Mutual Life Insurance Co. for genereation of income from insurance business. Therefore the management believes that the growth in net profit of the Bank would not be severely affected in the long run even if the growth in treasure income is not sustained in future

11. Accumulated losses and Contingent liabilities of RRBs sponsored by the bank

The total accumulated losses of the RRBs (2 out of the 4 RRBs) sponsored by the Bank as on March 31, 2004 were Rs.27.24 crores. Adjustment of such losses against the capital in future if any, may impact the Balance Sheet and Profits of the Bank.

As on March 31, 2004 contingent liabilities of the RRBs sponsored by the Bank aggregated Rs. 2.37 crores.

Management Perception

Dena Bank has sponsored 4 RRBs in association with the Government of India and the respective State Governments. The performance of the RRBs is improving gradually and none of the RRBs have incurred any loss in the last 5 years. Performance of the RRBs has no bearing on the performance of the bank since bank's stake in RRBs is restricted only to the extent of Capital (Bank's share is 35%), invested in equity of RRBs.

The contingent liabilities have arisen in ordinary course of business of the respective RRBs.

12. RBI Annual Inspection of the Bank

RBI conducts annual inspection of the Bank based on the audited accounts. The Annual Inspection Report of the Reserve Bank of India (2004) has identified certain weaknesses in the system, operational irregularities and other deficiencies in internal controls.

Management Perception

The inspection of the Bank by RBI is a regular exercise under section 35 of the Banking Regulation Act, 1949 and is carried out periodically for all the banks and Financial Institutions. The reports of RBI are strictly confidential and the Bank has informed the RBI about the actions already taken and measures that are under implementation in respect of observations made by RBI. The issues raised by RBI in the aforesaid report have been replied to by the Bank.

13. Regional Concentration of the Bank

The Bank has a regional concentration in the Western Region (comprising of Gujarat, Maharashtra, Goa, Dadra Nagar Haveli and Daman Diu), which accounts for 70.62% of the total Branches in terms of numbers, 72.66% of the aggregate deposits and 61.43% of the gross credit exposure as on September 30, 2004. For further details please refer to page 35 of the prospectus. The regional presence of the Bank may compromise its competitive position vis-à-vis its national level competitors.

Management Perception

The management believes that the larger concentration of branches in western parts of the country is not a hindrance to its growth potential. The Bank has 1130 branches and 13 extension counters (September 30, 2004) spread over majority of states and almost all major centres of the country. The states of Maharashtra and Gujarat are highly industrialised states and offer a lot of potential for development of banking business. The management therefore believes that the present branch network of the Bank is adequately wide spread and does not compromise its competitive position. For details of geographical distribution of branches, investors are advised to refer to Para 'Geographical Distribution of Branches' on page 35 of the Prospectus. Such concentration of branches in turn lead to concentration of deposit and advances in the Western region.

14. Asset Concentration

The top 5 industries (non-food) account for 23.12% of the gross credit exposure of the Bank as on September 30, 2004. Also, the top ten borrowers of the Bank account for about 18.30% of the total advances of the Bank as on September 30, 2004. The borrower specific and industry specific behaviour may potentially affect the overall asset quality of the Bank.

Management Perception

The bank has its own internal exposure limit for monitoring exposure to different industries, which is reviewed from time to time. The Bank also has an internal exposure limit for individual borrower, group borrower and borrower (individual and group) in infrastructure sector. The Bank monitors the performance of the borrowers regularly to ensure the quality of the assets.

15. Asset Liability Position

A large portion of the funding of the Bank is in the form of short and medium term deposits. Short term deposits (maturity less than 1 year) and medium term deposits (maturity of 1 year and above upto 3 years) as on March 31, 2004 is Rs. 2623.96 cr. and Rs. 3453.65 cr. respectively amounting to about 56.65% of the total term deposits. The asset liability position of the Bank could be affected if the depositors do not roll over the deposits.

Management Perception

As per normal behavioural pattern and past experience, a large portion of the deposits gets rolled over. The Bank feels that in the event some of these deposits not being rolled over, the fresh accretion of deposits would take care of the Asset Liability mismatches. In addition, the Bank has a cushion of Investments of Rs.2726 crore in excess SLR and Rs.1831.77 crore in Non SLR category as on September 30, 2004, which can be utilised to correct any medium term mismatches. Moreover, the Bank has an Asset Liability Management System in place to actively monitor and manage the duration and liquidity mismatches. For more details on the Asset Liability position refer to the Para 'Asset Liability Management' on page 55 of the Prospectus.

16. Credit Risk

The Bank's main business of lending carries an inherent credit risk, which involves inability or unwillingness of a customer or counter party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Management Perception

The Bank takes adequate care to minimise such risks by having a well-diversified loan portfolio. The Bank follows a comprehensive project /credit appraisal system and lending norms, which govern industry / client exposure. The Bank has put in place a credit rating system under which the borrowal accounts of more than Rs.10 lac are rated on several parameters and the risk is priced with suitable mark-up over PLR based on the credit rating. For ensuring sound quality of assets, the Bank has a credit monitoring department, Credit Administration Department and a well laid down system of credit audit. The Bank has a well laid down Credit Policy aimed at mitigating various credit related risks. For other details on the credit risk management process in the Bank, the investor may refer to the Section on "Credit Policy" on page 48 of the Prospectus

17. Utilisation of Funds

The utilisation of the funds proposed to be raised through the public issue is entirely at the discretion of the Bank and no monitoring agency has been appointed to monitor the deployment of funds.

Management Perception

The funds raised through the public issue are not meant for any specific project but to augment the capital base of the Bank to meet its future capital adequacy requirements and hence a monitoring agency may not be required. The Bank is managed by professionals under the supervision of its Board of Directors. Further, the Bank is subject to number of regulatory checks and balances as stipulated in its regulatory environment. Therefore, the management believes that the funds raised through the public issue would be utilised only towards satisfactory fulfilment of the "Objects of the Issue" as stated on page 27 of the prospectus.

18. Action taken by Regulators in the past

Securities Exchange Board of India (SEBI) has, under Regulations 28 (3) of the SEBI (Bankers to the Issue) Regulations, 1994 issued a warning to the Bank to exercise more care and diligence in its dealings as Bankers to the Issue. The warning was issued for non-compliance of the regulations i.e. one of the branches of the Bank had accepted applications along with stock invest after the date of closure of the issue in the public issue of M/s. Saket Extrusion Limited in 1994, where the Bank was one of the Bankers to the issue.

19. Hardening of interest rates and the consequent impact on the bank

With the hardening of interest rates in securities market, the bank may be exposed to high level of valuation loss on its investment portfolio under Available for Sale and Held for Trading categories. Consequent to this the profitability of the bank may be affected in the future.

Management Perception

The Bank had reshuffled its investment portfolio in April 2004 in accordance with RBI Guidelines between Available for Sale (AFS) and Held to Maturity (HTM) category. With rising interest the Banking Industry as a whole is exposed to risk of high valuation loss and it is not restricted to Dena Bank. The Bank is constantly watching market trends and is expecting some correction in the market. The Board of Directors of the Bank has given authority to the Chairman and Managing Director to shift securities from AFS to HTM category at appropriate time as per RBI guidelines. The Bank will take necessary action at appropriate time.

20. Limited Review of Accounts:

The financials as appearing in the Audit Report of the auditors dated November 16, 2004 for the six months ended September 30, 2004 are not audited. These figures are based on limited review carried out by the Auditor.

Management Perception

The limited review of accounts is in confirmity with Listing agreement and detail guidelines issued by RBI for the purpose. This review covers 76.25% of the advances portfolio (excluding food credit and suit filed advances of Asset Recovery Branches) and 61.33% of the Non performing assets of the bank which is in compliance with RBI guidelines for limited review.

21. Interest of Directors

The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except a cash credit facility to Mr Vidyadhar U Pendse, Son-in law of Mr Sudhir Joshipura. The sanctioned amount is Rs. 10 lacs and the outstanding as on September 30, 2004 is Rs. 9.91 lacs.

Management Perception

The account has been classified as standard. The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004. The Outstanding represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

External Risks

1. Regulatory restrictions on the Bank and limitations of the powers of shareholders of the Bank

There are a number of restrictions as per the Bank Nationalisation Act and Banking Regulations Act, 1949(Amended), which impede flexibility of the Bank's operations and affect/restrict investors' right. These are as under:

i. The Banks can carry on business/activities as specified in the Act. There is no flexibility to pursue profitable avenues if they arise, in contrast with companies under the Companies Act, where shareholders can amend the Objects Clause by a special resolution.

ii. In terms of Section 8 of The Banking Regulation Act, 1949, the Bank is prohibited from doing trading activity, which may act as an operational constraint.

iii. In terms of Section 17(1) of The Banking Regulation Act, 1949, every banking company shall create a Reserve Fund and shall, out of the balance of profit of each year as disclosed in the Profit & Loss a/c prepared under Section 29 and before any dividend is declared, transfer to the Reserve Fund a sum equivalent to not less than twenty five percent of such profit.

iv. In terms of Section 19 of The Banking Regulation Act, 1949 there are some restrictions on the banking companies regarding opening of subsidiaries which may deny the Bank from exploiting emerging business opportunities.

v. In terms of Section 23 of The Banking Regulation Act, 1949 there are certain restrictions on the banking companies regarding opening of new place of business and transfer of existing place of business, which may hamper the operational flexibility of the Bank.

vi. In terms of Section 25 of The Banking Regulation Act, 1949 each banking company has to maintain assets in India which is not less than 75% of its demand and time liabilities in India which in turn may prohibit the Bank from creating overseas assets and exploiting overseas business opportunities.

vii. There are restrictions in the Banking Regulation Act or the Bank Nationalisation Act regarding,

a) Management of a bank including appointment of directors.

b) Borrowings and creation of floating charge thereby hampering leverage.

c) Expansion of business, as the branches needs to be licensed.

d) Disclosures in the profit & loss account and balance sheet.

e) Production of documents and availability of records for inspection by shareholders.

f) Reconstruction of banks through amalgamation.

g) Further issues of capital including issue of bonus shares/rights shares for which prior MoF approval is required.

viii. The financial disclosures in the Prospectus may not be available to the investors after listing on a continuous basis.

ix. Various rights/powers of shareholders available under the Companies Act in this behalf are not available to the shareholders of the banks. These rights include rights such as calling for general meetings, inspection of minutes and other material records, application for relief in cases of oppression and mismanagement, voluntary winding up, right to receive dividend within 30 days etc.

x. As per Section 3 (2E) of the Bank Nationalisation Act, “no shareholder other than Central Government shall be entitled to exercise voting rights in respect of any equity shares held by him/her in excess of one per cent of the total voting rights of all the shareholders of the Bank”.

xi. As per Section 15(1) of the Banking Regulation Act no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary, organisational expenses, share selling commission, brokerage, amounts of losses and any other item represented by intangible assets) have been completely written off.

The Bank has received an exemption from GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), vide gazette notification ref. F.No.11/26/2003-BOA, from the provisions of the said Section 15(1) relating to the payment of dividend, for a period of five years from the date of the notification.

2. Sensitivity to the economy and extraneous factors

The Bank’s performance is highly correlated to the performance of the economy and the financial markets. The health of the economy and the financial markets in turn depends on the domestic economic growth, state of the global economy and consumer confidence, among other factors. Any event disturbing the dynamic balance of these diverse factors would directly or indirectly affect the performance of the Bank including the quality and growth of its assets.

3. Competition from existing and new commercial banks

Competition in the financial sector has increased with the entry of new players and is likely to increase further as a result of further deregulation in the financial sector. The Bank may face competition both in raising resources and in deploying them.

Management Perception

The Bank has an established broad-based presence and has been taking steps to enhance customer satisfaction by upgrading skills, systems and technology to meet such challenges. The Bank is attempting to add quality assets on competitive terms. The Bank is also taking steps to broad base its product bouquet with a special emphasis on enhancement in the non-fund based income. On the resource-raising front, the Bank is actively endeavouring to broaden its reach and raise resources through its wide distribution network of 1,130 branches and 13 extension counters as on September 30, 2004. For more details on the business environment of the Bank, investors are advised to refer to the Para ‘Management Discussion and Analysis of Financial Performance’ on page 80 of the Prospectus.

4. Changes in Regulatory Policies

Major changes in Government/RBI policies relating to banking sector may have an impact on the operations of the Bank.

Management Perception

The policy changes may provide both opportunities and challenges for the Bank. The Bank has a long presence in the banking sector, for more than 66 years and does not perceive policy changes to be a major threat.

5. **Disintermediation in the financial markets:**

Development of capital markets may result in disintermediation by current and potential borrowers whereby many companies may access the markets directly, thereby reducing their dependence on the banking system.

Management Perception

The Bank has, in recent years, launched several retail lending schemes and value added products so as to broaden its borrower base. Further, disintermediation brings with it the opportunity for the Bank to expand its fee-based activities. The Bank has been endeavouring to develop a presence in several financial services to earn fee based income by focussing on businesses such as foreign exchange, treasury, investments, cash management, bancassurance, depository, debenture trustee etc., thus taking advantage of the disintermediation phenomenon.

6. **Forex Risk**

Exchange Rate fluctuations may have an impact on the Bank's financial performance.

Management Perception

As per RBI guidelines, banks are not allowed to keep open position on their foreign exchange transactions beyond prescribed limits on a daily basis. Foreign exchange transactions beyond such limits, if any, must be squared off at the end of each day. Hence, the risk from exchange rate fluctuations is minimised. The Board of Directors of the Bank has also prescribed limits for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange. The Bank operates within the limits fixed for gaps or mismatches in maturities of Bank's foreign currency assets and liabilities and forward transactions in foreign exchange, thus minimising the risks of mismatches in maturities and interest rates.

7. **Interest Rate Risk**

Interest rate volatility exposes the Bank to an interest rate risk or market risk. Such interest rate risk has a potential impact on net interest income or net interest margin as well as on the market value of the fixed income securities held by the Bank in its investment portfolio.

Management Perception

These risks are inherent in the banking business. However, the Bank has put in place a system of regular review of lending and deposit rates in order to minimise the interest rate risk. The Asset Liability Management Committee of the Bank reviews the risk on a regular basis. Continuous Risk Management measures are initiated depending upon the movement in the market interest rates. The movement in the interest rates is closely monitored for appropriate action. For more details on the Risk Management procedures, investors are advised to refer to para 'Risk Management' on page 62 of the Prospectus.

8. **Operational Risk**

Operational risk is a result of failure of operating system in a bank due to certain reasons like computer breakdowns, power disruptions, fraudulent activities, human error or omission or sabotage.

Management Perception

For managing operational risk, the Bank has laid down well-defined systems and procedures, which are reviewed and modified on an ongoing basis to suit the changing environment. The Bank also has in place a strong internal inspection and audit system. For managing IT related risks, the Information Systems Security Policy is in place.

9. **Financial Statements in the Prospectus**

The financial statements and derived ratios there from contained in the Prospectus are prepared/computed as per the permissible accounting practices.

While due care has been taken to reflect the true economic reality regarding the financials of the Bank as far as possible, the investors may want to make their own adjustments to the same before arriving at an investment decision in the offer.

Management Perception

The financial statements and the derived ratios have been prepared in conformity with the extant guidelines and the same have been certified by the statutory auditors of the Bank. The Bank is also governed by the prudential norms of RBI for income recognition, NPA provisioning etc.

10. **Risk Associated with holding shares in Physical Form**

In case where the securities are required to be traded compulsory in demat form, shareholders who are allotted/ who hold shares in Physical Form may not be able to trade in such security unless they get their holding dematerialised.

Dena Bank is providing an option to investors to apply for share either in Dematerialised form or in Physical form. Shareholders getting shares in physical form will be exposed to the risk as mentioned above. **Issue of shares in physical form shall be only at the option of the applicant.**

NOTES TO RISK FACTORS

1) Net worth (excluding revaluation reserves) of the Bank as on September 30, 2004 and March 31, 2004 is Rs. 561.56 crores and Rs.490.60 crores respectively.

2) The present public issue of the Bank inclusive of premium aggregates Rs. 216 crores at a price of Rs. 27 per share. The Issue price in 2.7 times the face value.

3) The Book Value of the share as per restated figures on September 30, 2004 and March 31, 2004 is Rs. 27.03 and Rs. 23.58 respectively (face value of Rs.10/-)

4) Cost per share of the Bank to the Government of India is Rs.10/-.

5) Deferred Tax Assets, an intangible asset, of Rs. 217.33 crores and Rs.210.64 crores are included in other assets in the balance sheet as on September 30, 2004 and March 31, 2004 respectively.

6) Section 3(2B)(c) of the Bank Nationalisation Act provides that the paid-up capital may, from time to time, be increased by such amounts as the Board of Directors of the Bank may, after consultation with the RBI and with the previous sanction of the Central Government, raised by Public Issue of equity shares as may be prescribed, so however, that the Central Government, at all times, holds not less than fifty-one per cent of the paid-up capital of each of the Corresponding New Bank. The Banking Companies (Acquisition & Transfer of Undertakings) and Financial Institutions' laws (Amendment Bill 2000) propose to reduce the minimum stake of the Government from 51% to 33%.

7) The shareholders of the Bank do not have a right to receive dividend within 30 days as is available to companies under the Companies Act.

8) For details of transactions between Dena Bank and the Regional Rural Banks (RRBs) sponsored by it, the investors are advised to refer Section "Regional Rural Banks" sponsored by Dena Bank to the para "Regional Rual Banks" on page 65 of the Prospectus.

9) The financial information as contained in PART II including the notes to accounts, significant accounting policies as well as auditors' qualifications has been duly certified by the statutory auditors of the Bank. As far as possible, these audited figures have been used for computation or derivation of other financial information contained in the Prospectus. However, such other financial information contained in the Prospectus except as contained in Auditors Report under PART II has been certified by the management of the Bank.

10) In terms of recommendations of RBI Working Group on 'Consolidated Accounting and Other Quantitative Methods to Facilitate Consolidated Supervision' (December 2001), all banks, whether listed or unlisted, should prepare and disclose Consolidated Financial Statement (CFS) from the financial year commencing from April 1, 2002 in addition to solo financial statements at present.

11) The Bank would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and financial institutions. The reports of RBI are strictly confidential. The Bank is in dialogue with RBI in respect of observation made by RBI in their report for previous years. RBI does not allow disclosure of its inspection report and that all the disclosures in the Offer Document are on the basis of management and audit reports of the issuer.

12) Some sections of the Prospectus such as Corporate Vision, Mission, Strategy, Loan Policy etc. may contain some qualitative forward-looking statements, which may not materialise in future. Investors are requested to exercise due discretion while pursuing such sections.

13) In the event of differences in the provisions of the Banking Companies Act (Acquisition and Transfer of Undertakings) Act 1980 and Companies Act on a given issue particularly with reference to shareholders rights, the former overrides the later.

14) In addition to the Lead Manager, the Bank is also obliged to update the Offer Document and keep the public informed of any material changes till listing and trading commences in respect of shares issued through this issue.

15) For the purposes of compliance with AS-4 regarding events occurring after Balance Sheet Date, the Bank certifies as under:

    a) There are no contingencies save and except as disclosed in the Offer Document, the outcome of which might have material impact on the financial position of the Bank.

    b) There have been no significant material events that have occurred after the Balance Sheet date till the date of this Offer Document.

16) The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except a cash credit facility to Mr Vidyadhar U Pendse, Son-in law of Mr Sudhir Joshipura. The sanctioned amount is Rs, 10 lacs and the outstanding as on September 30, 2004 is Rs. 9.91 lacs. The account has been classified as standard. The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004. The Outstanding represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on September 30, 2004.

17) RBI vide its circular no. DBOD.NO.BP.BC.80/21.02.067/2003-04 dated April 23, 2004 revised the guidelines on dividend payable by banks as under which states that only those banks which comply with the minimum prudential requirements would be eligible to declare dividends without prior approval of RBI. For details please refer to point no. 18 of the Notes to Capital Structure on page no. 13.

PART II

A. GENERAL INFORMATION

Consents

Consents in writing of the Lead Managers to the Issue, Directors, Auditors, Legal Advisor, Compliance Officer, Co- Managers to the Issue and Registrars to the Issue to act in their respective capacities have been obtained and filed, along with a copy of the Prospectus with National Stock Exchange of India Ltd. (the Designated Stock Exchange), and such consents have not been withdrawn up to the time of delivery of the Prospectus with the said Stock Exchange.

The Auditors of the Bank have given their written consent to the inclusion of their Report in the form and context in which they appear in the Prospectus. The consent of the Auditor for disclosing the tax benefits available to the Bank and its Shareholders has been obtained. Such consents and reports have not been withdrawn up to the time of delivery of the Prospectus.

Expert Opinion

Save as stated elsewhere in the Prospectus, the Bank has not obtained any other expert opinion.

Changes in Directors during the last three years:

The changes that have taken place in the Board of Directors since April 1, 2001 are as follows:

Name of Director	Date of Appointment	Date of Cessation	Reason for Change
Shri A.G. Joshi	15.05.2000	31.12.2003	Superannuation
Dr. Anil K. Khandelwal	05.02.2004	Continue	
Shri S.C. Vohra	21.12.2000	30.04.2003	Superannuation
Shri M. V. Nair	27.08.2004	Continue	
Shri Pradeep Kumar	01.05.2000	19.03.2002	Changed by the Govt
Shri S. Nayak	20.03.2002	24.09.2002	Expired
Shri A.K. Rai	12.11.2002	31.05.2004	Changed by the Govt
Shri R. Renganath	01.06.2004	Continue	
Shri Anand Sinha	15.01.2001	12.06.2001	Changed by the Govt
Smt. Grace Koshie	13.06.2001	08.01.2004	Changed by the Govt
Shri P. Vijaya Bhaskar	09.01.2004	09.09.2004	Changed by the Govt
Shri H.R. Khan	10.09.2004	Continue	
Shri B.T.R. Reddy	21.03.2003	Continue	
Shri Sudhir Joshipura	08.02.2002	Continue	
Shri Manu Chadha	19.01.2000	18.01.2003	Term Expired
	19.01.2003	Re-elected & Continue	
Shri Avinash Dalal	19.01.2000	18.01.2003	Term Expired
Shri S. Ravi	19.01.2000	24.07.2002	Resigned
Shri Subhash Chandra Wadhwa	19.01.2000	18.01.2003	Term Expired
	19.01.2003	Re-elected & Continue	
Shri Atul Galande	19.01.2003	Continue	
Shri C.M. Dixit	19.01.2003	Continue	
Shri Tulsi Agarwal	03.05.2001	02.05.2004	Term Expired
Smt. Sudesh Yadav	12.12.2001	11.12.2004	Term Expired

Changes In Auditors

Given below are the changes in the Bank's Auditors during the past three years. Since the RBI appoints Auditors each year, these changes have been effected as per RBI's approval.

Year	Appointed/ Retired	Name of the auditors	Reasons
2001-2002	Appointed	M/s. S. Prashad & Co New Delhi	As per RBI Approvals
	Retired	M/s G. Bharakatia & Co	As per RBI Approvals
2002-2003	Appointed	M/s. B. K. Khare & Co Mumbai	As per RBI Approvals
	Retired	M/s. S. Prashad & Co	As per RBI Approvals
2003-2004	Appointed	M/s. Bhudladia & Co, New Delhi M/s. Khandelwal Kakani & Co, Indore M/s. S. Jaykishan & Co, Kolkata M/s. Gandhi Minocha & Co, New Delhi	As per RBI Approvals
	Retired	M/s. Faruqui & Co, New Delhi M/s Batra Sapra & Co., New Delhi M/s. Rajendra Ravi Harish, New Delhi M/s. G.M. Kapadia & Co	As per RBI Approvals
2004-2005	Appointed	M/s Nripendra & Co, Kanpur	As per RBI Approvals
	Retired	M/s Ray & Co, Kolkata	As per RBI Approvals

Authority For The Present Issue

The issue of equity shares is being made pursuant to the sanction of Government of India (GoI) in consultation with the Reserve Bank of India (RBI) vide their letters no. F No. 011/26/2003/B.O.A. dated 19th October 2004, under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, as amended, the Resolution passed at the meeting of the Board of Directors of the Bank (the Board), held on October 23, 2003 and the Resolution passed by the shareholders on November 25, 2003. Further the Board in its meeting held on October 30, 2004 authorised CMD and ED of the Bank to proceed with the public issue to augment the Tier I capital of the Bank.

It is to be distinctly understood that the sanction/approval of the GoI and RBI should not in any way, be deemed or construed that the Prospectus has been cleared or approved by them nor do they take any responsibility either for the financial soundness of the Bank or the correctness of the statements made or opinions expressed in the Prospectus.

The Bank can undertake the activities proposed by it in view of the present approvals, and no further approvals from any Government authority are required by the Bank to undertake the proposed activities.

Disposal of Applications And Application Money

The Board of Directors reserves in its full, unqualified and absolute discretion without giving any reason, the right to accept or reject any application in whole or in part. If any application is rejected in full, the whole of the application money received will be refunded to the applicant and where an application is rejected in part, the excess application money received would be refunded to the applicants by registered post/speed post (Refund orders up to Rs.1500/- will be sent under certificate of posting) as far as possible within 30 days from the date of closing of the subscription list. Any delay in despatch beyond 30 days will entail payment of interest at 15% per annum.

The subscription received in respect of Public Issue will be kept in a separate bank account and the Bank shall not have access to such funds unless approvals for dealing from all the Stock Exchanges, where listing has been proposed and approval of the Designated Stock Exchange for allotment has been obtained.

No separate receipt will be issued for the application money. However, the nominated branches of the Bankers to the Issue or the Collection centres receiving the application form will acknowledge receipt of application by stamping and returning the acknowledgement slip given at the foot of each application form.

Procedure and Time Schedule for Allotment/Refund

In the event of oversubscription, allotment will be on a proportionate basis and made in consultation with National Stock Exchange of India Ltd. which, is the Designated Stock Exchange.

The Bank shall as far as possible complete allotment of shares offered to the public within 30 days of the closure of the Issue. If allotment is not made and/or the refund orders have not been despatched to the investors within 30 days from the date of closure of the Issue, the Bank will pay interest @ 15% per annum for any delay beyond 30 days till the date of allotment/despatch of refund orders. The Bank will despatch refund orders in excess of Rs.1500/-, by Registered Post/Speed Post at the applicant's sole risk. Refund orders up to Rs.1500/- will be sent under certificate of posting, at the sole risk of the applicant. The Bank will provide adequate funds to the Registrars to the Issue for this purpose. The Bank shall despatch the share certificates/refund orders and complete demat credit within 2 working days of finalisation of the basis of allotment. The Bank shall submit listing documents to the Stock Exchange within 7 working days of finalisation of the basis of allotment. It shall despatch the letter(s) of allotment/letter(s) of regret/share certificates or refunds by Registered Post/ Speed Post within 30 days of closure of subscription list.

In case of joint applications, refund/pay orders, if any, will be made out in the first name and all communications will be addressed to the person whose name appears first in the application form. **Shares shall be issued in physical form only at the option of the applicant.**

Over-subscription and Basis of Allotment

In the event of the present issue of equity shares being oversubscribed, the allotment will be made on a proportionate basis and the Basis of Allotment will be finalised in consultation with the National Stock Exchange of India Limited, the Designated Stock Exchange.

The drawal of lots (where required) to finalise the basis of allotment, shall be done in the presence of a Public Representative on the governing board of the Designated Stock Exchange. The Executive Director/Managing Director of the Designated Stock Exchange along with the post-issue Lead Managers and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalised in a fair and proper manner in accordance with the SEBI Guidelines.

The allotment shall be on proportionate basis under the reservation category as well as under the net public offer category, subject to minimum allotment of 200 shares to successful applicants, and the basis of allotment would be arrived at as explained below:

1. Applicants will be categorised according to the number of shares applied for.
2. The total number of shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category x number of shares applied for) multiplied by the inverse of the oversubscription ratio.
3. Number of shares to be allotted to the successful allottees will be arrived at on a proportionate basis i.e. total number of shares applied for by each applicant in that category multiplied by the inverse of the oversubscription ratio.
4. In all the applications where the proportionate allotment works out to less than 200 shares per applicant, the allotment shall be made as follows:
   a. Each successful applicant shall be allotted a minimum of 200 shares.
   b. The successful applicant out of the total applicants for that category shall be determined by draw of lots in such a manner that the total number of shares allotted in that category is equal to the number of shares worked out as per 2 above.
5. If the proportionate allotment to an applicant works out to a number that is more than 200, allotment to such applicant shall be rounded off to the nearest integer subject to minimum allotment of 200 shares.
6. If the shares allotted on a proportionate basis to any category are more than the total shares allotted to the applicants in that category, the balance available shares for allotment shall be first adjusted against any other category where the allocated shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for minimum number of shares.
7. A minimum 50% of the net offer of equity shares to the public will be made available for allotment in favour of those individual applicants who have applied for not more than Rs. 50,000 worth of shares. This percentage may be increased in consultation with NSE depending on the extent of response to the Issue from investors in this category. The balance of the net offer of equity shares to the public shall be made available for allotment to investors, including Bodies Corporate, Institutions and individual applicants who apply for more than Rs. 50,000 worth of shares. The unsubscribed portion of the net offer to any one of the above two categories shall be made available to the applicants in the other category, if so required and allotment made on a proportionate basis as per the relevant SEBI guidelines. The market lot for categorisation of applications for allotment purposes would be 200 shares.

   Explanation

   The term "a minimum 50% of the net offer of equity shares to the public" used in subclause (7) above means that if the category of retail individual investors was to be entitled to get 70% of the public offer in accordance with proportionate allotment formula, the category should get 70%. If the category is entitled to get only 30% of the public offer in accordance with the proportionate allotment formula, there should be a reservation of a minimum of 50% of the net public offer.

National Stock Exchange of India Ltd. reserves the right to modify the above stated basis of allotment within the overall conformity to the extant regulations in this regard.

Interest on excess Application money

Payment of interest at the rate of 15% per annum on excess application will be made to the applicants for the delayed period, if any, where allotment of equity shares and / or issuance of Refund Orders takes place beyond 30 days from the date of closure of the Issue

Share Certificates

In case of investors applying in physical, a consolidated share certificate shall be issued subject to a minimum of 200 shares. Shares shall be despatched through Registered Post/ Speed Post within 30 days from the closure of the issue. Investors who opt for shares in electronic mode will be intimated regarding allotment of shares and their respective accounts with their Depository Participants (DPs) will be credited. For investors opting for allotment in physical form, a consolidated certificate shall be issued. The market lot for trading shall be one share of face value of Rs. 10 each.

ISSUE MANAGEMENT TEAM

LEAD MANAGERS TO THE ISSUE

SBI Capital Markets Limited (SBICAP)
202, Maker Tower 'E'
Cuffe Parade, Mumbai – 400 005
Tel: (022) 2218 9166, Fax: (022) 2218 8332
Email: denabank.issue@sbicaps.com

ICICI Securities Limited (I-Sec)
ICICI Centre, H. T. Parekh Marg,
Churchgate, Mumbai 400 020
Tel: (022) 2288 2460, Fax: (022) 2282 6580
Email:denabankissue@isecltd.com

J M Morgan Stanley Private Limited (JMMS)
141, Maker Chamber III,
Nariman point, Mumbai – 400 021
Tel: (022) 55040404, Fax: 22028224
Email: denabankissue@jmmorganstanley.com

A.K.Capital Services Limited (AKCAP)
135/136, Free Press House,
Free Press Journal Marg,
Nariman Point, Mumbai 400 021
Tel : (022) 5634 9300, Fax: (022) 5636 0977
Email:akmumbai@akgrouponline.com

Kotak Mahindra Capital Company Limited (KMCC)
Bakhtawar, 3rd Floor,
229, Nariman Point,
Mumbai 400 021
Tel : (022)5634 1100, Fax: (022) 2284 0492
Email: denabank.issue@kotak.com

Enam Financial Services Limited (ENAM)
801, Dalamal Towers,
Nariman Point,
Mumbai 400 021
Tel : (022)5638 1800, Fax: (022) 2284 6824
Email: denafpo@enam.com

CO-MANAGERS TO THE ISSUE

Chartered Capital & Investment Limited
711, Mahakant, Opp. V. S. Hospital,
Ellis Bridge,
Ahmedabad – 380006

Karvy Investor Services Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500034

Allianz Securities Limited
33, 6th Floor, Vaswani Mansion,
Dinsha Vachha Road,
Churchgate,
Mumbai 400020

Centrum Finance Limited
Khetan Bhavan, 5th Floor,
198, J. Tata Road, Churchgate,
Mumbai 400 020

BOB Capital Markets Limited
Ground Floor, Noble Chambers (Vasta House),
20-C/D, S. A. Brevli Road, Fort,
Mumbai 400001

REGISTRARS TO THE ISSUE

Sharepro Services (India) Pvt. Ltd.

Satam Estate, 3rd Floor,
Above Bank of Baroda,
Cardinal Gracious Road,
Chakala,Andheri (E), Mumbai 400 099
Contact Person: Shri Varghese P.A.
Tel: (022) 2821 5168, Fax: (022) 2839 2259
Email: sharepro@vsnl.com

BANKERS TO THE ISSUE

DENA BANK

Dena Corporate Centre, C – 10,
'G' Block, Bandra-Kurla Complex,
Bandra (E),
Mumbai – 400 051
Tel: (022) 2654 5607/5606/ 5317,
Fax: (022) 26545605/ 5106

LEGAL ADVISOR TO THE ISSUE

Wadia Ghandy & Co.
Advocates & Solicitors,
N M Wadia Buildings,
123 M G Road, Fort,
Mumbai 400 001.
Tel: (022) 2267 0669, Fax: (022) 22676784
Email: ferzana.behramkamdin@wadiaghandy.com

AUDITORS TO THE ISSUE

M/s B.K.Khare & Co.
Chartered Accountants
706-707 Sharda Chambers
New Marine Lines
Mumbai – 400 020

M/s Bhudladia & Co.
Chartered Accountants
12/10, East Patel Nagar
New Delhi – 110 008

M/s Gandhi Minocha & Co.
Chartered Accountants
82, Shakti Apartments, SFS Flats,
Phase III, Ashok Vihar,
Delhi – 110 052

M/s Khandelwal Kakani & Co.
Chartered Accountants
55 Basant Mansion, 2nd Floor,
165, RN Marg,
Indore – 452 001

M/s S. Jaykishan
Chartered Accountants
12 HO CHI MINH
Sarani Unit 2D & E,
Kolkatta – 700 071

M/s Nripendra & Co
58/37, First Floor,
Birhana Road,
Kanpur 208001

COMPLIANCE OFFICER

Shri M. G. Sanghvi, General Manager (IFM & Accounts), has been designated as the Compliance Officer for this issue. In case of any pre issue, post issue related problems such as non-receipt of letters of allotments/ share certificates/ demat credits/ refund orders etc., the investors are requested to contact the Compliance Officer at:

Shri M. G. Sanghvi
General Manager (IFM & Accounts)
Dena Corporate Centre,
C – 10, ‘G’ Block, Bandra-Kurla Complex,
Bandra (E), Mumbai – 400 051
Tel: (022) 26545607/06, Fax : (022) 2654 5605
Email: mgsanghvi@denabank.co.in

BROKERS TO THE ISSUE

All Brokers who are members of recognised Stock Exchanges can act as Brokers to the Issue.

B. FINANCIAL INFORMATION

M/s B.K.Khare & Co.
Chartered Accountants
706-707 Sharda Chambers
New Marine Lines
Mumbai -400020.

M/s Gandhi Minocha & Co.
Chartered Accountants
82, Shakti Apartments,
SFS Flats, Phase III,
Ashok Vihar, Delhi - 52

M/s. Khandelwal Kakani & Co.
Chartered Accountants,
55 Basant Mansion,
2nd Floor, 165, RNT Marg.
Indore - 452 001

M/s. S. Jaykishan
Chartered Accountants,
12 Ho Chi Minh Sarani
Unit 2D & E,
Kolkatta -700 071

M/s. Bhudladia & CO.
Chartered Accountants,
12/10, East Patel Nagar
New Delhi 110 008

M/s Nripendra & Co.
Chartered Accountants,
58/37, First Floor,
Birhana Road,
Kanpur - 208 001

AUDITORS' REPORT

The Board of Directors,
Dena Bank
C-10, G Block,
Bandra-Kurla Complex,
Mumbai 400 051

Dear Sirs,

We were engaged to report on the annexed restated statements of Assets and Liabilities of the Bank for the five consecutive financial years ended on 31st March 2004 and half year ended 30th September, 2004 and the annexed restated statement of profit & Loss accounts for each of the years / period ended on those dates (the summary statements). The financial information, upto 31st March, 2004 is based on the accounts audited by groups of Auditors of the Bank of those respective years appointed by the Reserve Bank of India. The financial information for half year ended 30th September, 2004 has been compiled from the financial statements subjected to limited review for the quarters ended 30th June, 2004 and 30th September, 2004

These summary statements have been prepared by the Bank in accordance with the guidelines issued by Reserve Bank of India from time to time and subject to limitations of disclosures required under the Banking Companies (Acquisition and Transfer of undertakings) Act, 1970, we state as follows ;

i. The preparation and presentation of these financial information is the responsibility of the Bank's management. These financial information have been prepared for the purpose of incorporation in the Offer document proposed to be issued by the Bank in connection with the ensuing Public offer of equity shares.

ii. We have performed such tests and procedures, which, in our opinion, were necessary for the examination. These procedures, which include comparison of the attached financial information with the Bank's audited financial statements.

   Our audit of the financial statements for the periods referred to above of this report comprises audit tests and procedures deemed necessary for the purpose of expressing opinion on such financial statements taken as a whole. For none of the aforesaid years did we perform audit tests for the purpose of expressing opinion on individual balances of accounts or summaries of selected transactions such as those enumerated above and accordingly we express no opinion thereon.

iii. We have also examined / conducted Limited Review of the Financial results for the quarters ended 30th June, 2004 and 30th September, 2004 in terms of RBI / SEBI / Stock Exchanges guidelines. However, the statement of Assets and Liabilities for these quarters have not been audited by us.

iv. In accordance with the requirements of clause B of Part II to Schedule II of the Companies Act, 1956 and SEBI (Disclosure and Investors Protection) Guidelines, 2000, we report as under:

   a. The statement of Profit & Loss account of the Bank for the five consecutive financial years ended on 31st March, 2004 and half year ended 30.9.2004 (reviewed) is as set out in Part I.

b. The statement of Assets & Liabilities of the Bank for the five consecutive financial years ended on 31.3.2004 and the half year ended 30.9.2004 (unaudited) are as set out in Part II.

c. The aforesaid Statement of Profit & Loss account and Statement of Assets & Liabilities read together with Significant Accounting Policies and Significant changes in the accounting policies as set out in Part III, Material notes on accounts and Notes on adjustments as set out in Part IV and subject to changes in Accounting Policies for which no adjustment could be carried out as set out in Part V (a) and Notes on account to which attention is invited without qualification by Auditors as set out in Part V(b), have been drawn up after giving effect to necessary adjustment [other than those set out in Part V(A)] and regrouping as and where, in our opinion, considered appropriate.

d. We further report that in respect of the five consecutive financial years ended 31st March 2004, the amount of dividend paid / declared to shareholders is given in part VI.

e. We have also examined the accompanying statement of key accounting ratios set out in the Part VII and the Statements of Net Worth, Contingent Liabilities, Unsecured loans, Investments, Capitalization and Tax Shelter as set out in Part VIII and subject to consequential effect for non adjustment of qualifications as detailed in Part V, read with the note appended thereto in our opinion they have been correctly computed.

Based on the above, we report further that “Financial information as per the audited financial statements” and “other financial statements” mentioned above, have been prepared in accordance with the RBI / SEBI / Stock Exchanges Guidelines, to the extent they are not inconsistent with the Banking Regulation Act.

This report is intended solely for your information and for inclusion in the Offer document in connection with the ensuing issue of equity share of the Bank and is not to be used, referred to or distributed for any other purpose without prior written consent.

For and on behalf of

For M/s B.K. Khare & Co.
Chartered Accountants

(Santosh Parab)
Membership No. 47942
Partner

For M/s Gandhi Minocha &Co.
Chartered Accountants

(Ajay Katyal)
Membership No 87915
Partner

For M/s Khandelwal Kakani & Co.
Chartered Accountants

(Niranjan Purandare)
Membership No. 72684
Partner

For M/s Bhudladia & CO.
Chartered Accountants

(C.V.Sajan)
Membership No.92146
Partner

For M/s S. Jaykishan
Chartered Accountants

(S. Chatterjee)
Membership No. 17361
Partner

For M/s Nripendra & Co.
Chartered Accountants

(Pradeep K. Gupta)
Membership No. 70855
Partner

Dated : 16.11.2004
Place : Mumbai

PART I : STATEMENT OF PROFIT & LOSS (RESTATED AS PER SEBI GUIDELINES)

(Amount in crores)

	Particulars	For the financial year ended					For the half year ended
		31.03.2000	31.03.01	31.03.02	31.03.03	31.03.04	30.09.04
		Audited	Audited	Audited	Audited	Audited	Reviewed
	INCOME						
1	Interest Earned	**1583.23**	**1716.37**	**1708.41**	**1772.30**	**1735.48**	**878.61**
	Interest & discount on advances	832.38	838.96	809.66	872.40	817.14	429.76
	Income On Investments	711.21	816.33	824.54	836.35	867.95	412.39
	Interest on Balances with RBI and Other Inter Bank lending	31.79	39.15	59.46	45.08	44.59	36.30
	Interest on Income Tax	0.00	10.65	0.00	9.96	5.52	0.00
	Others	7.85	11.28	14.74	8.51	0.28	0.16
2	Other Income	**226.79**	**199.08**	**350.84**	**424.10**	**617.32**	**186.20**
	Commission Exchange & Brokerage	85.91	83.96	78.00	77.26	82.18	41.59
	Profit on sale of Investment	73.72	37.11	201.34	240.07	441.31	104.36
	Profit on sale of land, building and Other Assets (Net)	-0.13	-0.10	-0.04	0.18	-0.23	0.05
	Profit on Exchange Transactions (Net)	19.92	15.66	16.46	18.83	24.19	10.78
	Income Earned by way of dividend etc. from subsidiary/Companies / Joint ventures in India	4.15	3.37	4.03	14.60	9.26	1.75
	Miscellaneous Income	43.22	59.08	51.05	73.17	60.61	27.67
	Total Income	**1810.02**	**1915.45**	**2059.24**	**2196.41**	**2352.80**	**1064.81**
	EXPENSES						
3	Interest Expended	**1169.19**	**1267.46**	**1265.56**	**1204.19**	**1143.21**	**550.63**
	On Deposits	1042.90	1139.24	1166.14	1124.52	1071.08	506.09
	On RBI / Inter Bank- borrowings	28.72	27.97	20.72	3.37	3.35	4.58
	On Others	97.57	100.25	78.70	76.30	68.78	39.96
4	Operating expenses	**408.62**	**576.90**	**458.06**	**511.54**	**497.79**	**257.86**
	Payments to & Provisions for employees	293.04	362.94	229.66	247.20	265.78	135.28
	Amortisation of VRS Expenditure	0.00	71.56	92.91	118.82	73.00	36.50
	Rent Taxes & Lighting	28.79	33.23	33.86	36.14	37.19	20.65
	Printing & Stationery	6.04	6.89	6.53	5.01	8.07	3.68
	Advertisement & Publicity	2.93	2.07	2.47	3.76	5.81	3.28
	Directors' Fees Allowances & Expenses	0.25	0.28	0.43	0.67	0.79	0.25
	Auditors' Fees & Expenses (including branch Auditors)	2.17	4.04	3.51	3.84	4.90	2.72
	Law Charges	1.23	0.91	0.92	0.89	2.34	1.69
	Postage's , Telegrams & Telephones	5.97	7.93	7.13	6.68	8.76	5.30
	Repairs & Maintenance	8.64	10.08	10.98	12.60	13.48	7.88
	Insurance	9.35	13.02	11.04	11.98	13.03	9.49
	other Expenditure	32.66	42.51	34.76	35.90	37.12	18.87
	Depreciation on Bank's Property	17.55	21.44	23.85	28.05	27.52	12.27
	Total Expenses	**1577.81**	**1844.34**	**1723.62**	**1715.73**	**1641.00**	**808.49**

(Amount in crores)

	Particulars	For the financial year ended					For the half year ended 30.09.04
		31.03.2000	31.03.01	31.03.02	31.03.03	31.03.04	
		Audited	**Audited**	**Audited**	**Audited**	**Audited**	**Reviewed**
	Gross Profit before Tax and extraordinary items	232.21	71.09	335.65	480.68	711.80	256.32
	Less						
	Extraordinary Items	–	–	–	–	–	–
	Gross Profit before provision for tax	232.21	71.09	335.65	480.68	711.80	256.32
	Less						
	Provisions & Contingencies	167.07	334.23	324.03	379.63	480.09	179.57
A.	**Net Profit / (Loss)**	**65.14**	**-263.15**	**11.61**	**101.05**	**231.71**	**76.75**
	Prior period Adjustment	-2.27	-2.98	-0.25	13.14	-1.21	0.52
	Net Profit/(Loss) after Tax as per audited Statements	62.87	-266.13	11.36	114.19	230.50	77.27
	Adjustments on account of change in Accounting Policy (Refer Part IVB)	-3.69	-0.85	1.15	0.06	0.00	0.00
B.	Total Adjustments	-3.69	-0.85	1.15	0.06	0.00	0.00
	Adjusted Profit & Loss (A+B)	**59.18**	**-266.98**	**12.51**	**114.25**	**230.50**	**77.27**
	Balance of Profit / (Loss) brought forward	-2.42	6.27	-244.22	-413.07	-358.09	-223.04
	Tax provisions for prior period	49.52	0.00	-170.00	-23.74	-26.30	0.00
	(Loss) / Profit available for appropriation	**106.28**	**-260.71**	**-401.71**	**-322.56**	**-153.89**	**-145.77**
	APPROPRIATIONS						
	Transferred to Statutory Reserves	18.86		3.41	34.26	69.15	0.00
	Transferred to Capital /revenue reserves	49.52		7.95	1.28	0.00	0.00
	Transferred to / from Investment Fluctuation Reserves	16.49	-16.49	0.00	0.00	0.00	0.00
	Less : Accumulated Loss Adjusted against Revenue Reserve	0.00	0.00	0.00	0.00	0.00	217.29
	Dividend	15.14	0.00	0.00	0.00	0.00	0.00
	Balance Carried to Balance Sheet	**6.27**	**-244.22**	**-413.07**	**-358.09**	**-223.04**	**71.52**

In the absence of relevant details of prior period adjustments, the same could not be allocated to respective years.

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DENA BANK

BREAK-UP OF PROVISIONS AND CONTINGENCIES

(Amount in crores)

	Particulars	For the financial year ended 31.03.2000	For the financial year ended 31.03.01	For the financial year ended 31.03.02	For the financial year ended 31.03.03	For the financial year ended 31.03.04	For the half year ended 30.09.04
1	Bad & Doubtful Debts *	161.96	281.54	315.89	269.68	306.16	139.38
2	Depreciation on investment / (Written Back)	-38.30	40.92	5.01	8.55	0.00	0.45
3	Gratuity						
4	Legal Expenses						
5	Stationery Wastage						
6	Fraud & Forgery	-0.13		1.45	-1.08	0.33	0.01
7	Wealth Tax					0.04	
8	Intangibles Assets						
9	Other Assets & Inter Branch	3.30	3.05	1.27	-1.77	-0.42	0.00
10	Pension						
11	Interest Tax						
12	Income Tax	24.80	0.00	19.20	50.09	121.20	14.50
13	Revenue Suspense/ wage revision						25.90
14	Standard Advances *	15.44	8.72	3.55	11.08	34.68	3.35
15	Sacrifice on restructured accounts			7.44	2.83	3.78	
16	Deferred Tax Asset			-42.29	24.79	6.33	-6.69
17	Amortisation of Premium paid on Investment			12.51	15.46	7.99	2.67
	Total	167.07	334.23	324.03	379.63	480.09	179.57

* includes additional floating provision of Rs. 50 crores for NPA and Rs. 25 crores for standard assets in the year ended 31.03.2004

PART II :STATEMENT OF ASSETS AND LIABILITIES (RESTATED AS PER SEBI GUIDELINES)

(Amount in crores)

		As at 31.03.2000 Audited	As at 31.03.2001 Audited	As at 31.03.2002 Audited	As at 31.03.2003 Audited	As at 31.03.2004 Audited	As at 30.09.2004 (unaudited)
A.	**ASSETS**						
	1. Cash on Hand	110.61	102.02	115.96	134.26	151.31	139.44
	2. Balance with RBI	1140.41	1095.48	907.81	980.57	1082.16	1818.11
	3. Balance with Banks						
	In India	175.16	202.88	155.56	225.52	159.58	131.92
	Outside India	142.73	487.01	353.57	111.54	58.13	125.08
	4. Money at Call & Short Notice	0.00	343.00	0.00	0.00		0.00
	5. Investments in India	6915.30	6816.04	7648.06	8500.38	9736.42	9889.70
	Investments outside India	0.00	0.00	0.00	0.00	0.00	0.00
	Total Investments	6915.30	6816.04	7648.06	8500.38	9736.42	9889.70
	6. Advances in India	7117.88	7001.90	7522.96	8435.60	9411.79	9714.25
	Advances outside India	0.00	0.00	0.00	0.00	0.00	0.00
	Total Advances	7117.88	7001.90	7522.96	8435.60	9411.79	9714.25
	7. Fixed Assets (Net of Revaluation Reserve)	148.52	156.49	161.33	155.68	166.38	173.28
	8. Other Assets	913.89	1296.07	1415.37	1125.62	1049.08	1060.33
	A. Total (A)	**16664.50**	**17500.89**	**18280.62**	**19669.17**	**21814.85**	**23052.11**
B.	**LIABILITIES**						
	1. Demand Deposits						
	From Banks	66.60	122.77	93.39	43.94	57.22	49.95
	From Others	1532.73	1510.73	1588.29	1655.41	1883.66	1920.51
	2. Savings Deposits	3349.77	3950.60	4361.80	4854.15	5680.48	6262.00
	3. Term Deposits						
	From Banks	618.88	624.09	669.19	502.83	591.93	546.06
	From Others	7718.63	8364.80	8642.01	9434.93	10135.89	10743.99
	Total Deposits (1+2+3)	**13286.61**	**14572.99**	**15354.68**	**16491.26**	**18349.18**	**19522.51**
	4. a.Borrowings In India	754.69	377.49	266.25	132.12	92.55	22.93
	4. b.Borrowings Outside India	0.00	0.00	0.00	96.09	215.82	335.63
	Total Borrowings	**754.69**	**377.49**	**266.25**	**228.21**	**308.37**	**358.56**
	5. Other Liabilities & Provisions	1502.38	1730.16	1797.46	1896.96	1905.19	1886.66
	6. Subordinated Debts	480.71	447.11	447.11	547.11	542.28	497.28
	B. Total (B)	**16024.39**	**17127.75**	**17865.50**	**19163.54**	**21105.02**	**22265.01**
C.	**Net Assets (C= A - B)**	**640.11**	**373.14**	**415.12**	**505.63**	**709.83**	**787.10**
	Represented By						
D.	Share Capital	206.82	206.82	206.82	206.82	206.82	206.82
E.	Reserves & Surplus						
	1. Statutory Reserve	148.62	148.62	152.03	186.29	255.44	255.44
	2. Capital Reserve	0.00	0.00	7.95	9.23	9.23	9.23
	3. Investment Fluctn. Reserve	16.49	0.00	0.00	0.00	0.00	0.00
	4. Revenue & Other Reserve	261.91	261.92	461.39	461.38	461.38	244.09
	5. Balance Of P & L Account	6.27	-244.22	-413.07	-358.09	-223.04	71.52
	Total (E)	**433.29**	**166.32**	**208.30**	**298.81**	**503.01**	**580.28**
F.	**Total (D+E)**	**640.11**	**373.14**	**415.12**	**505.63**	**709.83**	**787.10**

G.	CONTINGENT LIABILITIES	As at 31.03.2000 Audited	As at 31.03.2001 Audited	As at 31.03.2002 Audited	As at 31.03.2003 Audited	As at 31.03.2004 Audited	As at 30.09.2004 (unaudited)
	Claims against the Bank not acknowledged as debts	25.25	52.24	67.67	75.84	146.23	118.79
	Disputed Income Tax demand under appeal/references etc.	29.16	48.37	0.00	50.93	10.89	10.89
	Liability for partly paid investment	0.00	0.00	0.00	0.00	0.00	0.00
	Liability on account of Outstanding forward exchange contract	1368.91	3014.05	573.20	1180.21	3547.75	2845.62
	Guarantees given on behalf of constituents (Net Of Margin)	618.57	782.63	1052.37	1035.12	1188.31	1307.00
	Acceptances,endorsements & other obligations(Net Of Margin)	798.05	512.00	506.95	662.00	875.25	1062.52
	Other items for which the Bank is Contingently liable	146.41	523.57	59.11	146.94	71.13	12.48
	Total (G)	**2986.35**	**4932.86**	**2259.30**	**3151.04**	**5839.56**	**5357.30**
	Bills For Collection	696.42	643.92	965.48	1357.36	2108.83	1000.60

IMPACT ON ACCOUNT OF RESTATEMENT OF FINANCIAL STATEMENTS AS PER SEBI GUIDELINES

(Amount in crores)

Particulars / Year	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Half year ended 30.09.04
PROFIT & LOSS ACCOUNT						
Net Profit/Loss(-) as shown in statement of Profit & Loss Account	62.87	-266.13	11.36	114.19	230.50	77.27
Depreciation on computers from 25% (WDV) to 33.33% (SLM)	-3.69	-0.85	1.15	0.06	0.00	0.00
Adjusted Net profit/loss(-) after impact of change in accounting policies	59.18	-266.98	12.51	114.25	230.50	77.27
ASSETS						
Fixed Assets as shown in Audited Financial Accounts	154.63	163.45	167.14	161.43	172.13	179.03
Depreciation on computers from 25% (WDV) to 33.33% (SLM)	-6.11	-6.96	-5.81	-5.75	-5.75	-5.75
Adjusted Fixed Assets after impact of change in accounting policies	148.52	156.49	161.33	155.68	166.38	173.28
Total of Assets as shown in statement of Assets & Liabilities	16670.61	17507.85	18286.43	19674.92	21820.60	23057.86
Depreciation on computers from 25% (WDV) to 33.33% (SLM)	-6.11	-6.96	-5.81	-5.75	-5.75	-5.75
Adjusted Total of Assets after impact of change in accounting policies	16664.50	17500.89	18280.62	19669.17	21814.85	23052.11
LIABILITIES						
Balance in Profit/Loss A/c as shown in statement of Assets & Liabilities	12.38	-237.26	-407.26	-352.34	-217.29	77.27
Depreciation on computers from 25% (WDV) to 33.33% (SLM)	-6.11	-6.96	-5.81	-5.75	-5.75	-5.75
Adjusted Net profit/loss (-) after impact of change in accounting policies	6.27	-244.22	-413.07	-358.09	-223.04	71.52
Total of Liabilities as shown in statement of Assets & Liabilities	16024.39	17127.75	17865.50	19163.54	21105.03	22270.76
Depreciation on computers from 25% (WDV) to 33.33% (SLM)	-6.11	-6.96	-5.81	-5.75	-5.75	-5.75
Adjusted Total of Liabilities after impact of change in accounting policies	16018.28	17120.79	17859.69	19157.79	21099.28	22265.01

PART III

A. SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING

The accounts are prepared by following the going concern concept on historical cost basis and are in conformity with the statutory provisions and generally accepted accounting principles, except wherever otherwise stated.

2 **INVESTMENTS**

i) **CLASSIFICATION:**

As per Reserve Bank of India guidelines, Investments are classified in three categories viz.;

- Held to Maturity
- Available for Sale
- Held for Trading and

are disclosed in the accounts in six classifications, net of depreciation provision.

ii) **VALUATION**:

Investments are valued as per Reserve Bank of India guidelines as follows:

(a) Basis:

'Held to Maturity'

Wherever the average book value is higher than the face value / redemption value, such excess amount is amortised equally over the remaining period of maturity of the security. Accordingly investments are valued at cost less amortisation.

'Available for Sale'

These Investments are marked to market. Depreciation / appreciation for each of six classifications is aggregated; net depreciation, if any, for each classification is provided for, but net appreciation is ignored.

'Held for Trading'

Each scrip in this category is marked to market. Net depreciation / appreciation under each scrip is recognized. At the year-end, unrealized gain, if any, is reversed.

(b) Methodology:

The Bank follows Average Cost Method consistently. Market value of quoted securities in case of Investments included in the 'Available for Sale' and 'Held for Trading' categories is taken based on market quotations of recognized stock exchange/s or price list of Reserve Bank of India. Where market quotes are not available and in case of unquoted securities, value is determined based on:

o Prices / Yield to Maturity declared by Primary Dealers Association Of India jointly with Fixed Income Money Market and Derivatives Association of India.

o Treasury Bills, Commercial Papers and Investments including Deposits in Regional Rural Banks at cost.

(iii) **INCOME RECOGNITION:**

(a) In case of Investments where principal amount and / or interest is overdue for more than 90 days, unrealized income is not recognized and appropriate provision for diminution in value is made as per NPI norms for investments. Such diminution in value is not netted out against appreciation in other investments.

(b) Commission, brokerage, broken period interest etc. on investment transactions are debited / credited to Profit and Loss Account in the year of transaction.

(c) Profit on sale of investments pertaining to investments under "Held to Maturity" category is taken to Profit and Loss Account and thereafter appropriated to "Capital Reserve Account".

(iv) As per Reserve Bank of India guidelines, Investment Fluctuation Reserve equivalent to 5 percent of investments held under categories "Held for Trading" and "Available for Sale" is to be created over a period of five years, out of profits available after appropriation of Statutory Reserve as per Banking Regulation Act 1949.

3 **ADVANCES**

(i) The Bank has followed prudential norms formulated by Reserve Bank of India as to Asset Classification, Income Recognition and Provisioning of advances and has accordingly classified its advances into Standard, Sub-standard, Doubtful and Loss Assets.

(ii) Advances are shown net of Provisions for Non Performing Assets.

(iii) Prudential provision on Standard Assets and provision on account of 'Sacrifice on Restructured Accounts' are included in 'Other Liabilities and Provisions –Others'.

(iv) Recoveries in Non Performing Advances are first appropriated against principal outstanding & if any surplus if any is available, it is recognized as interest income.

4 **FIXED ASSETS & DEPRECIATION**

(i) Premises (except certain premises which have been stated at revalued amount) and other fixed assets are stated at historical cost.

(ii) Premises include cost of land in respect of certain properties where the same could not be segregated.

(iii) Depreciation is charged on Written Down Value (W.D.V.) method at the rates prescribed under the Income Tax Rules, 1962 except

(a) Computer hardware purchased before 01.04.2000 are depreciated @ 25% p.a. on W.D.V. method and purchased on or after 01.04.2000 are depreciated @ 33.33% on Straight Line Method.

(b) Residential premises admeasuring less than or equal to 80 sq.mts. are depreciated @ 5% p.a. on W.D.V method.

(iv) Depreciation attributable to the increase on revaluation is charged to the Revaluation Reserve Account.

(v) Fixed Assets include Capital Work-in-Progress and Capital Advances.

5 **INTANGIBLE ASSETS**

Computer software expenses are considered as intangible assets & are amortized over the period of five years, which has been considered as the useful economic life of such assets.

6 **NON BANKING ASSETS**

Non Banking Assets are stated at cost.

7 **REVENUE RECOGNITION**

(i) The Bank follows mercantile system of accounting except in cases where income/expenses are recognized on cash basis i.e. interest/discount on non-performing advances/investments, commission on letters of credit, locker rents, interest on refund of taxes, dividend receipts, rental income, income on units of mutual funds and interest on overdue term deposits.

(ii) Expenses incurred on the issue of bonds prior to 1.4.2003, are amortized over a period of five years starting from the year of issue. Expenses incurred thereafter are recognized in the year of incurrence.

(iii) Expenses incurred on the public issue of equity shares prior to 1.4.2003, are amortized over a period of ten years starting from the year of issue. Expenses incurred thereafter are recognized in the year of incurrence.

(iv) Unclaimed credit balances lying in Suspense Receipts for more than five years are being accounted for as 'Miscellaneous Income'.

(v) Recoveries in written off advances are being accounted for as 'Miscellaneous Income'.

(vi) In case of suit filed accounts, legal expenses are charged to Profit & Loss Account.

8 **TREATMENT OF VRS EXPENDITURE**

Expenditure on VRS incurred prior to 1.4.2003 has been amortised over a period of five years as per the guidelines issued by Reserve Bank of India. Expenses incurred thereafter are recognized in the year of incurrence.

9 **FOREIGN EXCHANGE**

(i) The Bank revalues all foreign currency assets and liabilities including outstanding forward foreign exchange contracts except guarantee, letter of credit, acceptances, endorsements & other obligations in foreign currency at the year end free market rates issued by FEDAI and the resultant losses as well as profits arising out of such revaluation are accounted for in the Profit & Loss Account.

(ii) Income and Expenditure items are recognized at the exchange rates prevailing on the date of transaction.

10 **STAFF BENEFITS**

Provisions for Gratuity, Pension and Leave Encashment payable on retirement are made on accrual basis as per actuarial valuation.

11 **TAXES ON INCOME**

(i) Current tax is measured at the amount expected to be paid to the taxation authorities, using applicable tax rates, tax laws and judicial pronouncements / legal opinions.

(ii) Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognized keeping in view the consideration of prudence in respect of deferred tax assets.

12 **NET PROFIT**

The Net Profit is arrived at after:

(i) Provisions for income tax in accordance with the statutory requirements with adjustments for deferred tax in terms of Accounting Standards 22 issued by the Institute of Chartered Accountants of India,

(ii) Provision for wealth tax,

(iii) Provisions for advances,

(iv) Adjustments to the value of investments,

(v) Transfers to contingency funds,

(vi) Other usual and necessary provisions.

B. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

1. During the five consecutive financial years ended 31st March 2004, various guidelines were issued by the Reserve Bank of India on Income Recognition, Assets Classification, Provisioning in respect of Standard Assets / Non-Performing Advances, Other Assets, Classification of Investments, Valuation thereof, Treatment of Depreciation on Investments / Fixed / Leased Assets and amortisation of Voluntary Retirement Scheme expenditure, etc. Necessary amendments in the accounting policies have been carried out by the Bank in the relevant years, to be in conformity with the Reserve Bank of India guidelines.

2. Prior to 16th January 2004, recoveries in non Performing advances were generally appropriated first towards , interest and balance was adjusted towards the principal amount . With effect from 16th January 2004, in terms of modified Loan Recovery Policy, the entire amount of recovery is being appropriated first towards principal outstanding and , if any surplus is available , it is recognized as interest income. Consequential impact of this change in the accounting policy on assets and liabilities and profit of the bank is not ascertainable .

3. In the financial year 2002-03, the method followed for accounting of liability in respect of leave encashment payable on retirement was changed from 'pay as you go' method to actuarial basis. The liability ascertained based on actuarial valuation upto 31st March 2003 amounting to Rs. 13.33 crores (including Rs. 12.66 crores pertaining to prior years) has been charged to 'Profit and Loss Account'. As a result of the change in the method, the Net Profit for the said year ended 31.3.2003 was less by Rs. 13.33 crores with consequent impact on Other liabilities.

4. During the year 2001-2002, the Bank accounted for Income Tax on the basis of income tax liability with adjustment for deferred tax assets and liabilities as per AS 22 issued by the Institute of Chartered Accountants of India. As a result, the Provisions and Contingencies were lower by Rs. 42.29 crores, other Assets were higher by Rs. 241.77 crores and Revenue and Other Reserves were higher by Rs. 199.48 crores. The impact of the change in the policy for the earlier years i.e. for financial year 1999-00 to financial year 2000-2001 is not arrived at, as the AS22 was not applicable for those years.

5. During the financial year 2000-2001, there was a change in the method of accounting with regard to unclaimed credits, under Suspense Receipt. The Bank has decided to account for the unclaimed credit balances outstanding for more than five years as Miscellaneous Income'.

PART IV

A. MATERIAL NOTES ON ACCOUNTS

1 (a) Outstanding entries in Inter-branch accounts have been identified upto 31st December, 2003 and the process of consequential adjustments is in progress.

(b) Balancing of subsidiary ledgers/registers and reconciliation with general ledgers are is in progress at some branches. Outstanding entries in some heads of accounts including demand drafts payable, drafts paid ex-advice, suspense accounts, dividend/ interest warrants paid, clearing adjustments and reconciliation between service branches and participating branches in clearing are in the process of reconciliation/adjustments.

(c) In certain cases of Balance with Reserve Bank of India and other banks, outstanding entries have not been adjusted due to insufficient information.

(d) Pending reconciliation/ balancing/adjustment as stated above, the consequential impact on the accounts is not ascertainable at this stage.

2 (a) The category wise position of holding of "Investment Portfolio" as per latest audited accounts are as under:

(Rs. in Crores)

Categories	31.03.2004	31.03.2003
A. Held to Maturity	2322.07	2465.42
B. Available for Sale	7325.17	5985.29
C. Held for Trading	123.90	133.86
Total	9771.14	8584.57
Less: Depreciation	34.73	84.20
Net Investment	**9736.41**	**8500.37**

(b) The Bank has amortized Rs. 7.99 Crores during the year 2003-2004(Previous year Rs. 15.46 Crores) for securities classified under "Held to Maturity" category. The amount has been charged to "Profit and Loss Account" and value of the respective securities is reduced to that extent. Rs.68.21 Crores as on 31.3.2004 (Previous Year Rs.122.98 crores) remains to be amortized in future.

(c) The Bank has not created Investment Fluctuation Reserve during the year 2003-04 in terms of Accounting Policy No. 17.2.3(iv) and permission from the Reserve Bank of India has been taken for the same.

(d) The Bank has Investment of Rs 21.72 Crores as on 31.3.2004 (Previous year Rs 21.72 Crores) in four Regional Rural Banks (RRBs) sponsored by the Bank as joint ventures, out of which investment of Rs. 20.32 Crores (Previous Year Rs 20.32 Crores) is by way of Share Capital deposits, towards recapitalisation of the RRBs. Diminution in value of Investments in RRB's has not been recognized in these accounts and the said investments have been valued at cost in accordance with RBI guidelines .

3 In the case of unaudited branches, the classification of advances and provisioning thereof has been incorporated as certified by the branches.

4 The Bank has transferred Rs 69.15 Crores for the year ended 31.3.2004, (Previous Year Rs 34.26 Crores) to Statutory Reserves out of the profits being 30% of Profit for that year.

5 Premises include Rs. 0.29 Crores as on 31.3.2004 (Previous year Rs. 0.62 Crores) in respect of properties purchased, for which the documents are pending for registration.

6 **Voluntary Retirement Scheme:**

(a) In respect of Voluntary Retirement Scheme introduced by the bank in earlier years, the liability of the Bank was determined at Rs. 429.53 Crores. In accordance with Reserve Bank of India guidelines, ex-gratia amount is being amortized equally over a period of five years and additional contribution towards Gratuity and Pension, Net of Tax benefits is being amortized equally over a period of five years.

Accordingly, the Bank has charged to Profit & Loss A/c Rs.73.00 Crores for the year ended 31.3.2004 (Previous Year Rs 118.82 Crores) including tax benefit of Rs. Nil during that year (Previous Year Rs 46.08 Crores).

(b) The total unamortised balance of VRS expenditure of Rs.72.98 Crores as on 31.3.2004 (Previous Year Rs.145.98) is being carried forward under the head 'Other Assets'.

7 **Provision for Income Tax**:

Income Tax provisions relating to allowability of bad debts as per Section 36(1)(vii) have been amended by the Finance Act, 2001, retrospectively with effect from financial year 1988-89 and accordingly, the amount actually written off as bad debts shall be considered for deduction instead of provisions made for ' Bad & doubtful debts '.

The Bank has claimed Provision made for Non Performing Advances as deductions and the same has been accepted by the appellate authorities upto financial year 1995-96. However, all such assessments are at present pending before different levels of appellate authorities. In view of experts' opinions, the Bank is of the view that no additional provision for Income Tax is necessary in spite of amendments in Income Tax Act with retrospective effect.

8 **Maturity Pattern of Assets and Liabilities as on 31.3.2004**

(Rs in crores)

	Residual Maturity								
Particulars	**1 to 14 Days**	**15 to 28 Days**	**29 Days to 3 Months**	**Over 3 Months to 6 Months**	**Over 6 Months to 12 Months**	**Over 1 Year to 3 Years**	**Over 3 Years to 5 Years**	**Over 5 Years**	**Total**
Loans and Advances	665.71	163.40	391.57	420.77	494.86	4836.27	895.38	1543.83	9411.79
Investments	413.48	0	42.03	132.71	334.26	873.93	1275.09	6664.91	9736.41
Deposits	1493.63	365.53	1282.89	1426.22	2717.07	9914.94	684.96	463.94	18349.18
Borrowings	43.51	4.45	166.64	22.12	17.24	37.58	11.06	5.77	308.37
Foreign Currency Assets	91.62	264.53	114.40	271.29	4.59	1.76	0	0	748.19
Foreign Currency Liabilities	77.01	11.03	190.33	30.53	39.62	170.48	0	0	519.00

(Compiled by the management & relied upon by the Auditors)

9. **Lending to Sensitive Sectors as per latest audited accounts :**

(Rs. in crores)

Category	**As on 31.3.2004**	**As On 31.3.2003**
a. Capital Market Sector	70.41	50.99
b. Real Estate Sector	95.87	30.01
c. Commodities Sector	232.62	328.88
Total	398.90	409.89

10 **Movement in NPAs as per latest audited accounts:**

(Rs. in crores)

Particulars	**As On 31.3.2004**	**As On 31.3.2003**
Gross NPAs		
Opening Balance *	1,616.58	1996.02
Additions during the year	458.75	293.54
Reductions during the year	591.32	672.98
Closing Balance *	1484.01	1616.58
Net NPAs		
Opening Balance	997.28	1227.25
Additions during the year **	356.09	241.31
Reductions during the year **	469.02	471.28
Closing Balance	884.35	997.28

* Net of Unrealized interest (except in case of suit filed accounts) reversed from gross NPA

** Compiled by the management and relied upon by the auditors.

11 **Movement of Provision on NPAs as per latest audited accounts:**

(Rs. in crores)

Particulars	**2003-04**	**2002-03**
Opening Balance	592.43	713.79
Add: Provisions made during the year	306.16	269.69
Less: Write off, write back of excess provisions	319.14	391.05
Closing Balance	579.45	592.43

Note: An Additional provision of Rs 50 Crores has been made for the year 2003-04 ,over & above the provision for Non Performing Assets as required under RBI guidelines. This has a consequential impact on the value of net NPA and profit for the year.

12 **Movement of Provision for Depreciation on Investments as per latest audited accounts**

(Rs. in crores)

Particulars	2003-04	2002-03
Opening Balance	84.20	75.65
Add : Provision made during the year	0.00	8.55
Less : Write off/ write back of excess provisions during the year (including Rs.45 Crores towards prudential write offs)	49.47	0.00
Closing Balance	34.73	84.20

13 **Information in respect of restructured accounts during the year 2003-04:**

(Rs. in crores)

Particulars*	2003-04	2002-03
a) Non CDR Scheme		
Total amount of loan assets subjected to restructuring etc.:	291.98	387.36
The amount of standard assets subjected to restructuring etc	252.29	318.23
The amount of sub-standard assets subjected to restructuring etc	11.27	69.13
The amount of doubtful assets subjected to restructuring etc	28.42	0
b) CDR Scheme		
Total amount of loan assets subjected to restructuring under CDR	198.22	63.00
The amount of standard assets subjected to restructuring under CDR	198.22	60.73
The amount of sub-standard assets subjected to restructuring under CDR	0	0
The amount of doubtful assets subjected to restructuring under CDR	0	2.27

* (**Compiled by the management & relied upon by the Auditors**)

14 The Bank has raised subordinated debt of Rs.150 Crores during the year 2003-04 (Previous Year Rs.100 Crores). The total outstanding of subordinated debts as at 31-3-2004 is Rs.542.28 Crores (Previous Year Rs.547.11 Crores) out of which Rs.248.17 Crores (Previous Year Rs.250.38 Crores) is treated as Tier II capital.

15 Total Investment in Equity Shares, Convertible Bonds/Debentures and Units of Equity Oriented Mutual Funds net of depreciation of Rs. 4.33 Crores for 2003-04, (Previous Year Rs. 13.81 Crores) is Rs.54.68 Crores as n 31.3.2004 (Previous Year Rs.108.57 Crores) and aggregate Advances against Shares is Rs.70.75 Crores (Previous Year Rs 50.99 Crores) as on 31.03.2004

16 **Non – SLR Investment portfolio (as per latest audited accounts) as on 31.3.2004:**

a) **Issuer Composition of Non-SLR Investment**

(Rs. in crores)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	PSUs	1113.50	1102.60	285.00	505.07	903.98
2	FIs	303.29	267.65	—	87.77	262.65
3	Banks	50.85	50.00	—	50.00	50.00
4	Private Corporates	180.16	153.87	7.00	73.59	140.10
5	Subsidiaries/ Joint Ventures	21.72	21.72	—	21.72	21.72
6	Others	200.06	184.74	—	184.74	184.74
	Total	**1869.58**	**1780.58**	**292.00**	**922.89**	**1563.19**
7	Less : Provision held towards depreciation	32.24				
		1837.34				

b) **Non-performing Non-SLR Investment -Movement during 2003-04**

Particulars	**Amount (Rs. in crore)**
Opening balance	126.12
Additions during the year since 1st April	4.28
Reductions during the above period	52.56
Closing Balance	77.84
Total provisions held	32.24

17 **Country wise Exposure Risk:**

The net country wise funded exposure of the Bank in respect of foreign exchange transactions in respect of each country is within 2% of the total assets of the Bank. Hence, no provision is required as per RBI guidelines.

18. **Compliance with Accounting Standards (AS)- status as on 31.3.2004 (as per latest audited accounts):**

a) **Segment Reporting under Accounting Standard 17:**

The Bank's operations are classified into two primary Business Segments viz. 'Treasury operations' and 'Other Banking operations'. The relevant information / data is given hereunder:

(Rs. in crores)

Business Segments	**Treasury Operations**		**Other Banking Operations**		**Total**	
	2003-04	**2002-03**	**2003-04**	**2002-03**	**2003-04**	**2002-03**
Revenue	647.78	502.12	1,699.82	1685.17	2,347.60	2,187.29
Result	263.65	152.96	171.28	141.09	434.93	294.05
Unallocated expenses	X	X	X	X	82.15	126.98
Operating Profit (Profit before Tax)	X	X	X	X	352.78	167.07
Income Taxes (incl. DTA)	X	X	X	X	127.57	74.88
Extraordinary Profit / Loss (unallocated income)	X	X	X	X	5.29	22.00
Net Profit	X	X	X	X	230.50	114.19
OTHER INFORMATION						
Segment Assets	4,944.41	4,079.41	16,272.73	14,987.10	21,217.14	19,066.51
Unallocated Assets	X	X	X	X	725.81	743.11
Total Assets	X	X	X	X	21,942.95	19,809.62
Segment Liabilities	0.00	30.89	20,704.71	18,879.81	20,704.71	18,910.70
Unallocated Liability	X	X	X	X	1,238.24	898.92
Total Liabilities	X	X	X	X	21,942.95	19,809.62

The Bank does not have any secondary (geographical) segment.

Note:

1) Segment Results are after adjustment on account of Inter Segment Cost, which has been considered on the basis of Transfer Price mechanism decided by the Bank.
2) Assumed Inter Segment Assets, Liabilities and Revenue are ignored.
3) Treasury Operation consists of domestic investment portfolio of the Bank excluding investments held for SLR requirements.
4) Unallocated liabilities include Capital and Reserves net of debit balance in Profit & Loss Account.

b) In compliance with Accounting Standard 18 issued by ICAI and RBI guidelines details pertaining to Related Party Transactions are disclosed as under:

Key Management Personnel

Sr. No.	Name	Designation	Item	Period	Amount (in Rs.)	Loan Amount (in Rs.)
1	Dr. AK Khandelwal	CMD	Salary & Emoluments	5.2.04 to 31.3.04	96,996	NIL
2	Sh. AG Joshi	CMD	-Do-	1.4.03 to 31.12.03	5,14,100	NIL
3.	Sh SC Vohra	ED	-Do-	1.4.03 to 30.4.03	45,322	NIL

c) Earning per Share - Accounting Standard 20:

Earning Per Share (EPS)	**31.3.2004**	**31.3.2003**
EPS Basic & Diluted (Rs)	11.14	5.52
Net Profit as per Profit & Loss Account Considered as numerator (Rs in Crores)	230.50	114.19
No of Equity share considered as denominator	20,68,23,200	20,68,23,200
Nominal value of share (Rs)	10/-	10/-

d) Taxes on Income – Accounting Standard 22:

The Bank has complied with requirements of "AS 22 on Accounting for Taxes on Income" issued by ICAI and accordingly, deferred tax assets and liabilities are recognized.

The net balance of Deferred Tax Asset as on 31st March 2004 amounting to Rs.210.64 Crores (Previous Year Rs 216.97 crores) consists of the following :

(Rs. in crores)

Particulars	**2003-2004**	**2002-2003**
Deferred Tax Assets		
VRS Payments	5.54	10.10
Provision for NPAs / Bad Debts	207.88	212.53
Leave Encashment	5.83	4.78
Total Deferred Tax Assets	219.25	227.41
Less: Deferred Tax Liabilities		
VRS Payments	0.03	0.03
Depreciation on Fixed Assets	7.08	8.20
Software Expenses & Others	1.50	2.21
Total Deferred Tax Liabilities	8.61	10.44
Net balance of DTA shown in the Schedule 11 (Other Assets)	210.64	216.97

As per the Management's perception the deferred tax assets are realizable on the basis of expected future taxable income of the Bank.

e) **Intangible Assets – Accounting Standard 26:**

Computer software expenses have been reckoned as intangible assets, instead of deferred revenue expenditure. The net carrying amount of computer software expenses have been included under the head "Other Assets" in Schedule 11, to the Balance Sheet. The requisite disclosures under AS 26 are as follows:

(Rs. in crores)

Particulars	Amount
Carrying amount as on 01.04.2003 (Net of Amortisation)	7.81
Add: Additions during 03-04	2.58
Less: Amortisation during 03-04 debited to Profit & Loss A/C	3.67
Carrying amount as on 31.03.2004	6.72

19. Premises includes 1/3rd share in a property jointly owned by the bank with another Bank, as under :

(Rs.in crores)

Bank's share	31.03.2004	31.03.2003
Cost	1.44	1.44
Accumulated Depreciation	0.25	0.19
Written Down Value	1.19	1.25

20. Notes to the audited accounts as on 31.3.2004, covered elsewhere in the annexures as per requirements in SEBI formats ,are avoided from the above list , for brevity.

B. NOTES ON ADJUSTMENTS

Method of calculating depreciation on computers have been changed in the last 5 years from time to time. In order to give effect to the impact of such changes financial data have been restated as given below after giving effect of the recomputed depreciation. Had the present accounting policy of charging depreciation on computers been followed over all the past years, the profits would have been as follows.

(Rs. in crores)

YEAR	Net Profit / Loss as shown in Statement of Profit & Loss Account	Adjustment in Profit & Loss Account	Adjusted Net Profit / Loss as shown in Statement of Profit & Loss Account
1999-2000	62.86	-3.69	59.17
2000-2001	(-) 266.13	-0.85	(-)266.98
2001-2002	11.36	1.15	12.51
2002-2003	114.19	0.06	114.25
2003-2004	230.50	0.00	230.50
30.09.2004 (Half year)	77.27	0.00	77.27

PART - V(a)

CHANGES IN ACCOUNTING POLICIES, ADJUSTMENT FOR PREVIOUS YEARS, AND / OR INCORRECT ACCOUNTING POLICIES EFFECT OF WHICH HAS NOT BEEN QUANTIFIED AND FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT.

(**Explanation with reference to para 6.18.7 sub points i, ii and iii)**

1. (a) Adjustments of outstanding entries in various inter-branch accounts , which have been identified, and the process of their consequential adjustments is in progress.

   (b) Balancing of subsidiary ledgers / registers and reconciliation with general ledgers is in progress at some branches.

   (c) There are outstanding entries in some heads of accounts including demand drafts payable, drafts paid ex-advice, suspense accounts, dividend / interest warrants paid, clearing adjustments, reconciliation between the service branches and participating branches in clearing balances with Reserve Bank of India and other banks which are in the process of reconciliation / balancing / adjustments.

2. Certain income / expenditure have been accounted for on cash basis instead of accrual basis as mentioned in significant accounting policies in Part III (A)(5), the same being not in accordance with the Accounting Standard 9 regarding "Revenue Recognition" issued by The Institute of Chartered Accountants of India, impact of which is not ascertained.

3. The adjustment for initial contribution of Rs. 43.95 crores towards Pension Fund determined in 1997-98 and amortized over a period of 3 years from 98-99 till 2000-01.

4. In respect of the years upto 31.03.2002, the leave encashment benefit payable to the employees is accounted for on cash basis, which is not in accordance with the Accounting Standard-15 regarding "Accounting for Retirement Benefits in the Financial Statements of Employees" issued by The Institute of Chartered Accountants of India. The Bank's liability in this regard has not been ascertained.

5. During the five consecutive financial years ended 31st March 2004, various guidelines were issued by the Reserve Bank of India on Income Recognition, Assets Classification, Provisioning in respect of Standard Assets / Non-Performing Advances, Other Assets, Classification of Investments, Valuation thereof, Treatment of Depreciation on Investments / Fixed / Leased Assets and amortization of Voluntary Retirement Scheme expenditure. Necessary amendments in the accounting policies have been carried out by the Bank in the relevant years, to be in conformity with the Reserve Bank of India guidelines. Adjustment to Profit / Loss, Assets and Liabilities of the Bank arising from the compliance with the aforesaid directives have not been carried out, as it is not practicable.

6. Accounting Standard (AS) 22, issued by the Institute of Chartered Accountants of India in respect of Accounting for taxes on income came into effect from the accounting period commencing on or after 01.04.2001. In terms of transitional provisions in para 33 of the Accounting Standard, necessary adjustments on account of Deferred Tax Asset was made by corresponding credit to Reserves and surplus during the year 2001-02. Subsequent adjustments for Deferred Tax Asset / Liability has been carried out in Profit & Loss account of the relative year. However, no adjustment is made for the same in the accounts for the periods prior to 01.04.2001.

7. During the financial year 2000-2001, there was a change in the method of accounting with regard to unclaimed credits, under Suspense receipt. The Bank has decided to account for the identified unclaimed credit balances outstanding for more than five years as Miscellaneous Income'. The Net loss as reflected in the accounts had decreased by Rs. 9.95 crores due to this change.

8. Prior to 16th January 2004, the recoveries in Non Performing Advances were generally appropriated first towards interest & balance was adjusted towards the principal amount. With effect from 16th January 2004, in terms of modified Loan Recovery policy, the entire amount of recovery is being appropriated first towards principal outstanding and, if any surplus is available, it is recognized as interest income. Consequential impact of this change in the accounting policy on assets & liabilities and profit of the Bank is not ascertainable.

PART V (b)

ATTENTION IS DRAWN BY THE AUDITORS WITHOUT QUALIFICATION IN THEIR REPORT FOR WHICH ADJUSTMENT COULD NOT BE CARRIED OUT.

The Auditor's Report drew attention to

Notes on Accounts (attached to the Balance Sheet) No. 18.10 of the year 2002-03 and No. 18.8 of the year 2003-04, regarding provision for Income Tax , which is reproduced as under :

> " Income Tax provisions relating to allowability of bad debts as per Section 36(1)(vii) have been amended by the Finance Act, 2001, retrospectively with effect from financial year 1988-89 and accordingly, the amount actually written off as bad debts shall be considered for deduction instead of provisions made for `Bad & doubtful debts."

The Bank has claimed Provision made for Non Performing Advances as deductions and the same has been accepted by the appellate authorities upto financial year 1995-96. However, all such assessments are at present pending before different levels of appellate authorities. In view of expert opinions, the Bank is of the view that no additional provision for Income Tax is necessary inspite of amendments in Income Tax Act with retrospective effect."

ANNEXURE VI

STATEMENT OF DIVIDENDS PAID FOR THE LAST 5 FINANCIAL YEARS ON EQUITY SHARES

PARTICULARS	For the financial year ended 31.03.2000	For the financial year ended 31.03.01	For the financial year ended 31.03.02	For the financial year ended 31.03.03	For the financial year ended 31.03.04	For the half year ended 30.09.04
Dividend to the Govt.	8.81	-	-	-	-	-
Dividend to the public	3.60	-	-	-	-	-
Dividend Tax	2.73	-	-	-	-	-
Total	15.14	-	-	-	-	-
Dividend rate	6.00%	-	-	-	-	-

PART VII :

KEY ACCOUNTING RATIOS

PARTICULARS	For the financial year ended 31.03.00	For the financial year ended 31.03.01	For the financial year ended 31.03.02	For the financial year ended 31.03.03	For the financial year ended 31.03.04	For the half year ended 30.09.04
Earnings per Share(EPS)(Rs.) (annualised)	2.86	-12.91	0.55	5.52	11.14	7.47
Cash Earnings per Share(EPS) (Rs.) (annualised)	3.91	-11.83	1.70	6.87	12.59	8.66
Return on Net Worth(%) (Rs.) (annualised)	9.60	-ve	3.18	41.09	46.44	27.24
Net Asset Value per Share*	29.35	17.27	18.69	13.21	23.58	27.03
OTHER RATIOS						
Net NPA to Net Advances ratio(%)	13.47%	18.37%	16.31%	11.83%	9.40%	7.85%
Interest income/working fund(%)	10.38%	9.69%	9.55%	9.23%	8.33%	7.73%
Non Interest income/working fund(%)	1.38%	1.10%	1.97%	2.28%	2.97%	1.64%
Return on Assets(%)	0.38%	-ve	0.06%	0.57%	1.11%	0.68%
Net Profit/Working Fund(%)	0.41%	-1.55%	0.06%	0.59%	1.11%	0.68%
Business per employee (Rs. in Crores)	1.45	2.07	2.21	2.42	2.74	2.89
Net Profit per employee (Rs. in Lacs)	0.41	-ve	0.12	1.08	2.23	0.75
Capital Adequacy Ratio(%)	11.63%	7.73%	7.64%	6.02%	9.48%	10.28%
Tier I	7.07%	4.38%	4.36%	3.08%	5.19%	5.76%
Tier II	4.56%	3.35%	3.28%	2.94%	4.29%	4.52%
Credit/Deposit Ratio(%)(net)	57.60%	55.13%	53.91%	54.87%	54.56%	52.92%
Interest Spread/Average working fund(%)	2.73%	2.58%	2.48%	2.96%	2.84%	2.88%
Gross profit/Average working fund(%) (annualised)	1.43%	0.38%	1.87%	2.57%	3.41%	2.26%

Yield on Advances(%)	11.58%	10.68%	9.94%	10.43%	8.94%	8.44%
Yield on Investments(%) (including profit on sale of securities)	12.98%	12.08%	13.80%	13.04%	13.66%	10.44%
Yield on Investments(%) (Without profit on sale of securities)	11.91%	11.56%	11.10%	10.17%	9.09%	8.34%
Cost of Deposits(%)	8.08%	7.74%	7.23%	6.65%	5.78%	5.09%
Cost of funds	8.93%	8.88%	7.36%	6.86%	5.95%	5.28%
Gross Profit per employee (Rs. in Lacs) (annualised)	1.52	0.62	3.13	4.68	6.87	4.97
Business per Branch (Rs. in Crores)	17.40	18.36	20.82	22.50	26.96	28.51
Gross profit per Branch (Rs. in Lacs) (annualised)	18.68	5.80	29.55	43.51	67.55	49.06

* Deferred VRS expenditure is not reduced from tier 1 capital , for the calculation of networth and consequently for this ratio since RBI has permitted banks not to treat the same as intangible asset for calculation of Capital Adequacy Ratio.

Note: Figures for September 30, 2004 have been annualised wherever applicable.

(The above note is not a part of Auditors Report)

PART VIII

A. STATEMENT OF NET WORTH (EXCLUDING REVALUATION RESERVES ON FIXED ASSETS)

(Rs. in crores)

		As at 31.03.00 Audited	As at 31.03.01 Audited	As at 31.03.02 Audited	As at 31.03.03 Audited	As at 31.03.04 Audited	As at 30.09.04 (unaudited)
A	Share Capital	206.82	206.82	206.82	206.82	206.82	206.82
B	Reserves & Surplus						
	i) Statutory Reserve	148.62	148.62	152.03	186.29	255.44	255.44
	ii) Capital Reserve	0.00	0.00	7.95	9.23	9.23	9.23
	iii) Investment Fluctuation Reserve	16.49	0.00	0.00	0.00	0.00	0.00
	iv) Revenue & Other Reserve	261.92	261.92	461.39	461.38	461.38	244.09
	Total	427.02	410.54	621.37	656.90	726.05	508.76
C	Total (A+B)	633.84	617.36	828.19	863.72	932.87	715.58
	Carried over Balance in P&L Account	6.27	-244.22	-413.07	-358.09	-223.04	71.52
	Less Intangibles Assets including DTA	11.36	11.15	21.60	227.59	219.23	225.54
	NET WORTH	616.21	361.99	393.52	278.04	490.60	561.56

1. Following the RBI guidelines on calculation of Capital Adequacy Ratio, unamortised portion of VRS expenditure has not been deducted for calculation of Net worth.
2. Till the issuance of RBI guidelines dated 29.03.2003, Deferred Tax Asset amounting Rs.241.77 Crores has been treated as tangible asset. Therefore DTA was deducted for the purpose of calculation of Net worth only as on 31.3.2003 and as on 31.3.2004.

B. CERTIFICATE REGARDING INVESTMENTS

(Rs in crores)

		As on 31st March 2004			As on 30th September, 2004		
Sr. No.	Details of the Investment	Book Value	Market Value / quoted value	Diminution In the value	Book Value	Market Value / quoted value	Diminution in the value
1.	Government Securities	7603.66	8344.16	2.49	8077.43	8057.99	2.49
2.	Other approved securities	297.92	372.47	0.00	293.82	343.58	0.00
3.	Shares	117.69	144.18	4.28	108.87	136.53	4.28
4.	Debentures & Bonds	1530.10	1578.09	27.60	1267.78	1246.32	23.99
5.	Subsidiaries & Joint Ventures	21.72	21.72	0.00	21.72	21.72	0.00
6.	Others	200.05	199.69	0.36	151.65	150.93	0.82
	Total	9771.14	10660.31	34.73	9921.27	9957.07	31.58
	Less: Provision for Depreciation	34.73			31.58		
	Net Investments	9736.41	10660.31		9889.69	9957.07	

C. CAPITALISATION STATEMENT

(Rs in crores)

	Pre Issue as at 31.03.2004	**Pre Issue as at 30.09. 2004**	**Adjusted for Public Issue**
Borrowings			
Short Term Debt	215.82	335.62	335.62
Long Term Debt	92.55	22.94	22.94
Total Debt	308.37	358.56	358.56
Shareholder's Funds			
Share Capital			
- Equity	206.82	206.82	286.82
Less : Calls in arrears	0.00	0.00	0.00
- Preference	0.00	0.00	0.00
Share Premium*	120.01	120.01	120.01
Reserves & Surplus	606.04	388.75	388.75
Less : Misc. Expenditure Incl. DTA not Written off**	-219.23	-225.54	-225.54
Add/ Less :Credit/ Debit Balance in P & L a/c	-217.29	77.27	77.27
Total Share Holder's Funds (Tier I Capital)	496.35	567.31	647.31
Long Term Debt/ Equity Ratio	0.62 : 1	0.63 : 1	0.55 :1

* Premium, if any on fresh issue of Equity Share of Rs. 80 crores has not been considered.

** Deferred VRS expenditure is not considered since RBI has permitted banks not to treat the same as intangible asset for calculation of Capital Adequacy Ratio.

D. CONTINGENT LIABILTIES

1. 'The Bank has the following contingent liabilities for which no provision has been made in the books of account of the Bank as at 31.3.2004

(Rs. In crores

Financial Year	**2003-04**	**Sept 2004**
CONTINGENT LIABILITIES	Audited	Unaudited
Claims against the Bank not acknowledged as debts	146.23	118.79
Disputed Income Tax demand under appeal/references etc.	10.89	10.89
Liability for partly paid investment	0.00	0.00
Liability on account of Outstanding forward exchange contract	3547.75	2845.62
Guarantees given on behalf of constituents (Net Of Margin)	1188.31	1307.00
Acceptances, endorsements & other obligations(Net Of Margin)	875.25	1062.52
Other items for which the Bank is Contingently liable	71.13	12.48
Total (G)	**5839.56**	**5357.30**
Bills For Collection	2108.83	1000.60

2. We have examined all the contracts, claims and litigations against the bank and have analysed the likely impact of the same as indicated above. We certify that apart from the contingent liabilities indicated above, the bank does not have any other contingent liability as on 31.3.2004. So far as contingent liabilities as on 30.9.2004, we relied up on the information and figures provided by the management.

E. Details of Unsecured Loans

(Amt. in crores)

		As at 31st March, 2004			As at 30th September, 2004		
Sr. No	**Name of the Lender**	**Amount**	**Repayment Schedule**		**Amount**	**Repayment Schedule**	
			Date	**Amount**		**Date**	**Amount**
1	**Subordinated Debts :**						
	Tier II Bond Series III	45.00	23.06.2004	45.00	NA	NA	NA
	Tier II Bond Series IV	100.00	03.04.2005	100.00	100.00	03.04.2005	100.00
	Tier II Bond Series V	75.00	24.04.2008	75.00	75.00	24.04.2008	75.00
	Tier II Bond Series VI	100.00	30.06.2008	100.00	100.00	30.06.2008	100.00
	Tier II Bond Series VII	150.00	30.04.2013	150.00	150.00	30.04.2013	150.00
2	**Overseas Borrowings**						
	AMERICAN EXPRESS BANK N.Y.	4.45	26-Apr-04	4.45			
	AMERICAN EXPRESS BANK N.Y.	9.06	02-Apr-04	9.06			
	AMERICAN EXPRESS BANK N.Y.	9.08	09-Jul-04	9.08			
	BANK OF BARODA LONDON	22.81	05-Apr-04	22.81			
	BANK OF BARODA LONDON	45.30	30-Apr-04	45.30			
	BANK OF BARODA LONDON	26.71	06-May-04	26.71			
	BANK OF BARODA LONDON	39.35	28-May-04	39.35			
	CITI BANK N. YORK	9.07	28-Jul-04	9.07			
	CITI BANK N. YORK	4.52	18-May-04	4.52			
	COMMERCE BANK FRANKFURT	22.63	02-Jun-04	22.63			
	SYNDICATE BANK LONDON	22.84	29-Jun-04	22.84			
	AMERICAN EXPRESS BANK N.Y				9.27	01-Oct-04	9.27
	BANK OF BARODA LONDON				23.18	08-Oct-04	23.18
	BANK OF BARODA LONDON				22.98	29-Oct-04	22.98
	BANK OF BARODA LONDON				23.10	29-Oct-04	23.10
	BANK OF BARODA LONDON				22.97	29-Nov-04	22.97
	COMMERZ BANK FRANKFURT				23.15	25-Oct-04	23.15
	COMMERZ BANK FRANKFURT				28.16	02-Dec-04	28.16
	SYNDICATE BANK LONDON				23.23	29-Oct-04	23.23
	SYNDICATE BANK LONDON				23.20	19-Nov-04	23.20
	HSBC HONGKONG				23.23	02-Nov-04	23.23
	STATE BANK OF INDIA PARIS				23.18	15-Nov-04	23.18
	CITI BANK NEW YORK				4.53	16-Nov-04	4.53
	CITI BANK NEW YORK				9.04	19-Nov-04	9.04
	BANK OF INDIA PARIS				25.44	24-Nov-04	25.44
	BANK OF BARODA BOMBAY				27.80	07-Mar-05	27.80
	SYNDICATE BANK LONDON				23.17	31-Dec-04	23.17
	TOTAL						**335.63**

4 **Borrowing under TT Discounting Facility from SBI / Associate Bank and RBI**

State Bank of India	17.00	on going basis	17.00	17.00	on going basis	17.00
State Bank of Saurashtra	5.70	on going basis	5.70	5.70	on going basis	5.70
State Bank of Bikaner & Jaipur	1.00	on going basis	1.00	1.00	on going basis	1.00
State Bank of Indore	1.50	on going basis	1.50	1.50	on going basis	1.50
State Bank of Hyderabad	2.00	on going basis	2.00	2.00	on going basis	2.00
State Bank of Mysore	1.50	on going basis	1.50	1.50	on going basis	1.50
State Bank of Travancore	5.50	on going basis	5.50	5.50	on going basis	5.50
Reserve Bank of India	40.00	on going basis	40.00	40.00	on going basis	40.00

F. TAX SHELTER STATEMENT

Year ending March 31	**2000**	**2001**	**2002**	**2003**	**2004**
Tax rate (including surcharge)	38.50%	39.55%	35.70%	36.75%	35.88%
Tax at actual rate on profit	33.77	0.00	0.00	51.28	128.46
Adjustments					
Permanent differences					
1. Interest on tax free bonds	(5.23)	(5.06)	(5.59)	(6.52)	(5.87)
2. Interest exempt U/S 10(23G)	(98.76)	(72.17)	(70.60)	(72.15)	(90.78)
3. Dividends from companies/ mutual funds (Exempt from tax)	(9.03)	(10.40)	(9.22)	(0.00)	(9.26)
4. Profit on sale of fixed assets	0.00	0.00	0.00	(0.18)	0.00
5. Loss on sale of fixed assets	0.13	0.10	0.04	0.00	0.23
6. Other adjustments	30.56	9.23	23.50	46.51	41.38
Timings differences					
1. Difference between book depreciation & IT depreciation on fixed assets	(8.04)	(6.32)	(2.87)	(1.11)	5.09
2. Bad debts written off	(114.08)	(53.70)	(193.27)	(372.10)	(319.14)
3. Provision for bad debts/ NPA	150.58	281.54	315.89	269.68	306.16
4. On account of VRS	0.00	(13.01)	7.16	33.07	(12.75)
5. Other adjustments	(0.98)	(2.15)	(2.41)	0.09	(8.26)
Net adjustments	(54.85)	128.06	62.63	(102.71)	(93.20)
Tax Shelter	(21.12)	0.00	0.00	(37.75)	(33.44)
Total taxation	12.65	0.00	0.00	13.53	95.02

‘Note :

1. For F.Y. 2001-2002, Bank has made provision for tax of Rs. 7.70 crores as per provisions of Minimum Alternative Tax.
2. The above details are based on the statement prepared for calculation of provision for tax made by the Bank, return of Income filed and assessment / appellate orders of the respective financial years. The effect of disallowance made in assessments, reassessments and appeals is not considered wherever the bank is confident of getting relief based on management perceptions, legal opinions and / or favourable judicial pronouncements.

C. STATUTORY AND OTHER INFORMATION

Minimum Subscription

If the Bank does not receive the minimum subscription of 90% of the issue amount, till the date of closure of the Issue, or if the subscription level falls below 90% after the closure of the Issue on account of cheques having been returned unpaid or withdrawal of application, the Bank shall forthwith refund the entire subscription amount received. For delay beyond 8 days, if any, in refund of such subscription, the Bank shall pay interest as per Section 73 of the Companies Act, 1956.

Expenses of the Issue

The expenses of the Issue to be borne by the Bank are estimated to beRs. 8.28 crores amounting to about 3.83% of the total issue size. The break up of the same is as follows:

Particulars	(Rs in crores)	% of Issue Size
Lead Manager's Fees (including out of pocket expenses)	1.10	0.51
Brokerage & incentives	1.75	0.81
Advertisement & Media	2.00	0.93
Printing & Stationery expenses	1.25	0.58
Registrar fees & expenses	0.20	0.09
Travelling for conferenceand other expenses	0.90	0.42
Contingencies	1.08	0.50
Total	**8.28**	**3.83**

These expenses would be met out of the proceeds of the public issue.

Fee payable to the Lead Managers to the issue

The fees payable to the Lead Managers to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Head Office of the Bank.

Fee payable to the Co-Managers to the issue

The fees payable to the Co-Managers to the Issue is as set out in the relevant documents, a copy of which is open for inspection at the Head Office of the Bank.

Fee payable to the Registrars to the issue

The fees payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Head Office of the Bank.

Brokerage

As per Section 13 of the Banking Regulation Act 1949, no Banking company can directly or indirectly pay by way of commission, brokerage, discount 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 said shares.

The Bank has received exemption from provisions of Sections 13 of the Banking Regulation Act, 1949 relating to the payment of brokerage, commission and discount vide notification no. F. No. 11/26/2003-BOA dated 29.11.2004 from Ministry of Finance, Department of Economic Affairs (Banking Division).

Accordingly brokerage would be paid to the Brokers as per Bank's communication to BSE, DSE, ASE and NSE. The Bank, at its sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by the Bank. No brokerage is payable on applications procured from QIBs.

In case of tampering or over stamping of broker codes on the Application Form, the Bank's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in the matter.

Underwriting commission

Since the Issue is not being underwritten, no underwriting commission is payable.

PREVIOUS ISSUES BY THE BANK

The Bank came out with its maiden equity issue of 6 crore-equity shares of Rs. 10/- each at a premium of Rs. 20/- per share i.e. at a price of Rs. 30/- per share, for cash at par aggregating to Rs.180 crores. The issue opened on 28.10.1996 and closed on 07.11.1996. The issue was oversubscribed by 1.2 times. The shares were allotted on 05.12.1996. The despatch of share certificates and refund orders was completed on 06/01/97 and 07/12/96 respectively. The shares have been listed at Delhi on 01/06/1998, Ahmedabad on 11/01/1997, Mumbai on 20/01/97 and National Stock Exchanges on 15/01/1997. Pro rata Dividend @ 12% was paid for 1996-97. Dividend @ 15% for 1997-98 and 16% for 1998-99 was paid by the Bank.

The details of funds raised by the Bank through private placement of funds are given in the Para 'Requirement of enhancement of Capital' under the Para 'Objects of the Issue' on page 27.

Commission and Brokerage

The Bank paid Brokerage and incentive of Rs. 335.31 Lacs for its IPO.

Issues for consideration other than for Cash

The Bank has not offered equity shares other than cash (after creation of the corresponding new bank through nationalisation on 19.07.1969).

Promise Vs Performance

The Bank had not made any promise in its initial public issue in November 1996.

OPTION TO SUBSCRIBE

Save as otherwise stated in this Prospectus, the Bank has not given any person nor does it propose to give any person any option to subscribe to the shares of the Bank.

The investor shall have the option to subscribe to securities to be dealt with in a depository. The investor shall have the option to either to receive the security certificates or to hold the securities in demat form with a depository. **Shares shall be issued in physical form only at the option of the applicant.**

PURCHASE OF PROPERTY

There is no property which the Bank has purchased or acquired or proposes to purchase or acquire, which is to be paid for, wholly or partly, out of the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of issue of this Prospectus, other than:

the contracts for the purchase or acquisition whereof were entered into, or may be entered into, in the ordinary course of the Bank's business, such contracts not being made in contemplation of the Issue or in consequence of the contract; or property in respect of which the amount of the purchase consideration is not material.

The Bank has not purchased any property in which any of its directors had or have any direct or indirect interest or in respect of any payment thereof. The Bank has no plans, at present, to acquire any running business out of the proceeds of the Issue.

TERMS OF APPOINTMENT OF CHAIRMAN AND MANAGING DIRECTOR

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, read with sub-clause (1) of clause 3, clause 5, clause 6, clause 7 and sub-clause (1) of clause 8 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970, the Central Government, after consultation with RBI, has appointed **Dr. Anil K. Khandelwal,** as whole time director (designated as **Chairman & Managing Director**) of the Bank upto 31st March, 2008, i.e. the date of his attaining the age of superannuation or until further order, whichever event occurs earlier, vide Notification F No.9/10/2003-B.O.I dated February 4, 2004. His compensation details are as follows:

Salary: Rs. 24,050.00 p.m. in the scale of 24,050-650-26,000 w.e.f. February 5, 2004.

Other benefits: Perquisites as per Government of India guidelines such as housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses and others.

TERMS OF APPOINTMENT OF WHOLE TIME DIRECTORS (OTHER THAN CMD)

In exercise of the powers conferred by clause (a) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970, read with sub-clause (1) of clause 3 and sub-clause (1) of clause 8 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Central Government, after consultation with RBI, has appointed **Shri M. Vishwanathan Nair,** as whole time director (designated as **Executive Director**) of the Bank upto for a period of 5 years from the date of his taking charge i.e 27th August, 2004, vide Notification F. No.9/8/2004-B.O.I (VIII) dated 27th August, 2004. The appointment is subject to the final decision of the High Court of Delhi in CMs 6846/2004 in WP(C) No.4037/2004 filed by Shri S.P. Roy, General Manager, Union Bank of India. His compensation details are as follows:

Salary: Rs. 22,050.00 p.m. in the Scale of 22,050-500-24,050 w.e.f. August 27, 2004.

Dearness Pay: Rs. 12025/- i.e. 50% of the basic pay per month w.e.f. August 27, 2004.

Other Benefits: Perquisites as per Government of India guidelines such as Housing, Leave Travel Allowance, Contribution to Provident Fund, Gratuity, Superannuation, Reimbursement of medical expenses, entertainment expenses and others.

PAYMENT OR BENEFIT TO THE DIRECTORS AND OFFICERS OF THE BANK

Except the benefits as provided under the relevant rules framed by the Government of India from time to time, the directors of the Bank are not eligible to any additional benefits upon termination of employment.

Payment or benefit to the directors of the Bank.

- Directors are entitled for sitting fees of Rs.5,000/- per meeting for attending Board Meeting and Rs.2,500/- per meeting for attending Meetings of the Committees of the Board.
- The sitting fees were revised vide notification F. No.26/2/2000-BOI dated 15.01.2004. Received from Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division)
- Directors are also entitled for Halting allowance @ of Rs.125/- per day, for the days of the meeting.
- Directors are also reimbursed actual expenses incurred towards traveling, conveyance and hotel accommodation etc.

The Key Managerial Personnel are entitled to the Compensation & benefits as applicable to all the permanent employees of the Bank. All the Key Managerial Personnel, except the CMD and ED, are of General Manager grade and hence their compensation falls in the scale of Rs. 19340-420/2-21080-520/1-20700-600/1-21300 p.m. The other benefit includes the festival loan housing loan reimbursement of certain expenses etc. as per employees' service rules.

NATURE AND INTEREST OF DIRECTORS

No Director of the Bank is interested in the appointment of any of the Managers, Registrars and Bankers to the Issue. No Director of the Bank is interested in any property acquired by the Bank within two years of the date of the Prospectus or proposed to be acquired by it.

The Directors are not interested in any loan or advance given by the Bank to any person(s)/Company (ies) nor is any beneficiary of such loan or advance related to any of the Directors of the Bank except:

Name of borrower	Relation-ship with Director	Facility sanctioned	Limit Sanctioned Rs/lacs	Outstand-in as on 30.09.04 Rs.in lacs	Classification
Mr Vidyadhar U Pendse	Son-in law of Mr Sudhir Joshipura	Cash Credit (stock & book debt)	10.00	9.91	Standard

The sanctioned limits represent 0.0004 % of Total asset & 0.02 % of NOF of Dena Bank as on 30.09.2004.

The Outstanding represent 0.0004 % of Total asset & 0.02% of NOF of Dena Bank as on 30.09.2004.

BORROWING POWERS OF THE DIRECTORS

The directors do not have any borrowing powers.

QUALIFICATION SHARES

As per Section 10C of the Banking Regulation Act 1949, the Chairman of the board of directors who is appointed on a whole time basis or a Managing Director of a Banking Company (by whomsoever appointed) and a director of a banking Company (appointed by the Reserve Bank of India under Section 10A) shall not be required to hold qualification shares in the Banking Company.

Further as per Section 65(i)(a) of the Dena Bank (Shares and Meetings) Regulations 2003, a shareholder representative director is required to hold not less than 100 share. All the four shareholder directors of Dena Bank i.e. Shri Subash Chandra Wadhwa, Shri Manu Chadha, Shri C. M. Dixit and Shri Atul Ashok Galande hold the requisite 100 shares.

CAPITALISATION OF RESERVES OR PROFITS:

There has been no capitalisation of Reserves, since nationalisation of the Bank on July 19, 1969.

REVALUATION OF ASSETS

Bank has revalued certain immovable properties in India in the financial year 1998-1999 and 1999-2000 in order to augment its Tier II capital. The amount of revision made was Rs.110.00 crores and Rs.49.07 crores respectively and the same was credited to

Revaluation Reserve Account. As per the Bank's policy, depreciation is provided to the extent of revaluation, which is then set off against the revaluation reserve account. As on 31.03.2004, the revaluation reserve account stood at Rs.122.34 crores. Apart from this, there has been no revaluation of assets in last 5 years.

(Rs. in crores)

Year ended 31st March	Opening Balance of Revaluation Reserve	Additions	Depreciation	Closing balance
2000	147.71	49.07	16.56	180.22
2001	180.22	0.00	16.73	163.49
2002	163.49	0.00	15.12	148.37
2003	148.37	0.00	13.67	134.70
2004	134.70	0.00	12.36	122.34

D. MAIN PROVISIONS OF THE BANK NATIONALISATION ACT

Relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 as amended by the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 and Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995 hereinafter collectively referred to as the Bank Nationalisation Act are:

Authorised Capital

As per the provisions of Section 3 (Sub-section 2A) of the Banking Companies (Acquisition) Act, 1970 the Authorised Capital of the Bank shall be Rupees One Thousand and Five Hundred crores to be divided into One Hundred and Fifty crores of fully paid-up equity shares of Rs.10/- each. Provided that the Central Government may, after consultation with the Reserve Bank of India 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 Rs.3000 crores, or be less than Rs.1500 Crores.

Issued Capital

Section 3 (Sub-Section 2B) of the Banking Companies (Acquisition) Act, 1970 provides that the paid-up capital 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 of India and with the previous sanction of the Central Government transfer from the reserve fund established by such Bank to such paid-up capital;

b) Such amounts as the Central Government may, after consultation with the Reserve Bank, contribute to such paid-up capital;

c) Such amounts as the Board of Directors of the corresponding new Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise by Public Issue of shares as may be prescribed, so however, that the Central Government shall at all times hold not less than 51% of the paid-up capital of each corresponding new Bank.

The entire paid-up capital of the corresponding new Bank, except the paid-up capital raised by public Issue under clause (c) of Sub-Section 2B shall stand vested in, and allotted to, the Central Government.

Section 3 (2BB) of Banking Companies (Acquisition) Act, 1970 provides that “notwithstanding anything contained in subsection (2), the paid-up capital of a corresponding new Bank constituted under subsection (1) may from time to time and before any paid up capital is raised by Public Issue under clause (c) of sub section (2B) be reduced by

a) the Central Government after consultation with the Reserve Bank by cancelling any paid up capital which is lost, or is unrepresented by available assets;

b) the board of directors, after consultation with 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.......”

(2-BBA) (a) A corresponding new bank may, from time to time and after any paid-up capital has been raised by public issue under clause (c) of sub-section (2-B), 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, cancelling any paid-up capital which is lost, or is unrepresented by available assets; or
- iii) either with or without extinguishing or reducing liability on any of its paid-up shares, paying off any paid-up share capital which is in excess of the wants of the corresponding new bank.

(2BBB) “Notwithstanding anything contained in sub section (2BB) or sub-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 percent of the paid up capital of that Bank as on date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995.”

Rights of Equity Shareholders

As to Dividend

Section 10(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.

Voting Rights

Section 3(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.

Meeting of Shareholders

Section 10A: 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 auditors' report is under sub-section (7A) of section 10, forwarded to the Central Government or to the Reserve Bank, whichever date is earlier.

The shareholders present at an annual general meeting shall be entitled to discuss the balance sheet and the profit and loss account of the corresponding new Bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new Bank for the period covered by the accounts and the Auditor's Report on the balance sheet and account.

Transfer of Shares and Share Registers

Section 3 (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 20% 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.

Section 3 (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

Section 3(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.

Section 3 (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.

Section 3A: Notwithstanding anything contained in sub-section (2F) of Section 3, no notice of any trust, express, implied or constructive, shall be entered on the register, or be receivable, by the corresponding new Bank.

Board of Directors and their Powers

Constitution of the Board of Directors:

Section 9 (3): "Every Board of Directors of a corresponding new Bank, constituted under any scheme made under Sub - Section (1), shall include:

i) a) not more than two whole-time directors to be appointed by the Central Government after consultation with the Reserve Bank of India;

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 purpose of this clause, the expression "corresponding new bank " shall include corresponding new bank within the meaning of Banking Companies (Acquisition and Transfer of Undertakings) Act 1980

ii) c) one director who is an officer of the Reserve Bank to be nominated by the Central Government on the recommendation of the Reserve Bank of India.

Explanation: For the purpose of this clause "an officer of the Reserve Bank" includes an officer of the Reserve Bank who is deputed by the Bank under Section 54AA of the Reserve Bank of India Act, 1934 to any institution referred to therein.

d) Not more than 2 directors to be nominated by the Central Government from amongst SEBI established under Section (3) of SEBI Act 1992 (15 of 1992), the National Bank for Agriculture & Rural Development established under section (3) NABARD Act 1981 (61 of 1981), Public financial institutions as specified in subsection (1) or notified from time to time under Sub-Section (2) of Section (4A) of Companies Act 1956 (1 of 1956) and other institutions established or constituted by or under any Central Act or incorporated under the Companies Act 1956 and having not less than 51% of the paid-up share capital held or controlled by the Central Government.

e) one director, from among such of the employees of the corresponding new Bank who are workmen under clause(s) of Section 2 of the Industrial Disputes Act, 1947 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, to be nominated by the Central Government after consultation with Reserve Bank;

g) one director who has been a Chartered Accountant for not less than 15 years to be nominated by the Central Government after consultation with the Reserve Bank;

h) subject to the provisions of clause (i), not more than six directors, to be nominated by the Central Government;

iv) i) where the capital issued under clause (c) of sub-section (2B) of Section 3 is - I) not more than twenty per cent, of the total paid up capital, not more than two directors.

II) more than twenty per cent but not more than forty per cent, of the total paid-up capital, not more than four directors.

III) more than forty per cent, of the total paid-up capital, not more than six directors to be elected by the shareholders other than the Central Government, from amongst themselves.

Provided that on the assumption of charge after election of any such directors under this clause, equal number of directors nominated under clause (h) shall retire in such manner as may be specified in the scheme.

(3A): The directors to be nominated under clause (h) or to be elected under clause (i) of Sub-Section 3 shall –

A) have special knowledge or practical experience in respect of one or more of the following matters, namely: (i) agricultural and rural economy, (ii) banking, (iii) co-operation, (iv) economics, (v) finance, (vi) law, (vii) small scale industry, (viii) any other matter the special knowledge of, and practical experience in which would in the opinion of the Reserve Bank, be useful to the corresponding new Bank;

B) represent the interest of depositors; or

C) represent the interests of farmers, workers and artisans.

Removal of Directors

Section 9 (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 fulfil the requirements of the Sub- Section (3A), it may, after giving to such director and the Bank a reasonable opportunity of being heard, by an order remove such director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section 3(A) 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.

Powers of Board of Directors

Section 19: (1)The Board of Directors of a corresponding new Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government by notification in the Official Gazette make the regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is expedient for the purpose of giving effect to the provisions of this Act.

2) In particular, and without prejudice to the generality of the foregoing power, the regulations may provide for all or any of the following matters, namely:

a) the powers, functions and duties of local boards and restrictions, conditions or limitations, if any, subject to which they may be exercised or performed, the formation and constitution of local committees and committees of local boards (including the number of members of any such committee) the powers, functions and duties of such committees, the holding of meetings of local committees and committees of local boards and the conduct of business there at;

b) the manner in which the business of the local boards shall be transacted and the procedure in connection therewith.;

(ba) the nature of shares of the corresponding new Bank, the manner in which and the conditions subject to which shares may be held and transferred and generally all matters relating to the rights and duties of shareholders.

(bb) the maintenance of register, and the particulars to be entered in the register in addition to those specified in sub-section (2-F) of Section 3, the safeguards to be observed in the maintenance of register on computer, floppies or diskettes, inspection and closure of the register and all other matters connected therewith.

(bc) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised.

(bd) the holding of meetings of shareholders and the business to be transacted thereat.

(be) the manner in which notices may be served on behalf of the corresponding new Bank upon shareholders or other persons.

(bf) the manner in which the directors nominated under clause (h) of sub-section (3) of Section 9 shall retire.

c) the delegation of powers and functions of the Board of Directors of a corresponding new Bank to the general manager, director, or other employee of that Bank.

d) the conditions or limitations subject to which the corresponding new Bank may appoint advisors, officers or other employees and fix their remuneration and other terms and conditions of service.

e) the duties and conduct of advisors, officers or other employees of the corresponding new Bank.

f) the establishment and maintenance of Superannuation, pension, provident or other funds for the benefit of officers or other employees of the corresponding new Bank or of the dependants of such officers or other employees and the granting of Superannuation allowances, annuities and pensions payable out of such funds.

g) the conduct and defence of legal proceedings by or against the corresponding new Bank and the manner of signing and pleadings.

h) the provision of a seal for the corresponding new Bank and the manner and effect of its use.

i) the form and manner in which contracts binding on the corresponding new Bank may be executed.

j) the conditions and the requirements subject to which loans or advances may be made or bills may be discounted or purchased by the corresponding new Bank.

k) the persons or authorities who shall administer any pension, provident or other fund constituted for the benefit of officers or other employees of the corresponding new Bank or their dependants.

l) the preparation and submission of statements of programmes of activities and financial statements of the corresponding new Bank and the period for which and the time within which such statements and estimates are to be prepared and submitted and

m) generally for the efficient conduct of the affairs of the corresponding new Bank.

E. DENA BANK (SHARES AND MEETINGS) REGULATIONS 2003

The Dena Bank General Regulations, 1988 (DBGR), which have been notified in the Gazette of India: Part II Section 3- Sub- Section (i) dated April 29,1999 contain similar provisions as contained in the Bank Nationalisation Act. In addition thereto Regulation 41 of the said Dena Bank Regulations provide in sub regulation (i)(c) that “the Bank shall have a first and paramount lien on all shares inter alia shares registration in the names 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 shares shall be recognised by the Bank over its lien”. DBGR were renamed as Dena Bank (Shares and Meetings) Regulations 2003 from November 28, 2003.

F. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The contracts referred to below (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years prior to the date of the Prospectus) which are or may be deemed to be material have been entered into by the Bank. Copies of these contracts, together with the copies of the documents referred to below, all of which have been attached to a copy of the Prospectus, which has been delivered to the Designated Stock Exchange, may be inspected at the Head Office of the Bank between 10.00 A.M. and 12.00 Noon on any working day of the Bank from the date of the Prospectus until the date of closing of the subscription list.

A. Material Contracts

1. Memoranda of Understanding dated November 30, 2004 between the Bank and the Lead Managers to the Issue viz. SBI Capital Markets Ltd., ICICI Securities Ltd., J M Morgan Stanley Private Limited and A.K. Capital Services Ltd. specifying the terms of the engagement with Inter-se Allocation of Responsibilities between the Lead Managers.
2. Memoranda of Understanding dated January 5, 2005 between the Bank and the Lead Managers to the Issue viz. KMCC and ENAM specifying the terms of the engagement
3. Inter-se Allocation of Responsibilities between the Lead Managers.
4. Memorandum of Understanding dated December 01, 2004 between the Bank and Registrars to the Issue, specifying the terms and conditions of the engagement.
5. Copy of the tripartite agreement between the Bank, Registrars and NSDL dated July 14, 2000.
6. Copy of the tripartite agreement between the Bank, Registrars and CDSL dated July 12, 2000.

B. Material Documents

1. Copy of the resolutions passed by the Board of Directors of the Bank at the Board Meeting held on 23.10.2003 and the shareholders of the Bank at the EGM held on 25.11.2003.
2. Copy of the letter no. F. No. 011/26/2003/BOA dated October 19, 2004, under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) from Ministry of Finance (Department of Economic Affairs) in consultation with the Reserve Bank of India (RBI)
3. Copy of Letter No. F.No.11/26/2003-BOA dated November 29, 2004 from Ministry of Finance, Department of Economic Affairs (Banking Division) exempting the Bank from provisions of Sections 13 and15 (1) of the Banking Regulation Act, 1949.
4. Copy of Letter No. F.No.11/26/2003-BOA dated November 29, 2004 from Ministry of Finance, Department of Economic Affairs (Banking Division) for approval of lock in of shares.
5. Consent dated 16.11.04 from M/s B.K.Khare & Co., M/s Bhudladia & Co., M/s Gandhi Minocha & Co., M/s Khandelwal Kakani & Co., M/s Nripendra & Co and M/s S. Jaykishan for inclusion of their Audit report in the Prospectus of the Public Issue.
6. Consent from M/s B.K.Khare & Co., M/s Bhudladia & Co., M/s Gandhi Minocha & Co., M/s Khandelwal Kakani & Co., M/s Nripendra & Co and M/s S. Jaykishan for acting as Statutory Auditors of the Bank.
7. Auditors Report dated16/11/2004 from M/s B.K.Khare & Co., M/s Bhudladia & Co., M/s Gandhi Minocha & Co., M/s Khandelwal Kakani & Co., M/s S. Jaykishan and M/s Nripendra & Co.
8. Tax benefit report dated16/11/2004 from M/s B.K.Khare & Co., M/s Bhudladia & Co., M/s Gandhi Minocha & Co., M/s Khandelwal Kakani & Co., M/s S. Jaykishan. and M/s Nripendra & Co.
9. Consents from the Lead Managers, Registrars, Legal Advisors, Directors and Compliance Officer.
10. Copy of Initial Listing Applications dated December 03, 2004 made to the BSE, NSE, ASE and DSE for listing of equity shares of the Bank.
11. Permission from Foreign Exchange Department, RBI vide its letter FE.CO.FID/ 3561 /042 /10.02.40 (8435)2004-05 dated November 27, 2004 for allowing NRIs and FIIs to invest in the shares offered in the Issue with repatriation benefit.
12. Copy of the Gazette of India notification no. F No. 9/10/2003 – B.O.I. dated 4th February 2004 appointing Dr. Anil K. Khandelwal as Chairman and Managing Director of Dena Bank.
13. Copy of the Ministry of Finance letter no. F.No.20/10/2000-BOI dated 24/2/2004 detailing the terms and condition of the appointment of Dr. Anil K. Khandelwal as Chairman cum Managing Director of Dena Bank.
14. Copy of the Gazette of India notification F No. 9/8/2004 – B.O.I. (viii) dated 27th August 2004 appointing Shri M.V.Nair as the Executive Director of Dena Bank.
15. Copy of the Ministry of Finance letter no. F.No.20/12/2004-BOI dated 21/9/2004 detailing the terms and condition of the appointment of Shri M.V.Nair as the Executive Director of Dena Bank.
16. Copy of the Observation letter no. CFD/DIL/ISSUES/EB/30106/2005 dated January 04, 2005 from Securities & Exchange Board of India.
17. Copy of RBI Letter no. DBOD.No.BP.1487/21.04.141/2003-04 dated 13.03 .2004 exempting the Bank from creating Investment Fluctuation Reserve.
18. SEBI letter no. CFD/DIL/ISSUES/PR/25816A dated November 17, 2004 permitting the Bank to present its financial for the six months ended September 30, 2004 with limited review.
19. Power of Attorney from Directors for signing the draft prospectus, prospectus in favour of the Chairman and Managing Director
20. Note to CMD for reservations dated November 27, 2004.

PART III

DECLARATION

All relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1994 & Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995 and Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1996 and the guidelines issued by the Government of India have been complied with and no statement made in this Prospectus is contrary to the provisions of the said Act/Regulations/Guidelines and rules framed thereunder. All the legal requirements applicable till the filing of the Prospectus with Stock Exchanges have been complied with. Further it is certified that, all the disclosures made in the Prospectus are true and correct.

Dr. Anil K. Khandelwal	Chairman & Managing Director
Shri M.V. Nair	Executive Director
Shri R. Renganath *	Director
Shri H.R.Khan *	Director
Shri Sudhir Joshipura *	Director
Shri B.T.R. Reddy *	Director
Shri Subhash Chandra Wadhwa *	Director
Shri Atul Ashok Galande *	Director
Shri C.M. Dixit *	Director
Shri Manu Chadha *	Director

* Signed by the constituted attorney Dr. Anil K. Khandelwal, Chairman & Managing Director

Dated : 10/01/2005
Place : Mumbai