PROSPECTUS
Dated April 15, 2005
100 % Book Building Issue

ALLAHABAD BANK

Head Office : 2, Netaji Subhas Road, Kolkata 700 001.
Tel.: (033) 22423373, 22420883 Fax.: (033) 22104048, 2242 4048
Website : www. allahabadbank.com. E-mail: allahabad_fpo@allahabadbank.co.in
(Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970)

PUBLIC ISSUE OF 100,000,000 EQUITY SHARES OF RS.10 EACH FOR CASH AT A PRICE OF RS. 82 PER SHARE AGGREGATING RS. 8,200 MILLION ("THE ISSUE") BY ALLAHABAD BANK ("THE BANK" OR "THE ISSUER"). THE ISSUE COMPRISES NET ISSUE TO THE PUBLIC OF UP TO 80,000,000 EQUITY SHARES OF RS. 10 EACH, A RESERVATION FOR EMPLOYEES OF UP TO 10,000,000 EQUITY SHARES OF RS. 10 EACH AND A RESERVATION FOR EXISTING SHAREHOLDERS OF UP TO 10,000,000 EQUITY SHARES OF RS. 10 EACH, AT THE ISSUE PRICE. THE ISSUE WOULD CONSTITUTE 22.38 % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE BANK.

ISSUE PRICE OF RS. 82 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH

THE ISSUE PRICE IS 8.2 TIMES OF THE FACE VALUE OF THE EQUITY SHARES

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Up to 10,000,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price and the maximum Bid in this portion is limited to 2,500 Equity Shares. Up to 10,000,000 Equity Shares shall be available for allocation on a proportionate basis to the Existing Shareholders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE ISSUE

The Issue Price (as determined by Allahabad Bank in consultation with the Book Running Lead Managers on the basis of assessment of market demand for the Equity Shares by way of book-building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. The market price of the existing Equity Shares of Allahabad Bank could affect the price discovery through book building and vice versa. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENT

The Equity Shares issued through this Prospectus are proposed to be listed on NSE BSE, and CSE. We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated February 23, 2005, February 24, 2005 and March 7, 2005, respectively. **NSE is proposed to be the Designated Stock Exchange.**

BOOK RUNNING LEAD MANAGERS

SBI Capital Markets Limited	DSP Merrill Lynch Limited	ICICI Securities Limited	JM Morgan Stanley Private Limited
202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Tel: 91 22 2218 9166 Fax: 91 22 2218 8332 Email:allahabad_fpo@sbicaps.com	Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021 Tel : 91 22 2262 1071 Fax : 91 22 2262 1187 Email:allahabad_fpo@ml.com	ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400020 Tel: 91 22 2288 2460 Fax: 91 22 2282 6580 Email:allahabad_fpo@isecltd.com	141, Maker Chambers III Nariman Point Mumbai-400 021 Tel: 91 22 5630 3030 Fax: 91 22 5630 1694 Email: allahabad_fpo@jmmorganstanley.com

BOOK RUNNING LEAD MANAGERS		REGISTRARS TO THE ISSUE
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor 229 Nariman Point Mumbai 400 021 Tel : 91 22 5634 1100 Fax: 91 22 2282 6632 Email: allahabad_fpo@kotak.com	**Enam Financial Consultants Private Limited** 801/ 802, Dalamal Towers Nariman Point Mumbai, India 400 021 Tel. : 91 22 5638 1800 Fax. : 91 22 2284 6824 Email:allahabad_fpo@enam.com	**MCS Limited** Sri Padmavati Bhavan, Plot No. 93, Road No. 16 MIDC Area, Andheri (East) Mumbai 400092 Tel: 91 22 2820 1785 Fax: 91 22 2820 1783 Email : allahabad_fpo@mcsind.com

ISSUE PROGRAMME

BID / ISSUE OPENED ON : WEDNESDAY, APRIL 6, 2005

BID / ISSUE CLOSED ON : TUESDAY, APRIL 12, 2005

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DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Term	Description
"the Bank" or "our Bank" or "Allahabad Bank "	Allahabad Bank, a corresponding new bank, constituted under the Bank Acquisition Act having its Head Office at 2, Netaji Subhas Road, Kolkata 700 001, India.
"we" or "us" or "our"	Refers to Allahabad Bank and, where the context requires, its subsidiary, which is AllBank Finance Limited.

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the issue of Equity Shares, pursuant to this Issue.
Auditors	The statutory auditors of the Bank are M/s. Manubhai & Co., Chartered Accountants, M/s. T. K. Ghose & Co., Chartered Accountants, M/s. Ramesh C. Agrawal & Co., Chartered Accountants, M/s. Prakash & Santosh, Chartered Accountants, M/s. N. Chaudhuri & Co. and M/s. Dhamija Sukhija & Co., Chartered Accountants.
Banker to the Issue	Allahabad Bank
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time.
Bank Acquisition Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended from time to time.
Bank Regulations	Allahabad Bank (Shares & Meetings) Regulations, 1999, as amended from time to time, which have been made by the Board of Directors in the exercise of powers conferred by Section 19 of the Bank Acquisition Act after consultation with the RBI and with previous sanction of the Government.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid Closing Date / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English language newspaper, Hindi language newspaper and a Bengali language newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Bank and which will be considered as the application for allotment of the Equity Shares pursuant to the terms of this Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Prospectus and the Bid cum Application Form.

Term	Description
Bidding Period/Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid Opening Date/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English language newspaper, a Hindi language newspaper and a Bengali language newspaper with wide circulation.
Board of Directors/ Board	The Board of Directors of our Bank or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made.
BSE	The Stock Exchange, Mumbai
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being SBI Capital Markets Limited, DSP Merrill Lynch Limited, ICICI Securities Limited, JM Morgan Stanley Private Limited, Kotak Mahindra Capital Company Limited and Enam Financial Consultants Private Limited.
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Central Government	The Government of India.
Companies Act	The Companies Act, 1956, as amended from time to time.
Constitutional Documents	The Bank Acquisition Act read with the Bank Regulations and the Nationalised Bank Scheme.
Cut-off Price	Any price within the Price Band (notified atleast one day prior to the Bid Opening / Issue Opening Date in Business Standard, an English language newspaper with wide circulation, Pratahkal, a Hindi Language news paper with wide circulation and Aajkal, a Bengali language news paper with wide circulation) finalised by us in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
CSE	The Calcutta Stock Exchange Association Limited.
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the Designated Stock Exchange, following which the Allotment will be made to successful Bidders.

Term	Description
Designated Stock Exchange	National Stock Exchange of India Limited.
Director(s)	Director(s) of Allahabad Bank, unless otherwise specified.
Eligible NRI	An NRI who is a resident of Bahrain, Kuwait or the United Arab Emirates.
Employee	All or any of the following: A permanent employee of the Bank working in India as of March 31, 2005; and A director of the Bank, whether a whole time director, part time director or otherwise as of March 31, 2005.
Employees Reservation Portion	The portion of the Issue being a maximum of 10,000,000 Equity Shares available for allocation to Employees as of March 31, 2005.
Equity Shares	Equity shares of the Bank of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Bank, the Registrar, the Escrow Collection Bank and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank	Allahabad Bank
Existing Shareholders	Existing shareholders who are holders of Equity Shares of the Bank as of March 24, 2004 and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of the closing price of the Equity Shares on the NSE on March 23, 2005.
Existing Shareholders Reservation Portion	The portion of the Issue being a maximum of 10,000,000 Equity Shares available for allocation to Existing Shareholders.
Financial Year /fiscal year/ fiscal / FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
GoI/Government	The Government of India
Head Office	The head office of the Bank being: 2, Netaji Subhas Road, Kolkata, 700001, India.
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
Issue	Public Issue of 100,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. 82 per share aggregating Rs. 8,200 million ("the Issue") by Allahabad Bank. The Issue comprises Net Issue to the public of up to 80,000,000 Equity Shares of Rs. 10 each, a reservation for Employees of up to 10,000,000 Equity Shares of Rs. 10 each and a reservation for Existing Shareholders of upto to 10,000,000 equity shares of Rs. 10 each, at the Issue Price.

Term	Description
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Bank, in consultation with the BRLMs, on the Pricing Date.
Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount.
Nationalised Bank Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under Section 9 of the Bank Acquisition Act.
NRI/Non-Resident Indian	A Person resident outside India, who is a citizen of India or a Person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSE	National Stock Exchange of India Limited.
Net Issue/Net Issue to the public	The Issue less the allocation to the Employees and Existing Shareholders.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLMs and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 100,000. For the sake of clarity NRIs, foreign venture capital investors and Indian venture capital funds are not included within this definition.
Non-Institutional Portion	The portion of the Net Issue being upto 12,000,000 Equity Shares of Rs. 10 each available for allocation to Non-Institutional Bidders.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, society, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.

Term	Description
Price Band	The price band with a minimum price (Floor Price) of Rs. 75 and the maximum price (Cap Price) of Rs.82, which shall be advertised at least one day prior to the Bid Opening Date/Issue Opening Date, in Business Standard, an English language newspaper with wide circulation, Pratahkal, a Hindi language newspaper with wide circulation and Aajkal, a Bengali language Newspaper with wide circulation, and includes any revisions thereof.
Pricing Date	The date on which the Bank in consultation with the BRLMs finalises the Issue Price being April 13, 2005.
Promoter	The President of India acting through the MoF, GoI.
Prospectus	The Prospectus, filed with the Designated Stock Exchange containing, *inter alia,* the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
QIB Portion	The portion of the Net Issue to public and up to 40,000,000 Equity Shares of Rs. 10 each at the Issue Price, available for allocation to QIBs.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million (subject to applicable issue). For the sake of clarity, foreign venture capital funds and Indian venture capital funds are not included within this definition.
RHP or Red Herring Prospectus	Means the document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the Designated Stock Exchange at least three days before the Bid Opening Date and will become a Prospectus after filing with the Designated Stock Exchange after pricing and allocation.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being MCS Limited having its registered office in Sri Padmavati Bhavan, Plot No. 93, Road No. 16, MIDC Area, Andheri (East), Mumbai 400092
Reservation Portion	The portion of the Issue being a maximum of 20,000,000 Equity Shares available for allocation to Employees and Existing Shareholders.
Retail Individual Bidders	Individual Bidders (including HUFs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue. For the sake of clarity, NRIs other than eligible NRIs cannot participate in this Issue and cannot bid for Equity Shares.
Retail Portion	The portion of the Net Issue to the public and being a minimum of 28,000,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.

Term	Description
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.
Spread	Spread represents the result of dividing net interest income by monthly average working funds (which are total assets) expressed as percentage.
Stock Exchanges	BSE, NSE and CSE.
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Bank and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited, ICICI Brokerage Services Limited, Enam Securities Private Limited and JM Morgan Stanley Retail Services Private Limited.
Tier I capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period.
Tier II capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt.
Tier II Bonds or Subordinated Bonds	Unsecured subordinated bonds issued by Allahabad Bank for Tier II capital adequacy purposes.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLMs and the Syndicate Members.
Underwriting Agreement	Agreement among the members of the Syndicate and us entered into on April 14, 2005

ABBREVIATIONS

Abbreviation	Full Form
AllBank	AllBank Finance Limited
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ALM	Asset Liability Management
ALCO	Asset Liability Management Committee
ARC	Asset Reconstruction Corporation
BSE	The Stock Exchange, Mumbai.
BIFR	The Board of Industrial and Financial Reconstruction
CAIIB	Certified Associate of Indian Institute of Bankers
CAR	Capital Adequacy Ratio
CAGR	Compounded Annual Growth Rate
CDs	Certificate(s) of Deposit(s)
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
CPs	Commercial Papers
CRAR	Capital to Risk weighted Assets Ratio
CRISIL	Credit Rating Information Services of India Limited
CRR	Cash Reserve Ratio
DI	Derecognised Interest
DICGC	Deposit Insurance & Credit Guarantee Corporation
DPGs	Deferred Payment Guarantees
DRR	Debenture/ Bond Redemption Reserve
DRT	Debt Recovery Tribunals
DSPML	DSP Merrill Lynch Limited
ECGC	Export Credit Guarantee Corporation of India Limited
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
ENAM	Enam Financial Consultants Private Limited
FCNR Account	Foreign Currency Non-Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder

Abbreviation	Full Form
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
HRD	Human Resource Development
HTM	Held Till Maturity
HUF	Hindu Undivided Family
IPO	Initial Public Offering
ISEC	ICICI Securities Limited
IS	Information Systems
IT	Income Tax
ITAT	Income Tax Appellate Tribunal
JMMS	JM Morgan Stanley Private Limited
Kotak	Kotak Mahindra Capital Company Limited
LCs	Letters of Credit
LFAR	Long Form Audit Report
LIC	Life Insurance Corporation of India
MF/ MFs	Mutual Fund(s)
MoF	Ministry of Finance, Government of India
NABARD	National Bank for Agricultural and Rural Development
NAV	Net Asset Value
NBFCs	Non-Banking Finance Companies
NCLT	National Company Law Tribunal
NFB	Non-Fund Based
NPA/ NPAs	Non-Performing Asset(s)
NRE Account	Non-Resident External Account
NRO Account	Non-Resident Ordinary Account
NSDL	National Securities Depository Limited
OTS	One Time Settlement
OCS	Out-of-court Settlement
P/E Ratio	Price/Earnings Ratio

Abbreviation	Full Form
PLR	Prime Lending Rate
PAN	Permanent Account Number
PSC	Priority Sector Credit
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
RNBCs	Residuary Non-Banking Companies
RRB	Regional Rural Bank
RoNW	Return on Net Worth
SARFAESI	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SBICAP	SBI Capital Markets Limited
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SI	Suspended Interest
SLR	Statutory Liquidity Ratio
SSIs	Small Scale Industries
SLBC	State Level Bankers' Committee
Supreme Court	Honourable Supreme Court of India
TDS	Tax Deducted at Source
VRS	Voluntary Retirement Scheme
W/O	Written Off

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in the Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Unless stated otherwise, the statistical and operational data in this Prospectus is presented on an unconsolidated basis. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. The nine months ended December 31, 2003 and 2004 are referred to as the first nine months of fiscal 2004 and the first nine months of fiscal 2005, respectively. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off of the amounts.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. All references to "India" contained in this Prospectus are to the Republic of India. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$"; "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. For additional definitions, please see the section titled "Definitions and Abbreviations" on page i of the Prospectus.

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

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus that contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements". All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

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

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

RISK FACTORS

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

Internal Risk Factors and Risks Relating to our Business

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

In the first nine months of fiscal 2005, net interest income represented 43.70% of our interest income and 36.03% of our total income. Volatility and changes in market interest rates could affect the interest, we earn on our assets, differently from the interest we pay on our liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in net interest income. Under the regulations of the RBI, we are required to maintain a minimum specified percentage, currently 25.0%, of our net demand and time liabilities in Government or other approved securities and cash reserves with the RBI. As of December 31, 2004, 38.38% of our net demand and time liabilities and 78.72% of our total investments were in these securities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policies, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Any volatility in interest rates could adversely affect our business and financial performance. On October 26, 2004, the RBI increased the reverse repo rate, which is the rate at which commercial banks lend funds to the RBI, from 4.50% to 4.75%. Although our net interest income is increasing due to our prudent asset and liability management, in a rising interest rate environment, especially if the rise were sudden or sharp, we could be materially adversely affected by the decline in the market value of our government securities portfolio and other fixed income securities and may be required to realize mark to market losses. Additionally, an increase in interest rates may harm the retail and corporate sectors, which may adversely impact our business.

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

The growth in our net profits from Rs.1,659.9 million in fiscal 2003 to Rs. 4,633.9 million in fiscal 2004 can be attributed to treasury profits, from the purchase and sale of securities and interest on investment which may not be sustainable in future. In fiscal 2004, we made a profit of Rs. 5,047 million from sale of investment. Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realise the same level of income from treasury operations as we have in the past. Any decrease in our income due to volatility in income from these activities could adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

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

The returns on our investments, other than profits on sale of investments, have declined from 9.64% in fiscal 2003 to 8.77% in fiscal 2004. During the same period, the returns on loans and advances declined from 10.11% to 9.35%. While we expect that with rising interest rates, the returns on our investments and loans and advances would increase, we cannot assure you that this will actually take place.

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

Our restated non-performing assets were Rs. 6,352.8 million representing 4.07% of our net advances as of March 31, 2004 and Rs. 4,636.30 million representing 2.32% of our net advances as of December 31, 2004. Although we have been able to reduce our net non-performing assets through recoveries, upgradation of the classification of assets into "performing" categories and additional provisioning, we cannot assure you that we will be able to maintain this level of non-performing assets in the future or that we will be able to reduce, or prevent an increase in, our gross or net non-performing assets. A number of factors that are not within our control could affect our ability to control and reduce non-performing assets, including increased competition arising from economic liberalisation in India, variations in industrial and agricultural growth, declines in commodity and food grain prices, the high level of debt in the capital structure of Indian companies, fluctuations in interest and exchange rates, changes in regulations, including with respect to directed lending, and the high interest rates in the Indian economy during the period in which a large number of borrowers made their borrowings. In addition, the expansion of our business and our entry into new businesses may cause our non-performing loans to increase and the overall quality of our loan portfolio to deteriorate. As of March 31, 2004, our top 10 non-performing assets amounted to Rs. 2,704.37 million.

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

The directed lending norms of the RBI require that every bank should extend at least 40% of its net bank credit to certain eligible sectors, such as agriculture and small-scale industries, which are categorized as "priority sectors". As of December 31, 2004, priority sector credit constituted 45.15% of our net bank credit, and loans to agricultural and small scale industry borrowers constituted 19.87% and 7.26%, respectively, of our net bank credit. As of December 31, 2004, the percentage of our priority sector net non-performing assets to total priority sector advances was 7.70%. As of December 31, 2004, the percentage of our agricultural gross non-performing assets to total agricultural advances was 5.04% and the ratio of our small scale industry gross non-performing assets to total small scale industry advances was 14.94%, compared to our overall ratio of non-performing assets to total advances of 6.24%. In addition, as of December 31, 2004, 9.10% of our agricultural loan portfolio was concentrated in northern India. Although we believe that our agricultural loans are adequately collateralised, economic difficulties owing to various factors, such as uncertain monsoons or other weather conditions, natural calamities, reductions in price supports, changes in Government policy, or other events and conditions may adversely impact these priority sectors and our business and level of our non-performing assets.

We have concentrations of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of our loan portfolio could be adversely affected.

As of December 31, 2004, our total outstanding advance exposure were Rs. 207,855.5 million. Our total outstanding advance (exposure) includes principal outstanding and interest (collectively, our fund based exposure) and the outstanding amount of guarantees, letters of credit and other non-fund based exposures (collectively, our non-fund based exposures). Our gross total advances to our ten largest borrowers in the aggregate accounted for approximately 17.01% and 13.14% of gross total advances exposure as of March 31, 2004 and December 31, 2004, respectively. Our exposure to our largest single borrower as of December 31, 2004 accounted for approximately 1.79% of our gross total advances and 19.99% of our capital funds (comprising Tier I and Tier II capital, as defined in the Indian banking regulations). Our exposure to our largest borrower group as of December 31, 2004 accounted for approximately 2.14% of our total outstanding exposure and 23.90% of our capital funds. Credit losses on these large borrowers and group exposures could adversely affect our business and financial condition.

We have framed our own internal policies to limit our credit exposure to any particular industry to 10% of our total credit. The top five industries, which are not related to food accounted for 27.95% and 27.52% of our gross credit exposure as of March 31, 2004 and December 31, 2004 respectively. We determine our industry-wise exposures by aggregating our fund based exposures in respect of accounts of Rs.10 million or larger within each industry. As of December 31, 2004, 63% of our advances were to borrowers that we rate as being “low risk”, 27% of our advances were to borrowers that we rate as “moderate risk” and 10% of our advances were to borrowers that we rate as “high risk” under our internal rating system. Our high risk borrowers, in particular, could be especially vulnerable if economic conditions worsen or economic growth slows down, which could adversely affect our business and financial condition.

We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of the collateral.

We take collateral for a large proportion of our loans, consisting of liens on inventory, receivables and other current assets, and in some cases, charges on fixed assets and financial assets, such as marketable securities. As of December 31, 2004, over 74.95% of our advances were secured by tangible assets, such as real assets (including property, plant and equipment, liens on inventory, receivables and other current assets), fixed assets, the assets being financed or a charge or mortgage of agricultural land or immovable property. In India, foreclosure on collateral generally requires a petition to a court or tribunal. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. Delays can last for several years, leading to deterioration in the physical condition and market value of the collateral. The precise mechanism for applying the recent Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“Securitisation Act”), which is intended to strengthen the rights of lenders, is still evolving. As a result of the foregoing factors, as well as other factors such as defects in the perfection of collateral, we may not be able to realize the full value of our collateral.

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

Most of our funding requirements are met through short-term and medium-term funding sources, primarily in the form of deposits. As of December 31, 2004, 90.32% of our funding consisted of deposits of which 38.41%consisted of demand deposits and savings deposits. A portion of our assets has long term maturities, creating a potential for funding mismatches. In our experience, a substantial portion of our customer deposits has been rolled over upon maturity and has been, over time, a stable source of funding. However, in the event that a substantial number of our depositors do not roll over deposited funds upon maturity, our liquidity position and business could be adversely affected. The average cost of our deposits was 4.97% for the first nine months of fiscal 2005. If we are unable to maintain or increase our base of low cost deposits, our overall cost of funds could increase which could have an adverse effect on our business and our ability to grow.

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

After the completion of the Issue, the Government will own at least 55.23% of our outstanding Equity Shares and will be able to appoint nine directors out of a total of 15 directors. Consequently, the Government will continue to have a controlling interest in our Bank and will also be able to determine a majority of our Board of Directors. Further, the Bank Acquisition Act limits the voting power of our shareholders by requiring that none of our shareholders, other than the Government, shall be entitled to exercise voting rights in respect of shares held by them in excess of 1% of the total voting rights of all of our shareholders. Therefore, the outcome of most proposals for corporate action requiring the approval of our Board of Directors or shareholders will be largely controlled by the Government. Further, given the importance of the banking industry to the Indian economy, the Government, through policy directives, could require us to take actions and enter into transactions such as the acquisition of other banks or financial institutions that are in financial difficulty in order to serve public interest in India and not necessarily to maximize our profits.

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

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

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

We are planning to establish operations in Hong Kong and have entered into a joint venture with Punjab National Bank to establish banking operations in Kazakhstan. As these will be our first operations outside of India, we will be subject to risks inherent to establishing international operations, including

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

Significant security breaches in our computer systems and network infrastructure and fraud could adversely impact our business.

We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. These concerns will intensify with our increased dependence on technology. We employ security systems, including firewalls and password encryption, designed to minimize the risk of security breaches. To mitigate these risks, we intend to continue to implement adequate security technologies and establish appropriate operational procedures. However, these may not be sufficient to prevent fraud, break-ins, damage and failures. A significant failure in security measures could have an adverse effect on our business. At present we have not set up a central database for our branch application software. However, we are in the process of setting up a disaster recovery management site in Kolkata.

System failures and calamities could adversely impact our business.

Our principal delivery channels include our branches and ATMs. We have a centralized backup system for our ATMs and the back-up systems for our branches are based locally. Any failure in our systems, particularly those utilized for our retail products and services and transaction banking, or the occurrence of calamities such as earthquakes, tsunamis and cyclones that affect areas in which we have a significant presence, could significantly affect our operations and the quality of our customer service.

Our contingent liabilities could adversely affect our financial condition.

As of December 31, 2004, we had contingent liabilities not provided for amounting to Rs. 1,32,340.9 million. These included liabilities on account of claims against us not acknowledged as debts of Rs. 2,062.7 million, forward exchange contracts of Rs. 97,169.7 million, guarantees of Rs. 13,677.8 million and acceptances, endorsements and other obligations of Rs. 19,421.8 million, liabilities for partly paid instruments of Rs. 1.6 million and others for Rs. 7.3 million. If these contingent liabilities materialize, fully or partly, our financial condition could be adversely affected.

We have an asset liability mismatch and the maturity profile of assets and liabilities as on March 31, 2004 shows negative gaps in over six months to 12-months, one year to three year period and the three years to five years period.

In maturity profile of assets and liabilities, there are negative gaps of Rs. 1,008.2 million in the six months to 12-months period, Rs. 409.5 million in the one year to three years period and Rs. 14,166.1 million in the three years to five years time period. However, the maturity period upto three year has a positive cumulative gap of Rs. 3,800.9 million. Any gap resulting in any way, of the maturity periods, at any future date will be managed dynamically through suitable structuring of the maturity profile of investment products, asset portfolios and liability products.

We face significant challenges in new products and services.

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

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

The RBI requires a minimum capital adequacy ratio of 9.0% in relation to our total risk weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our capital adequacy ratio was 13.45% on December 31, 2004. Our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to or have difficulty accessing the capital markets.

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

RBI is expected to adopt the requirements of Basel II, the international capital adequacy framework for banks. Basel II prescribes minimum capital requirements for market risk and operational risk in addition to the requirement of minimum capital for credit risk. The capital requirements are expected to increase when Basel II standards are implemented by RBI. We may need to augment our capital base to meet these norms. In preparation for the adoption of the Basel II accord, banks have already commenced active measures in terms of risk management systems, evaluation of capital charges, including for operational risk, increase in transparency in financial reporting as part of market discipline, as required by RBI. RBI has also indicated that it will adopt a phased approach to the implementation of the Basel II standards. While we are in the process of adopting the recommendations, failure in ensuring readiness for meeting Basel II standards, when implemented by RBI, could adversely impact our business and financial performance.

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

As a result of the statutory reserve requirements imposed by RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under RBI regulations, we are subject to a cash reserve ratio requirement under which we are currently required to keep 5.0% of our net demand and time liabilities in a current account with RBI. RBI recently increased the cash reserve ratio requirement from 4.75% to 5.0%. RBI stated that it increased the cash reserve ratio requirement in order to keep inflation in check and it may carry out further increases, if required. In addition, under RBI regulations, our liabilities are subject to a statutory liquidity ratio requirement, according to which 25.0% of our demand and time liabilities needs to be invested in GoI securities and other approved securities. We do not earn interest on 3.0% out of 0.5% cash reserves maintained with RBI and on the remaining cash reserves and securities, we earn interest at rates that are less than those in respect of our retail and corporate loan portfolio. Increases in cash reserve ratio and liquidity ratio requirements could adversely affect our business and financial performance. As of December 31, 2004, our holding in GoI securities was Rs. 1,414,108.8 million, which was 38.38% of the net demand and time liabilities. (the requirement is 25%).

If we fail to comply with the new regulations on Corporate Governance, our reputation and the value of our securities may be adversely affected.

On October 29, 2004, SEBI issued a circular requiring all Indian stock exchanges to modify Clause 49 of their standard listing agreements. The revised Clause 49 has many requirements that are similar to certain requirements of the U.S. Sarbanes Oxley Act of 2002, including requirements relating to the composition and roles of the Board of Directors and the audit committee, ethics standards, related party disclosures and fraud.

Among other matters, the revised Clause 49 requires our Chief Executive Officer and Chief Financial Officer to certify that they have evaluated the effectiveness of our internal control systems, have disclosed to our auditors and our Board of Directors, any deficiencies in the design or operation of internal controls and have described the steps to be taken or proposed to be taken in respect of any identified deficiencies. The revised Clause 49 is scheduled to take effect on April 1, 2005.

If we are unable to comply with the requirements of the revised Clause 49 on a timely basis, our reputation and the value of our securities may be adversely affected.

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

As of March 12, 2005, there were 929 cases, including writ petitions filed by employees/ex-employees, suits/ writs by customers and consumer cases filed against us with aggregate claim of Rs. 2,501.12 million for which no reserves have been provided. Further, there are six instances wherein criminal cases have been outstanding against the officials of our Bank in connection with the transactions of the Bank. Out of the 929 cases, there are 278 cases filed by the employees/ex-employees or family members of deceased employees against us claiming service benefits such as withdrawal of VRS application and reinstatement in service/challenging order of dismissal from service/non-payment of terminal benefit, such as gratuity, non payment of family pension/not giving due promotion etc. which are pending before the Supreme Court/various High Courts/Civil Court/Labour Court/ Tribunals, etc.

In addition, various proceedings against us relating to Indian income tax amounting to Rs. 557.7 million are pending in appeal with the Income Tax authorities. We have not made any provision for any liability that may arise from such proceedings and an adverse ruling in such proceedings, if any, is likely to adversely affect our financial condition.

All of the tax liability arises from proceedings where we successfully contested the liability before the Commissioner of Income Tax (Appeals) (C.I.T. (A)) and the Income Tax department has filed appeals before the Income Tax Appellate Tribunal, Kolkata (Tribunal). We have been contesting these appeals and while our management believes that the order passed in our favor by C.I.T. (A) will be upheld by the Tribunal, we cannot assure you that it would be so upheld.

There are four cases of claims/suits filed against AllBank Finance Limited, a subsidiary of ours, in which the amount involved as of December 31, 2004 was Rs. 34.7 million. Further, Income Tax disputes aggregating Rs. 214.97 million approximately and interest tax disputes aggregating Rs. 8.62 million approximately are pending with various appellate authorities against AllBank Finance Limited.

While we are pursuing appeals with the appellate authorities and based on legal advice expect a favorable decision, we cannot assure you that we will be successful and such litigations will not adversely affect the results of operation, and the price of our Equity Shares.

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

As per RBI circular no. DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003; on Guidelines on the Compliance of Accounting Standards by Banks, all nationalized banks (like our Bank) are exempt from disclosing the transactions with their subsidiaries as well as the RRBs sponsored by them. Hence no such disclosure has been made in this Prospectus. Further, we are not disclosing transactions with associates in the audited accounts.

Your holdings may be diluted by additional issuances of equity and sales of a large number of Equity Shares, by us or by our major shareholders, which may adversely affect the market price of our Equity Shares.

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

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

The Equity Shares you purchase in this Issue will not be credited to your demat account with depositary participants until approximately 15 days from the Bid Closing Date/Issue Closing Date. You can start trading your Equity Shares only after they have been credited to your demat account. Since the Equity Shares are already traded on the Stock Exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are credited to your demat account. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time period specified above. However, as stated on page 10, we will pay interest at 15% per annum if there is any delay for crediting the demat shares beyond the above-stated period. This risk factor is for the information of investors and it does not in any way dilute the right of investors and our obligations.

EXTERNAL RISK FACTORS

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

There is competition among public and private sector Indian commercial banks as well as foreign commercial banks in India. Some of these banks are smaller and may be more flexible and better positioned to take advantage of market opportunities than public sector banks. In particular, private banks may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation. Additionally, both the Indian and global financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government has also recently announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India and invest up to 74% in Indian private sector banks, which is likely to further increase competition in the Indian banking industry. The Government is also actively encouraging banks and other financial institutions to significantly increase their lending to the agriculture sector, which will make this segment more competitive. These competitive pressures affect the Indian banking industry as a whole, including our Bank, and our growth will depend in large part on our ability to respond in an effective and timely manner to these competitive pressures.

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

Banks in India are subject to detailed supervision and regulation by the RBI. In addition, banks are subject generally to changes in Indian law, as well as to changes in regulation and Government policies and accounting principles. The laws and regulations governing the banking sector could change in the future and any such changes could adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares, by requiring a restructuring of our activities, increasing costs or otherwise.

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

- We can increase our paid up capital only with the consent of the Government and in consultation with the RBI and the shareholding of the Government cannot go below 51% of the paidup capital.
- The Government has control over policy matters relating to us and the RBI has the power to caution or prohibit us from entering into any particular transaction or class of transactions.
- Foreign investment is subject to an overall statutory limit of 20% of our paid up capital. The RBI has fixed cutoff points at 18% for the purposes of effective monitoring. Once the aggregate net purchase of Equity Shares reaches 18%, further acquisition of Equity Shares by FIIs/NRIs/PIOs requires approval of the RBI.
- No shareholder, other than the Government, is entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all our shareholders.
- There are restrictions on payment of dividend and on rights relating to unclaimed dividend.
- Certain restrictions on opening a new place of business and transferring an existing place of business, require the approval of RBI except in certain circumstances, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75% of our demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- There are no provisions for compulsorily sending a copy of our statutory reports to our shareholders prior to a general meeting of the shareholders and our shareholders do not have the right to approve our accounts, the report of our Board of Directors on our working and activities for the period covered by the accounts and the auditors' report on our accounts.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act are not available to our shareholders.

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

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

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

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

The Indian economy has shown sustained growth over the last few years with gross domestic product (GDP) growing at 8.2% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. However, growth in industrial and agricultural production in India has been variable. Industrial growth was 7.0% in fiscal 2004 compared to 5.8% in fiscal 2003 and 2.6% in fiscal 2002. Industrial growth was 6.9% during the first three months of fiscal 2005. Agricultural production grew by 9.1% in fiscal 2004 compared to a 5.2% decline in fiscal 2003 and growth of 6.5% in fiscal 2002. Agricultural production grew by 3.4% in the first three months of fiscal 2005. In its mid-term review of annual policy published on October 26, 2004, the RBI reduced its GDP growth forecast for fiscal 2005 from 6.5-7% to 6.0-6.5% as a result of a decline in agricultural growth because of insufficient rainfall, and increased its inflation rate forecast from 5.0% to 6.5%. Any slowdown in the Indian economy or volatility in global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. With the importance of retail loans to our business, any slowdown in the growth of housing and automobiles sectors could adversely impact our performance. Further, with the importance of the agricultural sector to our business, any slowdown in the growth of the agricultural sector could also adversely impact our performance.

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

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

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

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

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

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

Terrorist attacks, such as the ones that occurred in New York and Washington, D.C. on September 11, 2001, New Delhi on December 13, 2001, Gandhinagar in Gujarat on September 24, 2002, Bali on October 12, 2002 and Mumbai on August 25, 2003 and other acts of violence or war may negatively affect the Indian markets where our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

After the December 13, 2001 attack in New Delhi and a terrorist attack on May 14, 2002 in Jammu, India, diplomatic relations between India and Pakistan became strained and there was a risk of intensified tensions between the two countries. The Governments of India and Pakistan have recently been engaged in conciliatory efforts. However, any deterioration in relations between Indian and Pakistan might result in investor concern about stability in the region, which could adversely affect the price of our Equity Shares.

India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or on Government policy. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

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

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

NOTES TO RISK FACTORS:

- Public issue of up to 100,000,000 Equity Shares for cash at a price of Rs. 82 per Equity Share aggregating Rs. 8,200 million. The Issue comprises Net Issue to the public of 80,000,000 Equity Shares, a reservation for Employees of up to 10,000,000 Equity Shares and a reservation for Existing Shareholders of up to 10,000,000 Equity Shares.
- The net worth of our Bank before the Issue (as of December 31, 2004) was Rs. 20,664.26 million (on an unconsolidated basis).
- The average cost of acquisition of Equity Shares by the President of India, acting through the Ministry of Finance, our Promoter, is Rs.10 per Equity Share and the book value per Equity Share as of December 31, 2004 was Rs. 59.60 per Equity Share.
- Refer to the notes to our financial statements relating to related party transactions in the section titled “Related Party Transactions” on page 116. Our aggregate related party transactions with key managerial personnel* are as follows:

S.No.	Name	Designation	Remuneration (Amount in Rs.)	
			FY 2004	Nine months of fiscal 2005
1	Mr. O. N. Singh	Chairman & Managing Director*	151,980.40	421,810.55
2	Mr. S. K. Goel	Executive Director #	———	175,774.67
3.	Mr. K K Rai	Former Executive Director **	444,426.00	144,326.66

* *Joined with effect from December 4, 2003*

\# *Joined with effect from August 27, 2004.*

** *Retired on June 30, 2004*

For the purposes of related party transactions of key managerial personnel, only data related to our whole-time directors have been included.

None of our directors has, either directly or indirectly, undertaken transactions in our Equity Shares in the six months preceding the date of this Prospectus.

- Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 191.
- We have declared an interim dividend for the first time for fiscal 2005 at the rate of 15%. The record date was Monday, March 14, 2005. We had earlier declared a interim dividend at the rate of 10% for the fiscal 2004 and also paid a final dividend at the rate of 10%, i.e., a total dividend at the rate of 20% for fiscal 2004.
- We would like to clarify that inspection by RBI is a regular exercise and is carried out periodically by RBI for all banks and FIs. The reports of RBI are strictly confidential. We are in dialogue with RBI in respect of observations made by RBI in their report for previous years. RBI does not allow disclosure of its inspection and that all disclosures in the Prospectus are on the basis of our management and audit reports.

  Investors should note that in case of oversubscription in the Issue, allotment will be made on a proportionate basis to Retail Individual Bidders, Employees, Existing Shareholders and Non-Institutional Bidders. Please refer to the section titled "Statutory and Other Information - Basis of Allocation" on page 194.

SUMMARY

You should read the following summary together with the section titled "Risk Factors" on page xii*, our financial statements and the more detailed information about us included elsewhere in this Prospectus.*

We are one of the leading public sector commercial banks in India, offering banking products and services to corporate and commercial customers and retail customers. We are India's eighth largest bank in terms of assets, and we service over 15 million customers across India through our network of 1,938 branches. We have a particular focus on retail banking while serving all sectors of the Indian economy. Our Bank has grown rapidly in recent years. As of December 31, 2004, our total advances and deposits were Rs. 589,281.2 million. In fiscal 2004 our total income was Rs. 34,184.8 million and our net profit was Rs. 4,633.9 million before adjustment. In the first nine months of fiscal 2005, our total income was Rs. 28,563..3 million and our net profit was Rs. 4,624.8 million. Between fiscal 2002 and 2004, our total income grew at a compound annual rate of 13.4%, our unadjusted and adjusted net profit grew at a compound annual rate of 140.4% and 145.95%, respectively, and our total deposits and total advances grew at a compound annual growth rate of 17.8% and 20.4%, respectively. As of December 31, 2004, our gross non-performing assets were Rs. 12,977.9 million.

We offer a full range of banking products and services. Our banking operations for corporate and commercial customers cater to large corporate customers as well as to small and middle market businesses and Government entities. Our corporate and commercial products include term loans, bill discounting, export credit and other business credit and financing products. We also offer a wide range of retail products including home loans, personal loans and automobile loans as well as debit cards. In addition, we also offer specialised products and services to the agricultural sector. We plan to expand our agricultural base and have developed innovative products that are designed to meet the production and consumption credit needs of farmers such as our "Kisan credit cum Kishan shakti Card".

We deliver our products and services through our extensive branch network, extension counters, ATMs, phone banking and the Internet. Our branch network comprises 960 rural, 326 semi-urban, 386 urban and 266 metropolitan branches of which 955 are computerized. We believe that we can use our large number of rural branches to attract funds at lower cost through our savings bank deposit products, which generally are attractive to rural customers. As of December 31, 2004, our total deposits constituted approximately 90.32% of our total liabilities. On average, interest free demand deposits and low interest savings deposits represented 38.41% of these deposits in the first nine months of fiscal 2005.

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

The GoI is our largest shareholder and will hold approximately 55.23% of our Equity Shares after the Offering. The Government has expressed its intention to maintain its ownership interest at least 51%.

Strategy

Our goal is to further strengthen our position as of India's premier commercial banks and to increase our profitability by expanding our business, improving our spreads, and reducing our operating expenses. We also are working to improve our overall customer service and product offering while at the same time aggressively maintaining our balance sheet. Our business strategy emphasizes the following elements:

Expanding our Retail Banking Business

With the increase in household income levels in India and the consequent need for diversified financial services, the retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market. The keys to our retail strategy are wide distribution, convenient customer service, a full range of products and prudent risk management. Cross-selling of a wide range of banking services and insurance, credit and investment products to our customers is a important aspect of our retail strategy as we leverage our current customer base to expand into new product areas. This includes agency tie-ups with National Insurance Company Limited for general insurance, with Life Insurance Corporation of India for life insurance, with Export Credit and Guarantee Corporation for export credit insurance and with UTI Mutual Funds for mutual fund products.

Improving our Spreads

Our spread has improved from 3.02% in fiscal 2002 to 3.39% in fiscal 2004. We are working to maintain or improve our spread through improving yields on advances and investments and by reducing our cost of deposits.

Improving Yields on Advances and Investments

Our yields on advances and investments have been under pressure in the current low interest rate environment. We are actively seeking to improve our yields on advances in this environment by improving our credit delivery systems and improving our asset base by further reducing our non-performing assets. In addition, we are actively seeking to cross sell our products as well to introduce new products like our third party insurance offerings. We have been working to improve yields on investments by constantly churning our portfolio, using technology to improve productivity and using derivatives to hedge against interest rate risk.

Reducing Costs of Funds

We believe that we have a relatively low overall cost of funds compared to the Indian banking industry. We have achieved this through a large base of low cost deposits, with total deposits representing 38.41% of our funding as of December 31, 2004. Interest free demand deposits and low interest savings deposits constituted 7.44% and 30.97%, respectively, of our total deposits as of December 31, 2004. We believe we can maintain and enlarge this low-cost funding base by leveraging our extensive branch network (particularly in the rural areas where many of the deposits are low cost savings deposits) and our customer base of over 15 million accounts and by offering a wide range of products and high quality customer service, even as our business grows. In particular, we are focused on the retail rural section emphasizing low interest savings deposits.

Increasing Higher Margin Fee Based Income

We are looking to increase our higher margin fee based income in areas such as our treasury products and services, in particular our cash management services and foreign exchange. In addition, we are looking to increase fee-based income by expanding our third party product offerings. For example, we have established agency tie-ups with National Insurance Company Limited for general insurance, with Life Insurance Corporation of India for life insurance, with Export Credit and Guarantee Corporation for export credit insurance and with UTI Mutual Funds for mutual fund products.

Reduce our Operating Expenses

As a percentage of total income our operating expenses have increased from 26.62% in fiscal 2002 to 29.67% in fiscal 2003 and it declined to 28.06% in fiscal 2004 and further declined to 23.77% in the nine months ended December 31, 2004. Our strategy is to continue to control our operating expenses by prudently reviewing our headcount, aggressively managing controllable expenses and by further developing tight budgetary controls and a cost sensitive management culture.

Maintain High Asset Quality Standards through Comprehensive Risk Management

We have markedly improved our loan and investment portfolios by carefully targeting our customer base and implementing a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. We apply our credit risk rating process to advances in excess of Rs. 2 million. Additionally, we actively monitor our loans and reassess their credit ratings once a year or more frequently if they are at risk. We also apply aggressive remediation policies to recover non-performing loans. Our provisioning policies for non-performing assets are in accordance with the RBI guidelines. As of December 31, 2004, we had a provision of Rs.9,999.0 million for non-performing assets. Our provision coverage ratio for NPAs was 77.05% as of December 31, 2004, which was significantly in excess of industry average (which was 59.75% as of March 31, 2001) and RBI norms.

Develop our Technological Capabilities to Interconnect our Branch Network and improve our Services.

We believe that technology is a differentiator in the banking industry and have devoted substantial resources towards upgrading our technology over the past few years. We have 955 computerized branches of which as many as 281 were electronically interconnected as of December 31, 2004. We intend to extend this to between 350 to 600 branches by March 31, 2006. We also intend to expand our delivery channels and have introduced internet banking and set up over 100 ATMs (to be further increased to as many as 350 ATMs by March, 2006). We aim to improve service by further using interconnectivity to implement centralized credit management, help desk services and data backup capabilities.

Expand our Presence in International Markets

We intend to explore strategic opportunities to expand our presence in international markets. We are in the process of obtaining a license to commence operations in Hong Kong. We have also entered into a joint venture with Punjab National Bank (which already has a representative office in Kazakhstan) to set up banking operations in Kazakhstan.

SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our unconsolidated financial statements. The financial information, as of and for the fiscal years ended March 31, 2002, 2003 and 2004 and as of and for the nine months ended December 31, 2004, is based on our restated financial statements for those periods, which are included in this Prospectus under the section titled "Financial Statements" on page 203. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors' report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 82. Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP and U.S. GAAP", on page 237.

SUMMARY PROFIT AND LOSS INFORMATION

	Fiscal year			Nine months ended December 31, 2004
	2002	**2003**	**2004**	
	(In Rs. million)			
INCOME				
Interest Income				
Interest and discount on advances and bills	11,178.7	12,119.0	13,227.2	12,362.8
Income on investments	10,542.8	11,877.5	13,022.4	10,905.5
Other interest income	1,006.9	1,706.8	437.1	281.5
Total interest income	**22,728.4**	**25,703.3**	**26,686.7**	**23,549.8**
Other Income				
Commission, exchange and brokerage	1,434.7	1,432.1	1,619.6	1,312.8
Profit on sale of investments (net)	1,930.3	3,369.4	5,047.2	3,269.2
Others	484.2	442.1	831.3	431.6
Total other income	**3,849.2**	**5,243.6**	**7,498.1**	**5,013.5**
Total Income	**26,577.6**	**30,946.9**	**34,184.8**	**28,563.3**
EXPENDITURE				
Interest Expenditure				
Interest on deposits	15,080.8	16,148.9	15,408.0	12,866.3
Others	342.9	456.6	421.2	391.0
Total interest expenditure	**15,423.7**	**16,605.5**	**15,829.2**	**13,257.3**
Operating Expenses				
Payment to and provision for employees and wages	4,631.0	4,841.5	5,297.4	3,840.3
Other operating expenses	2,149.5	4,048.2	4,002.1	2,729.8
Total operating expenses	**6,780.5**	**8,889.7**	**9,299.5**	**6,570.0**
Total Expenditure	**22,204.2**	**25,495.2**	**25,128.7**	**19,827.4**
Gross profit before provisions and contingencies	**4,373.4**	**5,451.7**	**9,056.1**	**8,736.0**

	Fiscal year			Nine months ended December 31, 2004
	2002	2003	2004	
	(In Rs. million)			
Provisions and Contingencies				
Provision for non performing advances	2,600.6	1,731.3	4,784.4	(150.0)
Provisions for income tax	671.4	1,524.3	(28.9)	429.5
Other provisions	110.5	350.6	(521.5)	3,690.6
Total provisions and contingencies	**3,382.5**	**3,606.2**	**4,234.0**	**3,970.1**
Net profit (Before Extraordinary items)	**990.9**	**1,845.5**	**4,822.1**	**4,765.9**
Less : Extraordinary item (Net)	188.7	185.6	188.2	141.1
Net Profit (After Extraordinary items)	**802.2**	**1,659.9**	**4,633.9**	**4,624.8**
ADJUSTMENTS ON ACCOUNT OF RESTATEMENT				
Total Adjustments	113.8	279.1	907.2	788.2
Adjusted net profit	**916.0**	**1,939.0**	**5,541.1**	**5,413.0**

SUMMARY BALANCE SHEET INFORMATION

	As of March 31,			As of December 31, 2004
	2002	2003	2004	
	(In Rs. million)			
ASSETS				
Investments	103,460.6	123,597.4	155,548.1	180,262.9
Advances	110,045.1	126,236.0	156,139.9	199,564.5
Balance with RBI	14,835.5	13,204.1	19,582.0	25,051.2
Other assets	16,647.4	15,335.6	15,333.6	17,067.6
Total Assets (A)	**244,988.6**	**278,373.1**	**346,603.6**	**421,946.2**
LIABILITIES				
Deposits	226,659.4	254,633.8	314,766.1	381,418.2
Borrowings	605.7	436.9	1,689.9	1,189.1
Other liabilities and provisions	7,357.9	9,767.3	9,739.7	12,458.5
Subordinated debt	3,216.1	4216.1	6216.1	6216.1
Total liabilities (B)	**237,839.1**	**269,054.1**	**332,411.8**	**401,281.9**
NET ASSETS (C=A-B)	**7,149.5**	**9,319.0**	**14,191.8**	**20,664.3**
Share capital (D)	**2,467.0**	**3,467.0**	**3,467.0**	**3,467.0**
Reserves and surplus (E)	**4,628.5**	**5,852.0**	**10,724.8**	**17,197.3**
TOTAL (D+E)	**7,149.5**	**9,319.0**	**14,191.8**	**20,664.3**

THE ISSUE

Issue	100,000,000 Equity Shares
Of which:	
Reservation for Employees	Up to 10,000,000 Equity Shares
Reservation for Existing Shareholders	Up to 10,000,000 Equity Shares
Net Issue to the Public	At least 80,000,000 Equity Shares
Of which:	
Qualified Institutional Buyers Portion	Up to 40,000,000 Equity Shares (allocation on a discretionary basis)
Non-Institutional Portion	At least 12,000,000 Equity Shares (allocation on a proportionate basis)
Retail Portion	At least 28,000,000 Equity Shares (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	346,700,000 Equity Shares
Equity Shares outstanding after the Issue	446,700,000 Equity Shares
Objects of the Issue	Please see the section titled "Objects of the Issue" on page 24.

GENERAL INFORMATION

Authority for the present Issue

The issue of Equity Shares is being made pursuant to the sanction of GoI in consultation with the RBI vide its letter No. F. No. 11/34/ 2004-BOA dated December 6, 2004 under Section 3(2B)(c) of the Banking Acquisition Act, as amended and the resolutions passed at the meeting of the Board of Directors of the Bank on October 9, 2004 and the shareholders of the Bank at the EGM held on January 4, 2005.

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 Red Herring 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.

Prohibition by SEBI

Our Bank, our Directors, our subsidiaries, our affiliates/associates, and companies with which our Directors are associated with as directors or promoters, have not been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

As a corresponding new bank set up under the Bank Acquisition Act, we are exempt from the eligibility norms specified under clause 2.2 and 2.3 of the SEBI Guidelines to make a public issue of Equity Shares. The relevant extract of the SEBI Guidelines is set out below:

" *2.4 Exemption from Eligibility Norms*

2.4.1 The provisions of clauses 2.2 and 2.3 shall not be applicable in case of;

…

(ii) a corresponding new bank set up under the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970, Banking Companies (Acquisition and Transfer of Undertaking) Act, 1980, State Bank of India Act, 1955 and State Bank of India (Subsidiary Banks) Act, 1959 (hereinafter referred to as "public sector banks")."

Clause 2.2 referred in the clause above relates to unlisted companies and Clause 2.3 relates to listed companies. The clauses are reproduced below:

"2.3. Public Issue by Listed Companies

2.3.1 A listed company shall be eligible to make a public Issue of Equity Shares or any other security which may be converted into or exchanged with Equity Shares at a later date.

Provided that the aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), Issue size does not exceed 5 times its pre-Issue networth as per the audited balance sheet of the last financial year.

Provided that in case there is a change in the name of the issuer company within the last 1 year reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period)

2.3.2. A listed company which does not fulfill the conditions given in the provisos to Clause 2.3.1 above, shall be eligible to make a public Issue subject to complying with the conditions specified in Clause 2.2.2)"

Therefore, since our Bank is a new corresponding bank as defined in Banking Acquisition Act and is exempt under clause 2.4 of the SEBI Guidelines, we are eligible to make this Issue.

The Bank and associate companies are not defined as wilfull defaulters by RBI / GoI authorities and there are no violations of securities laws committed by them in the past or pending against them. No penalty has been imposed by SEBI and other regulatory bodies against us or our Directors.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, DSP MERRILL LYNCH LIMITED, ICICI SECURITIES LIMITED, JM MORGAN STANLEY PRIVATE LIMITED, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, DSP MERRILL LYNCH LIMITED, ICICI SECURITIES LIMITED, JM MORGAN STANLEY PRIVATE LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 16, 2005 AND ALSO THE BOOK RUNNING LEAD MANAGER ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 16, 2005, IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

> "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
>
> ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE BANK, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE BANK.
>
> WE CONFIRM THAT:
>
> A. THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
>
> B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
>
> C. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
>
> D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
>
> E. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS."

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER; I.E., GOI, HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

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

Note:

Our Bank, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.allahabadbank.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the SBI Capital Markets Limited, DSP Merrill Lynch Limited, ICICI Securities Limited, JM Morgan Stanley Private Limited and Kotak Mahindra Capital Company Limited and us dated February 16, 2005 and between Enam Finanical Consultants Limited and us dated March 16, 2005 and the Underwriting Agreement entered into among the Underwriters and us.

The BRLMs and we 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 the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Persons resident in India including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non-Residents including FIIs, NRIs and other eligible foreign investors. The Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Kolkata, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and 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 nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Accordingly, the Equity Shares are only being offered or sold (1) in the United States to “U.S persons” (as defined in Regulation S under U.S. Securities Act of 1933 (the “Securities Act”) who are qualified institutional buyers as defined in Rule 144A under the Securities Act, in transactions in compliance with Rule 144A and (2) outside the United States to certain non U.S persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Bank has received permission from Foreign Exchange Department, RBI vide its letter FE.CO.FID/4684/10.02.40(8435)/2004-05 dated January 18, 2005, for allowing NRIs and FIIs to invest in the Equity Shares offered in the Issue with repatriation benefit out of the public issue of Rs.100,000,000 Equity Shares of Rs.10 subject to the condition that the post issue Non-Resident equity holding on the Bank shall not exceed 20% of the paid up capital.

Disclaimer Clause of NSE

As required, a copy of this Prospectus has been submitted to NSE. NSE has given vide its letter no. NSE/LIST/10821-Q dated February 23, 2005, permission to the Bank 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. NSE has scrutinised this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the 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 the Bank’s securities will be listed or will continue to be listed on the exchange; nor does it take any responsibility for the financial or other soundness of the Bank, its promoters, its management or any scheme or project of the Bank.

Every person who desires to apply for or otherwise acquire any securities of the Bank 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 BSE

BSE has given, vide its letter DCS/SG/SM/2005 dated February 24, 2005 permission to the Bank to use the name of BSE in the Prospectus as one of the stock exchanges on which the Bank's Equity Shares are proposed to be listed. BSE has scrutinised the 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 the Prospectus; or
2. warrant that the Bank's Equity Shares will be listed or will continue to be listed on BSE; or
3. take any responsibility for the financial or other soundness of the Bank, its' promoters, management or any scheme or project of the Bank;

and it should not, for any reason be deemed or construed that the Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquire any Equity Shares of the Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the Red Herring prospectus or any other reason whatsoever.

Disclaimer Clause of CSE

The CSE has given, vide its letter CSEA/LD/188/2005 dated March 7, 2005, permission to the Bank to use the name of CSE in the Prospectus as one of the stock exchanges on which the Bank's Equity Shares are proposed to be listed. The Exchange has scrutinised the Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Bank. CSE does not in any manner –

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Prospectus; or
2. warrant that the Bank's Equity Shares will be listed or will continue to be listed on CSE; or
3. take any responsibility for the financial or other soundness of the Bank, its promoters, management or any scheme or project of the Bank;

and it should not, for any reason be deemed or construed that the Red Herring prospectus has been cleared or approved by CSE. Every person who desires to apply for or otherwise acquire any Equity Shares of the Bank may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against CSE, whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated in the Prospectus or any other reason whatsoever.

Filing

A copy of the Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Prospectus, along with the documents to be registered will be delivered for registration to the Designated Stock Exchange.

Listing

The existing Equity Shares of the Bank are listed on BSE, NSE and CSE.

Applications have been submitted to NSE, BSE and CSE to list the new Equity Shares now being offered through the Prospectus and to seek a permission to deal in such shares. The "in-principle" approvals for listing from the NSE, BSE and CSE were received on February 23, 2005, February 24, 2005, and March 7, 2005, respectively. **NSE shall be the Designated Stock Exchange for the Issue.**

The Bank shall comply with the requirements of the listing agreement to the extent applicable to it on a continuous basis with respect to the Equity Shares, which will be issued pursuant to the Issue.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Bank shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Prospectus. If such money is not repaid within eight days after our Bank becomes liable to repay it (i.e., from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then our Bank shall, on and from expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum on application money.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within seven working days of finalisation and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the following:

Any Person who:

(a) Makes in a fictitious name, an application to a bank for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a bank to allot, or register any transfer of shares therein to him, or any other Person in a fictitious name, shall be liable for consequences as prescribed by applicable law.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement of Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e., 60 days from the Bid Closing Date), we shall pay interest at the rate of 15% per annum.

Withdrawal of the Issue

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid Closing Date, without assigning any reason thereof.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date.

In accordance the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15 day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

We will provide adequate funds required for despatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Bid/Issue Programme

BID / ISSUE OPENED ON	**WEDNESDAY, APRIL 6, 2005**
BID / ISSUE CLOSED ON	**TUESDAY, APRIL 12, 2005**

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE.

The Price Band will be decided by us in consultation with the BRLMs and advertised one day prior to the Bid Opening Date/Issue Opening Date in Business Standard, an English language newspaper of wide circulation, Pratahkal a Hindi language newspaper of wide circulation and Aajkal a Bengali newspaper with wide circulation, and includes any revisions thereof. With regard to the Price Band/Floor Price, Bidders are advised to be guided by the price of our listed Equity Shares in the secondary market for the purposes of making a decision to invest in Equity Shares in this Issue. (Refer page 71 for details).

The Bank reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 13 days. Any revision in the Price Band and the revised Bidding Period/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

BOOK RUNNING LEAD MANAGERS

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade, Mumbai – 400 005
Tel: (91 22) 2218 9166
Fax: (91 22) 2218 8332
Email: allahabad_fpo@sbicaps.com

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor,
Nariman Point,
Mumbai 400 021.
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1187
E-mail: allahabad_fpo@ml.com

ICICI Securities Limited
ICICI Centre,
H.T. Parekh Marg, Churchgate,
Mumbai, 400020.
Tel: (91 22) 2288 2460
Fax: (91 22) 2282 6580
E-mail : allahabad_fpo@isecltd.com

JM Morgan Stanley Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai 400 021.
Tel: (91 22) 1600 22 0004/5630 3030
Fax: (91 22) 5630 1694
E-mail: allahabad_fpo@jmmorganstanley.com

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor,
229, Nariman Point,
Mumbai 400 021.
Tel : (91 22) 5634 1100
Fax: (91 22) 2284 0492
E-mail: allahabad_fpo@kotak.com

Enam Financial Consultants Pvt. Limited
801, Dalamal Towers,
Nariman Point
Mumbai-400 021
Tel : (91 22) 5638 1800
Fax: (91 22) 2284 6824
E-mail: allahabad_fpo@enam.com

CO-MANAGERS TO THE ISSUE

Allianz Securities Limited
33, 6th Floor, Vaswani Mansion,
Dinsha Vaccha Road
Churchgate
Mumbai 400 020

A.K.Capital Services Limited
135/136 Free Press House,
Free Press Journal Marg
Nariman Point
Mumbai 400 021

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

S P A Merchant Banker Limited
10 A, Chandra Mukhi,
10th Floor, Nariman Point
Mumbai 400 021

Statement of Inter-Se Allocation of Responsibility / Activities

The following table sets forth, the distribution of the responsibilities and co-ordination for various activities between the BRLMs and CBRLM.

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

Syndicate Members

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor,
Nariman Point,
Mumbai 400 021
Tel: (91 22) 5632 8000
Fax: (91 22) 2204 8518

ICICI Brokerage Services Limited
ICICI Centre,
H.T.Parekh Marg, Churchgate,
Mumbai, 400 020
Tel: (91 22) 2288 2460
Fax: (91 22) 2282 6580

JM Morgan Stanley Retail Services Private Limited
141, Maker Chambers III, Nariman Point,
Mumbai 400 021.
Tel: (91 22) 5630 3030
Fax: (91 22) 5630 1689

Kotak Securities Limited
Bakhtawar, 1st Floor, 229, Nariman Point,
Mumbai- 400 021
Tel: (91 22) 5634 1100
Fax: (91 22) 5630 3927

Enam Securities Private Limited
2nd Floor, Khatau Building,
44, Bank Street, off Shaheed Bhagat Singh Road,
Fort, Mumbai 400 001
Tel: (91 22) 2267 7901
Fax: (91 22) 2266 5613

Registrar to the Issue

MCS Limited
Sri Padmavati Bhavan
Plot No. 93, Road No. 16,
MIDC Area, Andheri (East)
Mumbai 400092
Tel: (91 22) 2820 1785
Fax: (91 22) 2820 1783
Email: allahabadfpo@mcsind.com.

Legal Advisors to the Issue

Domestic Legal Counsel to the Bank

M/s. Crawford Bayley & Co.
4th Floor, State Bank Building,
N.G.N Vaidya Marg, Fort,
Mumbai – 400 023
Tel: (91 22) 2266 3713
Fax: (91 22) 2266 3978

International Legal Counsel to the Bank

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

Greenberg Traurig
Met Life Building
200 Park Avenue
New York,
NY 10166, USA

International Legal Counsel to the Underwriters

Coudert Brothers
39th Floor, Gloucester Tower
The Landmark,
11 Pedder Street Central
Hong Kong
Tel: (852) 2218 9100
Fax: (852) 2218 9200

Statutory Auditors

M/s. Manubhai & Co.
Chartered Accountants
11th Floor , B Wing, Premium House,
Near Gandhigram Railway Station,
Navarangpura,
Ahmedabad 380 009

M/s. T.K. Ghose & Co.
Chartered Accountant
6, Kiron Shankar Roy Road,
Kolkata 700 001.

M/s. Ramesh C. Agrawal & Co.
Chartered Accountant
33, Shiv Charanlal Road,
Near Manasrovar Cinema,
Allahabad 211 003.

M/s. Prakash & Santosh
Chartered Accountant
Rolled Complex, Flat No.8
Upper Floor, Westcott Building,
37/17 Mall, Kanpur 208001.

M/s. N Chaudhuri & Co.,
Chartered Accountants,
10, Old Post Office Street,
2nd Floor, Room No. 61,
Kolkata 700 001

M/s. Dhamija Sukhija & Co.,
Chartered Accountants,
913-914, Naurang House,
21, K. G. Marg,
New Delhi 110 001.

Compliance Officer

Mr. M. M. Neogy,
Deputy General Manager (Finance and Accounts)
Allahabad Bank Head Office
2,Netaji Subhas Road,
Kolkata 700 001.
Tel: (91 33) 2242 0375
E-mail: hogac@cal.allahabadbank.co.in

Company Secretary

Mr. Peter Barua
Allahabad Bank Head Office
2, Netaji Subhas Road,
Kolkata 700 001.
Tel: (91 33) 2242 0375
Fax: (91 33) 2210 7424

The investors can contact the Compliance Officer in case of any pre-Issue/ post-Issue related problems such as non-credit of letter(s) of allotment/ bond certificate(s) in the demat account, non-receipt of refund order(s), interest warrant(s)/ cheque(s) etc.

Bankers to the Issue

Allahabad Bank
2, N. S. Road
Kolkata 700 001

Credit Rating

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

Trustees

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

Book Building Process

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

The principal parties involved in the Book Building Process are:

(1) The Bank;

(2) Book Running Lead Managers;

(3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;

(4) Escrow Collection Bank; and

(5) Registrar to the Issue.

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) upto 50% of the Net Issue to the public shall be allocated on a discretionary basis to QIBs, (ii) not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Pursuant to amendments to the SEBI Guidelines, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid Closing Date/Issue Closing Date and for further details please refer to the section titled “Terms of the Issue” on page 171.

The Bank shall comply with guidelines issued by SEBI for this Issue. In this regard, our Bank has appointed SBI Capital Markets Limited, DSP Merrill Lynch Limited, ICICI Securities Limited, JM Morgan Stanley Private Limited, Kotak Mahindra Capital Company Limited and Enam Financial Financial Consultants Pvt. Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

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

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

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 40 to Rs. 48 per share, issue size of 3,000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs. 48 per share while another has bid for 1,500 shares at Rs. 44 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	48	500	16.67%
1000	46	1500	50.00%
1500	44	3000	100.00%
2000	42	5000	166.67%
2500	40	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e. Rs. 44 in the above example. The issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e., at or below Rs. 44. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken for bidding:

1. Check eligibility for bidding, please refer to the section titled "Issue Procedure - Who Can Bid?" on page 174;
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.
4. Ensure that the Bid-cum-Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page 174 for details. Bidders are specifically requested not to submit their GIR number instead of the PAN number as the Bid is liable to be rejected.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the Designated Stock Exchange, our Bank has entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations.

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
SBI Capital Markets Limited, 202, Maker Tower 'E', Cuffe Parade, Mumbai 400 005	16,666,667	1,366.66
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021	16,666,667	1,366.66
ICICI Securities Limited ICICI Centre, H.T.Parekh Marg, Churchgate, Mumbai, 400020	16,666,567	1,366.65
JM Morgan Stanley Private Limited 141, Maker Chambers III, Nariman Point, Mumbai 400 021	16,666,567	1,366.65
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor, 229 Nariman Point, Mumbai 400 021	16,666,566	1,366.65
Enam Financial Consultants Private Limited 801, Dalamal Towers, Nariman Point Mumbai-400 021	8,333,333	683.33
Kotak Securities Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai- 400 021	100	0.08
ICICI Brokerage Services Limited ICICI Centre, H.T.Parekh Marg, Churchgate, Mumbai, 400020	100	0.08
Enam Securities Private Limited 2nd Floor, Khatau Building, 44, Bank Street, off Shaheed Bhagat Singh Road, Fort, Mumbai 400 001	8,333,333	683.33
JM Morgan Stanley Retail Services Private Limited 141, Maker Chambers III, Nariman Point, Mumbai 400 021	100	0.08

The above Underwriting Agreement is dated April 14, 2005.

In the opinion of the Board of Directors acting through the Chairman and Managing Director or the Executive Director, based on certificates given to them by the BRLMs and the Syndicate Members, the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors acting through the Chairman and Managing Director or the Executive Director of our Bank and our Bank has issued letters of acceptance to the Underwriters.

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

CAPITAL STRUCTURE

(Rs. million)

	As of March 31, 2004	Face Value	Issue Amount
1.	Share Capital		
A	**Authorised Equity Share Capital**		
	1500,000,000 Equity Shares of Rs. 10 each	15,000.0	
B	**Issued, Subscribed & Paid-up Equity Share Capital**		
	346,700,000 Equity Shares of Rs. 10 each	3,467.0	
C	**Present Issue in terms of this Prospectus**		
	100,000,000 Equity Shares of Rs 10 each for cash	1,000.0	8,200.0
	Out of which		
	10,000,000 Equity Shares reserved for Employees on a competitive basis	100.0	820.0
	10,000,000 Equity Shares reserved for Existing Shareholders on a competitive basis	100.0	820.0
	Net Issue to Public		
	80,000,000 Equity Shares of Rs. 10 each	800.0	65.6
D	**Paid up Capital After the Issue**		
	446,700,000 Equity Shares of Rs 10 each	4,467.0	36,629.4
2.	**Share Premium Account**		
	a. Before the Issue		Nil
	b. After the Issue		7,200.0

The President of India acting through the MoF, holds 71.16% of the pre-Issue paid-up equity capital of our Bank. After the Issue, GoI will hold at least 55.23% of the fully diluted post Issue paid-up Equity Share capital of our Bank.

Our Board of Directors has authorised a fresh issue of up to 100,000,000 Equity Shares of Rs. 10 each pursuant to a resolution passed at its meeting held on October 9, 2004. Our shareholders subsequently authorised the fresh issue of up to 100,000,000 Equity Shares of Rs.10 each, by a resolution passed unanimously at the EGM of our Bank held on January 4, 2005, subject to the approval of the GoI, the RBI, SEBI and other applicable authorities. The shareholder resolution gave the Board the authority and power to accept any modification in the proposal as may be required or imposed by such authorities and as agreed to by the Board. Our Bank applied to the GoI for its consent to a fresh issue of up to 100,000,000 Equity Shares by its letter bearing number IPO/MoF/2004-05/01 dated October 11, 2004.

The GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) has given its approval for the present Issue, vide letter no. F. No. 011/34/2004-BOA dated December 6, 2004. GoI vide letter no. F. No. 011/34/2004-BOA dated February 8, 2005 have given its approval for lock in of 20% of the fully diluted post Issue paid up Equity Share capital of our Bank for a period of three years from the date of Allotment.

The authorized share capital of our Bank has remained 1,500,000,000 Equity Shares of Rs. 10 each since the nationalisation of the Bank on July 19, 1969.

For further details, see sections titled "General Information - Authority for the Issue" on page 6 of the Prospectus and "Government Approvals" on page 145 of the Prospectus and for details on Section 3(2BBA) (a) of the Banking Companies Acquisition Act 1970, see the section titled "Main Provisions of Constitutional Documents" on page 198 of this Prospectus.

The Deputy General Manager, Foreign Exchange Department, RBI vide their letter no. FE.CO.FID/4684/10.02.40(8435)/2004-05 dated January 18, 2005, permitted the Bank to issue shares to NRIs/ FIIs with repatriation benefits out of the issue of Equity Shares of Rs.10 each amounting to Rs.100,000,000. 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. 011/34/2004-BOA dated December 6, 2004, conditions prescribed by SEBI and terms and conditions for issue of shares as stipulated in Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

Notes to the Capital Structure

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

Year of Allotment	No. of Equity Shares (in million)	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of Consideration	Reasons for Allotment	Cumulative Share Premium	Cumulative Paid-up Equity Share Capital (Rs. in million)
1970	1.05	10	N.A.	Cash	Share capital acquired by the GoI on nationalisation	Nil	10.5
1984	0.12	10	10	Cash	Contribution to capital by the GoI	Nil	11.7
1985	14.83	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	160
1986	10.00	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	260
1988-1989	31.5	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	575
1991-1992	50.00	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	1,075
1992-1993	65.00	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	1,725
1993-1994	90.00	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	2,625
1994-1995	356.20	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	6,187
1995-1996	160.00	10	10	Other than Cash#	Contribution to capital by the GoI	Nil	7,787
1996-1997	(532.00)	10	N.A.	-	Adjustment of accumulated losses against capital*	N.A.	2,467
2001-2002	100.00	10	10	Cash	Public Issue.	Nil	3,467
Total	**346.70**						**3,467**

 # Ministry of Finance has given its approval for adjustment of accumulated losses against capital vide letter F.No.12/2/96-BOA dated March 27, 1997

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

2. Promoter's contribution and lock-in

(a) Details of Promoter's contribution locked in for three years are as follows:

Name of Shareholder	Year of Allotment	Year when made fully paid-up	Consideration	No. of Equity Shares (Face Value Rs. 10/-)	% of Pre-Issue paid-up Capital	% of Post-Issue paid-up Capital	Lock-in Period
GoI	1995-96	1995-96	Other than Cash#	89,340,000*	25.76%	20.00%	3 years

* *Apart from the shares presently being locked-in, 69,340,000 Equity Shares issued in 1995-96 are currently under lock-in pursuant to the Bank's previous public issue in October, 2002.*

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

(b) Details of Promoter's contribution locked in for one year are as follows:

The Equity Shares of our Bank are listed on the BSE, NSE and CSE. Our Promoter is not participating in this Issue, hence, there is no requirement for lock in of the Equity Shares other than those locked in for three years in (a) above.

(c) The shareholding of the Promoter and the public before and after the Issue is as follows:

	Before the Issue		After the Issue	
	Equity Shares	**%**	**Equity Shares**	**%**
Promoters	246,700,000	71.16	246,700,000	55.23
Public	100,000,000	28.84	200,000,000	44.77
Total	**346,700,000**	**100**	**446,700,000**	**100**

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

i. Top ten shareholders of our Bank as of March 16, 2005 the date of filing of this Prospectus with the Designated Stock Exchange are as follows:

Sl. No.	Name of Shareholders	No of Shares Held	% Shareholding
1.	President of India (GoI)	246,700,000	71.16
2.	Life Insurance Corporation	7760553	2.23
3.	Principal Trustee Company Private Limited	2008172	0.57
4.	Merrill Lynch Capital Markets Espana S.A. SVB	1200000	0.34
5.	Citigroup Global Markets Mauritius Private Limited	1049884	0.30
6.	Goldman Sachs Investments (Mauritius) Limited	1032000	0.29
7.	General Insurance Corporation Of India	975000	0.28
8.	Videocon International Limited	643343	0.19
9.	Reliance Capital Trustee Company. Limited	550000	0.16
10.	S S L Consolidated Limited	505000	0.15

ii. Top ten shareholders of our Bank as of March 6, 2005, ten days before the date of filing of this Prospectus with the Designated Stock Exchange are as follows:

Sl.No.	Name of Shareholders	No of Shares Held	% Shareholding
1.	President of India (GoI)	246,700,000	71.16
2.	Life Insurance Corporation	7760553	2.23
3.	Principal Trustee Company Private Limted	2008172	0.57
4.	Merrill Lynch Capital Markets Espana S.A. SVB	1200000	0.34
5.	Citigroup Global Markets Mauritius Private Limited	1049884	0.30
6.	Goldman Sachs Investments (Mauritius) Limited	1032000	0.29
7.	General Insurance Corporation Of India	975000	0.28
8.	Videocon International Limited	643343	0.19
9.	Reliance Capital Trustee Company Limited	550000	0.16
10.	S S L Consolidated Limited	505000	0.15

iii. Top ten shareholders as of March 15, 2003, i.e., two years prior to date of filing of this Prospectus with Designated Stock Exchange is as follows:

Sl.No.	Name of Shareholders	Number of shares
1.	President of India	246,700,000

iv. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

v. Neither the Promoter, nor our Directors have purchased or sold any Equity Shares, directly or indirectly, during a period of six months preceeding the date on which the Prospectus is filed with SEBI. Our Bank, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any Person.

vi. In the Net Issue to the public, in case of over-subscription in all categories, up to 50% of the Net Issue to the public shall be available for allocation on a discretionary basis to Qualified Institutional Buyers, a minimum of 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a minimum of 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Bank in consultation with the BRLMs.

vii. A total of up to 10% of the Issue size, i.e., up to 10,000,000 Equity Shares, has been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum bid in this portion being 2,500 equity shares. Only Employees on the rolls of the Bank as of March 31, 2005 would be eligible to apply in this Issue under reservation for our Employees. Employees may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employees Reservation Portion would be treated as part of the Net Issue to the public in the manner detailed in the section titled "Issue Procedure" on page 174.

viii. A total of up to 10% of the Issue size, i.e., up to 10,000,000 Equity Shares, has been reserved for allocation to the Existing Shareholders on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Existing Shareholders as of March 24, 2005 would be eligible to apply in this Issue under reservation for our Existing Shareholders. Existing Shareholders may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Existing Shareholders Reservation Portion would be treated as part of the Net Issue to the public in the manner detailed in the section titled "Issue Procedure" on page 174.

ix. An investor in the Net Issue to the public cannot make a Bid for more than the number of Equity Shares offered in the Net Issue. This is further subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor. Further an investor applying in the category reserved for the Existing Shareholders cannot make a Bid for more than the number of Equity Shares offered in the respective category. Employees applying in the category reserved for Employees cannot make a Bid for more than 2,500 Equity Shares offered in the respective category

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

xi. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue options to our employees pursuant to any employee stock option scheme or, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

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

xiii. As of March 14, 2005 the total number of holders of Equity Shares is 174,024.

xiv. The Bank has not raised any bridge loans against the proceeds of the Issue.

xv. We have not issued any Equity Shares out of revaluation reserves. We have also not issued any shares or debentures for consideration other than cash other than mentioned elsewhere in the Prospectus, within the two years preceding the date of the Prospectus.

xvi. We have not entered into standby, buyback or similar arrangements for this Issue.

xvii. We have not made any preferential allotments or bonus issues after listing pursuant to our previous public issue but prior to filing of the Draft Prospectus.

xviii. The contribution of capital by the GoI was in the form of re capitalization bonds.

xix. The Bank made a public issue of 100 million Equity Shares of Rs.10 each for cash at par aggregating Rs. 1,000 million. The issue opened on October 23, 2002 and closed on October 31, 2002. The Shares are listed on the NSE, BSE and the CSE.

OBJECTS OF THE ISSUE

The RBI, which regulates us, requires us to maintain a minimum capital to risk weighted assets ratio of 9.0%, at least half of which should consist of Tier I capital. As per our restated financial statements, our total capital adequacy ratio was 13.01% and our Tier I capital adequacy ratio was 6.83% as of March 31, 2004 compared to 11.08% and 6.29% as of March 31, 2003, respectively. The requirements for Tier I capital and total capital adequacy ratios are expected to increase with the proposed implementation of the Basel II standards in late 2006 or early 2007 and we will need to augment our capital base to meet these ratios. If the Basel II standards were applied on a pro forma basis as of December 31, 2004, we estimate our capital adequacy ratio to be reduced by approximately 2%. Further, we would require additional capital for future growth.

The objects of the Issue are to augment our capital base to meet the future capital requirements arising out of the implementation of the Basel II standards and the growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and for other general corporate purposes including meeting the expenses of the Issue. As we are engaged in the business of banking and our subsidiary is engaged in non-banking and other financial services, we are seeking to strengthen our capital base to support the future growth in our assets and comply with the capital adequacy requirements applicable to us. Other general corporate purposes would include development of infrastructure to support our business growth and service our customers.

Requirement and Sources of Funds

Requirement of Funds	**(In Rs. million)**
Augment our capital base to meet our future capital adequacy requirements arising out the proposed implementation of the Basel II standards, the general growth of our business and for other general corporate purposes.	7,900.00
Estimated Issue expenses	300.00
Total	**8,200.00**

Sources of Funds	**(Rs. in million)**
Proceeds of the Issue	7,900.00
Total	**7,900.00**

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

Estimated Issue Expenses

Activity	**(Rs. in million)**
Estimated lead management, underwriting and selling commission (1)	43.00
Estimated other expenses (including advertising fee, registrars fee, legal fee, printing and stationery, distribution, cost of road shows and listing fee)	257.00
Total	**300.00**

(1) Subject to approval of the RBI.

THE INDIAN BANKING SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials by the GoI and its various ministries and RBI, and has not been prepared or independently verified by us or any of our advisors. Wherever we have relied on figures published by RBI, unless stated otherwise, we have relied on the RBI Annual Report, 2003-2004 and Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as of March 2004, June 2004 and September 30, 2004.

THE INDIAN BANKING SYSTEM

History

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

Overview

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

a. commercial banks;
   - public sector banks;
   - private sector banks;
   - foreign banks;
   - cooperative banks;

b. long-term lending institutions;

c. non-bank finance companies, including housing finance companies;

d. other specialized financial institutions, and state-level financial institutions;

e. insurance companies; and

f. mutual funds.

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

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

Reserve Bank of India

The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. RBI manages the country's money supply and foreign exchange and also serves as a bank for the Government of India and for the country's commercial banks. In addition to these traditional central banking roles, RBI undertakes certain developmental and promotional roles.

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

Commercial Banks

Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. On September 30, 2004, there were 286 scheduled commercial banks in the country, with a network of 67,221 branches serving approximately Rs. 15.67 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to RBI Act, 1934, and may further be classified as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with nearly 70.08% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks and 196 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 46,683 branches, and account for 69.9% of the outstanding gross bank credit and 73.8% of the aggregate deposits of the scheduled commercial banks at year-end fiscal 2004. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

The State Bank of India is the largest public sector bank in India. At year-end fiscal 2004, the State Bank of India and its seven associate banks had 13,593 branches. They accounted for 24.2% of aggregate deposits and 23.8% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central Government, state Governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. There were 196 regional rural banks at year-end fiscal 2004 with 14,484 branches, accounting for 3.7% of aggregate deposits and 2.9% of gross bank credit outstanding of scheduled commercial banks.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. Further, existing private sector banks which showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry of the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the "new" private sector banks. There were nine "new" private sector banks at year-end fiscal 2004, following the merger in February 2000 of Times Bank Limited, a new private sector bank, into another new private sector bank, HDFC Bank Limited and the conversion of Kotak Mahindra Finance Limited, a large non-bank finance company into a bank in February 2003. In May 2004, RBI granted a banking license to another new private sector bank, YES Bank Limited. In July 2004, RBI announced the amalgamation of Global Trust Bank, a new private sector bank, with Oriental Bank of Commerce, a public sector bank. In addition, 21 private sector banks existing prior to July 1993 were operating at year-end fiscal 2004.

At year-end fiscal 2004, private sector banks accounted for approximately 17.7% of aggregate deposits and 20.2% of gross bank credit outstanding of the scheduled commercial banks. Their network of 5,607 branches accounted for 8.4% of the total branch network of scheduled commercial banks in the country.

Foreign Banks

At year-end fiscal 2004, there were 33 foreign banks with 196 branches operating in India. Foreign banks accounted for 4.8% of aggregate deposits and 6.9% of outstanding gross bank credit of scheduled commercial banks at year-end fiscal 2004. As part of the liberalization process, RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. Foreign banks operate in India through branches of the parent bank. The Indian Government has permitted foreign banks to operate in India by setting up branches, incorporating wholly-owned subsidiaries or acquiring up to 74.0% of the Equity Share capital of an Indian private sector bank. In its recent draft "Comprehensive Policy Framework for Ownership and Governance in Private Sector Banks", RBI proposed a limit of 5.0% on the shareholding of a foreign bank with a presence in India in an Indian private sector bank. Subsequently, in a circular dated July 6, 2004, RBI stipulated that banks should not acquire any fresh stake in a bank's Equity Shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to foreign banks with a presence in India, making an investment in Indian banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently RBI is responsible for supervision and regulation of urban co-operative societies, the National Bank for Agriculture and Rural Development (NABARD) for State Co-operative Banks and District Central Co-operative Banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Bill, 2003, which has been introduced in the Indian Parliament, provides for the regulation of all co-operative banks by RBI. In its Annual Policy Statement for fiscal 2005, RBI announced that it proposed to consider issuance of fresh licenses to urban co-operative banks only after a comprehensive policy on urban cooperative banks was in place, including an appropriate legal and regulatory framework for the sector. The Government of India has proposed to appoint a task force to examine the reforms required in the cooperative banking system.

Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund-based and non-fund-based assistance to industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional Government funding. However, in recent years, the operating environment of the long-term lending institutions has changed substantially. Although the initial role of these institutions was largely limited to providing a channel for Government funding to industry, the reform process required them to expand the scope of their business activities. Their new activities include:

i. fee-based activities like investment banking and advisory services; and

ii. short-term lending activity including issuing corporate finance and working capital loans.

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, RBI, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, RBI issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company to be incorporated under the Companies Act, 1956, with exemptions from certain statutory and regulatory norms applicable to banks, including an exemption for a period of five years from the statutory liquidity ratio.

Non-Bank Finance Companies

There are over 10,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with RBI. The non-bank finance companies may be categorized into entities which take public deposits and those which do not. The companies which accept public deposits are subject to strict supervision and capital adequacy requirements of RBI. The scope and activities of non-bank finance companies have grown significantly over the years. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by RBI and converted itself into Kotak Mahindra Bank.

Over the past few years, certain non-bank finance companies have defaulted to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending.

Housing Finance Companies

Housing finance companies form a distinct sub-group of the non-bank finance companies. As a result of the various incentives given by the Government for investing in the housing sector in recent years, the scope of this business has grown substantially. Until recently, Housing Development Finance Corporation Limited was the premier institution providing housing finance in India. In recent years, several other players including banks have entered the housing finance industry. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two Government-controlled financial institutions created to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme. RBI has directed commercial banks to lend at least 3.0% of their incremental deposits in the form of housing loans. Further, RBI has reduced the risk weight for loans for residential properties to 50.0% for the purpose of determining capital adequacy. Housing loans up to certain limits prescribed by RBI as well as mortgage-backed securities qualify as priority sector lending under the RBI's directed lending rules.

Other Financial Institutions

Specialized Financial Institutions

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

State Level Financial Institutions

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

Insurance Companies

Currently, there are 27 insurance companies in India, of which 13 are life insurance companies, 13 are general insurance companies and one is a re-insurance company. Of the 13 life insurance companies, 12 are in the private sector and one is in the public sector. Among the general insurance companies, eight are in the private sector and five are in the public sector including the Export Credit Guarantee Corporation of India Limited, which is a central Government enterprise providing insurance to exporters and counter-guarantees to banks for credit given to exporters. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. During fiscal 2004, the total gross premiums underwritten of all general insurance companies were Rs. 161.2 billion (US$ 3.7 billion) and the total new premiums of all life insurance companies were Rs. 187.1 billion (US$ 4.3 billion). From April to July 2004, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs. 63.7 billion (US$ 1.5 billion) and Rs. 55.3 billion (US$ 1.3 billion), respectively.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs. 1.0 billion (US$ 23 million) to carry out the business of life insurance or general insurance or Rs. 2.0 billion (US$ 46 million) to carry out exclusively the business of reinsurance.

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

The Indian Government, while presenting its budget for fiscal 2005, had proposed an increase in the limit on foreign equity participation in private sector insurance companies from 26.0% to 49.0%. However, this would require an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not been implemented as yet.

Mutual Funds

At the end of December 2004, there were more than 30 mutual funds in India with total assets of Rs. 1,556.9 billion (US$ 35.9 billion). initially from 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. In this year, the SEBI (Mutual Fund) Regulation 1993 was issued by the Securities and Exchange Board of India, under which all mutual funds except for the Unit Trust of India, were to be registered and governed. The industry is now regulated by a more comprehensive SEBI (Mutual Fund) Regulation, 1996 which replaced the SEBI (Mutual Fund) Regulation 1993.

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

IMPACT OF LIBERALIZATION ON THE INDIAN FINANCIAL SECTOR

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

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

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

Banking Sector Reform

Most large banks in India were nationalized in 1969 and were thereafter subject to a high degree of control until reform began in 1991. In addition to controlling interest rates and entry into the banking sector, these regulations also channeled lending into priority sectors. Banks were required to fund the public sector through the mandatory acquisition of low interest-bearing Government securities or statutory liquidity ratio bonds to fulfill statutory liquidity requirements. As a result, bank profitability was low, impaired assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

Committee on the Financial System (Narasimham Committee I)

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

- With fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of the banks' net demand and time liabilities that were required to be invested in Government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997;
- Similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with the RBI was reduced from 15.0% in the pre-reform period to 4.5%. In a circular dated September 11, 2004, the RBI has raised the cash reserve ratio to 4.75% with effect from September 18, 2004 and 5.0% with effect from October 2, 2004;
- Special tribunals were created to resolve bad debt problems;

- Most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits;
- Substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs. 217.5 billion (US$ 5.0 billion). The stronger public sector banks were given permission to issue equity to further increase capital; and
- Banks were granted the freedom to open or close branches.

Committee on Banking Sector Reform (Narasimham Committee II)

The second Committee on Banking Sector Reform (Narasimham Committee II) submitted its report in April 1998. The major recommendations of the committee were in respect of Capital Adequacy requirements, Asset Classification and Provisioning, Risk Management and Merger policies. The RBI accepted and began implementing many of these recommendations in October 1998.

Recent Structural Reforms

Proposed Amendments to the Banking Regulation Act

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

- permit banking companies to issue non-redeemable and redeemable preference shares;
- make prior approval of the RBI mandatory for the acquisition of more than 5.0% of a banking company's paid up capital by any individual or firm or group;
- prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company. Lending to directors and to companies with directors common to the banking company is already prohibited;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving the RBI discretion to reduce the statutory liquidity ratio to less than 25.0%;
- bring mergers of non-bank finance companies with banking companies into the governance of the Indian Banking Regulation Act. Mergers of non-bank finance companies with banking companies are currently governed by the Indian Companies Act, 1956. The Banking Regulations (Amendment) and Miscellaneous Provisions Bill, 2003 will, if passed, require mergers of non-bank finance companies with banking companies to be approved by the majority of the shareholders of both companies and by the RBI. It also provides, if the merger is approved, for dissenting shareholders at their option to be paid in exchange for their shares the value of their shares as determined by the RBI;
- bring all co-operative banks under the supervision of the RBI; and
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In the fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the RBI guidelines, give notice in writing to the borrower requiring him to discharge his liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act, also, provides for the setting up of Asset Reconstruction Companies Regulated by RBI to acquire assets from banks and financial institutions. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations.

Several petitions challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a precondition for appeal by the borrower against the enforcement measures. The Government of India, while announcing its budget for fiscal 2005, has proposed to amend the Act to further strengthen the recovery process.

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts, owed to banks or financial institutions. The Act creates tribunals, before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and

Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the Government of India had announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. However, this Act has not been repealed till date.

Corporate Debt Restructuring Forum

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements. Any lender, having a minimum 20% exposure in term loan or working capital, may make a reference to the Corporate Debt Restructuring Forum.

The system put in place by RBI contemplates a three tier structure with the CDR Standing Forum at the helm. This is the general body of all member institutions, out of which is carved out a core group, which is a nice body of select institutions deciding policy matters. The decisions on restructuring are taken by the CDR Empowered Group, which has all the member banks/FIIs as its members. To assist CDR Forum in secretarial matters and for analysis of restructuring, a CDR cell has been formed. The total membership of the CDR Forum is 60 at present, of which there are 14 FIIs, 27 public sector banks and 19 private sector banks.

Universal Banking Guidelines

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

Credit Policy Measures

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

Credit Policy for Fiscal 2004

In the monetary and credit policy for fiscal 2004 announced in April 2003, RBI introduced the following key measures:

- The bank rate (the rate at which banks borrow from RBI) was reduced further by 0.25% from 6.25% to 6.0% and the cash reserve ratio was also reduced by 0.25% to 4.5%. Earlier, the Indian Government's budget for fiscal 2004 had reduced the interest rates on small savings schemes and public provident fund by 100 basis points to 8.0% and at the same time the RBI reduced the interest rate on savings bank accounts by 50 basis points to 3.5%; and
- The maturity period for non-resident external deposits was increased from six months to one year.

Annual Policy Statement for Fiscal 2005

In its Annual Policy Statement for fiscal 2005 announced in May 2004, RBI kept the bank rate and the repo rate (the annualized interest earned by the lender in a repurchase transaction between two banks or between a bank and the RBI) unchanged at 6.0% and 4.5% respectively and introduced the following key measures:

- Banks are permitted to raise long-term bonds with a minimum maturity of five years to the extent of their exposure of residual maturity of more than five years to the infrastructure sector;
- The scope of definition of infrastructure lending is expanded to include construction relating to projects involving agro-processing and supply of inputs to agriculture, construction of preservation and storage facilities for processed agro-products and construction of educational institutions and hospitals;

- Measures were announced to facilitate the flow of credit to agricultural and related sectors by including loans for storage facilities and securitized agricultural loans as priority sector advances;
- Resident individuals are permitted to remit freely up to US$ 25,000 per calendar year, for any current or capital account transaction or a combination of these. Indian corporates and partnership firms are allowed to invest up to 100.0% of their net worth overseas;
- Banks are permitted, under exceptional circumstances, with the approval of their Boards, to consider enhancement of the exposure to the borrower up to a maximum of 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosures in its annual report; and
- Introduction of a graded higher provisioning requirement according to the age of non-performing assets, which are included under 'doubtful for more than three years' category, with effect from March 31, 2005.

Reforms of the Non-Bank Finance Companies

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

SUPERVISION AND REGULATION

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include the RBI Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, RBI, from time to time, issues guidelines to be followed by the banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP.

RBI Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from RBI to carry on banking business in India. Before granting the license, RBI must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the bank. RBI can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

RBI requires commercial banks to furnish statements, information and certain details relating to their business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for impaired assets. RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of RBI. The appointment of the auditors of the banks is subject to the approval of RBI. RBI can direct a special audit in the interest of the depositors or in the public interest.

Regulations relating to the Opening of Branches

Banks are required to obtain licenses from RBI to open new branches. Permission is granted based on factors such as the financial condition and history of the company, its management, adequacy of capital structure and earning prospects and the public interest. RBI may cancel the license for violations of the conditions under which it was granted.

Capital Adequacy Requirements

The banks are subject to capital adequacy requirements of RBI, which, based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998, require the banks to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves and capital reserve pursuant to the Indian Income-tax Act, as reduced by equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, RBI issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital consists of undisclosed reserves, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting has been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit/ guarantees and documentary credits are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open position limits of the bank carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold.

Effective March 31, 2001, banks and financial institutions were required to assign a risk weight of 2.5% in respect of the entire investment portfolio to cover market risk, over and above the existing risk weights for credit risk in non-Government and non-approved securities. In fiscal 2002, with a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, RBI advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years, by fiscal 2006. This reserve has to be computed with respect to investments held for trading and available for sale categories. Investment fluctuation reserve is included in Tier II capital. In June 2004, the RBI issued guidelines on capital for market risk. The guidelines prescribe the method of computation of risk-weighted assets in respect of market risk. The aggregate risk weighted assets are required to be taken into account for determining the capital adequacy ratio. Banks would be required to maintain a capital charge for market risk in respect of their trading book exposure (including derivatives) by year-end fiscal 2005 and securities included under available for sale category by year-end fiscal 2006.

Loan Loss Provisions and Non-Performing Assets

In April 1992, RBI issued formal guidelines on income recognition, asset classification, provisioning norms and valuation of investments applicable to banks, which are revised from time to time. These guidelines are applied for the calculation of impaired assets under Indian GAAP.

The principal features of these RBI guidelines, are set forth below.

Asset Classification

Until year-end fiscal 2003, an impaired asset (also called non-performing assets pursuant to RBI guidelines) was an asset in respect of which any amount of interest or principal was overdue for more than two quarters. In particular, an advance was an impaired asset where:

a) interest and/or installment of principal remained overdue for a period of more than 180 days in respect of a term loan;

b) the account remained "out-of-order" for a period of more than 180 days in respect of an overdraft or cash credit;

c) the bill remained overdue for a period of more than 180 days in case of bills purchased and discounted;

d) interest and/or principal remained overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes; and

e) any amount to be received remained overdue for a period of more than 180 days in respect of other accounts.

Effective fiscal 2004, banks are now required to classify an asset as impaired when principal or interest has remained overdue for more than 90 days. Interest in respect of impaired assets is not recognized or credited to the income account unless collected.

In line with RBI's master circular on income recognition, asset classification and provisioning pertaining to advances portfolio of banks, issued in July 2004 for banks, non-performing assets are classified as described below.

Sub-Standard Assets. Assets that are non-performing assets for a period not exceeding 18 months (12 months effective year-end fiscal 2005). In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets. Assets that are non-performing assets for more than 18 months (12 months effective year-end fiscal 2005). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets. Assets on which losses have been identified by the bank or internal or external auditors or the Reserve Bank India inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

RBI also has separate guidelines for restructured loans. A fully secured restructured standard asset can be restructured by reschedulement of principal repayment and/or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines are applicable to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system which is discussed earlier.

Provisioning and Write-Offs

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

Standard Assets. A general provision of 0.25% is required.

Sub-Standard Assets. A general provision of 10.0% is required.

Doubtful Assets. A 100.0% write-off is required to be taken against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers. Until year-end fiscal 2004, in cases where there was a secured portion of the asset, depending upon the period for which the asset remained doubtful, a 20.0% to 50.0% provision was required to be taken against the secured asset as follows:

Up to one year	:	20.0% provision
One to three years	:	30.0% provision
More than three years	:	50.0% provision

In July 2004, RBI introduced additional provisioning requirements for non-performing assets classified as doubtful for more than three years. Effective year-end fiscal 2005, 100.0% provision will have to be made for the secured portion of assets classified as doubtful for more than three years on or after April 1, 2004. For the secured portion of assets classified as doubtful for more than three years at March 31, 2004, a provision of 60.0% will have to be made by year-end fiscal 2005, 75.0% by year-end fiscal 2006 and 100.0% by year-end fiscal 2007.

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

Restructured Assets. A provision is made equal to the net present value of the reduction in the rate of interest on the loan over its maturity.

While the provisions indicated above are mandatory, a higher provision in a loan amount is required if considered necessary by the management.

Regulations relating to Making Loans

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

- RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its Board of Directors. Banks are required to declare a benchmark prime lending rate based on various parameters including cost of funds, operating expenses, capital charge and profit margin. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs. 200,000 (US$ 4,608) to any one entity (other than certain permitted types of loans including loans to individuals for acquiring residential property, loans for purchase of consumer durables and other non-priority sector personal loans) must not exceed the prime lending rate. Banks

have also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by RBI.

- In terms of Section 20(1) of the Banking Regulation Act, a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that 'loans or advances' shall not include any transaction which RBI may specify by general or special order as not being a loan or advance for the purpose of such section.

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

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share any surplus, realized by the asset reconstruction company, in the future. Each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company. However, in consortium or multiple banking arrangements, if more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Directed Lending

Priority Sector Lending

RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the National Bank for Agriculture and the Rural Development. These deposits can be for a period of one year or five years.

RBI requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year towards housing finance. This can be in the form of home loans to individuals or subscription to the debentures and bonds of the National Housing Bank and housing development institutions recognized by the Government of India.

Export Credit

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

Credit Exposure Limits

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

The limits currently set by RBI are as follows:

- Exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e., up to 50.0% of capital funds. Banks may, in exceptional circumstances, with the approval of their Board of Directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.

- Capital funds is the total capital as defined under capital adequacy norms (Tier I and Tier II capital).
- Non-fund based exposures are calculated at 100.0% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective April 1, 2003.

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

Regulations relating to Investments and Capital Market Exposure Limits

Pursuant to RBI guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 5.0% of total advances (including commercial paper) on March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity oriented mutual funds should not exceed 20.0% of the bank's net worth.

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

In April 1999, RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital, including Tier II capital and free reserves. In July 2004, the RBI imposed a ceiling of 10.0% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in Equity Shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, will attract 100.0% risk weight for credit risk for capital adequacy purposes. Further, banks and financial institutions cannot acquire any fresh stake in a bank's Equity Shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to RBI with a roadmap for reduction of the exposure.

Consolidated Supervision Guidelines

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

Consolidated Financial Statements. Banks are required to prepare consolidated financial statements intended for public disclosure.

Consolidated Prudential Returns. Banks are required to submit to RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- Consolidated capital market exposure limit of 2.0% of consolidated advances and 10.0% of consolidated net worth.

In June 2004, RBI published the report of a working group on monitoring of financial conglomerates, which proposed the following framework:

- identification of financial conglomerates that would be subjected to focused regulatory oversight;
- monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties;
- identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and
- formalising a mechanism for inter-regulatory exchange of information.

The proposed framework covers entities under the jurisdiction of RBI, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority.

Banks' Investment Classification and Valuation Norms

Based on the comments to the Report of the Informal Group on Banks' Investment Portfolio, RBI finalized its guidelines on categorization and valuation of banks' investment portfolio. These guidelines were effective from September 30, 2000. The salient features of the guidelines are given below.

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Held to maturity includes securities acquired with the intention of being held up to maturity; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available for sale includes securities not included in held to maturity and held for trading. Banks should decide the category of investment at the time of acquisition.
- Held to maturity investments compulsorily include (a) recapitalization bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures.
- Profit on the sale of investments in the held to maturity category is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.
- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the RBI price list or prices declared by Primary Dealers Association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA) serves as the "market value" for investments in available for sale and held for trading securities.
- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement.
- Shifting of investments from or to 'held to maturity' may be done with the approval of the Board of Directors once a year, normally at the beginning of the accounting year; shifting of investments from 'available for sale' to 'held for trading' may be done with the approval of the Board of Directors, the Asset Liability Management Committee or the Investment Committee; shifting from 'held for trading' to available for sale is generally not permitted.

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

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

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

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets.

Limit on Transactions through Individual Brokers

Guidelines issued by RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. RBI specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the Board of Directors of the bank concerned should ratify such action.

Prohibition on Short-Selling

RBI does not permit short selling of securities by banks. It has however permitted banks to sell Government of India securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is contracted for purchase from RBI. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

Regulations relating to Deposits

RBI has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5% per annum on savings deposits.

Domestic time deposits have a minimum maturity of 15 days (seven days in respect of deposits over Rs. 1.5 million (US$ 34,562) with effect from April 19, 2001) and a maximum maturity of 10 years. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years. Starting April 1998, RBI has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

- Time deposits are of Rs. 1.5 million (US$ 34,562) and above; and
- Interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

Interest rates on non-resident Rupee term deposits of one to three years maturity are not permitted to exceed the LIBOR/SWAP rates for US Dollar of corresponding maturity. Interest rates on Non-Resident Rupee savings deposits are not permitted to exceed the LIBOR/SWAP rate for six months maturity on US Dollar deposits and are fixed quarterly on the basis of the LIBOR/SWAP rate of US Dollar on the last working day of the preceding quarter.

Regulations relating to Knowing the Customer and Anti-Money Laundering

RBI has issued several guidelines relating to identification of depositors and has advised banks to put systems and procedures in place to control financial frauds, identify money laundering and suspicious activities, and monitor high value cash transactions. It has also issued guidelines from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds.

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

If the prospective customer does not have an introducer, the prospective customer is required to submit documents such as his identity card, passport or details of bank accounts with other banks.

The Prevention of Money Laundering Act, 2002 has been passed by Indian Parliament and has received the assent of the President of India on January 17, 2003. However the provisions of the Act shall come into force and effect only on dates notified by the Indian Government, which has not so far notified these dates. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental and connected matters.

Regulations on Asset Liability Management

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

Ownership Restrictions

The Government of India regulates foreign ownership in Indian banks.

RBI's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to equivalent of 5.0% or more of its total paid up capital. RBI, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, RBI may take into account various factors including, but not limited to the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment.

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

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

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

Restrictions on Payment of Dividends

In April 2004, RBI issued guidelines stating that a bank would require it's prior approval for payment of dividends, if any of the following conditions are not satisfied:

- The bank had a capital adequacy ratio of at least 11.0% for the preceding two completed years and the accounting year for which it proposes to declare dividend;
- The bank had a net non-performing asset ratio of less than 3.0%;
- The dividend payout ratio (computed after excluding extraordinary income and before considering dividend distribution tax) should not exceed 33.33%;
- The proposed dividend should be payable out of the current year's profit; and
- The financial statements 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.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 (US$ 2,304) accepted by Indian banks have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of RBI. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

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

In November 2003, RBI issued guidelines which stated that no financial intermediary, including banks, will be permitted to raise external commercial borrowings or provide guarantees in favor of overseas lenders for external commercial borrowings. Eligible borrowers may raise external commercial borrowings in excess of US$ 50 million only to finance the import of equipment and to meet foreign exchange needs of infrastructure projects.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to section 42 of RBI Act. On September 11, 2004, RBI announced an increase in the cash reserve ratio from 4.5% to 4.75% effective September 18, 2004 and 5.0% effective October 2, 2004.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- inter-bank liabilities;
- liabilities to primary dealers; and
- refinancing from RBI and other institutions permitted to offer refinancing to banks.

RBI pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and effective September 18, 2004, pays interest on the balance at 3.5% per annum. Prior to that date, the rate of interest paid was the bank rate.

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

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by RBI from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. At present, RBI requires banking companies to maintain a liquidity ratio of 25.0%.

Requirements of the Banking Regulation Act

Prohibited Business

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

Reserve Fund

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

Payment of Dividend

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

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. The Banking Regulation Act specifies that no shareholder in a banking company, other than the Government, can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company.

Restrictions on Investments in a Single Company

No bank may hold shares in any company exceeding 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less.

Regulatory Reporting and Examination Procedures

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

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

RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. The inspection report, along with the report on actions taken by our bank, has to be placed before the bank's Board of Directors. On approval by the bank's Board of Directors, the bank is required to submit the report on actions taken by it to RBI, which discusses the report with the management team including the Chairman and Managing Director.

Issue of Bonus Shares

Banks are required to take prior permission of RBI and its shareholders' approval to issue bonus shares.

Penalties

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

Assets to be Maintained in India

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

Restriction on Creation of Floating Charge

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

Secrecy Obligations

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

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

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

Regulations governing Offshore Banking Units

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

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$10 million to its Offshore Banking Unit.
- Offshore Banking Units are exempt from cash reserve ratio requirements.
- RBI may exempt a bank’s Offshore Banking Unit from statutory liquidity ratio requirements on specific application by the bank.
- An Offshore Banking Unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999.
- All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units.
- Offshore Banking Units are required to adopt liquidity and interest rate risk management policies prescribed by RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank’s Board of Directors at prescribed intervals,
  - Offshore Banking Units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.
  - Offshore Banking Units may operate and maintain balance sheets only in foreign currency.
  - The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations.
  - Offshore Banking Units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

NEW INITIATIVES IN THE BANKING SECTOR

Risk Management & Basel II

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

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

RTGS Implementation in India

With the commencement of operations of the Real Time Gross Settlement i.e. RTGS system from March 26, 2004, India crossed a major milestone in the development of systemically important payment systems and complied with the core principles framed by the Bank for International Settlements. It was a ‘soft’ launch with four banks, besides RBI, as participants. Currently, there are 71 direct participants in the RTGS system, including our bank. The salient features of the RTGS are as follows:

- Payments are settled transaction by transaction for high value and retail payments;
- Settlement of funds is final and irrevocable;
- Settlement is done on a real time basis and the funds settled can be further used immediately;
- It is a fully secure system which uses digital signatures and Public Key Infrastructure (PKI) based inscription for safe and secure message transmission;
- There is a provision for intra-day collaterised liquidity support for member banks to smoothen the temporary mismatch of fund flows; and

- RTGS provides for transfer of funds relating to inter bank settlements as also for customer related fund transfers.

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

Technology

Technology is emerging as a key-driver of business in the banking and financial services industry. Banks are developing alternative channels of delivery like ATMs, telebanking, remote access and internet banking etc. Indian banks have been making significant investments in technology. Besides computerisation of front-office operations, the banks have moved towards back-office centralisation. Banks are also implementing "Core Banking", which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. RBI Annual Report for the year 2003-04 states that the use of automated teller machines (ATMs) has been growing rapidly and this has helped in optimising the investments made by banks in infrastructure. Banks have joined together in small clusters to share their ATM networks during the year. There are five such ATM network clusters functioning in India. The total number of ATMs installed by the public sector banks stood at 8,219 at end March 2004, as compared with 5,963 ATMs at the end of March 2003.

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

Corporate Governance

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

Consolidation

Indian banks are increasingly recognizing the importance of "size". Although there have been instances of mergers, these have usually involved financially distressed banks. Mergers and acquisitions are seen banks as a means of achieving inorganic growth in size and attaining economies of scale and scope. Notwithstanding the Government ownership of public sector banks, the Government has indicated that it would not stand in the way of mergers of public sector banks, provided the bank boards come up with a proposal of merger, based on synergies and potential for improved operational efficiency. Further, the Government has also provided tax breaks aimed at promoting mergers and acquisitions (Section 72 (A) of the I.T. Act enables the acquiring entity (which could be a company, a corresponding new bank, a banking company or a specified bank) the benefit of "carry forward and set-off of accumulated losses and unabsorbed depreciation" of the acquired entity, subject to specified conditions being fulfilled). It is contemplated that the consolidation process in the public sector bank group is imminent, particularly as banks will be required to attain higher capital standards under Basel II and meet the pressures of competition by adoption of the extended universal banking model.

Moving Ahead

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

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

EXCHANGE CONTROLS

Restrictions on Conversion of Rupees

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

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

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

Restrictions on Sale of the Equity Shares and Repatriation of Sale Proceeds

Under Indian regulations and practice, the approval of RBI is required for the sale of Equity Shares by a non-resident of India to a resident of India as well as for renunciation of rights to a resident of India. However, sale of such shares under the portfolio investment scheme prescribed by RBI, does not require the approval of RBI provided the sale is made on a recognized stock exchange and through a registered stock broker.

If the prior approval of RBI has been obtained for the sale of the Equity Shares, then the sale proceeds may be remitted as per the terms of such an approval. However, if the Equity Shares are sold under the portfolio investment scheme then the sale proceeds may be remitted through an authorized dealer, without the approval of RBI provided that the Equity Shares are sold on a recognized stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority has been produced.

BUSINESS

Overview

We are one of the leading public sector commercial banks in India, offering banking products and services to corporate and commercial customers and retail customers. We are India's eighth largest Bank in terms of assets, and we service over 15 million customers across India through our network of 1,938 branches. We have a particular focus on the retail banking while serving all sectors of the Indian economy. Our Bank has grown rapidly in recent years. As of December 2004, our total advances and deposits were Rs. 589,281.2 million. In fiscal 2004 our total income was Rs. 34,184.8 million and our net profit was Rs. 4,633.9 million before adjustment. In the first nine months of fiscal 2005, our total income was Rs. 28,563.3 million and our net profit was Rs. 4,624.8 million. Between fiscal 2002 and 2004, our total income grew at a compound annual rate of 13.4%, our unadjusted and adjusted net profit grew at a compound annual rate of 140.4% and 145.95%, respectively, and our total deposits and total advances grew at a compound annual growth rate of 17.8% and 20.4%, respectively. As of December 31, 2004 our Gross Non-Performing assets were Rs. 12,977.9 million.

We offer a full range of banking products and services. Our banking operations for corporate and commercial customers cater to large corporate customers as well as to small and middle market businesses and Government entities. Our corporate and commercial products include term loans, bill discounting, export credit and other business credit and financing products. We also offer a wide range of retail products including home loans, personal loans and automobile loans as well as debit cards. In addition, we also offer specialised products and services to the agricultural sector. We plan to expand our agricultural base and have developed innovative products that are designed to meet the production and consumption credit needs of farmers such as our "Kisan credit cum Kishan Shakti Card".

We deliver our products and services through our extensive branch network, extension counters, ATMs, phone banking and the Internet. Our branch network comprises 960 rural, 326 semi-urban, 386 urban and 266 metropolitan branches of which 955 are computerized. We believe that we can use our large number of rural branches to attract funds at lower cost through our savings bank deposit products which generally are attractive to rural customers. On average, interest free demand deposits and low interest savings deposits represented 38.41% of these deposits in the first nine months of fiscal 2005.

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

The GoI is our largest shareholder and will hold approximately 55.23% of our Equity Shares after the Offering. The Government has expressed its intention to maintain its ownership interest at least 51.00%.

Strategy

Our goal is to further strengthen our position as India's premier commercial banks and to increase our profitability by expanding our business, improving our spreads, and reducing our operating expenses. We also are working to improve our overall customer service and product offering while at the same time aggressively maintaining our balance sheet. Our business strategy emphasizes the following elements:

Expanding our Retail Banking Business

With the increase in household income levels in India and the consequent need for diversified financial services, the retail sector has emerged as a rapidly growing opportunity for banks with the skills and infrastructure to adequately service this market. The keys to our retail strategy are wide distribution, convenient customer service, a full range of products and prudent risk management. Cross-selling of a wide range of banking services and insurance, credit and investment products to our customers is a important aspect of our retail strategy as we leverage our current customer base to expand into new product areas. This includes agency tie-ups with National Insurance Company Limited for general insurance, with Life Insurance Corporation of India for life insurance, with Export Credit and Guarantee Corporation for export credit insurance and with UTI Mutual Funds for mutual fund products.

Improving our Spreads

Our spread has improved from 3.02% in fiscal 2002 to 3.39% in fiscal 2004. We are working to maintain or improve our spread through improving yields on advances and investments and by reducing our cost of deposits.

Improving Yields on Advances and Investments

Our yields on advances and investments have been under pressure in the current low interest rate environment. We are actively seeking to improve our yields on advances in this environment by improving our credit delivery systems and improving our asset base by further reducing our non-performing assets. In addition, we are actively seeking to cross sell our products as well to introduce new products like our third party insurance offerings. We have been working to improve yields on investments by constantly churning our portfolio, using technology to improve productivity and using derivatives to hedge against interest rate risk.

Reducing Costs of Funds

We believe that we have a relatively low overall cost of funds compared to the Indian banking industry. We have achieved this through a large base of low cost deposits, which is 38.41% of our total deposit as of December 31, 2004. Interest free demand deposits and low interest savings deposits constituted 7.44% and 30.97%, respectively, of our total deposits as of December 31, 2004. We believe we can maintain and enlarge this low-cost funding base by leveraging our extensive branch network (particularly in the rural areas where many of the deposits are low cost savings deposits) and our customer base of over 15 million accounts and by offering a wide range of products and high quality customer service, even as our business grows. In particular, we are focused on the retail rural section emphasizing low interest savings deposits.

Increasing Higher Margin Fee Based Income

We are looking to increase our higher margin fee based income in areas such as our treasury products and services, in particular our cash management services and foreign exchange. In addition, we are looking to increase fee-based income by expanding our third party product offerings. For example, we have established agency tie-ups with National Insurance Company Limited for general insurance, with Life Insurance Corporation of India for life insurance, with Export Credit and Guarantee Corporation for export credit insurance and with UTI Mutual Funds for mutual fund products.

Reduce our Operating Expenses

As a percentage of total income our operating expenses have increased from 26.62% in fiscal 2002 to 29.67% in fiscal 2003 and it declined to 28.06% in fiscal 2004 and further declined to 23.77% in the nine months ended December 31, 2004. Our strategy is to continue to control our operating expenses by prudently reviewing our headcount, aggressively managing controllable expenses and by further developing tight budgetary controls and a cost sensitive management culture.

Maintain High Asset Quality Standards through Comprehensive Risk Management

We have markedly improved our loan and investment portfolios by carefully targeting our customer base and implementing a comprehensive risk assessment process and diligent risk monitoring and remediation procedures. We apply our credit risk rating process to advances in excess of Rs. 2 million. Additionally, we actively monitor our loans and reassess their credit ratings once a year or more frequently if they are at risk. We also apply aggressive remediation policies to recover non-performing loans. Our provisioning policies for non-performing assets are in accordance with the RBI guidelines. As of December 31, 2004, we had provision of Rs. 9,999.0 million for non-performing assets. Our provision coverage ratio for NPAs was 77.05% as of December 31, 2004, which was significantly in excess of industry average (which was 59.75% as of March 2004) and RBI norms.

Develop our Technological Capabilities to Interconnect our Branch Network and Improve our Services.

We believe that technology is a differentiator in the banking industry and have devoted substantial resources towards upgrading our technology over the past few years. We have 955 computerized branches of which as many as 281 were electronically interconnected as of December 31, 2004. We intend to extend this to between 350 to 600 branches by March 31, 2006. We also intend to expand our delivery channels and have introduced internet banking and set up over 100 ATMs (to be further increased to as many as 350 ATMs by March, 2006). We aim to improve service by further using interconnectivity to implement centralized credit management, help desk services and data backup capabilities.

Expand our Presence in International Markets

We intend to explore strategic opportunities to expand our presence in international markets. We are in the process of obtaining a license to commence operations in Hong Kong. We have also entered into a joint venture with Punjab National Bank (which already has a representative office in Kazakhstan) to set up banking operations in Kazakhstan.

Overview of our Operations

General

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

Products and Services

Term Loans

Our term loans consist primarily of financing for the acquisition, construction or improvement of assets, including project finance. Although most of our loans are denominated in Rupees, we provide foreign currency loans which amounted to 1.20% of our total portfolio as of December 31, 2004. These loans are typically secured by the real and personal property financed as well as by other assets of the borrower. Repayment is typically in installments over the life of the loan. We also provide short term loans with a maturity of three to twelve months for temporary cash flow and other purposes which are repayable with a bullet payment on maturity. These can be denominated in Rupees or other currencies and issued at fixed or floating rates. These loans are usually provided to highly rated corporate customers and may be unsecured.

Cash Credit and Other Working Capital Facilities

Cash credit facilities are the most common form of working capital financing in India. These are revolving credit facilities secured by working capital assets, such as inventory and receivables. We sometimes take additional security in the form of liens on fixed assets, pledges of marketable securities and personal guarantees. Facilities are typically provided for 12 month periods and bear interest, usually at floating rates. We also provide overdrafts, working capital demand loans, working capital term loans and short term loan facilities to our corporate and commercial borrowers.

Bill Discounting

Bill discounting involves the financing of short term trade receivables by the issuance of negotiable instruments by the borrower. We discount these instruments and in certain cases, repayment of the bill is assumed by way of a commitment (in the form of a letter of credit) by another bank.

Export Credits

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

Other Credit and Financing Products

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

Letters of Credit

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

Guarantees

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

Cash Management and Collection Services

We offer our corporate and commercial clients collection, payment and remittance services, allowing them to reduce the time period between collections and remittances, thereby streamlining their cash flows. Our cash management products include physical cheque-based clearing in locations where settlement systems are not uniform, electronic clearing services and central pooling of country-wide collections. Our customers pay us fees for these services based on the volume of the transaction, the location of the cheque collection centre and the speed of delivery.

We have launched a new service called Quick Collection Services (QCS), which is intended to enable faster clearance of outstation instruments at our three QCS branches in Kolkata, New Delhi and Mumbai and two centres in Chennai and Ludhiana. These branches and centres also offer services known as “Collect & Pay” and “Guaranteed Credit Service”. Under the Collect & Pay, we pay when we collect. Under the Guaranteed Credit Service, we guarantee collection within a certain period. The Guaranteed Credit Service is provided by the three QCS branches and the Collect & Pay through an additional 180 branches.

Products and Services for Retail Customers

General

We also provide a full range of financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education and other personal loans and deposit services such as demand, savings and fixed deposits for our customers. We also provide supply chain financing to our retail trade customers. In addition, we provide fee based products and services such as cash management, remittance and collection services and safe deposit lockers to our customers and distribute products such as mutual funds and non-life insurance issued and underwritten by other providers.

Retail Lending Activities

Our total outstanding retail loans and advances were Rs. 36013.5 million as of December 31, 2004, representing 17.32% of our total outstanding loans. The following table classifies our outstanding retail loans by category of loan, as of March 31 and December 31, 2004:

	March 31, 2004			December 31, 2004		
	Number of loans	Amount outstanding	% of total outstanding retail loans	Number of loans	Amount outstanding	% of total outstanding retail loans
			(Rs. in million)			
Housing	40,558	12,168.98	38.39	41799	16,441.47	45.65
Mortgage		—-			—	
Traders	109	549.09	1.73	1,221	630.38	1.75
Automobile	4,550	968.08	3.06	6,257	1,090.92	3.03
Personal loans	2,22,078	15,638.72	49.33	1,95,635	14,715.32	40.86
Consumer	5,892	197.88	0.63	3,536	174.28	0.48
Pensioners	7,089	275.94	0.87	5,430	278.58	0.77
Education	3,547	534.14	1.69	6,907	747.82	2.08
Lease rentals	159	276.8	0.87	115	326.91	0.91
Gold	51	11.91	0.04	1,713	248.8	0.69
Doctors	615	94.72	0.30	615	106.69	0.30
Other*	17,274	980.51	3.09	11,933	1,252.36	3.48
Total outstanding retail loans	3,01,922	31,696.77	100.00	2,75,151	36,013.53	100.00

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

Housing Finance

Our housing finance business involves giving long-term loans to individuals to finance the purchase, construction, repairs and renovation of a home. These loans are primarily secured by a charge over the property financed. These loans are extendable for maturities up to 20 years.

Mortgage Finance

Through our mortgage finance business, we give loans to customers, which can be used either for personal or for business needs against a security over the real property. These loans are extendable for maturities up to seven years and are given for amounts up to a maximum of Rs. 5 million.

Trade Finance

Through our trade finance business, we provide financing to individuals, firms, co-operative societies and companies, typically in the form of revolving working capital facilities and term loans with maturities up to seven years. These loans are typically collateralized by a charge over movable or immovable assets. Such financing entails providing banking services such as overdraft facilities and bill discounting to suppliers and buyers.

Automobile Finance

We provide loans to finance the purchase of new and used automobiles, including two wheelers. Automobile loans are secured by a charge on the purchased automobile and typically also by a personal guarantee of a party other than the borrower. These loans are extendable for a term of up to seven years for new vehicles and the lesser of up to five years or residual life of the vehicle for pre-owned vehicles.

Personal and Consumer Loans

We provide personal loans for various purposes in amounts ranging to Rs. 0.3 million. These loans are typically made for a period of up to five years and are secured by personal guarantees from a party other than the borrower, including employers. In the case of consumer loans, the item purchased is hypothecated as security.

Education Loans

We provide loans for higher education which are typically for a term of five to seven years excluding the study period and are unsecured up to Rs. 0.4 million. Typically, a parent acts as a co-borrower.

Other Retail Products and Services

Debit Cards

We offer a debit card in association with VISA International. Currently, our debit card has acceptance at approximately 158,000 merchants' establishments and ATMs. We had over 10,000 debit card customers as of December 31, 2004.

Insurance

We market the non-life insurance products of National Insurance Co. Ltd. We earn commissions for these products but do not underwrite them. As of December 31, 2004 we had sold over 78013 policies. The Bank also sells life insurance policies of Life Insurance Corporation Of India, as its corporate agent. As of December 31, 2004, 2520 life policies were sold under the arrangement. Collaborative marketing arrangements currently in place for selling insurance products include the Al-Ayushman Bima Yojna, pursuant to an arrangement with the Life Insurance Corporation of India, under which the depositor's life is insured for an amount of Rs. 100,000 with a nominal premium paid by the depositor. Under our personal accident insurance, introduced pursuant to another collaborative marketing arrangement with National Insurance Company, the depositor is required to keep a minimum balance of Rs. 5,000 in his or her savings bank account and, if he or she does so, receives accident coverage free of cost.

Mutual Funds

We distribute the mutual fund products of UTI Mutual Funds. We earn fees for the distribution of such products.

Depository Services

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

Agriculture

General

Agriculture contributes 22% to India's GDP and supports approximately two-thirds of India's population. In fiscal 2004, we essentially met the stated national goal that banks should provide at least 18% of their net bank credit (which is gross credit minus Foreign Currency Non-Resident Bank deposits) to this segment. Our monthly average credit in this segment has been growing at a rate 28.54% on a year to year basis over the last four fiscal years. As of the December 31, 2004, agricultural loans constituted 19.87% of our total loans and advances. Currently, our agricultural operations are spread across India with a concentration in eastern and northern parts of the country. These regions in an aggregate accounted for 36.15% of our total agricultural loans as of December 31, 2004. The agriculture sector is also advantageous in terms of risk and credit management, with comparatively higher number of smaller loans. Our gross non-performing assets in the agriculture segment constituted 5.04% of total agricultural advances as of December 31, 2004 as compared to gross NPAs of 6.24% as a percentage of gross advances. Recent regulatory developments have also improved the efficiency of the agricultural market and made it a more attractive lending sector. Through the National Agricultural Insurance Scheme, which is available in the states in which it has been adopted, farmers can purchase insurance coverage for their crops. This coverage is compulsory for farmers that are borrowers and the lender is a loss payee. For small farmers, 50% of the cost of this insurance is subsidised by the central and state Governments.

Products and Services

Agricultural Lending

In the agriculture sector we offer direct financing to farmers for production and investment as well as indirect financing for infrastructure development and credit to suppliers of inputs. The following table shows the value and share of our agricultural loan products as March 31, 2004 and December 31, 2004, classified by type:

	As of March 31, 2004			As of December 31, 2004		
Particulars	**Number of accounts (in millions)**	**Amount outstanding (Rs. In million)**	**% of total outstanding agricultural loans**	**Number of accounts (in millions)**	**Amount outstanding (Rs. In million)**	**% of total outstanding agricultural loans**
Direct financing:	0.56	22,301.8	72.80	0.67	31,001.2	75.7
Production financing	0.40	7,000.0	22.90	0.50	9,300.0	22.7
Investment financing	0.12	15,301.8	49.9	0.17	21,701.2	53.0
Indirect financing:	0.01	8,330.0	27.20	0.01	9,951.5	24.3
Total agriculture portfolio	0.57	30,631.8	100.00%	0.68	40,952.7	100.0%

Production Financing

We provide short-term working capital for agricultural activities such as planting and crop production for a term of 12 to 18 months. This is typically secured by crops or other movable assets for amounts up to Rs. 50000 and additionally by a mortgage over real property for amounts above Rs. 50000.

Kisan Credit Cards

In 1998, we introduced our "Kisan credit card" which is designed to meet the production and consumption credit needs of farmers. The card provides farmers a working capital facility up to certain limits. Additionally, farmers can use this card to meet short-term domestic needs. Loans using the Kisan credit card up to Rs. 50000 are secured by crops and assets financed by the loan, and advances over Rs. 50000 are additionally secured by a mortgage over the farmer's land. Kisan cards are typically set up for a period of three years. As of December 31, 2004, we had issued over 546,000 Kisan credit cards.

Kisan Shakti Yojana

This new loan product was launched in April 2004 to empower farmers with both short-term and medium-term loans for agriculture and domestic purposes.

Investment Financing

We provide financing for agricultural investments such as farm mechanization, irrigation, transport vehicles, development of dairy, poultry and fishery facilities and wasteland development. The term of such financing is typically five to seven years. This is typically secured by the assets being purchased and/or a mortgage of or charge on agricultural land or immovable property.

Indirect Financing

We provide indirect financing for infrastructure development and provide credit to dealers or distributors of inputs such as pesticides, seeds and fertilizers. These loans are typically secured by hypothecation of the assets financed and/or a mortgage of real property or a guarantee.

Agriculture and Community Support Efforts

We intend to grow our reputation as a premier agricultural financing institution in India. As part of our commitment to this sector, we provide a variety of programs to offer support and assistance to rural communities. We have planned to establish training centres for farmers to inform them of the latest technological developments in agriculture and related activities, educate them about adopting better production and marketing practices and provide them with information about the financing options and services available to them. We have also instituted support programs such as the Birsha Munda Institute of Entrepreneurship Development at Hazaribagh to provide training to entrepreneurs, a majority of whom are women, to take up income generating activities.

Infrastructure

We give term loans of up to 15 years for infrastructure projects, secured by the assets of the project. As of December 31, 2004 our term loans for infrastructure projects were Rs. 24590 million. We do not have any other products for infrastructure projects. Term loans for infrastructure projects are part of the term loans for corporate and commercial segment. Since in India the demand for term loans for infrastructure projects is very high, we do not have to do any significant marketing for this product.

Small Scale Industries

We provide financing to “small scale industries” or “SSIs”. SSIs are defined as manufacturing, processing and servicing businesses with up to Rs. 50 million invested in plant and machinery for certain industries such as hosiery, hand tools, drugs and pharmaceuticals and stationery items and up to Rs. 10 million invested in plant and machinery for other small scale industries. SSIs are also considered a priority sector for directed lending purposes. See the section titled “Business – Directed Lending” below. As of the last reporting Friday in December 2004, SSI loans constituted 7.26% of our net bank credit. As of the last reporting Friday in December, 2004 we had an outstanding loan portfolio of Rs. 14,971.7 million in this segment compared to Rs. 12,070.8 million as of the last reporting Friday in December 2003, representing growth of approximately 24.02%.

Our lending for the SSI sector is intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets, plant and machinery and meeting working capital needs. We target this sector with specifically designed products such as Laghu Udhyami Credit Card Scheme. Under the Laghu Udhyami Credit Card Scheme, we give a credit card with a revolving line of credit, up to maximum of Rs. One million which is secured by plant and machinery and/or other hard assets of our SSI customers. The SSI customers can use the Laghu Udhyami credit cards for their working capital requirements. Typically these cards are issued for a period of three years and the credit limit may be increased during such period. We also provide flexible security requirements to make credit more accessible to SSI borrowers. For manufacturing, service and information technology SSIs, loans of up to Rs. 2.5 million are guaranteed by the Credit Guarantee Fund Trust for Small Industries, which allows us to be more flexible in our security requirements.

Directed Lending

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

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

We report our priority sector loans to the RBI on a quarterly basis. The loans reported are as of the last reporting Friday of the quarter. As of December 29, 2004, which was the last reporting Friday for the quarter ended December 31, 2004 our priority sector loans were Rs. 93,071.1 million, constituting 45.15% of our net bank credit against the requirement of 40.0%. The agriculture sector constituted 19.87% of our net bank credit and small scale industries (SSI) constituted approximately 7.26% of our net bank credit as of the last reporting Friday of December 2004.

Our Bank has been awarded a trophy by the Ministry of Finance, Government of India for achievement of stipulated norm of 18% in agricultural credit during 2003-04. Our Bank has also been awarded “Corporate Ratna” for excellent role in agriculture development and uplift of rural masses.

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

	March 31, 2003		March 31, 2004		December 31, 2004	
	Amount	% of net bank credit(1)	Amount	% of net bank credit(1)	Amount	% of net bank credit(1)
	(Rs. in million, except for percentages)					
Agriculture credit	22,504.7	16.91	30,631.8	18.84	40,952.7	19.87
SSI credit	8,885.9	6.68	13,229.4	8.13	14,971.7	7.26
Other priority sector credit	24,897.1	18.70	30,571.4	18.80	37,146.7	18.02
Priority sector credit	56,287.7	42.29	74,432.6	45.77	93,071.1	45.15
Net bank credit [1]	133,100.0		162,592.7		206,150.8	

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

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

In addition to the foregoing, our priority sector activities also include micro credit. Our micro credit offerings provide financing to start-up businesses and other small-scale entrepreneurs. The credit is primarily disbursed to Self-Help Groups (SHGs) which are composed mainly of women. Our micro credit disbursements up to December 31, 2004 were Rs. 510 million to 13,020 SHGs.

Deposits

Our deposit products include the following:

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

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

	March 31, 2003		March 31, 2004		December 31, 2004	
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
	(In Rs. in million, except for percentages)					
Demand deposits	22,676.3	8.90	28,467.0	9.04	28,373.9	7.44
Savings deposits	87,251.8	34.27	103,423.9	32.86	118,121.3	30.97
Term deposits	144,705.7	56.83	182,875.2	58.10	234,923.0	61.59
Total deposits	254,633.8	100.0%	314,766.1	100.0%	381,418.2	100.0%

The Bank has a substantial amount of short term deposits classified under term deposit having a tenure between seven days and 180 days, the average cost of which is comparable with that of low cost deposits.

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

For a description of the RBI's regulations applicable to deposits in India and required deposit insurance, see sections titled "Banking and Financial Sector and its Regulations on page 29.

As part of our strategy to attract savings deposits, we offer a variety of special value-added products and services that complement our deposit accounts. For example, we offer Al-Ayushman Bima Yojna, pursuant to an arrangement with the Life Insurance Corporation of India, under which the depositor's life is insured for an amount of Rs. 100,000 with a nominal premium paid by the depositor. In addition, we offer, in conjunction with the National Insurance Company, free personal accident insurance to savings depositors of Rs. 5,000 or more.

As a part of our strategy to attract term deposits, we offer Double and Flexi Products. Under the Double Deposit Plan, the depositor does not receive any interest during the term of the deposit, which is compounded and converted into the principal amount on a quarterly basis. The depositor receives payment only at the end of the term of the deposit. The interest rate for such deposits is fixed on the date when such a deposit is made by the customer, in accordance with the interest rate being offered by us on the date of such deposit.

Under Flexi-Fixed Deposit Plan, a depositor receives term deposit certificates in multiples of Rs. 1,000. This gives the depositor the option to request prepayment of a part of his deposit (in multiples of Rs. 1,000) and pay prepayment penalty only for the amount for which prepayment is requested, rather than on the entire amount of his term deposit.

Delivery Channels

We deliver our products and services through a network of 1,938 branches (comprising 960 rural, 322 semi-urban, 383 urban and 270 metropolitan branches). The branches include 46 specialised branches and 19 service branches. In addition, we have 140 extension counters. We also use ATMs, call centres and the Internet as our delivery channels. To improve the delivery channel, we are working toward implementation of our Centralized Banking Solution, in which our high volume branches would be interconnected electronically. In the first phase implementation of the Centralized Banking Solution in 25 pilot branches is expected to be completed by March 2005, and the second stage of installation in an additional 375 branches is targeted for completion by December 2005. During 1995-2000 we used a Modernization and Institutional Development Loan (MIDL) of US$14.40 million from the World Bank primarily to introduce modern banking facilities for our customers.

We have so far computerized 955 branches, of which 800 branches are running with Total Branch Automation (TBA), comprising 81.92% of our business volume, and of these, 281 branches are connected to our intranet. An additional 294 branches and extension counters are partially computerised with Advanced Ledger Posting Machines (ALPMs). All of our specialised branches are computerised and we have implemented bilingual (English and Hindi) banking software in 42 branches in Hindi speaking areas.

Following is a table of our business (advances plus deposits) per employee and average gross profit per branch for the periods indicated.

	Fiscal Year			**First nine months of fiscal year**	
	2002	**2003**	**2004**	**2004**	**2005**
	(Rs. in thousands, except for employees per branch)				
Business per employee	15,300	18,300	21,500	20,500	27,100
Business per branch	177,484	202,550	247,364	216,995	304,066
Gross profit per branch	2,132	2,682	4,528	2,880	4,394
Employees per branch	10	10	10	10	10

We also have specialized branches targeting various segments of our customers. We have specialized corporate branches focused on the needs of small, medium and large sized corporations. We have branches specializing in our large sized corporate customers. We currently have 46 branches targeting trade finance and others specializing in SSI, retail finance, industrial finance, international finance and foreign exchange. We have established Retail Boutiques, as well, in which two officers in each of 257 branches in the urban metro markets are dedicated exclusively to sales and execution of high potential retail business. These officers receive special training for this purpose. As of December 31, 2004, 1,286, or 66.36% of our branches were located in semi-urban and rural areas.

As a part of our international expansion strategy, we intend to open a branch office in Hong Kong, and a representative office in Kazakhstan. In Kazakhstan, we would open our representative office as a part of a joint venture with Punjab National Bank. We are in the process of obtaining regulatory approvals from RBI and the regulators in Hong Kong and Kazakhstan to obtain such offices.

In addition, to our branches we offer our customers a network of ATMs with connectivity of 100 branches in 42 cities as of December 31, 2004. We currently plan to install an additional 250 ATMs by March 2006. We also believe that Internet access and information is key to satisfying the needs of certain customer segments. We maintain a website at www.allahabadbank.com offering general information on our products and services. Our Internet banking service allows customers to access all their account related information using our website. This facility is available to both individual and corporate customers of our interconnected branches. We also have introduced telebanking in 13 branches in eight cities.

Treasury

Through our treasury operations, we seek to (i) manage our balance sheet, including the maintenance of required regulatory reserves, and earn profits from our trading portfolio and (ii) provide a range of products and services for corporate and commercial customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services. We cross-sell these products and services to our corporate and commercial banking customers.

General

Under the RBI's statutory liquidity ratio (SLR) requirement, we are required to maintain an amount equal to at least 25.0% of our net demand and time liabilities in approved securities, such as Government of India securities, state Government securities and other approved securities. Under the RBI's cash reserve ratio requirements, we are required to maintain a minimum of 5% of our net demand and time liabilities in a current account with the RBI. The RBI pays no interest on these cash reserves up to 3.0% of the net demand and time liabilities and pays interest at 3.5% per annum on the remaining eligible balance.

We have a detailed policy on treasury operations which confirms to RBI norms and statutory guidelines issued by different regulatory authorities.

In order to optimize profit from the sale of securities we have an integrated treasury branch at Mumbai. The norms for trading activity are stipulated specifically in our investment policy and our investments are carried through empanelled brokers or reputed counter parties.

While considering invesments in securities, various factors such as coupon, tenor, current yield, yield to maturity of the instruments are taken into account with a view to maintain target yields on an annual basis.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity while complying with the cash reserve and statutory liquidity ratios. We maintain the statutory liquidity ratio through a portfolio of Government of India securities that we actively manage to optimize the yield and benefit from price movements. Our Board of Directors approves our investment and asset liability management policies.

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

	March 31, 2003		March 31, 2004		December 31, 2004	
Securities	**In Rs. millions**	**%**	**In Rs. millions**	**%**	**In Rs. millions**	**%**
SLR						
Government and approved securities	100,034.31	80.86	122,952.20	79.04	149,186.08	83.41
Non-SLR						
Bonds and debentures	17,213.57	13.91	25,534.57	16.42	24,313.57	13.59
Shares	537.51	0.43	679.27	0.44	880.58	0.49
Subsidiaries and joint ventures	548.27	0.44	876.21	0.56	876.21	0.49
Commercial papers, mutual funds and others	5,383.54	4.36	5,505.89	3.54	3,606.28	2.02
Net Investments	123,717.20	100.00%	155,548.14	100.00%	178,862.72	100.00%

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

	March 31, 2003	March 31, 2004	December 31, 2004
	(Rs. in millions, except percentages)		
Average total interest earning assets	257,115.9	299,148.4	378,357.5
of which, Average investments	121,962.1	143,417.0	178,384.3
Average investments as a percentage share of average total interest earning assets	47.43%	47.94%	47.15%

	Fiscal year		First nine months of fiscal year	
	2003	2004	2004	2005
	(Rs. in millions, except percentages)			
Total income	30,946.9	34,184.8	24,221.1	28,563.3
Income from investments	11,877.5	13,022.4	9619.0	10,905.5
Net profit from sale of investments	3,369.4	5,047.2	2,841.9	3,269.2
Total treasury income*	15,246.9	18,069.6	12,460.9	14,174.7
Treasury income as a percentage of total income	49.27%	52.86%	51.44%	49.63%

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

1. *Income earned from call money and short term investments;*
2. *Income from derivatives; and*
3. *Dividend earned on investments in subsidiaries and joint ventures.*

We invest in SLR securities over and above the statutory requirement as SLR securities are considered to be the most liquid having almost no credit risk and also a give reasonable return on investment. The SLR position as of March 31, 2002, 2003 and 2004 and as of December 31, 2004 is given below:

(Rs. in million)

	Total SLR Securities	SLR Requirement	Excess SLR Maintained
March 31, 2002	78,263.5	53,278.2	24,985.3
March 31, 2003	92,291.0	61,910.0	30,381.0
March 31, 2004	115,176.7	73,452.9	41,723.8
December 31, 2004	141,410.8	92,121.3	49,289.5

Customer Focused Treasury Activities

We provide customer specific products and services and risk hedging solutions in several currencies to meet the trade and service-related requirements of our corporate and commercial clients. The products and services offered include:

- foreign exchange at spot rates for the conversion of foreign currencies without any value restrictions;
- forward foreign exchange contracts for hedging future receivables and payables, without any value restriction; and
- foreign exchange and interest rate derivatives for hedging long-term exposures.

We commenced our derivative operations in fiscal 2003. We offer to our customers forward foreign currency products, single currency interest rate swaps and cross-currency interest rate swaps. We have hedged a part of our fixed liabilities with floating rate swaps. The primary purposes of our trading in interest rate derivatives is to hedge our position but we also trade in interest rate derivatives to take advantage of volatility in the market. In fiscal 2004 and the first nine months of fiscal 2005, our net income from derivatives operations was Rs. 10.04 million and Rs. 12.16 million, respectively.

Our Subsidiary and Affiliates

AllBank Finance Limited

AllBank Finance Ltd. is a wholly owned subsidiary of Allahabad Bank. The subsidiary was incorporated under the name of Allahabad Bank Nominees Ltd. on September 29, 1951 under the Indian Companies Act, 1913, primarily to hold the shares, debentures etc of the clients of Allahabad Bank purported to be securities against advances granted to them by the Bank to cope up with relevant provisions of the Companies Act and Banking Regulation Act. In 1957, its name was changed to Allahabad Bank Nominees Pvt. Ltd. Subsequently, the word Pvt. was deleted on April 12, 1961 in accordance with Section 43 A of Companies Act, 1956. On September 30, 1975, a fresh incorporation certificate was issued. The name of the company was changed to AllBank Finance Ltd. on February 27, 1991.The subsidiary was set up to undertake merchant banking activities and to undertake the business of leasing and all other kind of related financial services. Consequent upon the SEBI Rules and Regulations notified on December 9, 1997 for segregation of Capital Market and fund based activities into separate entities, the Company surrendered its Merchant Banking registration with SEBI with effect from July 1, 1998 and got itself registered as a NBFC with RBI on August 21, 1998. However the company is in the process of filing an application with SEBI for obtaining licence as category I merchant banker for this purpose. AllBank Finance Ltd. has not raised any Public Deposit and so it is not required to maintain CRR and SLR. The detailed financials of AllBank Finance Limited are as set out in the Part XIII of the Auditors Report in the Prospectus.

Asset Reconstruction Companies

Legislation in 2002 allowed the creation of Asset Reconstructions Companies, which are allowed to buy non-performing assets from banks at a discount from book value. These entities earn returns by aggregating non-performing assets and recovering value from them, which is possible without the use of litigation. Additionally, ARCs use these assets to sell asset backed securities through special purpose vehicles. We own a 10% interest in UTI's Asset Reconstruction Company.

Regional Rural Banks

We have promoted seven regional rural banks, with 504 branches as of December 31, 2004. Of these seven regional rural banks, six are in the state of Uttar Pradesh and one is in the state of Madhya Pradesh. We hold 35% of the Equity Share capital of the regional rural banks and the Government of India and state Governments own 50% and 15%, respectively. As of December 31, 2004 the deposits of these banks were Rs. 19,380.0 million and advances were Rs. 9,540.6 million. The combined net profit of these regional rural banks improved by 12.24% from Rs. 490 million in fiscal 2003 to Rs. 552 million in fiscal 2004 and was Rs. 382.4 million in the first nine months of 2005. Gross NPAs for these banks amounted to 12.82 % of their total advances as of December 31, 2004. Recently, our Board of Directors has approved a plan to amalgamate the six regional rural banks in the state of Uttar Pradesh and form one state level rural bank.

Risk Management

We recognize that management of risk is fundamental to the business of banking. Our approach to risk management is proactive. The goal of our risk management is not to avoid risks inherent in our business but to ensure that we understand measure, monitor and mitigate the various risk that arises and we adhere strictly to the policies and procedures that have been established to address these risks. The basic objective of Risk Management is to strike a balance between risk and returns.

Our Risk Management Committee, which is a sub-committee of our Board of Directors, devises our policies and strategy for integrated risk management and coordinates with the Risk Management Sub Committees : the Credit Risk Management Committee and the Asset-Liability Committee. Our Risk Management Department deals with various financial and non-financial risks that confront our business. Our employees understanding of risk management is updated on a regular basis through intensive in-house training program and also by nominating them to various programs on risk management conducted by premier institutes in the field of banking including the training college of RBI.

Credit Risk

We are principally exposed to credit risk in our lending operations. Credit risk is the risk of loss that may occur as a result of our borrowers to abide by the terms of conditions of the contract with us, principally the failure to make payment of loan due to us. The Board of Directors has delegated all functions and responsibilities relating to the policy, direction and supervision of credit risk management to credit Risk management committee.

We have put in place a structured, dynamic, proactive and integrated Credit Risk Management System. This system has the mechanism for identifying and quantifying the credit risk associated with Credit proposals . For identification of the risks associated with the proposals, we have have developed various risk rating modules for credit risk rating. The CRISIL supported module, developed by India's leading credit rating agency, is being used for credit risk rating of all the accounts having exposure more than Rs. 50 million and for other accounts other models are used.

Credit Risk Supervision

For effective supervision of our credit portfolio, we are building up our MIS to enable us to calculate the default rate on our loans. We are in the process of introducing the revised inspection system based on the degree of risk involved in the operation of branches and controlling offices.

Primarily, for the effective implementation of risk based supervision, we have introduced credit audit for accounts having credit exposure of Rs. 50 Million and above, as a part of our loan review mechanism.

Credit Approval and Monitoring

The principal means of managing credit risk is the credit approval process. To facilitate a proposal above a particular authority the Bank has adopted a credit approving grid concept. The Grid consists of in-charge of risk management department and various other functional departments. The Bank has a well-established monitoring system, on the basis of which accounts are being monitored on regular basis.

Credit Policies

Our credit policies are based primarily on statistical analyses of risks with respect to different products and types of customers. We have high volumes of relatively homogeneous, small-value transactions in the retail and agricultural areas. We review our policies based on our own and industry experience to determine and periodically revise product terms and desired customer profiles. We then verify that an individual customer meets our lending criteria.

A large number of our loans are also secured by collateral and/or supported by guarantees. Our trade and commercial loans are typically secured by a charge over inventory and/or receivables. Longer term loans are usually secured by a charge over fixed assets. Our larger retail loans are typically secured by collateral or guarantee. Our retail loans are generally secured, made against delivery of post-dated cheques or debited to an account maintained with the bank in which the debtor's employer directly deposits his or her salary. In India, bouncing of cheques is a criminal offence. In the case of most automobile loans as well as unsecured personal loans, we require the borrower to provide post-dated cheques for all payments on the loan at the time the loan is made. Automobile loans and consumer loans are both secured loans. We will generally lend up to 80% to 90% of the value of the automobile in case of automobile loans and 90% to 95% in the case of two wheeler loans. Our housing loans are secured by mortgages.

Although we take collateral, we may sometimes not be able to realize its full value in a default situation. See the section titled "Risk Factors-We may experience delays in enforcing our collateral when borrowers default on their obligations to us, which may result in failure to recover the expected value of the collateral" on page xiv.

We aim to improve recovery by implementing our rule based lending system throughout our branches. This system analyzes available data to profile areas and categories, which we use to make our lending decisions more efficient.

Loan Review Mechanism

We have put in place, an independent Loan Reveiew Mechanism, which is under the charge of a senior executive. He is assisted by a team of experts drawn from various disciplines. The high value loan assets are constantly put under review for maintenance of high quality and prevent slippages.

The accounts are further reviewed and monitored through our loan review policy. We rely on our preventive monitoring system, which scores accounts based on such factors as financial performance and conduct of accounts on a quarterly basis with a rule-based system. Additionally, local task forces monitor accounts that are in arrears or have low credit ratings. Our Credit Audit and Review Section reviews all accounts above Rs. 50 million and accounts identified as irregular or weak at shorter interval.

Concentration of Loans and Credit Substitutes

Under the RBI guidelines, our exposure to individual borrowers must not exceed 15.0% of capital funds comprising Tier I and Tier II capital. Exposure to individual borrowers may exceed the exposure norm of 15.0% of capital funds by an additional 5.0% (i.e., up to 20.0%) provided the additional exposure is on account of infrastructure financing. Under the RBI guidelines, exposure to a group of companies under the same management control must not exceed 40.0% of capital funds unless the exposure is in respect of an infrastructure project in which case the ceiling is 50.0%. Our prudential exposure limits are fixed in terms of RBI guidelines. For the purposes of measuring these limits, exposure is calculated based on the total fund based (e.g., loans and advances) and non-fund based (e.g., letters of credit and guarantees) credit as well as investments. Either the credit limit or outstanding amount, whichever is higher, is used when computing the exposure ceiling.

In terms of our lending policy different exposure norms are fixed for different industries. Our maximum credit exposure to any particular industry is limited to maximum 10% of our total credit.

As December 31, 2004, our largest exposure to a single borrower was 20.0% of our capital funds, and our largest group exposure was 23.9% of our capital funds; all these borrowers are currently performing according to the terms of our contracts with them. For details of our exposure to our 10 largest single and group borrowers and our exposure to our 10 largest fund-based industries for fiscal 2003 and fiscal 2004, see "Asset Quality and Composition Loan Portfolio -Concentrations of Loans and Credit Substitutes" on page 61.

Market Risk

Market risk is exposure to loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The prime source of market risk for us is the interest rate risk that we are exposed to as a financial intermediary, which arises on account of our asset and liability management activities. In addition to interest rate risk, we are exposed to other elements of market risk, such as liquidity or funding risk, price risk on trading portfolios and exchange rate risk on foreign currency positions.

Market Risk Management Procedures

The Board of Directors reviews and approves the policies for the management of market risk. The Board has delegated the responsibility for the management of market risk to the Asset-Liability Management Committee (ALCO). The ALCO has established comprehensive policies for the management of our market risks. The ALCO is headed by our Executive Director and also includes all of the General Managers from our Head Office. Operational executives from various departments are also invited to take part in meetings. The ALCO is assisted by the Asset Liability Management Cell (a department group headed by a General Manager) and the Asset Liability Management Support Group (which is staffed with mid-level executives) who analyses, monitor and report our risk profile to the ALCO.

The activities of ALCO include:

- Balance Sheet planning;
- Strategic management of interest rate and liquidity risk;
- Product pricing of deposits and advances;
- Deciding on desired maturity profile and mix of incremental assets and liabilities;
- Reviewing the interest rates and deciding on the future business strategy; and
- Reviewing and formulating the funding policy.

ALCO endeavours to manage our portfolio of loans and investments by regulating the interest rate mechanism. Apart from the review of interest rates, various other matters such as macro-economic scenarios and interest rate forecasts, movement of funds, statement of change in assets and liabilities, benchmark PLR, impact of monetary and credit policy, stress test of investment portfolio, earnings at risk, economic value analysis, position of interest rate swaps form the regular agenda of our ALCO's meetings.

Our Middle Office is responsible for the daily monitoring of our market risks.

Estimates regarding our earnings at risk and changes in economic value are calculated monthly. The duration of our trading portfolio is measured daily. We perform stress tests on our investment portfolio on a regular basis and we regularly monitor movement of deposits of Rs. 10 million and above.

Through proactive management of assets and liabilities and market risk, we have been able to increase our interest spread from 3.30% in fiscal 2003 to 3.39% in fiscal 2004, in spite of general decline in market interest rates.

Asset and Liability Management

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

We have a comprehensive Asset Liability Management policy approved by the Board of Directors, which inter alia contains the following:

- Composition of Asset Liability Management Committee
- Principles to be followed for classifying assets and liabilities in various time buckets
- tolerance limits for different time buckets
- contingency funding plan

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

We prepare regular maturity gap analyses to review our liquidity position, and must submit a monthly analysis to the RBI. The RBI imposes a limit on the negative mismatch during 1-14-day and 15-28-day periods, which should not exceed 20% of the outflow in the respective periods. As advised by the RBI, we have also established cumulative gap limits for all maturity buckets.

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

Our Asset Liability Management (ALM) system is being progressively strengthened and we continuously endeavor to improve the quality and timeliness of our ALM data. We have already introduced the system of fortnightly collection of ALM data through modified customised software made with weekly returns. 100% of the data verified/scrutinized by our statutory auditors is received from the branches at quarterly intervals through quarterly closing returns prepared by the branches. Implementation of the Core Banking Solution, which is being implemented (expected to be completed by March 31, 2006), will not only cover 100% of our business, but also improve the authenticity and timeliness of our ALM data.

Asset and Liability Management Strategy

We have framed a comprehensive policy for management of our assets and liabilities in order to manage the market risk in a deregulated environment. Our ALM strategy includes the following:

- ***To maintain requisite liquidity:*** Our day-to-day liquidity is monitored by our Treasury Department at our head office.
- ***To control the cost of deposits***: In order to achieve this we have been focusing on collecting low cost and stable deposits.
- ***To maintain the net interest margin*****:** We strive to invest our surplus fund in investments where risk is low but the yield is good.
- ***To reduce interest rate risk and default risk to focus on our books***: ALCO monitors our liquidity and interest rate sensitivity position periodically. We calculate the duration of our investment portfolio on an ongoing basis. In order to be able to make quick decisions on changing market scenarios, our ALCO constantly monitors the interest rates on our deposits and loans, and our Prime Lending Rate (PLR).

Liquidity Risk

The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalize on opportunities for business expansion. This includes our ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise. Our Treasury Group is responsible for ensuring that we have adequate liquidity, ensuring that our funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment rate risk in case of a maturity gap, and monitoring local markets for the adequacy of funding liquidity.

Under current RBI regulations, we are required to maintain 5.0% of our net demand and time liabilities in cash reserves with the RBI and maintain 25.0% of our net demand and time liabilities in Indian Government securities and other approved securities.

Price Risk

Price risk is the risk arising from price fluctuations due to market factors, such as changes in interest rates and currency exchange rates.

We consider interest rate risk to be potentially the most significant and for this purpose our Board has set limits on the maximum permissible impact on the net interest income allowed due to adverse interest rate changes during any one year period. As stipulated by the RBI, we maintain an Investment Fluctuation Reserve to serve as a buffer against adverse movement in interest rates and to have sufficient capital to meet capital adequacy standards of minimum capital of 9% against total risk weighted assets.

We offer foreign currency loans and deposits and foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and corporate customers. We actively hedge exchange risks arising out of these trading positions. We also engage in trading activities in the foreign currency markets that expose us to exchange rate risks. In addition, our foreign exchange business exposes us to foreign currency interest rate risk that arises from maturity mismatches of foreign currency positions, and settlement risk, which is the risk of default by counterparties. We mitigate these foreign exchange risks by setting counterparty limits and subjecting the overall foreign currency positions to an overnight open exchange position limit.

Operational Risk

We are exposed to many types of operational risk. Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors.

We identify, assess and document the operational risks inherent in all our material products, activities and process events. We have put in a place a strictly regimented structure of well-defined policies, processes and procedures that are designed to mitigate material operational risks. Our Administration Department formulates and monitors the delegation of duties and responsibilities at different levels. We also have an Operational Risk Management Committee that reviews operational risk events and losses sustained by us, analyses the causative factors of such losses, reviews the status and findings of our various audits and directs action points for controlling and mitigating operational risk (including IT risk) arising out of any deficiency observed. The committee is headed by the Executive Director and includes other functional heads of Risk Management, Information Technology, Inspection, Finance & Accounts, Planning and Development, Administration and Vigilance.

In addition, the Fraud Monitoring Committee, which is a sub-committee of the Board of Directors, reviews cases of fraud involving amounts of Rs. 10 million and above.

Credit Audit

We conduct credit audits to examine compliance with our sanction and post-sanction processes and procedures.

Branch and Office Audits

Our branches and offices are subject to internal inspections at intervals of 12-18 months. In addition, each branch is subject to a system audit in February or March every year by the relevant regional office in order to help to ensure our systems and procedures in vital operational areas are duly followed.

The RBI requires banks to have a process of concurrent audits at branches handling large volumes, to cover a minimum of 50.0% of business volumes. Concurrent audits involve the checking of transactions within a few days of their occurrence by external chartered accountants. Branches that are not covered under concurrent audits are subject to a revenue audit, also by external chartered accountants.

In order to help ensure the safety, security and integrity of our data, computerized branches are subject to an EDP audit. TBM branches are subject to an EDP audit once every two years and ALPM branches are subject to an EDP audit once every three years.

Our dealing rooms are subject to concurrent audits by external chartered accountants.

If any deficiencies or shortcomings are observed in these audits, the Audit Committee is informed and an action plan is prepared with specific deadlines for rectifying or mitigating the deficiency or shortcoming observed.

Risk Based Internal Audit

As a pilot project, the RBI conducted an inspection of us under risk based supervision. We were one of the eight banks selected for inspection during fiscal 2004. In order to help ensure the smooth conduct of risk based supervision by the RBI, we have taken steps for the gradual switchover to a risk based internal audit system. A risk assessment format, which is the prime requirement under a risk based internal audit system, has been introduced at all branches for the assessment of three risk areas: credit risk; earnings and performance risk; and operational risk. As a further step towards the conduct of risk based internal audits, a revised risk assessment format has been put in place covering all our ELBs and VLBs for undertaking risk assessment in five risk areas (under business and control risk). The system of risk assessment is an ongoing process being conducted concurrently with the existing inspection system until the risk based internal audit system is fully implemented.

Basel II Requirements

The Basel Committee on Banking Supervision issued a revised framework on “International Convergence of Capital Measurement and Capital Standards” in June 2004. The revised framework is more risk sensitive in so far as it prescribed risk sensitive methodologies for credit risk measurement. For the first time, capital charges have been prescribed for operational risk. We have already prepared a plan for the implementation of the Basel II norms and to meet the increased capital requirements.

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

Asset Quality and Composition

The amounts presented in this subsection are based on our unconsolidated financial statements prepared in accordance with Indian GAAP and internally generated statistical data. These amounts do not give effect to the adjustment to our net profits as a result of the restatement of our unconsolidated financial statements in connection with this Issue.

Loan Portfolio

As of December 31, 2004, our total outstanding loan portfolio was Rs. 197,864.0 million. The following table sets forth, as of the dates indicated, our loan portfolio classified by product group.

	As of March 31,						As of December 31	
	2002		2003		2004		2004	
	Amount	%	Amount	%	Amount	%	Amount	%
	(Rs. in million, except percentages)							
Bills Purchased/Discounted	4,759.7	4.33	4,641.2	3.70	6,418.3	4.18	9,488.3	4.80
Cash Credit, Overdraft, Others	58,533.7	53.25	61,463.3	49.0	63,327.0	41.28	76,288.7	38.56
Term Loans	46,631.6	42.42	59,331.5	47.3	83,670.1	54.54	112,087.0	56.64
Total	109,925.0	100.00	125,436.0	100.00	15,3415.4	100.00	197,864.0	100.00

Concentration of Loans and Credit Substitutes

The following table sets forth, as of the dates indicated, our ten largest single and group exposures as determined by the RBI guidelines, which includes principal outstanding, interest and other dues on advances, investments and 100% of the outstanding amount of non-fund based exposure or the limit, whichever is higher.

	As of March 31,						As of December 31, 2004		
	2003			2004			2004		
	Exposure	% of total outstanding advance	% of capital funds	Exposure	% of total outstanding advance	% of capital funds	Exposure	% of total outstanding advance	% of capital funds
	(Rs. in million, except percentages)								
Borrower 1	3,150.0	2.34	27.06	4,704.6	2.87	34.06	3,719.9	1.79	20.00
Borrower 2	2,616.1	1.94	22.47	4,043.6	2.47	29.27	3,500.0	1.68	18.81
Borrower 3	2,500.0	1.85	21.47	3,500.0	2.14	25.34	2,894.7	1.39	15.56
Borrower 4	2,323.5	1.72	19.96	2,895.0	1.77	20.96	2,711.4	1.30	14.57
Borrower 5	2,000.0	1.48	17.18	2,300.0	1.40	16.65	2,704.0	1.30	14.54
Borrower 6	1,995.8	1.48	17.14	2,168.5	1.32	15.7	2,625.7	1.26	14.11
Borrower 7	1,800.0	1.33	15.46	2,150.0	1.31	15.56	2,599.9	1.25	13.98
Borrower 8	1,797.1	1.33	15.44	2,063.0	1.26	14.93	2,304.4	1.11	12.39
Borrower 9	1,650.0	1.22	14.17	2,050.0	1.25	14.84	2,151.8	1.04	11.57
Borrower 10	1,500.0	1.15	13.31	2,000.0	1.22	14.48	2,100.0	1.01	11.29
Total	21,332.5	15.85	183.67	27,874.7	17.01	201.78	27,311.1	13.14	146.81

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

The following table sets forth, for the periods indicated, our ten largest fund-based industry exposures based on accounts with total credit limits (fund and non-fund based), or total outstandings (fund and non-fund based) of Rs. 10 million and above.

Industry	As of Year ended March 31, 2003 Exposure	2003 % of exposure	2004 Exposure	2004 % of exposure	As of December 31 2004 Exposure	2004 % of exposure
	(Rs. in million, except percentages)					
Infrastructure (1)	5,810.0	4.31	17,170.0	10.47	24,590.0	11.83
Iron and steel	7,960.0	5.90	7,680.0	4.68	8,850.0	4.26
Chemical, Dyes, Paints, Drugs & Pharmaceuticals	5,370.0	3.98	6,770.0	4.13	8,330.0	4.01
Engineering	5,450.0	4.04	6,130.0	3.74	7,450.0	3.58
Textiles (other than cotton and jute)	4,130.0	3.06	4,530.0	2.76	4,780.0	2.30
Petroleum	2,100.0	1.56	3,370.0	2.06	6,260.0	3.01
Gems & Jewellery	3,140.0	2.33	3,310.0	2.02	3,360.0	1.62
Cotton textiles	2,790.0	2.00	3,040.0	1.85	2,740.0	1.32
Electricity	1,250.0	0.9	2,210.0	1.35	4,030.0	1.94
Tea	1,320.0	0.95	1,530.0	0.93	1,890.0	0.91
Total	39,320.0	29.15	55,740.0	34.02	72,280.0	34.77

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

Classification of Loan Assets

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines:

- Term loans are regarded as non-performing if any amount of interest or principal remains overdue for more than 90 days;
- Overdrafts and cash credits are regarded as non-performing if the account balance remains out of order for a period of 90 days;
- Bills are regarded as non-performing if the account remains overdue for more than 90 days. Prior to fiscal 2004, these assets were deemed non-performing if the irregularity continued for 180 days. Prior periods have not been restated to reflect this;
- In respect of agricultural loans, if any installment of principal or interest thereon remains overdue for two crop seasons for short duration crops or one crop season for long duration crops, the loan is classified as non-performing. Crops with a crop season longer than one year are long duration crops, and other crops are treated as short duration crop; and
- State Government guaranteed accounts will be regarded as non-performing irrespective of whether or not the guarantee is invoked if the dues remain unpaid beyond 180 days As of March 31, 2005 and beyond 90 days As of March 31, 2006.

Our assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower.
Sub-standard assets	Assets that are non-performing for a period not exceeding 18 months (or 12 months with effect from March 31, 2005).
Doubtful assets	Assets that are non-performing for more than 18 months (or 12 months with effect from March 31, 2005).
Loss assets	Loss assets comprise assets (i) the losses for which are identified or (ii) that are considered uncollectible.

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

	As of March 31,								As of December 31,	
	2001		2002		2003		2004		2004	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
	(in million, except percentages)									
Standard assets	84,951.2	82.35	93,024.2	82.29	116,454.4	86.35	149,692.0	91.34	194,877.6	93.76
Non-performing assets Of which:	18,213.1	17.65	20,018.5	17.71	18,415.0	13.65	14,184.7	8.66	12,977.9	6.24
Sub-standard	5,522.5	5.35	6,629.5	5.87	4,362.5	3.23	4,523.1	2.76	3,965.2	1.91
Doubtful assets	11,709.5	11.35	12,906.0	11.42	13,313.0	9.87	9,060.4	5.53	8,336.0	4.01
Loss assets	981.1	0.95	483.0	0.42	739.6	0.55	601.1	0.37	676.6	0.32
Total loan assets	103,164.4	100.0	113,042.7	100.00	134,869.4	100.0	163,876.6	100.0	207,855.5	100.0

Non-Performing Assets

As of March 31, 2004, our gross non-performing assets as a percentage of gross advances were 8.66% and our net non-performing assets as a percentage of net advances were 2.37%. We define net NPAs as gross NPAs less our loan loss provision, interest in suspense, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims received and held and any partial payments received and held. We have made such provisions for 73.75% of our gross non-performing loans. All of our non-performing loans are Rupee-denominated. As of March 31, 2004, 53.87% of our gross NPAs were from priority sector advances. We also have significant exposure in the iron and steel and textile industries, which have experienced significant difficulties in recent years, and approximately 17.83% of our non-performing assets are represented by these two industries. Non performing assets are classified and presented as per the applicable RBI guidelines/regulations.

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

	March 31,								
	2002			2003			2004		
	Advances	NPAs	NPAs as % of Advances	Gross advances	NPAs	NPAs as % of Advances	Gross advances	NPAs	NPAs as % of Advances
	(Rs. in million, except percentages)								
Total gross	113,042.7	20,018.5	17.71	134,869.4	18,415.0	13.65	163,876.6	14,184.6	8.66
Derecognized interest and suspended interest		28,339.3			23,564.3			28,093.4	
Provisions (as prescribed by RBI)	8,105.1			8,633.4			7,736.6		
(as reported on balance sheet)	8,225.1			9,433.4			10,461.1		
Float provision	120.0			800.0			2,724.5		
DICGC/ECGC/others held	192.1			111.3			101.5		
Net	104,625.5		11.09	125,324.7		7.08	153,314.0		2.37

The following table sets forth our 10 largest gross non-performing assets as of March 31, 2004.

	Industry	Gross NPA	Derecognized Income	Provision	DICGC/ ECGC	Net NPA	Realizable Value of Collateral
			(Rs. in million)				
Borrower A	Steel	789.20	395.18	394.58	-	394.62	199.32
Borrower B	Textile	385.32	235.82	302.65	-	82.67	464.13
Borrower C	Paints	263.43	97.44	166.34	-	97.09	151.40
Borrower D	Cables	219.80	48.53	151.98	-	67.82	0.06
Borrower E	Film	200.52	45.12	150.94	-	49.58	116.04
Borrower F	Power Station	196.40	244.26	158.93	-	37.47	228.91
Borrower G	Cement	179.50	99.99	135.91	-	43.59	22.50
Borrower H	Diamond	170.30	265.49	82.56	-	87.74	110.39
Borrower I	Electronics	159.00	745.24	129.50	-	29.50	0.00
Borrower J	Cement	140.90	5.75	114.01	-	26.89	103.00
Total		2,704.37	2,181.82	1,787.40	-	916.97	1,395.75

Sector-wise Analysis of Gross Non-Performing Assets

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

	March 31,								
	2002			2003			2004		
	Advances	NPAs	% of NPAs	Gross advances	NPAs	% of NPAs	Gross advances	NPAs	% of NPAs
	(Rs. in million, except percentages)								
Agricultural	19,940.4	2,219.2	11.13	22,504.7	2,294.2	10.19	30,631.8	2,551.4	8.33
SSI	8,547.5	2,859.4	33.45	8,885.9	2,687.2	30.24	13,229.4	1,901.4	14.37
Other priority sector	20,291.8	2,659.4	13.11	24,897.1	2,748.3	11.04	30,571.4	3,191.5	10.44
Total priority sector	48,779.7	7,738.0	15.86	56,287.7	7,729.7	13.73	74,432.6	7,644.3	10.27
Total non-priority sector	64,263.0	12,280.5	19.11	78,581.7	10,685.3	13.60	89,444.0	6,540.3	7.31
Total gross advances	113,042.7	20,018.5	17.71	134,869.4	18,415.0	13.65	163,876.6	14,184.6	8.66

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

	March 31,									December 31		
	2002			2003			2004			2004		
Industry	NPAs	% NPAs to advances	Provision	NPAs	% NPAs to advances	Provision	NPAs	% NPAs to advances	Provision	NPAs	% NPAs to advances	Provision
	(Rs. in million, except percentages)											
Steel	2869.93	40.20	1,259.85	2,099.88	26.48	1,710.11	1,539.78	19.59	1,229.88	759.97	9.57	679.89
Textiles	1,370.19	21.96	759.87	1,520.26	22.35	1,090.08	980.01	13.00	689.91	789.89	10.04	621.96
Chemicals	1,079.94	24.27	520.13	510.13	10.81	329.94	270.03	5.60	209.91	340.07	6.26	270.16
Metals	940.22	18.40	490.03	499.96	14.20	349.89	180.07	7.64	140.24	210.12	17.36	160.07
Eng	409.89	18.98	260.21	279.96	9.09	189.86	279.89	4.44	190.13	319.91	4.83	249.91
Power	560.07	8.08	289.92	700.17	9.11	460.05	230.06	4.56	280.07	339.96	3.61	259.87
Cement	409.79	54.67	279.96	400.03	50.00	270.19	400.19	48.78	320.02	380.11	35.85	280.09
Others	2,310.03	21.55	1,480.16	3,649.81	27.67	1,849.97	2,750.11	7.35	2,159.98	810.02	2.14	710.16
Total	**9,950.06**	**22.87**	**5,340.17**	**9,660.20**	**20.24**	**6,240.09**	**6,830.14**	**9.08**	**5,220.14**	**3,950.05**	**5.10**	**3,240.11**

Interest in Suspense

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

	Interest in suspense (Rs. in million)
Fiscal 2001	27,621.4
Fiscal 2002	28,339.3
Fiscal 2003	23,564.3
Fiscal 2004	28,093.4

Restructured Assets

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

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

Following table presents our assets restructured during the years indicated:

	Fiscal year	
	2003	2004
	(Rs. in million)	
CDR restructured assets		
Standard assets	951.4	4,280.5
Sub-standard and doubtful	0.00	1,071.2
Total CDR restructured assets	951.4	5,351.7
Other restructured assets		
Standard assets	2,883.2	220.9
Sub-standard and doubtful	238.6	109.3
Total other restructured assets	3,121.8	330.2
Total restructured assets	4,073.2	5,681.9

Provisioning and Write-offs

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

Standard assets	A general provision of 0.25%.
Sub-standard assets	A general provision of 10% and, from the second quarter of fiscal 2005, an additional provision of 10% for advances which were unsecured when made.
Doubtful assets	We provide for 100% of the unsecured portion of the doubtful assets which are not covered by the realizable value of the security. We provide for secured advances (or the secured portion of partly secured advances) based on the period for which the asset remains doubtful, as follows: ✍ Up to one year: 20% provision ✍ One to three years: 30% provision ✍ More than three years: 50% provision The value assigned to the collateral securing a loan is that reflected on the borrower's books or that determined by third party appraisers to be realizable, whichever is lower. Beginning on March 31, 2005, a 100% provision against secured exposure is required for assets categorized as doubtful assets for over three years from April 1, 2004. For assets categorized as doubtful assets for over three years as of March 31, 2004, the provision for secured exposure is to be raised to 60% by March 31, 2005, 75% by March 31, 2006 and 100% by March 31, 2007.
Loss assets	The entire asset is provided for.
Restructured Assets	Reductions in the rate of interest, measure in present value terms, is provided for to the extent of the reduction. For the purposes of future interest due as per the original loan agreement in respect of an account, this amount should be discounted to present value at a rate appropriate to the risk category of the borrower and compared to the present value of the amounts expected to be received under the restructuring package discounted on the same basis. The policy regarding asset classification mentioned above is also applicable to restructured assets.

In addition to the provisions required by the RBI guidelines, we also make additional float provisions for NPAs. As of March 31, 2004, out of our total provision for NPAs of Rs.10461.1 million we have Rs. 2724.5 million in excess of the required provision of Rs.7736.6 million. These provisions account for a coverage ratio for gross NPAs of 73.75% (the coverage ratio is calculated using our total provisions, interest in suspense, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ ECGC) claims received and held as coverage).

	March 31,			December. 31,
	2002	2003	2004	2004
	(Rs. in million)			
Opening Balance	7,330.5	8,225.1	9,433.4	10,461.1
ADD: Provisions made during the year (including float provisions)	2,510.9	1,826.3	4,784.4	Nil
LESS: Write-off/write-back during the year.	1,616.3	618.0	3,756.7	462.1
Closing Balance	8,225.1	9,433.4	10,461.1	9,999.0

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

In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated toward interest on the advances, including derecognized or suspended interest, and then towards arrears in principal payments.

Write off of the bad debts is considered as under:

i) in compromise settled accounts where the settlement is made below the ledger balance, on recovery of the settled amount as per the approved terms, the balance amount is written off.

ii) In case of DICGC/ECGC settled accounts, if no further security is available and there is no further scope of recovery, the balance amount is written off.

iii) In case of loss assets/unsecured amount where 100% provision has been made and there is no scope for immediate recovery, prudential write off is made as an internal arrangement without absolving the borrower/guarantor from their liabilities.

The details of the assets actually written off even though the legal cases are still going on are as follows:

Particulars	**Fiscal 2002**	**Fiscal 2003**	**Fiscal 2004**
	(Rs. in million)		
Total amount of technical write off	1597.43	2256.24	4820.90
Of which suit filed accounts	1434.24	1641.58	2857.44

Quarterly position of bad debt written off is regularly reported to the management committee of the Board.

Competition

We face competition in all of our principal lines of business. Our primary competitors are other large public sector banks, new private sector banks and foreign banks. We intend to take on our competition through product innovation, improved deliver channels, human resources development and technology upgradation.

Commercial Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. The large public sector banks have traditionally been the market leaders in commercial lending. Foreign banks have focused primarily on serving the needs of multinational companies and Indian corporations with cross-border financing requirements including trade, transactional and foreign exchange services, while the large public sector banks have extensive branch networks and large local currency funding capabilities.

Retail Banking

In retail banking, our principal competitors are the large public sector banks, as well as existing and new private sector banks and foreign banks in the case of retail loan products. The other public sector banks have large deposit bases and large branch networks, including the State Bank of India which has over 13,500 branches. Private sector and foreign banks compete principally by offering a wider range of products as well as greater technological sophistication in some cases. Foreign banks, while having a small market penetration overall, have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans and credit cards.

In particular, we face significant competition primarily from private sector banks and to a lesser degree from other public sector banks, in the housing, auto and personal loan segments. In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and new private sector banks.

Agriculture and Priority Segments

In the agriculture and priority segments, our principal competitors are the large public sector banks, which have large branch networks and traditionally focused on these areas.

Treasury

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

Employees

As of December 31, 2004 we had 19107 employees. Our staff strength comprises 7923 officers, 7627 clerks and 3557 sub-staff. Following is a table of our (unconsolidated) total number of employees as of the dates indicated:

	March 31,			December. 31,
	2002	2003	2004	2004
Officer	6,789	6,714	6,891	7,923
Award Staff	8,893	9,003	8,732	7,627
Sub-Staff	4,178	3,798	3,661	3,557
Total Number of Employees	19,860	19,515	19,284	19,107

Information Technology

As of December 31, 2004, we had 955 computerised branches and 139 computerised extension counters, which covers about 52.6% of total branches/extension counters As of 31st December, 2004 in addition to 100 ATMs. We launched tele-banking in 13 branches at eight different centre and Internet Banking in five branches. We have also installed our own VSAT based intranet and website. We have computerised 81.88% of our business (advances and deposits) as at December 31, 2004.

We have set up payment gateway at Mumbai and Disaster recovery back up for the same is being set up in Kolkata. Further, for disaster recover, individual branches take back up of daily transaction data and maintain it at a different location other than the branch.

Properties

Our head office is located at Kolkata, India.

We have a principal network of 1,938 branches, 100 ATMs and 144 extension counters as of December 31, 2004. We own some branches directly, but most of our branches are leased. We own 79 properties in India which include 35 commercial properties which are owned by us as freehold (fee simple) interest, 28 residential properties where we have a freehold (fee simple) interest which are used for residential accommodation for our officers or as a guest house, and 16 properties where we acquired a long lease of 99 years.

HISTORY AND CERTAIN CORPORATE MATTERS

History and Major Events

Allahabad Bank, the oldest joint stock Bank of the country, was set up in Allahabad on April 24, 1865 by a group of Europeans. The first directors of the Bank were Mr. G. Brown, Mr. T. Moss, Mr. S. Bird and Mr. A. W. Wollaton. At that juncture, organised industry, trade and banking had just started taking shape in India.

Milestones

Date	Event
April 24, 1865	Allahabad Bank, was established in Allahabad by a group of Europeans with a subscribed capital of Rs. 0.2 million.
1890's	By the end of 19th Century, the Bank had its branches at Jhansi, Kanpur, Lucknow , Bareilly, Nainital, Calcutta and Delhi.
1900's	Allahabad Bank witnessed a spurt in deposits during the Swadeshi movement and its reserve fund rose to Rs. 3 million in 1910.
1910's	The Bank pulled through the world-wide monetary crisis in 1913 with sound banking policies.
1920's	In 1920, the P & O Banking Corporation made an offer of affiliation with a bid price of Rs. 436 per share and the Bank became a part of P & O Banking Corporation's group.
March 3, 1923	On business considerations and for operational convenience, the Head Office and the Registered Office of the Bank was shifted to Calcutta.
1927	The Bank became a part of the Chartered Bank group, when Chartered Bank acquired the controlling interest in the P & O Banking Corporation.
1930's	With the establishment of RBI in 1935, the banking sector was making healthy growth and Allahabad Bank also expanded its network.
September 1964	The Bank opened its 100th office at Ranchi.
July 19, 1969	The Bank was nationalised on July 19, 1969, along with 13 other major commercial banks. At the time of nationalisation, the Bank had a network of 151 branches, deposits of Rs. 1189.9 million and advances of Rs. 820 million. These constituted 1.8%, 2.5% and 2.3% of the banking system respectively.
December 1969	The Lead Bank Scheme was launched by RBI in December 1969 with a view to identifying banks as lead development institute in each of the districts of the country. Initially, the Bank was allotted 11 Lead districts, 8 in Uttar Pradesh and 3 in Madhya Pradesh. In March 1975, this was reduced to 9 with 8 in Uttar Pradesh and one in Madhya Pradesh.
September 19, 1976	Allahabad Bank sponsored its first RRB, Bhagirath Gramin Bank, Sitapur District, Uttar Pradesh on September 19, 1976. As of March 31, 2001, the Bank has seven RRBs, of which six are in Uttar Pradesh and one is in Madhya Pradesh.
April 3, 1982	The Bank opened its 1000 branch on April 3, 1982. The Bank also opened specialised branches, such as Industrial Finance Branches, International Branches, Finance Branches, Recovery Branches, Industrial Finance-and -International Branches, NRI BranchesSpecialised Personal Banking Branches, Specialised Savings Bank Branches, Quick Collection Service Branches, Trading Finance Branches and Service Branches.
1984	The Bank made a foray into merchant banking activity in 1984 and subsequently transferred the merchant banking activities to AllBank Finance Limited, a wholly owned subsidiary, in 1991.
August 19, 1984	For the convenience of customers, the Bank has installed the first drive-in-safe deposit vault in its International Branch, Calcutta on August 19, 1984.
October 1989	United Industrial Bank Limited was amalgamated into Allahabad Bank.
October 2002	In 2002, the Bank came out with its first initial public offering of shares which resulted in the reduction of the Government's shareholding in the Bank.

Present Status

As of December 31, 2004, the Bank had 1,938 branches, comprising 960 in rural areas, 326 in semi-urban areas, 386 in urban areas and 266 in metropolitan areas, which account for 49.54%, 16.82%, 19.92% and 13.73% of the total number of branches, respectively. The branches include 46 specialised branches (i.e. four Industrial Finance Branches, one SSI Finance Branch, six International Branches, six Recovery Branches, one NRI Branch, one Industrial Finance-cum- International Branch, two Specialised Personal Banking Branches, one Specialised Savings Bank Branch, three Quick Collection Service Branches and two Trading Finance Branches, one Specialised commercial agriculture, one Forex cum Treasury Management) besides 19 Service Branches. The Bank has 140 Extension Counters. A number of Bank's branches and offices are housed in the Bank's owned premises situated at prime locations in major cities of the country.

At present, the Bank has 44 Zonal Offices. It also has two staff training colleges and three staff training centres for imparting training and upgradation of knowledge base of our employees.

The Bank has been entrusted with State Level Bankers' Committee (SLBC) convenership in the newly formed state of Jharkhand. The Bank is continuing its utmost endeavor for economic upliftment of the state through its various developmental programmes. The Bank has set up a residential institute in the name of Birsha Munda Institute of Entrepreneurship Development at Hazaribagh as a part of promotional measures for enhancement of flow of bank credit in Jharkhand State.

The Bank has 955 computerised branches and 139 computerised extension counters, which covers about 52.6% of total branches/ extension counters as of 31st December, 2004 in addition to 100 ATMs. The Bank launched tele-banking in 13 branches at eight different centre and Internet Banking in five branches. The Bank has also installed its own VSAT based intranet and website. The Bank has computerised 81.88% of its business (deposits and advances) as of December 31, 2004. The Bank has undertaken strategic planning in order to become one of the strongest bank in the country in the near future through both product and geographical diversification. For this purpose tie up arrangements have been made with various insurance companies and mutual funds such as National Insurance Company, Life Insurance Corporation, Export Credit and Guarantee Corporation of India, and Unit Trust of India Mutual Fund.

Awards and Recognitions

1. The Bank was awarded a trophy for excellence in promoting the 'Kisan Credit Card Scheme' for the year 2000-2001 by Mr. Yashwant Sinha, Union Finance Minister on July 13, 2001.
2. Mr. O. N. Singh, Chairman and Managing Director of the Bank was awarded a trophy for excellence in lending to agricultural sector for the fiscal year 2004 on September 9, 2004 from Mr. P. Chidambaram, Union Finance Minister.
3. The Chairman and Managing Director was also awarded a trophy 'Corporate Ratna' for achieving excellence in development banking.
4. The Bank has been awarded a trophy for agricultural development and upliftment of the rural masses.

Main Objects of Constitutional Documents of the Bank

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

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

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

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

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

"Form and business in which banking companies may engage

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

(a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, acc*epting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes;*

the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

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

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

(d) *the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;*

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

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

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

(h) *undertaking and executing trusts;*

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

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

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

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

(m) *acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in this sub- section;*

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

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

Changes in Memorandum and Articles of Association

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

Stock Market Data of the Equity Shares of the Bank

The Equity Shares of the Bank are listed on the Stock Exchange, Mumbai (BSE), National Stock Exchange of India Limited (NSE) and Calcutta Stock Exchange (CSE).

a. The following table shows high, low and average market prices of the Equity Share of the Bank during the preceding two fiscal years and the nine months ended December 31, 2004.

	FY 2003		FY 2004		Nine month ended Dec. 2005	
	BSE	NSE	BSE	NSE	BSE	NSE
High	18.30	18.75	34.70	34.45	75.45	75.65
Low	9.20	9.00	13.00	13.15	30.30	30.30
Average	13.55	13.64	23.85	23.80	43.21	43.22

b. The following table shows monthly high and low prices in Rupees for the Equity Shares recorded on the BSE and NSE for the last nine months:

Month	BSE			NSE		
2004	High	Low	Average	High	Low	Average
May	50.65	31.00	40.83	51.85	29.95	40.90
June	37.40	29.40	33.40	37.50	29.40	33.45
July	42.00	29.70	35.85	41.40	29.25	35.33
August	39.00	33.10	36.05	43.40	33.10	38.25
September	43.90	35.25	39.58	43.95	35.25	39.60
October	52.40	42.10	47.25	52.30	42.10	47.20
November	60.70	46.00	53.35	60.75	45.95	53.35
December	75.45	62.05	68.75	75.65	62.05	68.85
2005						
January	77.20	64.30	70.75	77.50	64.45	70.98
February	72.70	67.60	70.40	72.55	67.70	70.53

c. The following table shows the number of shares traded on the days high and low prices of the Bank's Equity Shares recorded on BSE and NSE for the last nine months.

	BSE				*NSE*			
	High		*Low*		*High*		*Low*	
Period	**Date**	**Number of Shares traded**	**Date**	**Number of Shares traded**	**Date**	**Number of Shares traded**	**Date**	**Number of Shares traded**
April 2004	23.04.04	486,000	02.04.04	321,000	23.04.04	1,631,000	02.04.04	1,631,000
May 2004	07.05.04	2,171,000	17.05.04	828,000	07.05.04	6,803,000	17.05.04	2,766,000
June 2004	03.06.04	561,000	24.06.04	208,000	03.06.04	2,758,000	24.06.04	743,000
July 2004	19.07.04	120,300	09.06.04	177,000	19.07.04	611,000	09.07.04	376,000
August 2004	10.08.04	312,000	23.08.04	188,000	05.08.04	588,000	24.08.04	338,000
Sept. 2004	30.09.04	399,000	14.09.04	66,700	30.09.04	3,818,000	14.09.04	216,000
Oct. 2004	11.10.04	2,018,000	01.10.04	429,000	11.10.04	5,990,000	01.10.04	1,487,000
Nov. 2004	19.11.04	524,000	01.11.04	62,400	19.11.04	1,729,000	01.11.04	251,000
Dec. 2004	31.12.04	437,606	01.12.04	1,091,055	31.12.04	1,735,939	01.12.04	3,363,762
Jan. 2005	03.01.05	470,599	12.01.05	498,901	03.01.05	1,765,166	12.01.05	143,0821
	04.01.05	350,509						
Feb. 2005	28.02.05	423,874	21.02.05	177,254	28.02.05	1,376,988	21.02.05	558,393

d. The total volume of securities traded in each month on BSE and NSE during the current Financial Year is as under:

	Total number of shares traded	
Period	**BSE**	**NSE**
April 2004	7,942,000	28,555,000
May 2004	24,160,000	78,560,000
June 2004	5,137,000	20,598,000
July 2004	5,664,000	13,736,000
August 2004	3,196,000	9,545,000
September 2004	3,385,000	18,603,000
October 2004	8,722,000	31,343,000
November 2004	9,384,000	27,477,000
December 2004	11,670,425	41,000,482
January 2005	9,110,637	32,915,378
February 2005	3,772,766	14,543,559

The Equity Shares of the Bank are actively traded at all the Stock Exchanges where they are listed.

Promise vs. Performance

We have not made any projections in the offer document of our previous capital issue during the last five years. The funds raised from the capital issue have been utilized for our business as mentioned in the offer documents.

Servicing Behavior

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Other Disclosures

The market price of our Equity Shares on October 8, 2004, the day prior to the day our Board of Directors approved the Issue, was Rs. 49.65. On October 9, 2004, the day our Board of Directors approved the Issue, the Stock market price of our Equity Shares was Rs. 51.00. Our Equity Shares are actively traded on the BSE, NSE and CSE.

SELECTED FINANCIAL INFORMATION

The following table set forth summary financial information derived from our unconsolidated financial statements. The financial information, as of and for the fiscal years ended March 31, 2002, 2003 and 2004 and as of and for the nine months ended December 31, 2004, is based on our restated financial statements for those periods, which are included in this Prospectus under the section titled "Financial Statements" on page 203. The restated financial statements have been prepared in accordance with Indian GAAP and the SEBI Guidelines and have been restated as described in the auditors' included in this Prospectus attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 82. Indian GAAP differs in certain significant respects from U.S. GAAP. For information on these differences, see the section titled "Summary of Significant Differences between Indian GAAP and U.S. GAAP", on page 237.

SUMMARY PROFIT AND LOSS INFORMATION

	Fiscal year			Nine months ended December
	2002	2003	2004	31, 2004
			(Rs. in million)	
INCOME				
Interest Income				
Interest and discount on advances and bills	11,178.7	12,119.0	13,227.2	12,362.8
Income on investments	10,542.8	11,877.5	13,022.4	10,905.5
Other interest income	1,006.9	1,706.8	437.1	281.5
Total interest income	**22,728.4**	**25,703.3**	**26,686.7**	**23,549.8**
Other Income				
Commission, exchange and brokerage	1,434.7	1,432.1	1,619.6	1,312.8
Profit on sale of investments (net)	1,930.3	3,369.4	5,047.2	3,269.2
Others	484.2	442.1	831.3	431.6
Total other income	**3,849.2**	**5,243.6**	**7,498.1**	**5,013.5**
Total Income	**26,577.6**	**30,946.9**	**34,184.8**	**28,563.3**
EXPENDITURE				
Interest Expenditure				
Interest on deposits	15,080.8	16,148.9	15,408.0	12,866.3
Others	342.9	456.6	421.2	391.0
Total interest expenditure	**15,423.7**	**16,605.5**	**15,829.2**	**13,257.3**
Operating Expenses				
Payment to and provision for employees and wages	4,631.0	4,841.5	5,297.4	3,840.3
Other operating expenses	2,149.5	4,048.2	4,002.1	2,729.8
Total operating expenses	**6,780.5**	**8,889.7**	**9,299.5**	**6,570.0**
Total Expenditure	**22,204.2**	**25,495.2**	**25,128.7**	**19,827.4**
Gross profit before provisions and contingencies	**4,373.4**	**5,451.7**	**9,056.1**	**8,736.0**

	Fiscal year			Nine months ended December
	2002	2003	2004	31, 2004
			(In Rs. million)	
Provisions and Contingencies				
Provision for non performing advances	2,600.6	1,731.3	4,784.4	(150.0)
Provisions for income tax	671.4	1,524.3	(28.9)	429.5
Other provisions	110.5	350.6	(521.5)	3,690.6
Total provisions and contingencies	**3,382.5**	**3,606.2**	**4,234.0**	**3,970.1**
Net profit (Before Extraordinary items)	**990.9**	**1,845.5**	**4,822.1**	**4,765.9**
Less : Extraordinary item (Net)	188.7	185.6	188.2	141.1
Net Profit (After Extraordinary items)	**802.2**	**1,659.9**	**4,633.9**	**4,624.8**
ADJUSTMENTS ON ACCOUNT OF RESTATEMENT				
Total Adjustments	113.8	279.1	907.2	788.2
Adjusted net profit	**916.0**	**1,939.0**	**5,541.1**	**5,413.0**

SUMMARY BALANCE SHEET INFORMATION

	As of March 31,			As of December
	2002	2003	2004	31, 2004
			(In Rs. million)	
ASSETS				
Investments	103,460.6	123,597.4	155,548.1	180,262.9
Advances	110,045.1	126,236.0	156,139.9	199,564.5
Balance with RBI	14,835.5	13,204.1	19,582.0	25,051.2
Other assets	16,647.4	15,335.6	15,333.6	17,067.6
Total Assets (A)	**244,988.6**	**278,373.1**	**346,603.6**	**421,946.2**
LIABILITIES				
Deposits	226,659.4	254,633.8	314,766.1	381,418.2
Borrowings	605.7	436.9	1,689.9	1,189.1
Other liabilities and provisions	7,357.9	9,767.3	9,739.7	12,458.5
Subordinated debt	3,216.1	4,216.1	6,216.1	6216.1
Total liabilities (B)	**237,839.1**	**269,054.1**	**332,411.8**	**401,281.9**
NET ASSETS (C=A-B)	**7,149.5**	**9,319.0**	**14,191.8**	**20,664.3**
Share capital (D)	**2,467.0**	**3,467.0**	**3,467.0**	**3,467.0**
Reserves and surplus (E)	**4,628.5**	**5,852.0**	**10,724.8**	**17,197.3**
TOTAL (D+E)	**7,149.5**	**9,319.0**	**14,191.8**	**20,664.3**

SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The amounts presented in this section are based on our unconsolidated financial statements prepared in accordance with Indian GAAP and internally generated statistical data. These amounts do not give effect to the adjustment to our net profits as a result of the restatement of our unconsolidated financial statements in connection with this Issue.

Average Balance Sheet and Net Interest Margin

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the monthly average of balances outstanding, as reported to the RBI on Form X. We calculate average yield on the monthly average of advances and average yield on the monthly average of investments, as well as the average cost of the monthly average of deposits and average cost of the monthly average of borrowings. Our cost of funds is the weighted average cost of the average cost of the monthly average of interest bearing liabilities. For purposes of these averages and ratios only, the interest cost of the unsecured subordinated bonds that we issue for Tier-II capital adequacy purposes ("Tier-II bonds") is included in our cost of interest bearing liabilities. In our financial statements, these bonds are accounted for as "other liabilities and provisions" and their interest cost is accounted for under other interest expenses. The average balances in the table below include gross non-performing assets.

(Rs. In Million)

Fiscal Year	Fiscal 2002			Fiscal 2003			Fiscal 2004			Nine Month ended Dec 31, 2004		
	Average balance	Interest income/ expense	Average yield/ Cost	Average balance	Interest Income/ expense	Average yield/ Cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
Assets:												
Advances	100,160.2	10,602.2	10.59%	119,895.1	12,119.0	10.11%	141,394.6	13,227.2	9.35%	181,264.3	12,362.8	9.09%
Investments	105,995.4	11,119.3	10.49%	121,962.1	11,877.5	9.74%	143,417.0	13,022.4	9.08%	178,384.3	10,905.5	8.15%
Others (1)(5)	18,241.6	1,006.9	5.52%	15,258.7	1,706.8	11.19%	14,336.8	437.1	3.05%	18,708.9	281.5	2.01%
Total interest earning assets	**224,397.2**	**22,728.4**	**10.13%**	**257,115.9**	**25,703.3**	**10.00%**	**299,148.4**	**26,686.7**	**8.92%**	**378,357.5**	**23,549.8**	**8.30%**
Fixed assets	3,638.2			3,640.7			3,508.3			3,564.5		
Other assets (2)	13,502.4			14,528.4			17,835.3			17,192.7		
Total assets	**241,537.8**			**275,285.0**			**320,492.0**			**399,114.7**		
Liabilities:												
Deposits												
Demand deposits (3)	15,405.4	0.00		17,210.3	0.00		20,217.1			24,513.4	0.00	
Savings deposits	70,063.4	2,516.8	3.59%	80,549.5	2,891.8	3.59%	93,434.0	2,956.7	3.16%	108,904.1	2,615.9	3.20%
Term deposits	123,988.7	12,564.0	10.13%	140,200.3	13,257.2	9.46%	159,849.8	12,451.3	7.79%	211,524.8	102,50.4	6.46%
Borrowings												
Unsecured subordinated bonds ("Tier II bonds")	2,741.1	282.1	10.29%	3,216.1	314.8	9.79%	4,216.1	372.5	8.84%	6,216.1	365.1	7.83%
Other borrowings	927.2	60.8	6.56%	793.7	141.8	17.87%	1,318.5	48.6	3.69%	1,614.1	25.9	2.14%
Total interest bearing liabilities	**213,125.8**		**7.24%**	**241,969.6**	**16,605.6**	**6.86%**	**279,035.5**	**15,829.1**	**5.67%**	**352,772.5**	**13,257.3**	**5.01%**
Other liabilities	19,387.6			22,089.6			27,798.4			27,780.3		
Capital and reserves	9,024.4			11,225.5			13,658.1			18,561.9		
Total capital and liabilities	**241,537.8**	15,423.7		**275,285.0**			**320,492.0**			**399,114.7**		
Net interest income		7304.7			9,097.7			10,857.6		10,292.5		
Net interest margin (4)		3.26%			3.54%			3.63%		3.63%		

(1) *Includes balances with the RBI and money at call and short notice.*

(2) *Includes cash and balances with banks.*

(3) *Demand deposits do not bear interest. If this item was excluded from the interest bearing liabilities category, our average cost of interest bearing liabilities for fiscal 2002, 2003 and 2004 would have been 7.8%, 7.39% and 6.12% respectively..*

(4) *The net interest margin is ratio of net interest income to the monthly average of total interest earning assets.*

(5) *The increase in yield of "other" assets in fiscal 2003 was primarily due to a refund of disputed income tax payments attributable to prior years that we received in fiscal 2003, together with the interest thereon.*

Analysis of Changes in Interest Income and Interest Expense Volume and Rate Analysis

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

	Fiscal 2003 vs. Fiscal 2002			Fiscal 2004 vs. Fiscal 2003			Nine months ended Dec 31,2004 vs. Dec 31,2003		
	Net change in interest income or expense	**Change due to change in average volume**	**Change due to change in average rate**	**Net change in interest income or expense**	**Change due to change in average volume**	**Change due to change in average rate**	**Net change in interest income or expense**	**Change due to change in average volume**	**Change due to change in average rate**
				(Rs. in million)					
Interest income:									
Advances	1,516.8	2,089.9	-573.1	1,108.2	2,173.6	-1,065.4	2,499.1	4,238.1	-1,739.0
Investments	758.2	12,676.4	-11,918.2	1,144.9	2,089.7	-944.8	1,286.5	3,532.1	-2,245.6
Others	699.9	786.7	-86.8	-1269.7	-103.2	-1166.5	20.0	139.8	-119.8
Total interest earning assets	**2,974.9**	**15,553.0**	**-12,578.1**	**983.4**	**4,160.1**	**-3,176.7**	**3,805.6**	**7,910.0**	**-4,104.4**
Interest expense:									
Deposits									
Savings deposits	375.0	376.5	-1.5	64.9	462.6	-397.7	428.7	687.0	-258.3
Term deposits	693.2	1,642.2	-949.0	-805.9	1,858.8	-2,664.7	914.7	4,594.7	-3,680.0
Borrowings									
Unsecured redeemable bonds	32.7	48.9	-16.2	57.7	97.9	-40.2	84.5	177.4	-92.9
Other borrowings	81.0	-8.8	89.8	-93.2	93.8	-187.0	-0.1	20.4	-20.5
Total interest bearing liabilities	1,181.9	2,058.8	-876.9	-776.5	2,513.1	-3,289.6	1,427.8	5,479.5	-4,051.7
Net interest income	1,793.0	13,494.2	-11,701.2	1,759.9	1,647.0	112.9	2,377.8	2,430.5	-52.7

Yields, Spreads and Margins

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

	Year ended March 31,		Nine months ended
	2003	2004	Dec 2004
	(Rs. in Million, except percentages)		
Interest income	25,703.3	26,686.7	23,549.8
Average interest-earning assets	257,115.9	299,148.4	378,357.5
Interest expense	16,605.6	15,829.1	13,257.3
Average interest-bearing liabilities(1)	241,969.9	279,035.5	352,772.5
Net interest income	9,097.7	10,857.6	10,292.5
Average total assets	275,285.0	320,492.0	39,9114.7
Average interest-earning assets as a percentage of average total assets	93.40%	93.34%	94.80%
Average interest-bearing liabilities as a percentage of average total assets	87.90%	87.06%	88.39%
Average interest-earning assets as a percentage of average interest- bearing liabilities	106.26	107.21	107.25
Yield(2)	10.00%	8.92%	8.30%
Cost of funds(3)	6.86%	5.67%	5.01%
Spread(4)	3.30%	3.39%	3.44%
Net interest margin(5)	3.54%	3.63%	3.63%

(1) Includes demand deposits.

(2) Yield of interest earning assets.

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

(4) Spread is the net interest income divided by average total assets

(5) Net interest margin is the ratio of net interest income to the monthly average of total interest-earning assets.

Returns on Equity and Assets

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

	Year ended March 31,		Nine months ended
	2003	2004	Dec 2004
	(Rs. in Million, except percentages)		
Net profit after tax	1,659.9	4,633.9	4,624.8
Average total assets	275,285.0	320,492.0	399,114.7
Average shareholders' funds	11,225.5	13,658.1	18,561.9
Net profit after tax as a percentage of average total assets	0.60%	1.45%	1.55%
Net profit after tax as a percentage of average shareholders' funds	14.79%	33.93%	33.22%
Average shareholders' funds as a percentage of average total assets	4.08%	4.26%	4.65%

The following table sets forth, as of March 31, 2004, an analysis of the residual maturity profile of our investments in coupon-bearing securities. The amounts indicate the book value, i.e., the acquisition cost, of the securities.

	As of March 31, 2004					
	Up to one year Amount	One to five years Amount	Five to ten years Amount	More than ten years Amount	Total Amount	Yield
	(Rs. in million, except percentages)					
Government and other approved securities	6,080.4	21,532.7	59,244.5	36,077.5	122,935.1	8.64
Other debt securities	2,979.6	8,994.9	15,365.4	1,457.6	28,797.5	9.76
Total coupon-bearing securities	9,060.0	30,527.6	74,609.9	37,535.1	151,732.6	8.84
Total market value of coupon-bearing securities	5,323.1	34,198.6	79,320.9	42,786.0	161,628.5	

Funding

Our funding operations are designed to optimize the cost of funding and effective liquidity management. The primary source of funding is deposits raised from our customers.

Total Deposits

The average cost (interest expense divided by average of monthly balances) of savings deposits was 3.59% in fiscal 2002, 3.59% in fiscal 2003 and 3.16% in fiscal 2004. The average cost of term deposits was 10.29% in fiscal 2002, 9.46% in fiscal 2003 and 7.79% in fiscal 2004. Demand deposits do not bear interest, and are therefore carried at zero cost. The following table sets forth, as of the dates indicated, our outstanding deposits and the percentage composition by each category of deposits.

	March 31, 2003		March 31, 2004		December 31, 2004	
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
	(Rs. in millions, except for percentages)					
Demand deposits	22,676.3	8.90	28,467.0	9.04	28,373.9	7.44
Savings deposits	87,251.8	34.27	103,423.9	32.86	118,121.3	30.97
Term deposits	144,705.7	56.83	182,875.2	58.10	234,923.0	61.59
Total deposits	254,633.8	100.0%	314,766.1	100.0%	381,418.2	100.0%

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

	March 31, 2003		March 31, 2004		December 31, 2004	
	Balance Outstanding	% of Total	Balance Outstanding	% of Total	Balance Outstanding	% of Total
Geographic Distribution	(Rs. in millions, except for percentages)					
Northern	28,514.2	11.20	34,712.2	11.03	47,842.4	12.54
North-Eastern	5,985.5	2.35	8,404.8	2.67	8,712.8	2.28
Eastern	90,504.0	35.54	105,744.2	33.59	117,042.4	30.69
Central	107,015.4	42.03	115,658.4	36.74	121,201.4	31.78
Western	15,281.4	6.00	39,244.7	12.47	73,395.2	19.24
Southern	7,333.3	2.88	11,001.8	3.50	13,224.0	3.47
Total	**254,633.8**	**100.00**	**314,766.1**	**100.00**	**381,418.2**	**100.00**

Total Borrowings

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

	Fiscal 2003			Fiscal 2004			Nine months ended December 31, 2004		
	Average balance	**Interest expense**	**Average cost**	**Average balance**	**Interest expense**	**Average cost**	**Average balance**	**Interest expense**	**Average cost**
	(Rs. in million, except for percentages)								
Borrowings, excluding Tier II bonds	793.7	141.8	17.87%	1,318.5	48.6	3.69%	1,614.1	25.90	2.14%
Tier II bonds	3,216.1	314.8	9.79%	4,216.1	372.5	8.84%	6,216.1	365.1	7.83%
Total borrowings	**4,009.8**	**456.6**	**11.39%**	**5,534.6**	**421.10**	**7.61%**	**7,830.2**	**391.0**	**6.66%**

Asset-Liability Gap

The following table sets forth, for the periods indicated, our asset-liability gap position as of March 31, 2004.

	As of March 31, 2004 [1]								
	Total	**1-14 days**	**15-28 days**	**29 days to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1 to 3 years**	**>3 to 5 years**	**Over 5 years**
	(Rs. In million, except for percentages)								
Outflows									
Capital	3,467.0								3,467.0
Reserves and surplus	12,052.3	12,052.3							
Deposits	**314,766.0**	**7,192.7**	3,462.3	18,834.6	18,210.8	35,318..6	75,291.8	55,973.3	100,481.9
Borrowings	**1,689.9**	**132.8**	69.0	1,131.0	223.9	97.6	35.6		
Other liabilities and provisions	**16,938.5**	**1,980.7**	1,515.4	1,755.6	1,415.2	590.0	1,811.0	2,602.0	5,268.6
A. Total outflows	**348,913.7**	**9,306.2**	**5,046.7**	**21,721.2**	**19,849.9**	**36,006.2**	**77,138.4**	**58,575.3**	**121,269.8**
B. Cumulative outflows		**9,306.2**	**14,352.9**	**36,074.1**	**55,924.0**	**91,930.2**	**169,068.6**	**227,643.9**	**348,913.7**
Inflows									
Cash	1,975.8	1,975.8							
Balances with RBI	**19,582.0**	5,741.2	155.8	847.6	819.5	1,589.3	3,388.1	2,518.8	4,521.7
Balances with other Banks	**4,405.2**	1,889.7	500.0	1,265.5	750.0				
Investments (performing)	**155,548.1**	4,043.8	981.4	7,890.0	4,842.9	13,885.6	14,635.4	18,007.1	91,261.9
Advances (performing)	**149,692.0**	5,460.4	2,905.4	9,911.8	13,837.5	9,796.1	57,807.4	18,303.7	31,669.7
Net NPAs	3,723.4							3,723.4	
Fixed assets	3,530.5	3,530.5							
Other assets	**10,456.7**	2,053.6	2,215.2	2,118.7	686.8	727.0	148.0	1,856.2	651.2
C. Total inflows	**348,913.7**	**21,164.5**	**6,757.8**	**22,033.6**	**20,186.7**	**25,998.0**	**76,728.9**	**44,409.2**	**131,635.0**
D. Asset / liability gap (C-A)		**11,858.3**	**1,711.1**	**312.4**	**336.8**	**-1,008.2**	**-409.5**	**-14,166.1**	**103,65.2**
E. % Asset/liability gap (D as % of A)		**127.4%**	**33.9%**	**1.4%**	**1.7%**	**-27.8%**	**-0.5%**	**-24.2%**	**8.5%**
F. Cumulative asset / liability gap (D cumulative)		**11,858.3**	**13,569.4**	**13,881.8**	**14,218.6**	**4,210.4**	**3,800.9**	**-10,365.2**	**0.00**
G. % Cumulative asset / liability gap (F as % of B)		**127%**	**95%**	**38%**	**25%**	**5%**	**2%**	**-5%**	**0%**

1. *Capital Reserves and Surplus have been shown in over five years bucket*
2. *Current and savings bank deposits have been distributed in various time buckets on the basis of decision support system provided by NIBM*
3. *In case of term deposits the maturity pattern has been taken on the basis of data received from the regions considering roll over of deposits based on past experience*
4. *Borrowings have been allocated as per estimated re-payment schedule*
5. *In case of bills payable, the core portion has been shown in 1-3 years time bucket and the remaining portion has been shown in 1-14 days time bucket*
6. *Subordinate debts have been distributed as per the actual repayment schedule*
7. *Cash has been shown in 1-14 days time bucket*
8. *Call lending/Term deposits with banks and others have been shown in respective maturity time buckets as per actual maturity profile.*
9. *In case of current deposits with banks, volatile portion has been shown in 1-14 days time bucket, while the remaining portions have been shown in 1-3 years time bucket*
10. *Investment have been distributed in various time buckets as per actual maturity*
11. *In case of CC/OD the core and volatile portion has been determined using the decision support system given by NIBM*
12. *In case of bills purchased and discounted and term loans, maturity period have been taken on the basis of data collected from regional offices*
13. *NPAs have been distributed in 3-5 years and over 5 years time bucket*
14. *Fixed assets have been shown in over 5 years time bucket*

Security

The table below shows the amount of our advances that were secured or covered by guarantees, as of the dates indicated.

	March 31,			
	2003		2004	
	Amount	**% of advances**	**Amount**	**% of advances**
	(Rs. in million, except percentages)			
Secured by tangible assets (including advances against book debts)	93,995.4	74.93	116,170.3	75.72
Covered by bank or Government guarantees	17,220.1	13.73	15,817.1	10.31
Unsecured	14,220.5	11.34	21,428.0	13.97
Total	**125,436.0**	**100.00**	**153,415.4**	**100.00**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this report, along with the section titled "Selected Financial Information" beginning on page 74 and the section titled "Selected Statistical Information" beginning on page 76, which presents important statistical information about our business. You should also read the section titled "Risk Factors" beginning on page xii, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Allahabad Bank on a standalone basis, and, unless stated otherwise, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP and the RBI guidelines. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI and other sources. A summary of certain differences between our consolidated and unconsolidated results of operations and financial condition is included below. Our fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year. The nine months ended December 31, 2003 and 2004 are referred to herein as the first nine months of fiscal 2004 and the first nine months of fiscal 2005, respectively.

Introduction

Overview

We are a leading public sector commercial bank in India, offering banking products and services to corporate and commercial, retail and agricultural customers. Our banking operations for corporate and commercial customers include a range of products and services for large corporations, as well as small and middle market businesses and Government entities. We offer a wide range of retail credit products including housing loans, personal loans and automobile loans. We cater to the financing needs of the agricultural sector and have created innovative financing products for farmers. We also provide significant financing to other priority sectors including small scale industries. Through our treasury operations, we manage our balance sheet, including the maintenance of required regulatory reserves, and seek to maximize profits from our trading portfolio by taking advantage of market opportunities.

Our revenue, which is referred to herein, and in our financial statements as our income, consists of interest income and other income. Interest income consists of interest on advances (including the discount on bills discounted) and income on investments. Income on investments consists of interest from securities and our other investments and interest from interbank loans and cash deposits, we keep with RBI. Our securities portfolio consists primarily of Government of India and state Government securities. We meet our Statutory Liquidity Reserve ratio requirements through investments in these and other approved securities. We also hold debentures and bonds issued by public sector undertakings and other corporations, commercial paper, Equity Shares and mutual fund units.

Our interest expense consists of our interest on deposits as well as borrowings. Our interest income and expense are affected by fluctuations in interest rates as well as the volume of activity. Our interest expense is also affected by the extent to which we fund our activities with low interest or non-interest deposits, and the extent to which we rely on borrowings.

Our other income consists principally of commission, exchange and brokerage income, gains and losses on sales of investments, gain or loss on foreign exchange transactions and dividend income. Commission, exchange and brokerage income includes fee income for credit-related transactional services, such as service charges and processing fees that we charge our accounts and fees for remittance services, documentary credits, letters of credit and letters of guarantee. It also includes commissions on sales of non-funded products such as insurance and mutual fund products.

Our non-interest expense consists principally of operating expenses such as expenses for wages and employee benefits, rent paid on premises, insurance, postage and telecommunications expenses, printing and stationery, depreciation on fixed assets, other administrative and other expenses. Provisioning for non-performing assets, depreciation on investments and income tax is included in provisions and contingencies.

We use a variety of indicators to measure our performance. These indicators are presented in tabular form in the section titled "Selected Statistical Information" on page 76. Our net interest income represents our total interest income (on advances and investments) net of total interest expense (on deposits and borrowings). Net interest margin represents the ratio of net interest income to the monthly average of total interest earning assets. Our spread represents the result of dividing net interest income by monthly average working funds (which are total assets). We calculate average yield on the monthly average of advances and average yield on the monthly average of investments, as well as the average cost of the monthly average of deposits and average cost of the monthly average of borrowings. Our cost of funds is the weighted average cost of the monthly average of interest bearing liabilities. For purposes of these averages and ratios only, the interest cost of the unsecured subordinated bonds that we issue for Tier-II capital adequacy purposes ("Tier-II bonds") is included in our cost of interest bearing liabilities. In our financial statements, these bonds are accounted for as "other liabilities and provisions" and their interest cost is accounted for under other interest expenses.

Ratios described below for nine month periods also have been presented on an annualized basis to provide year-end comparability. The ratios and percentages presented in the following discussion have been calculated based on the financial statements included in this Prospectus.

The Indian Economy

Our financial condition and results of operations are affected in large measure by general economic conditions prevailing in India. The Indian economy has grown steadily over the past three years. GDP growth was 5.8% in fiscal 2002, 4.0% in fiscal 2003 and 8.2% in fiscal 2004. GDP growth in fiscal 2003 was adversely affected by insufficient rainfall, which contributed to a decline in agricultural production. GDP growth picked up in fiscal 2004 due to, among other things, agricultural recovery, resurgence of the industrial sector and continued growth in the services sector. In the first quarter of fiscal 2005, GDP growth was 7.4%, compared to 5.3% in the first quarter of fiscal 2004.

The agriculture sector grew by 6.5% in fiscal 2002, declined by 5.2% in fiscal 2003 and grew by 9.1% in fiscal 2004. In the first quarter of fiscal 2005, agricultural growth was 3.4%, compared to 0.1% in the first quarter of fiscal 2004. Industrial growth was 2.6% in fiscal 2002, 5.8% in fiscal 2003 and 7.0% in fiscal 2004. In the first quarter of fiscal 2005, industrial growth was 6.9%, compared to 6.0% in the first quarter of fiscal 2004. We have significant exposure to the agriculture and industrial sectors and adverse developments in either or both of these sectors could impact our results.

The average annual rate of inflation measured by the Wholesale Price Index was 3.7% in fiscal 2002, 3.4% in fiscal 2003 and 5.4% in fiscal 2004.

In its mid-term review of annual policy published on October 26, 2004, the RBI reduced its GDP growth forecast for fiscal 2005 from 6.5-7.0% to 6.0-6.5% as a result of a decline in agricultural growth because of insufficient rainfall and has increased its inflation rate forecast from 5.0 to 6.5%.

The average exchange rate of the Indian Rupee to one US Dollar was Rs. 47.53 in fiscal 2002, Rs. 48.27 in fiscal 2003 and Rs. 45.83 in fiscal 2004. On December 31, 2004, the exchange rate to one US Dollar was Rs. 43.58. Foreign exchange reserves were US$131 billion as of December 31, 2004.

In the last three fiscal years, there has been a general downward movement in interest rates in India, reflecting global economic conditions and policies of RBI. RBI has maintained a policy of assuring adequate liquidity in the banking system and has generally lowered the rate at which it would lend to Indian banks to ensure that borrowers have access to funding at competitive rates. The RBI's primary motive has been to realign interest rates with the market to facilitate a smooth transition from a Government-controlled regime in the early 1990s, when interest rates were heavily regulated, to a more market-oriented interest rate regime. Banks have generally followed the direction of interest rates set by RBI and have adjusted both their deposit rates and lending rates downwards.

The following table sets forth the annual bank rate, repo rate, and the average deposit rates and average prime lending rates of five major public sector banks as of the dates indicated.

As of	Bank rate	Reverse Repo rate	Deposit rate for 1-3 year term for 5 major public sector banks	Prime lending rate for 5 major public sector banks
	(as percentages)			
March 31, 2002	6.50	6.00	7.50-8.50	11.0-12.0
March 31, 2003	6.25	5.00	4.25-6.00	10.75-11.50
March 31, 2004	6.00	4.50	4.00-5.25	10.25-11.00
December 31, 2004	6.00	4.75	5.25-6.25*	10.25-10.75

Source: Reserve Bank of India statistical data.

**Relates to rates for major banks for term deposits of more than one year maturity.*

Seasonal trends in the Indian economy affect the banking industry and therefore our business. The period from October to March is the busy period in India for economic activity and accordingly we generally experience high volumes of business during this period. Economic activity in the period from April to September is lower than that in the busy period; accordingly, our business volumes are generally lower during this period.

Key Accounting Policies

Interest on advances is recognized on an accrual basis except in respect of advances classified as non-performing, where interest income is recognized upon realization. Prior to March 31, 2004, advances were classified as non-performing, if any amount of interest or principal remained overdue for more than 180 days. From March 31, 2004, this period was shortened to 90 days. See also the discussion under the section titled "Selected Statistical Information" on page 76.

Commissions, interest on overdue bills, income from foreign exchange transactions and merchant banking transactions, income from mutual fund units and other fees are recognized upon realization.

In accordance with the RBI guidelines, we classify our investments into three categories. Securities, which we intend to hold until maturity, are classified as "Held to Maturity" securities. These securities are recorded on our balance sheet at their acquisition cost and any premium paid to acquire these securities is amortized in our statement of profit and loss over the remaining years to maturity of the securities. For the fiscal years discussed herein, these investments were not allowed to exceed 25% of our total investments. Following a change in the RBI guidelines in September 2004, these investments are not allowed to exceed 25% of our net demand and time liabilities. Securities, that are held with the intention to trade by taking advantage of short-term price or interest rate movements, are classified as "Held for Trading", and securities not falling into either of the first two categories are classified as "Available for Sale". Our investments are accounted for under various sub-categories, such as Government securities, Equity Shares, preference shares, debentures and bonds, mutual funds and commercial paper. For "Held for Trading" and "Available for Sale" securities, any appreciation or depreciation in value is aggregated within each sub-category. We provide for any net depreciation in value and ignore any net appreciation in value.

Gains or losses on the sale of investments are recognized in our profit and loss account. In addition, the amount of gain on the sale of "Held to Maturity" investments is appropriated to our capital reserve account.

Income from swap transactions that we enter into for hedging purposes are accounted for on an accrual basis. Gains or losses on termination of such swaps are recognized over the shorter of the remaining life of the swap contract or of the hedged asset or liability. Swaps that do not hedge assets or liabilities are carried at the lower of cost or market value and are marked to market on a monthly basis.

Our policies on provisioning and write-offs of non-performing assets are consistent with those prescribed by the RBI guidelines. The size of our "floating" provision against non-performing assets, however, is determined by our management based on a number of factors, including our net profit position, tax benefits available, management's perception of market risk, interest rate outlook, expectations and estimates regarding our asset portfolio and its future performance and general prudential principles. As of March 31, 2004, we had a coverage ratio of 54.54% for our non-performing assets (excluding floating provisions against non-performing assets of Rs. 2724.5 million) and as of December 31, 2004, we had a coverage ratio of 63.95 % for our non-performing assets (excluding floating provisions against non-performing assets of Rs. 1,700.0 million). However, after taking into account floating provision of Rs.2,724.5 millions and Rs.1,700.0 million as of March 31, 2004 and December 31, 2004, our provision coverage ratio would be 73.75% and 77.05%, respectively. Our provisioning policies are discussed in further detail in the section titled "Selected Statistical Information" on page 76.

Results of Operations

First Nine Months of Fiscal 2005 Compared to the First Nine Months of Fiscal 2004

Prospective investors should note that the financial information for the first nine months of fiscal 2005 discussed below has been restated on the same basis as the annual financial information discussed herein and that the financial information for the first nine months of fiscal 2004 has been similarly restated.

Our total income increased by 17.93% from Rs. 24,221.1 million in the first nine months of fiscal 2004 to Rs. 28,563.3 million in the first nine months of fiscal 2005 and our total expenditure increased by 7.52 % from Rs.18,440.2 million in the first nine months of fiscal 2004 to Rs. 19,827.4 million in the first nine months of fiscal 2005. Our gross profit increased by 51.12% from Rs.5,780.9 million in the first nine months of fiscal 2004 to Rs. 8,736.0 million in the first nine months of fiscal 2005. Our unadjusted net profit increased by 90.92 % from Rs. 2,422.4 million in the first nine months of fiscal 2004 to Rs. 4,624.8 million in the first nine months of fiscal 2005.

Net Interest Income

Our net interest income increased by 30.04% from Rs. 7,914.7 million in the first nine months of fiscal 2004 to Rs. 10,292.5 million in the first nine months of fiscal 2005. The following table sets forth the components of our net interest income:

	First Nine Months of Fiscal	
	2004	2005
	(Rs. in million)	
Interest income	19,744.11	23,549.82
Interest expense	11,829.44	13, 257.32
Net interest income	7,914.67	10, 292.50

The increase in net interest income was a result of a 19.28% increase in total interest income from Rs. 19,774.1 million in the first nine months of fiscal 2004 to Rs. 23,549.8 million in the first nine months of fiscal 2005, which offset a 12.71% increase in total interest expense from Rs. 11,829.4 million in the first nine months of fiscal 2004 to Rs. 13,257.3 million in the first nine months of fiscal 2005. The increase in total interest income reflected the growth of our loan and investment portfolio, particularly in retail credit and agriculture, offset by a decline in yields. The increase in total interest expense reflected primarily the increase in our deposits, partly offset by a reduction in costs of deposits.

Our average interest earning assets increased by 30.33% in the first nine months of fiscal 2005 compared to the first nine months of fiscal 2004. Our net interest margin remained unchanged at 2.73% (annualized 3.63%) in the first nine months of fiscal 2004 and fiscal 2005 and our spread went up from 2.54% (annualized 3.39%) in the first nine months of fiscal 2004 to 2.58% (annualized 3.44%) in the first nine months of fiscal 2005. This was the result of a higher increase in advances compared to deposits and the replacement of high interest bearing deposits with low interest deposits, substantially reducing the cost of our deposits.

Interest Income

The following table sets forth the components of our interest income:

	First Nine Months of Fiscal	
	2004	2005
	(Rs. in million)	
Interest income from advances and bills	9,863.68	12,362.76
Income from investments	9,618.95	10,905.53
Interest on balances with the RBI and other interbank lending	239.67	279.40
Other interest income	21.81	2.13
Total interest income	19,744.11	23, 549.82

Interest income from advances and bills increased by 25.34% from Rs. 9,863.7 million in the first nine months of fiscal 2004 to Rs. 12,362.8 million in the first nine months of fiscal 2005, reflecting an increase in the average volume of advances as a result of the general growth in our business, primarily in the retail and agriculture sectors, offset in part by a decline in average yield. Our average volume of advances increased by 32.24% from Rs. 137,071.8 million in the first nine months of fiscal 2004 compared to Rs. 181,264.3 million in the first nine months of fiscal 2005.

Our average retail advances increased by 53.6% from Rs. 22,200 million in the first nine months of fiscal 2004 compared to Rs. 34,098.0 million in the first nine months of fiscal 2005 primarily because lower interest rates made retail loans more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with our increased marketing efforts, in particular opening our retail banking boutiques and the launch of our various retail schemes such as All-rent and All-Bank Property on our part. Our average volume of agriculture advances increased by 48.3% from Rs. 23,408.9 million in the first nine months of fiscal 2004 to Rs. 34,720.0 million in the first nine months of fiscal 2005 due to our increased focus on the rural market, a good monsoon and Government policy favoring the growth of the agriculture sector.

Yields on our advances decreased from an average of 7.20% (annualized 9.59%) in the first nine months of fiscal 2004 to 6.82% (annualized 9.09%) in the first nine months of fiscal 2005. This decline was due to the general decline in interest rates and increased competition in the banking industry which led to a decline in interest rates.

Investment income increased by 13.38% from Rs. 9,619.0 million in the first nine months of fiscal 2004 to Rs. 10,905.5 million in the first nine months of fiscal 2005. Our average volume of investments increased by 27.54% from Rs.139,866.1 million in the first nine months of fiscal 2004 to Rs.178,384.3 million in the first nine months of fiscal 2005 because the increase in our deposits provided us with an increased amount of funds to invest. The main component of our investment income is interest on Government and other approved securities. Income from these securities increased by 16.4% from Rs. 7,319.2 million in the first nine months of fiscal 2004 to Rs. 8,456.5 million in the first nine months of fiscal 2005. The increase was primarily a result of a 31.41% increase in the average volume of these investments from Rs.104,716.1 million in the first nine months of fiscal 2004 to Rs.137,603.5 million in the first nine months of fiscal 2005 offset in part by a decline in yields. Yields from these investments declined from 8.51% in the first nine months of fiscal 2004 to 7.30% in the first nine months of fiscal 2005, reflecting the general decline in interest rates during this period and the fact that a larger portion of our portfolio in the first half of fiscal 2005 was held in short-term securities such as treasury bills.

Interest income from investments other than Government and other approved securities grew by 6.52% from Rs. 2,299.8 million in the first nine months of fiscal 2004 compared to Rs.2,449.0 million in the first nine months of fiscal 2005 despite an increase in the volume of these investments due to the decline in yields which offset the increase in volume. Yields from investments other than Government securities declined from 8.8% in the first nine months of fiscal 2004 to 8.01% in the first nine months of fiscal 2005, reflecting the general competition in the banking industry resulting in a decline in interest rates during this period. . In addition, a portion of our higher yielding securities were redeemed, or matured, during the period. In order to minimize the market risk of our portfolio, we held a larger portion of our portfolio in short term securities.

Our investment income in future periods may be adversely impacted as the high coupon securities in our investment portfolio mature. As of December 31, 2004, the average yield on all our fixed coupon securities was 8.39 % and their average maturity was 4.77 years. As of that date, central Government securities constituted 68.4% of our Government securities portfolio and the weighted average yield on our central Government and state Government securities was 7.85% and 8.30%, respectively, and their weighted average maturity was 5.61 years and 5.08 years, respectively.

Interest on balances with the RBI and other interbank lending increased by 16.58% from Rs. 239.7 million in the first nine months of fiscal 2004 to Rs. 279.4 million in the first nine months of fiscal 2005, mainly because of increased interbank lending and the increase in our deposits required us to maintain higher CRR balances with the RBI, offset in part by lower yields.

Interest Expense

Our interest expense increased by 12.07% from Rs. 11,829.4 million in the first nine months of fiscal 2004 to Rs. 13,257.3 million in the first nine months of fiscal 2005, reflecting primarily the increase in our deposits. Our average cost of funds was 4.38% (annualized 5.83%) in the first nine months of fiscal 2004 and 3.76% (annualized 5.01%) in the first nine months of fiscal 2005.

Our interest expense on deposits increased by 11.66% from Rs.11,522.9 million in the first nine months of fiscal 2004 to Rs. 12,866.3 million in the first nine months of fiscal 2005 as a result of the increase in the volume of our deposits. Our average total deposits increased by 30.12% from Rs.26,508.9 million in the first nine months of fiscal 2004 to Rs. 34,494.2 million in the first nine months of fiscal 2005. Our average cost of deposits declined from 4.35% (annualized 5.80%) in the first nine months of fiscal 2004 to 3.73% (annualized 4.97%) in the first nine months of fiscal 2005, reflecting primarily the decline in interest rates and the replacement of maturing higher cost deposits with lower cost deposits.

Our interest expense on borrowings from RBI and other interbank borrowings increased from Rs. 10.6 million in the first nine months of fiscal 2004 to Rs 28.8 million in the first nine months of fiscal 2005.

Our other interest expense, which consists mainly of Tier-II bonds issued by us, increased by 27.53% from Rs. 295.9 million in the first nine months of fiscal 2004 to Rs. 362.3 million in the first nine months of fiscal 2005 as a result of the issuance in March 2004 of Rs.2000 million in new Tier-II bonds. Our average cost of borrowings (including our Tier-II bonds) declined from 5.86% (annualized 7.81%) in the first nine months of fiscal 2004 to 4.99% (annualized 6.66%) in the first nine months of fiscal 2005 due to the lower interest rate applicable to our new issue of Tier-II bonds declining interest rates.

Other Income

Our other income increased by 11.98% from Rs.4477.0 million in the first nine months of fiscal 2004 to Rs. 5013.5 million in the first nine months of fiscal 2005. The following table sets forth the components of our other income:

	First Nine Months of Fiscal	
	2004	**2005**
	(Rs. in million)	
Commission, exchange and brokerage	1,144.20	1,312.81
Profit on sale of investments (net)	2,841.90	3,269.16
Profit on sale of land, buildings and other assets	0.20	0.20
Income on exchange transactions (net)	299.30	275.21
Dividend income from subsidiaries, companies and joint ventures	58.20	121.10
Miscellaneous	133.20	35.04
Total other income	4,477.00	5,013.52

Income from commissions, exchange and brokerage increased by 14.74% from Rs. 1,144.2 million in the first nine months of fiscal 2004 to Rs. 1,312.8 million in the first nine months of fiscal 2005. This was the result of our increased focus on fee-based income and the tie-ups in the insurance and mutual fund businesses.

Net profit on the sale of investments increased by 17.86% from Rs. 2,841.9 million in the first nine months of fiscal 2004 to Rs. 3,269.2 million in the first nine months of fiscal 2005. This increase was due to the profit on sale of investments, offset by less favorable market conditions in the third quarter. During the first nine months of fiscal 2005 we transferred a certain amount of Government securities from the "Available for Sale" category to the "Held to Maturity" category resulting in a net loss of Rs.1,873.1 million. Our net profits on the sale of investments may be adversely affected in future periods by interest rate fluctuations volatility, particularly in an environment of rising interest rates.

Net income from foreign exchange transactions decreased by 8.05% from Rs. 299.3 million in the first nine months of fiscal 2004 to Rs. 275.2 million in the first nine months of fiscal 2005, primarily due to loss on revaluation on forward foreign exchange contracts.

Dividend income increased by 108.08% from Rs. 58.2 million in the first nine months of fiscal 2004 to Rs.121.1 million in the first nine months of fiscal 2005, primarily because of dividends received from mutual fund investments.

Miscellaneous income decreased significantly from Rs. 133.2 million in the first nine months of fiscal 2004 to Rs. 35.04 million in the first nine months of fiscal 2005. The decrease was in large part due to adjustment relating to the prior year.

Operating Expenses

Total operating expenses decreased by 0.62% from Rs.6,610.8 million in the first nine months of fiscal 2004 to Rs. 6,570.0 million in the first nine months of fiscal 2005. As a percentage of our total income, operating expenses decreased to 23.00% in the first nine months of fiscal 2005 compared to 27.29% in the first nine months of fiscal 2004.

The primary component of our operating expenses was wages and other payments to employees which increased by 1.96% from Rs. 3,766.5 million in the first nine months of fiscal 2004 to Rs.3,840.3 million in the first nine months of fiscal 2005. As a percentage of total income, however, wages and other payments to employees decreased to 13.44% in the first nine months of fiscal 2005 from 15.55% in the first nine months of fiscal 2004. Our headcount was 19,121 employees as of December 31, 2004 compared to 22,019 employees as of December 31, 2003.

Our expenses for rent, taxes and lighting for our premises increased by 8.34% from Rs. 383.38 million in the first nine months of fiscal 2004 to Rs. 415.35 million in the first nine months of fiscal 2005. As a percentage of total income, these expenses were 1.58% in the first nine months of fiscal 2004 and 1.45% in the first nine months of fiscal 2005.

Depreciation expenses on our properties decreased by 11.16% from Rs. 270.5 million in the first nine months of fiscal 2004 to Rs.240.3 million in the first nine months of fiscal 2005. As a percentage of total revenues, these expenses were 1.12% in the first nine months of fiscal 2004 and 0.84% in the first nine months of fiscal 2005.

Gross Profit

For the reasons stated above, our gross profit before provisions and contingencies increased by 51.12% from Rs. 5,780.9 million in the first nine months of fiscal 2004 to Rs.8,736.0 million in the first nine months of fiscal 2005. As a percentage of total income, our gross profit increased from 23.87% in the first nine months of fiscal 2004 to 30.58% in the first nine months of fiscal 2005.

Provisions and Contingencies

The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	First Nine Months of Fiscal	
	2004	**2005**
	(Rs. in million)	
Provision for non-performing assets	2,294.87	(150.00)
Provision for standard accounts	40.39	110.00
Provision for depreciation on investments	(305.38)	2,223.65
Provision for income and wealth tax	1,114.22	429.54
Others	73.28	1,356.90
Total provisions and contingencies made during the nine month period	3,217.38	3,970.09

Provisions and contingencies made in the first nine months of fiscal 2005 increased by 23.40% to Rs. 3,970.1 million compared to Rs.3,217.4 million in the first nine months of fiscal 2004. This was because of a higher provision for depreciation on investments consequent upon transfer of securities from 'available of sale' category to 'held to maturity' category.

The gross NPAs of the Bank were Rs.14,184.6 million as of March 31, 2004 and were reduced to Rs. 12,977.9 million as of December 31, 2004 due to recovery of some NPA accounts. This reduction in NPA resulted in release of provisions amounting to Rs.1,350 million.

Our other provisions increased significantly in the first nine months of fiscal 2005 to Rs.1,356.9 million from Rs. 73.3 million in the preceding nine month period. This was largely due to provisions of made for the banking industry wage settlement described below.

There had been no wage settlement in the Indian banking industry since 1997. In December 2004, the Indian Banking Association recently reached a broad understanding with banking industry employees that the maximum wage increase will be 13.25%, retroactive to November 1, 2002. Because this understanding was reached, we decided to make estimated provision for the first nine months of fiscal 2005 to Rs. 1,388.3 million. The amount of the wage increase, however, is not final and binding, and the amount of our provision is an estimate based on our estimations.

Income Tax

Our provision made for income tax decreased by 61.45% from Rs. 1,114.2 million in the first nine months of fiscal 2004 to Rs. 429.54 million in the first nine months of fiscal 2005. The reduction was attributable to an investment trading loss that reduced taxable income. Moreover, we benefited from tax planning measures namely increased lending to the rural sector and strategic investment in infrastructure bonds.

Net Profit

As a result of the foregoing factors, our net profit increased by 90.92% from Rs. 2,422.4 million in the first nine months of fiscal 2004 to Rs. 4,624.8 million in the first nine months of fiscal 2005. As a percentage of total income, our net profit increased from 10% in the first nine months of fiscal 2004 to 16.19% in the first nine months of fiscal 2005. Our earnings per Equity Share increased by 90.84% from Rs.6.99 per Equity Share in the first nine months of fiscal 2004 to Rs. 13.34 per Equity Share in the first nine months of fiscal 2005.

Adjusted Net Profit

Our adjusted net profit in the first nine months of fiscal 2005 was Rs.5,413.1 million, an increase of Rs. 788.3 million from our previously stated net profit of Rs. 4,624.8 million for the same period. The adjustments to net profit were primarily due to the reallocation of provision for non-performing advances, provision for depreciation on investment and provision for the wage settlement.

Fiscal Year Ended March 31, 2004 Compared to the Fiscal Year Ended March 31, 2003

Our total income increased by 10.46% from Rs.30,946.9 million in fiscal 2003 to Rs. 34,184.8 million in fiscal 2004 and our total expenditure decreased by 1.44% from Rs. 25,495.2 million in fiscal 2003 to Rs. 25,182.7 million in fiscal 2004. Our gross profit increased by 66.12% from Rs. 5,451.7 million in fiscal 2003 to Rs. 9,056.1 million in fiscal 2004. Our unadjusted net profit increased by 179.17% from Rs. 1,659.9 million in fiscal 2003 to Rs. 4,633.9 million in fiscal 2004.

Net Interest Income

Our net interest income increased by 19.34% from Rs. 9,097.8 million in fiscal 2003 to Rs. 10,857.5 million in fiscal 2004. The following table sets forth the components of our net interest income:

	Year ended March 31,	
	2003	**2004**
	(Rs. in million)	
Interest income	25,703.30	26,686.70
Interest expense	16,605.50	15,829.20
Net interest income	9,097.80	10,857.50

The increase in net interest income was a result of a 3.83% increase in total interest income from Rs. 25,703.3 million in fiscal 2003 to Rs. 26,686.7 million in fiscal 2004, and a 4.69% decrease in total interest expense from Rs. 16,605.5 million in fiscal 2003 to Rs. 15,829.2 million in fiscal 2004. This reflected significant gains in interest income from investments, as well as the growth of our loan portfolio and a decline in interest expense on deposits and borrowings, offset in part by declining yields.

Our average interest earning assets increased by 16.35% in fiscal 2004 compared to fiscal 2003. Our net interest margin increased slightly from 3.54% in fiscal 2003 to 3.63% in fiscal 2004. Our spread went from 3.30% in fiscal 2003 to 3.39% in fiscal 2004. This was the result of a greater increase in advances compared to deposits and the replacement of high interest bearing deposits with low interest deposits, substantially reducing the cost of our deposits.

Interest Income

The following table sets forth the components of our interest income:

	Year ended March 31,	
	2003	**2004**
	(Rs. in million)	
Interest income from advances and bills	12,119.00	13,227.20
Income from investments	11,877.50	13,022.40
Interest on balances with RBI and other interbank lending	595.30	317.90
Interest on income tax refund	1,101.70	114.50
Other interest income	9.80	4.70
Total interest income	25,703.30	26,686.70

Interest income from advances and bills increased by 9.14% from Rs. 12,119.0 million in fiscal 2003 to Rs. 13,227.2 million in fiscal 2004, reflecting an increase in the average volume of advances as a result of the general growth in our business, primarily in the retail and agriculture sectors, offset in part by a decline in average yield.

Our average volume of advances increased by 17.93% from Rs. 119,895.1 million in fiscal 2003 to Rs. 141,394.6 million in fiscal 2004. Our average retail advances increased by 116.8% from Rs. 10,880.0 million in fiscal 2003 to Rs. 23,590.0 million in fiscal 2004 primarily because lower interest rates made retail loans more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with increased marketing efforts on our part. Our average volume of agriculture advances increased by 17.8% from Rs. 20,859.2 million in fiscal 2003 to Rs. 24,570.8 million in fiscal 2004 due to our increased focus on the rural market, a good monsoon and Government policy favoring the growth of the agriculture sector.

Yields on our advances decreased from an average of 10.11% in fiscal 2003 to 9.35% in fiscal 2004. This decline was due to the general decline in interest rates and increased competition in the banking industry that led to the general decline in interest rates.

Investment income increased by 9.64% from Rs. 11,877.5 million in fiscal 2003 to Rs. 13,022.4 million in fiscal 2004. Our average volume of investments increased by 17.60% from Rs. 121,962.1 million in fiscal 2003 to Rs. 143,417.0 million in fiscal 2004 because the increase in our deposits provided us with an increased amount of funds to invest. The main component of our investment income is interest on Government and other approved securities. Income from these securities increased by 7.74% from Rs. 8,978.1 million in fiscal 2003 to Rs. 9,671.8 million in fiscal 2004. The increase was primarily a result of a 19.82% increase in the average volume of these investments from Rs. 89,237.8 million in fiscal 2003 to Rs. 106,926.7 million in fiscal 2004 offset in part by a decline in yields. Yields from these investments declined from 9.87% in fiscal 2003 to 8.49% in fiscal 2004, reflecting the general decline in interest rates during this period.

Interest income from investments other than Government and approved securities increased by 15.52% from Rs.2,899.4 million in fiscal 2003 to Rs. 3,350.6 million in fiscal 2004 despite an increase in the volume of these investments because the decline in yields outweighed the increase in volume. Yields from investments other than Government securities increased from 8.71% in fiscal 2003 to 9.07% in fiscal 2004, reflecting receipt of interest on overdue Government guaranteed bonds due in the preceding year.

The growth in our investment income may be adversely impacted as the high coupon securities in our investment portfolio mature. As of March 31, 2004, the weighted average yield on all our fixed coupon securities was 8.84% and their average maturity was 5.23 years. As of that date, central Government securities constituted 70.51% of our Government securities portfolio and the average yield on our central Government and state Government securities was 8.77% and 9.66%, respectively, and their weighted average maturity was 3.27 years and 5.09 years, respectively.

Interest on balances with RBI and other interbank lending decreased from Rs. 595.3 million in fiscal 2003 to Rs. 317.9 million in fiscal 2004 because RBI reduced the cash reserve ratio (which is a percentage of net demand and time liabilities that banks are required to maintain in current accounts with RBI), as a result of which we were required to maintain lower deposits with the RBI during the year.

Interest on income tax refund decreased significantly from Rs. 1,101.7 million in fiscal 2003 to Rs.114.5 million in fiscal 2004 because in fiscal 2003 we received a substantial refund of disputed income tax payments attributable to prior years, together with the interest thereon.

Interest Expense

Our interest expense decreased by 4.67% from Rs. 16,605.5 million in fiscal 2003 to Rs. 15,829.2 million in fiscal 2004, reflecting primarily the decrease in interest rates. Our average cost of funds was 6.83% in fiscal 2003 and 5.67% in fiscal 2004.

Our interest expense on deposits decreased by 4.59% from Rs. 16,148.9 million in fiscal 2003 to Rs. 15,408.0 million in fiscal 2004 as a result of the decrease in interest rates, offset in part by an increase in volume of deposits. Our average total deposits increased by 14.94% from Rs. 237,960.1 million in fiscal 2003 to Rs. 273,501.0 million in fiscal 2004. Our average cost of deposits declined from 6.79% in fiscal 2003 to 5.63% in fiscal 2004, reflecting primarily the decline in interest rates and the replacement of maturing higher cost deposits with lower cost deposits.

Our interest expense on borrowings from RBI and other interbank borrowings decreased from Rs. 112.5 million in fiscal 2003 to Rs.17.1 million in fiscal 2004.

Our other interest expense, which consists mainly of Tier-II bonds issued by us, increased by 17.44% from Rs. 344.1 million in fiscal 2003 to Rs. 404.1 million in fiscal 2004 as a result of the issuance in fiscal 2004 of new series of Tier-II bonds. Our average cost of borrowings (including our Tier-II bonds) declined from 9.47% in fiscal 2003 to 7.61% in fiscal 2004 due to declining interest rates.

Other Income

Our other income increased by 43.0% from Rs. 5,243.6 million in fiscal 2003 to Rs. 7,498.1 million in fiscal 2004. The following table sets forth the components of our other income:

	Year ended March 31,	
	2003	**2004**
	(Rs. in million)	
Commission, exchange and brokerage	1,432.10	1,619.60
Profit on sale of investments (net)	3,369.40	5,047.20
Profit on sale of land, buildings and other assets (net)	(0.40)	0.50
Income from exchange transactions (net)	262.90	431.10
Dividend income from subsidiaries, companies and joint ventures	100.70	195.40
Miscellaneous	78.90	204.30
Total other income	5,243.60	7,498.10

Income from commissions, exchange and brokerage increased by 13.09% from Rs. 1,432.11 million in fiscal 2003 to Rs. 1,619.6 million in fiscal 2004. This was the result of our increased focus on fee-based income and the tie-ups in the insurance and mutual fund businesses.

Net profit on the sale of investments increased by 49.55% from Rs. 3,369.4 million in fiscal 2003 to Rs. 5,047.2 million in fiscal 2004. The increase was primarily due to gains from the higher volume of trading activities we undertook. Our trading profits in future periods may be adversely affected by interest rate fluctuations, particularly in an environment of rising interest rates.

Net income from foreign exchange transactions increased by 63.97% from Rs. 262.9 million in fiscal 2003 to Rs. 431.1 million in fiscal 2004, primarily due to a higher volume of foreign exchange trading activities and revaluation profit.

Dividend income from investments increased by 94.0% from Rs. 100.7 million in fiscal 2003 to Rs. 195.4 million in fiscal 2004.

Operating Expenses

Total operating expenses increased by 4.61% from Rs. 8,889.7 million in fiscal 2003 to Rs. 9,299.5 million in fiscal 2004. As a percentage of our total income, operating expenses decreased to 27.20% in fiscal 2004 from 28.73% in fiscal 2003.

The primary component of our operating expenses was wages and other payments to employees which increased by 9.42% from Rs. 4,841.5 million in fiscal 2003 to Rs. 5,297.4 million in fiscal 2004. As a percentage of total income, wages and other payments to employees decreased to 15.50% in fiscal 2004 from 15.64% in fiscal 2003. The increase in absolute terms was due to annual increases in remuneration of 6% to 8% and increased contribution towards retirement benefit funds on the basis of actuarial valuations. Our headcount remained substantially unchanged at 19,284 employees as of March 31, 2004 as against 19,515 employees as of March 31, 2003.

Our expenses for rent, taxes and lighting for our premises increased by 5.46% from Rs. 491.1 million in fiscal 2003 to Rs. 517.9 million in fiscal 2004. As a percentage of total income, these expenses were 1.52% in fiscal 2003 and 1.59% in fiscal 2004.

Depreciation expenses on our properties decreased by 9.98% from Rs. 387.7 million in fiscal 2003 to Rs.349.0 million in fiscal 2004. As a percentage of total revenues, these expenses decreased from 1.25% in fiscal 2003 to 1.02% in fiscal 2004.

Gross Profit

For the reasons stated above, our gross profit before provisions and contingencies increased by 66.12% from Rs. 5,451.7 million in fiscal 2003 to Rs. 9,056.1 million in fiscal 2004. As a percentage of total income, our gross profit increased from 17.62% in fiscal 2003 to 26.49% in fiscal 2004.

Provisions and Contingencies

The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	Year ended March 31,	
	2003	2004
	(Rs. in million)	
Provision for non-performing assets	1,731.30	4,784.4
Provision for standard accounts	45.10	89.60
Provision for depreciation on investments	194.3	(586.20)
Provision for income tax	1,524.30	(28.90)
Others	111.20	(24.9)
Total provisions and contingencies made during the fiscal year	3,606.20	4234.00

In fiscal 2004 the provision for NPAs increased to 73.75% (before adjustment) because we decided as a matter of prudent banking policy to make provisions in excess of those required by RBI requirements. This had the effect of reducing our net NPAs to 2.37% (before adjustment) as of March 31, 2004.

Provisions and contingencies made in fiscal 2004 increased by 17.41% to Rs. 4,234.0 million as compared to Rs. 3,606.2 million in fiscal 2003. Our provisioning in respect of non-performing assets increased by 176.35% from Rs. 1,731.3 million in fiscal 2003 to Rs. 4,784.4 million in fiscal 2004. Our provisioning for standard accounts increased by 98.67% from Rs. 45.1 million in fiscal 2003 to Rs. 89.6 million in fiscal 2004, to meet the RBI's requirement to maintain a 0.25% provision for standard accounts.

The depreciation on investments decreased during fiscal 2004, and there was a write-back of Rs.5862.0 million on account of reversal of provision made for mark to market securities.

Income Tax

Our provision for income tax in fiscal 2004 was made for Rs. 1105.3 million as against an income tax provision of Rs. 1,524.3 million in fiscal 2003. However, in fiscal 2004 Rs. 1,134.2 million was written back on account of excess provisions made in the earlier years.

Net Profit

As a result of the foregoing factors, our net profit increased by 179.17% from Rs. 1,659.9 million in fiscal 2003 to Rs. 4,633.9 million in fiscal 2004. As a percentage of total income, our net profit increased from 5.36% in fiscal 2003 to 13.56% in fiscal 2004. Our earnings per Equity Share increased by 126.99% from Rs. 5.89 per Equity Share in fiscal 2003 to Rs. 13.37 per Equity Share in fiscal 2004.

Adjusted Net Profit

Our adjusted net profit increased by 185.77% from Rs. 1,939.0 million for fiscal 2003 to Rs. 5,541.1 million in fiscal 2004. Our adjusted net profit in fiscal 2004 was Rs.5,541.1 million, an increase of Rs 907.2 million over our net profit of Rs.4,633.9 million over previous year. The adjustments to net profit were primarily the reallocation of provision for non-performing advances and the provision for wage settlement.

Fiscal Year Ended March 31, 2003 Compared to the Fiscal Year Ended March 31, 2002

Our total income increased by 16.44% from Rs. 26,577.6 million in fiscal 2002 to Rs. 30,946.9 million in fiscal 2003 and our total expenditure increased by 14.82% from Rs. 22,204.2 million in fiscal 2002 to Rs. 25,495.2 million in fiscal 2003. Our gross profit increased by 24.66% from Rs. 4,373.4 million in fiscal 2002 to Rs. 5,451.7 million in fiscal 2003 and our unadjusted net profit increased by 106.92% from Rs. 802.2 million in fiscal 2002 to Rs. 1,659.9 million in fiscal 2003.

Net Interest Income

Our net interest income increased by 24.55% from Rs. 7,304.7 million in fiscal 2002 to Rs.9,097.8 million in fiscal 2003. The following table sets forth the components of our net interest income:

	Year ended March 31,	
	2002	**2003**
	(Rs. in million)	
Interest income	22,728.40	25,703.30
Interest expense	15,423.70	16,605.50
Net interest income	7,304.70	9.097.80

The increase in net interest income was a result of a 13.09% increase in total interest income from Rs. 22,728.4 million in fiscal 2002 to Rs. 25,703.3 million in fiscal 2003.

Our average interest earning assets increased by 14.58% in fiscal 2003 compared to fiscal 2002. Our net interest margin increased from 3.26% in fiscal 2002 to 3.54% in fiscal 2003 and our spread increased from 3.02% in fiscal 2002 to 3.30% in fiscal 2003.

Interest Income

The following table sets forth the components of our interest income:

	Year ended March 31,	
	2002	**2003**
	(Rs. in million)	
Interest income from advances and bills	11,178.70	12,119.00
Income from investments	10,542.80	11,877.50
Interest on balances with the RBI and other interbank lending	782.90	595.30
Interest on income tax	212.80	1,101.70
Other interest income	11.20	9.80
Total interest income	22,728.40	25,703.30

Interest income from advances and bills increased by 8.41% from Rs. 11,178.7 million in fiscal 2002 to Rs.12,119.0 million in fiscal 2003, reflecting an increase in the average volume of advances as a result of the general growth in our business, offset in part by a decrease in average yield.

Our average volume of advances increased by 19.70% from Rs. 100,160.2 million in fiscal 2002 to Rs.119,895.1 million in fiscal 2003. Our average retail advances increased by 100.58% from Rs. 6,886.3 million in fiscal 2002 to Rs. 13,817.8 million in fiscal 2003 primarily because lower interest rates made retail loans more attractive to customers, particularly in the housing and consumer goods segment, in line with trends experienced by the banking industry as a whole, combined with increased marketing efforts on our part. Our average volume of agriculture advances increased by 12.84% from Rs. 19,940.7 million in fiscal 2002 to Rs. 22,504.7 million in fiscal 2003 due to the sustained efforts that we made to step up lending to the agriculture sector.

Yields on our advances decreased from an average of 10.59% in fiscal 2002 to 10.11% in fiscal 2003. This decrease was due to the general decline in interest rates and increased competition in the banking industry, which led to the general decline in interest rates.

Investment income increased by 12.66% from Rs. 10,542.8 million in fiscal 2002 to Rs. 11,877.5 million in fiscal 2003. Our average volume of investments increased by 15.06% from Rs. 105,995.4 million in fiscal 2002 to Rs. 121,962.1 million in fiscal 2003 because the increase in our deposits provided us with an increased amount of funds to invest. The main component of our investment income is interest on Government and other approved securities. Income from these securities increased by 11.63% from Rs. 8,042.2 million in fiscal 2002 to Rs. 8,978.1 million in fiscal 2003. The increase was primarily a result of a 16.98% increase in the average volume of these investments from Rs. 76,283.8 million in fiscal 2002 to Rs. 89,237.8 million in fiscal 2003 offset in part by a decline in yields. Yields from these investments declined from 10.59% in fiscal 2002 to 9.87% in fiscal 2003, reflecting the general decline in interest rates during this period.

Investment income from investments other than Government and approved securities increased by 16.00% from Rs. 2,500.7 million in fiscal 2002 to Rs. 2,899.4 million in fiscal 2003. Yields from investments other than Government securities decreased from 8.62% in fiscal 2002 to 8.71% in fiscal 2003.

Interest on balances with RBI and other interbank lending decreased from Rs. 782.9 million in fiscal 2002 to Rs. 595.3 million in fiscal 2003, as a result of the lower cash reserve ratio balances we were required to maintain with the RBI and lower interbank lending during the year. Interest on income tax increased from Rs. 212.8 million in fiscal 2002 to Rs. 1,101.7 million in fiscal 2003 because in fiscal 2003 we received a substantial refund of income tax payments attributable to prior years, together with the interest thereon.

Interest Expense

Our interest expense increased from Rs. 15,423.7 million in 2002 to Rs. 16,605.5 million in fiscal 2003. Our average cost of funds was 7.24% in fiscal 2002 and 6.86% in fiscal 2003.

Our interest expense on deposits increased from Rs. 15,080.8 million in fiscal 2002 to Rs. 16,148.9 million in fiscal 2003. Our average total deposits increased by 13.61% from Rs. 209,457.6 million in fiscal 2002 to Rs. 237,960.1 million in fiscal 2003. Our average cost of deposits declined from 7.20% in fiscal 2002 to 6.79% in fiscal 2003 reflecting primarily the decline in interest rates and the replacement of maturing higher cost deposits with lower cost deposits.

Our interest expense on borrowings from RBI and other interbank borrowings increased from Rs. 11.9 million in fiscal 2002 to Rs.112.5 million in fiscal 2003. Our other interest expense increased by 3.96% from Rs. 331.0 million in fiscal 2002 to Rs. 344.1 million in fiscal 2003.

Other Income

Our other income increased by 36.23% from Rs. 3,849.2 million in fiscal 2002 to Rs. 5,243.6 million in fiscal 2003. The following table sets forth the components of our other income:

	Year ended March 31,	
	2002	**2003**
	(Rs. in million)	
Commission, exchange and brokerage	1,434.70	1,432.10
Profit on sale of investments (net)	1,930.30	3,369.40
Profit on sale of land, buildings and other assets (net)	0.30	(0.40)
Income on exchange transactions (net)	287.30	262.90
Dividends income from subsidiaries, companies and joint ventures	149.00	100.70
Miscellaneous income	47.60	78.90
Total other income	3,849.20	5,243.60

Income from commission, exchange and brokerage remained stable in fiscal 2002 and fiscal 2003.

Net profit on the sale of investments increased by 74.55% from Rs. 1,930.3 million in fiscal 2002 to Rs.3,369.4 million in fiscal 2003. The increase was primarily due to gains from the higher volume of trading activities we undertook to take advantage of interest rate fluctuations.

Net income from foreign exchange transactions decreased by 8.49% from Rs. 287.3 million in fiscal 2002 to Rs. 262.9 million in fiscal 2003, primarily due to revaluation loss of forward foreign exchange transactions.

Dividend income decreased by 32.42% from Rs. 149.0 million in fiscal 2002 to Rs. 100.7 million in fiscal 2003.

Operating Expenses

Total operating expenses increased by 31.11% from Rs. 6,780.5 million in fiscal 2002 to Rs. 8,889.7 million in fiscal 2003. As a percentage of our total income, operating expenses increased from 25.51% in fiscal 2002 to 28.73% in fiscal 2003.

The primary component of our operating expenses was wages and other payments to employees which increased by 4.55% from Rs. 4,631.0 million in fiscal 2002 to Rs. 4,841.5 million in fiscal 2003. The increase was due to normal annual increases in pay scales. As a percentage of total income, however, wages and other payments to employees decreased from 17.42% in fiscal 2002 to 15.64% in fiscal 2003. Our headcount decreased from 19,860 employees as of March 31, 2002 to 19,515 employees as of March 31, 2003.

Our expenses for rent, taxes and lighting for our premises increased by 10.14% from Rs. 445.9 million in fiscal 2002 to Rs. 491.1 million in fiscal 2003. As a percentage of total income, these expenses were 1.68% in fiscal 2002 and 1.59% fiscal 2003.

Depreciation expenses on our properties increased by 10.80% from Rs. 349.9 million in fiscal 2002 to Rs. 387.7 million in fiscal 2003. As a percentage of total revenues, these expenses decreased from 1.32% in fiscal 2002 to 1.25% in fiscal 2003. The increase was primarily due to growth in fixed assets as well as our increased investments in technology (hardware and software) which we depreciate at a rate of 33.33% per annum.

Gross Profit

For the reasons stated above, our gross profit before provisions and contingencies increased by 24.66% from Rs. 4,373.4 million in fiscal 2002 to Rs. 5451.7 million in fiscal 2003. As a percentage of total income, our gross profit increased from 16.46% in fiscal 2002 to 17.62% in fiscal 2003.

Provisions and Contingencies

The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

	Year ended March 31,	
	2002	**2003**
	(Rs. in million)	
Provision for non-performing assets	2,600.60	1,731.30
Provision for standard accounts	32.90	45.10
Provision for depreciation on investments	38.20	194.30
Provisions for income tax	682.10	1,524.30
Others	39.40	111.20
Total provisions and contingencies made during the fiscal year	3,393.20	3,606.20

Provisions and contingencies made in fiscal 2003 increased by 6.28% to Rs. 3,606.2 million compared to Rs. 3,393.2 million in fiscal 2002. Our provisioning in respect of non-performing assets decreased by 33.42% from Rs. 2,600.6 million in fiscal 2002 to Rs. 1,731.3 million in fiscal 2003. Our provisioning for depreciation on investments was Rs. 194.30 million in fiscal 2003 compared to a Rs. 38.20 million in fiscal 2002.

Income Tax

Our provision for income tax increased by Rs. 842.20 million in fiscal 2003 to Rs. 1,524.3 million from Rs. 682.1 million in fiscal 2002 due to our increased profitability.

Net Profit

As a result of the foregoing factors, our net profit increased by 106.92% from Rs. 802.2 million in fiscal 2002 to Rs. 1,659.9 million in fiscal 2003. As a percentage of total income, our net profit increased from 3.02% in fiscal 2002 to 5.36% in fiscal 2003. Our earnings per Equity Share increased by 81.23% from Rs. 3.25 per Equity Share in fiscal 2002 to Rs. 5.89 per Equity Share in fiscal 2003.

Adjusted Net Profit

Our adjusted net profit for fiscal 2003 was Rs. 1,939.0 million, which is Rs. 279.1 million higher than our previously stated net profit of Rs. 1,659.9 million for the same period. In our restated financial statements, we have reallocated to fiscal 2003 a depreciation provision, which we made in fiscal 2002. In addition, we have reallocated a provision for non performing assets and wage revisions.

Liquidity and Capital Resources

Our growth over the last three fiscal years has been financed by a combination of cash generated from operations, increases in our customer deposits and borrowings, including our Tier-II bonds and initial public issue of shares in October 2002.

Cash Flows from Operations

Our operations generated a negative cash flow of Rs. 2, 967.9 million in fiscal 2003 and positive cash flow of Rs. 4,143.2 million in fiscal 2004.

Net cash used in operations in fiscal 2003 of Rs. 2,967.9 million reflected cash profit generated from operations prior to change in operating assets and liabilities of Rs. 2,783.7 million, increased operating liabilities of Rs. 29,764.0 million (increase in deposits by Rs. 27,974.4 million and other liabilities by Rs. 1,789.6 million) and increase in net operating assets of Rs 35,515.6 million (increase in advances by Rs. 16,190.9 million, investments by Rs. 20,136.8 million and decrease in other assets by Rs. 812.1 million).

Net cash used in operations in fiscal 2004 of Rs. 4,143.2 millions reflected cash profit generated from operations prior to change in operating assets and liabilities of Rs. 6,310.8 million, increased operating liabilities of Rs. 60,233.7 million (increase in deposits by Rs. 60,132.3 million and other liabilities by Rs. 101.4 million) and increase in net operating assets of Rs. 62,401.3 million (increase in advances by Rs. 29,903.9 million, investments by Rs. 31,950.7 million and decrease in other assets by Rs. 546.7.milion).

Cash flow from Investment Activities

Net cash used in investment activities was Rs. 283.0 million in fiscal 2003 and Rs. 327.9 million in fiscal 2004. Our investing activities principally consist of purchase of assets, which amounted to Rs. 288.7 million in fiscal 2003 and Rs. 342.4 million in fiscal 2004.

Cash flow from financing activities

Net cash provided by financing activities in fiscal 2003 of Rs. 1,214.2 million primarily consists of the proceeds of our initial public offering of Rs. 1,000 million, interest paid on borrowings of Rs. 456.6 million, issue of Tier II Bonds of Rs. 1,000 million and dividends paid to shareholders of Rs. 160.4 million.

Net cash provided by financing activities in fiscal 2004 of Rs. 2,049.6 million consists of proceeds of issue of Tier II Bonds of Rs. 2,000 million, interest paid on borrowings of Rs. 421.2 million, borrowings of Rs. 1,253 million and dividends paid to the shareholders of Rs. 782.2 million.

Capital

We are subject to the capital adequacy requirements of the RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements in 1988. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula of 9.0%, at least half of which must be Tier I capital.

Our regulatory capital and capital adequacy ratios based on our restated financial statements are as follows:

(Rs. in million)

	As of		
	March 31, 2003	**March 31, 2004**	**December 31, 2004**
Tier I capital	7,808.8	10,285.4	16,357.76
Tier-II capital	5,942.8	9,301.6	9,719.8
Total capital	13,751.6	19,587.0	26,077.56
Total risk weighted assets and contingents	124,134.8	150,497.9	193,877.36
Capital adequacy ratios:			
Tier I	6.29	6.83	8.44
Tier-II	4.79	6.18	5.01
Total capital ratio	11.08	13.01	13.45
Minimum capital ratios required by the RBI:			
Tier I	4.5	4.5	4.5
Total capital ratio (Regulatory Requirement)	9.0	9.0	9.0

As shown above, our Tier-II capital ratio decreased to 5.01% and our total capital ratio increased to 13.45% as of December 31, 2004, compared to 6.18% and 13.01%, respectively, as of March 31, 2004. This decrease is due to the discounting of our Tier-II bonds of the amount of Rs.6,216.1 million, which is required pursuant to RBI guidelines applicable to the calculation of capital ratios. Our Tier-II capital ratio increased to 6.18% and our total capital ratio increased to 13.01% as of March 31, 2004, compared to 4.79% and 11.08%, respectively, as of March 31, 2003. The increase in our Tier-II capital is primarily due to the issuance of Tier-II bonds in a principal amount of Rs. 2,000.0 million and the transfer of Rs.2,068.4 million of our profits to our investment fluctuation reserve.

Tier-I capital and total capital ratios are expected to change with the implementation of the Basel II standards in late 2006 or early 2007. Under Basel II, there will be three methods for determining the risk weighting of assets for purposes of calculating capital adequacy, consisting of one "standardized" method in which external standards are used, and two methods in which a bank's internal standards are used. The RBI has said that Indian banks should first use the standardized method but may later permit banks to change to the internal methods. If the Basel II standardized method were applied on a pro forma basis as of December 31, 2004, we would expect our total capital ratio to be reduced by about 2%.

Financial Condition

Our net assets, which we define as our total assets less our total liabilities, increased by 52.29% from Rs. 9319.0 million as of March 31, 2003 to Rs. 14,191.8 million as of March 31, 2004, and further increased by 45.61% to Rs. 20,664.3 million as of December 31, 2004.

Assets

The following table sets forth the principal components of our assets as of March 31, 2003, March 31, 2004 and December 31, 2004, as restated:

	As of		
	March 31, 2003	**March 31, 2004**	**December 31, 2004**
	(Rs. in million)		
Cash in hand	2,253.50	1,975.80	2,035.07
Balance with the RBI	13,204.10	19,582.00	25,051.25
Balance with banks	4,640.6	4,405.3	4,701.36
Money at call and short notice			
Investments	123,597.40	155,548.10	180,262.92
Advances	126,236.00	156,139.90	199,564.54
Fixed Assets (net of revaluation reserve)	1,254.90	1,219.20	1,291.79
Other Assets	7,186.60	7,733.30	9,039.23
Total Assets	278,373.10	346,603.60	421,946.16

Our total assets increased by 24.51% from Rs. 278,373.1 million as of March 31, 2003 to Rs. 346,603.6 million as of March 31, 2004, and further increased by 21.74% to Rs.421,946.2 million as of December 31, 2004. The most significant elements of this increase were increases in investments and advances as a result of the general increase in our business activities.

Our investments increased by 25.71% from Rs. 123,597.4 million as of March 31, 2003 to Rs.155,548.1 million as of March 31, 2004, and further increased by 17.17% to Rs. 180,262.9 million as of December 31, 2004. This was primarily due to increases in our Government securities and other investments.

Our advances increased by 23.69% from Rs. 126,236.0 million as of March 31, 2003 to Rs. 156,139.9 million as of March 31, 2004, and further increased by 27.81% to Rs. 199,564.5 million as of December 31, 2004. The reasons for the increase in our advances are discussed above under "Results of Operations".

Our gross non-performing assets declined from Rs. 18,415.0 Million as of March 31, 2003 to Rs. 14,184.6 million as of March 31, 2004 to Rs. 12,977.9 million as of December 31, 2004 or, as a percentage of total advances, from 13.65% to 8.66% to 6.24%. This was due to our increased recovery efforts, upgrading the classification of assets into "performing" categories and selective write-offs of non-performing assets. Our net non-performing assets declined from Rs. 9,669.8 million as of March 31, 2003 to Rs. 6,352.8 million as of March 31, 2004 to Rs. 4,636.3 million as of December 31, 2004, or, as a percentage of total advances, from 7.67% to 4.07% to 2.32%. This was due to higher provisioning for non-performing assets. See the section titled "Selected Statistical Information" on page 76 for a further discussion of our non-performing assets.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2003, March 31, 2004 and December 31, 2004:

	As of		
	March 31, 2003	**March 31, 2004**	**December 31, 2004**
		(Rs. in million)	
Demand deposits from banks	749.60	870.80	405.30
Demand deposits from others	21,926.70	27,596.20	27,968.55
Savings deposits	87,251.80	103,423.90	118,121.26
Term deposits from banks	6,990.90	4,304.30	3,133.38
Term deposits from others	137,714.80	178,570.90	231,789.60
Total deposits	254,633.80	314,766.10	381,418.15
Borrowings	436.90	1,689.90	1,189.10
Other liabilities and provisions	13,983.40	15,955.80	18,674.65
(Including Subordinated debt)	(4,216.10)	(6,216.10)	(6,216.10)
Total Liabilities	269,054.10	332,411.80	401,281.90

Our total liabilities increased by 23.54% to Rs. 332,411.8 million as of March 31, 2004 from Rs. 269,054.1 million as of March 31, 2003. This increase consisted mainly of an 18.53% increase in savings deposits, a 26.38% increase in total term deposits, a 287% increase in borrowings, and a 14.11% increase in other liabilities and provisions, including subordinated debt. The increase in our deposits was principally due to general growth in our business, new customers acquired as we expanded our branch network and greater penetration of our customer base achieved through cross sales of our products. The increase in borrowings was mainly as a result of an increase in foreign currency borrowings. Other liabilities include bills payable, interest accrued on deposits and borrowings and interoffice adjustments.

Our total liabilities increased by 20.72% from Rs. 332,411.8 million as of March 31, 2004 to Rs. 401,281.9 million as of December 31, 2004. This increase consisted mainly of a 21.18% increase in deposits as a result of the growth in our business.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2003, March 31, 2004 and December 31, 2004.

	As of		
	March 31, 2003	**March 31, 2004**	**December 31, 2004**
		(Rs. in million)	
Contingent liabilities			
Claims against the Bank not acknowledged as debt	3,818.8	1,492.40	2,062.66
Liability for partly paid investments	1.60	1.60	1.60
Liability on account of outstanding forward exchange contracts	84,700.90	101,041.70	97,169.71
Guarantees given on behalf of constituents	7,887.70	9,815.20	13,677.80
Acceptances, endorsements and other obligations	6,964.90	10,061.00	19,421.85
Other items for which the Bank is contingently liable	13.10	61.10	7.24
Total	103,387.00	122,473.00	132,340.86

Contingent liabilities increased by 18.46% from Rs.103,387.0 million as of March 31, 2003 to Rs. 122,473.0 million as of March 31, 2004 and by 8.05% to Rs. 132,340.9 million as of December 31, 2004, primarily due to the following:

- 24.44% increase in guarantees from Rs.7,887.7 million as of March 31, 2003 to Rs. 9,815.2 million as of March 31, 2004 and a further 39.25% increase to Rs. 13,677.8 million as of December 31, 2004, because of increased focus on our fee-based services business.
- 44.45% increase in acceptances, endorsements and other obligations from Rs.6,964.9 million as of March 31, 2003 to Rs.10,061.0 million as of March 31, 2004 and a further 93.04% increase to Rs. 19,421.9 million as of December 31, 2004, because of increased focus on our fee-based services business.

Foreign Exchange and Derivative Transactions

We enter into foreign exchange and derivative transactions for our customers and for our own account. Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counter parties. Our derivative contracts include Rupee-based derivatives and cross-currency derivatives for corporate customers and for our own hedging activities. We earn profit on interbank and customer transactions by way of a spread between the purchase rate and the sale rate. We use ISDA master agreements for our derivatives transactions. Our hedging activities are carried out in the interbank market, which is a non-exchange informal market.

The aggregate notional principal amount of our forward foreign exchange contracts was Rs. 84,700.9 million as of March 31, 2003, Rs. 101,041.7 million as of March 31, 2004 and Rs. 97,169.7 million as of December 31, 2004. Since these contracts are marked to market, their fair value as of those dates was the same as their notional value. Our notional principal amount of our single currency interest rate swap agreements was Rs. Nil as of March 31, 2004, and Rs. 5,200.0 million as of December 31, 2004. The losses we could incur if the counter parties of these swaps fail to fulfill their obligations would be Rs. 35.6 million. We did not have any outstanding swaps as of March 31, 2003.

Guarantees and Documentary Credits

As a part of our commercial banking activities, we issue guarantees and documentary credits such as letters of credit and guarantees to enhance the credit standing of our customers, for which we charge fees and commissions.

The amounts of guarantees and documentary credits outstanding as of March 31, 2003, March 31, 2004 and December 31, 2004 are set out below:

	As of		
	March 31, 2003	**March 31, 2004**	**December 31, 2004**
		(Rs. in million)	
Guarantees:			
Financial guarantees	5,738.50	7,476.48	9,336.74
Performance and other guarantees	2,149.20	2,338.72	4,341.06
Documentary credits	6,964.90	10,061.00	19,421.85
Total	14,852.60	19,876.20	33,099.65

Loan Sanction Letters

As part of our business we issue sanction letters to customers, indicating our intent to provide new loans. These letters generally lapse after six months. The letters are issued branch-wise. If we were to make these loans, the interest rates would be dependent on lending rates in effect on the date the loans are made. The sanctions are subject to periodic review.

Capital Expenditures

Our capital expenditures consist principally of investments in branch, office and residential premises, investments in other fixed assets such as furniture and fixtures. Capital expenditures on premises were Rs. 24 million, Rs.24 million and Rs. 40 million, respectively, in fiscal 2002, 2003 and 2004. Capital expenditures on other fixed assets were Rs. 403 million, Rs. 264 million and Rs. 267 million, respectively, in fiscal 2002, 2003 and 2004.

OUR MANAGEMENT

Organisation Structure & Management

Hierarchy and Responsibilities

The Bank functions under the supervision of the Board of Directors consisting of the Chairman and Managing Director, the Executive Director and other Directors, as nominated by the Government of India. The Bank has a management structure comprising of Head Office, the Regional Offices (since redesignated as Zonal Offices) and the branches, covering major geographical areas. Within the structure, there are also Field General Managers at Regional Offices at Kolkata (Metro), Lucknow and Ranchi.

Board of Directors

The constitution of Board of Directors is governed by the provisions of the Banking Regulation Act, Banking Acquisition Act and Bank Scheme. Under our Constitutional Documents, we can have a maximum of 15 Directors. We currently have eight Directors on our Board of Directors.

Currently, the Chairman and Managing Director, and the Executive Director are the two whole-time Directors appointed by the GoI. The other Directors include the following:

1. A representative each of
   i. The Government of India;
   ii. Reserve Bank of India;
   iii. Workmen;
   iv. Non-workmen.
2. Two Directors nominated by the Government of India.

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

No	Name, Designation, Age and Experience	Date of Appoin-tment	Date of Expiry of current term	Residential Address	Other Directorships
1.	Mr. O. N. Singh, Chairman and Managing Director Age: 58 years. Experience : 33 years years in banking industry	December 4, 2003	July, 31, 2006	1A, Ronaldshay Road, Alipore, Kolkata - 27	IIBI Limited AllBank Finance Limited National Insurance Company Limited
2.	Mr. S. K. Goel, Executive Director Age : 54 years. Experience :30 years.	August 27, 2004	August 31, 2009	Flat No.9, Middleton Mansion, 9, Middleton Street, Kolkata-71	AllBank Finance Limited
3.	Mr. G. Bhujabal, Government. Nominee Director (Non-Executive Director) Age : 47 years Experience : 19 years in Government Service	March 20, 2002	until further orders	20/4, Lodhi Colony New Delhi : 110 003	-Nil-
4.	Ms. Sewali Choudhury (Non-Executive Director) Age : 55 years Experience : 22 years in RBI	January 9, 2004	until further orders	Golap Kutir GNB Road, Silpa Khuri Guwahati-781003 Assam	-Nil-

5.	Mr. Biswabandhu Bhattacharya, Officer Employee Director (Non-Executive Director) Age: 57 years. Experience : 32 years in banking industry	November 25, 2003	Three years with effect from November 25, 2003 until his successor is appointed or till he ceases to be an officer of Allahabad Bank or until further orders, whichever is earlier.	12A, Biswakosh Lane Kolkata – 700 003	-Nil-
6.	Mr. Deb Kishore Bhattacharya, Non-Executive Director Age :52 years Experience: Practicing law for 25 years	July 28, 2003	July 27, 2006	97, Kusum Apartments, 11, Gurusaday Road, Kolkata – 700 019	-Nil-
7.	Mr. V. Gurumurthy, Workmen Employee Director (Non-Executive Director) Age: 53 years 28 years in banking industry	January 4, 2005	January 3, 2008	No. 35, Apparswamy Koil Street, Mylapore, Chennai – 600 004	-Nil-

Details of Directors

Mr. O.N. Singh: Mr. O.N. Singh is graduate in commerce with honours, graduate in law and is a fellow member of the Institute of Chartered Accountants of India. He is also CAIIB from the Indian Institute of Bankers'. He has varied and all round experience in both operational and administrative fields besides handling different functions at corporate levels. He started his banking career in 1971 with Bank of Baroda as a direct recruited officer and rose to the rank of General Manager. He has also held the position of Chief Executive Officer (CEO) of the New York office of Bank of Baroda. He also served the Bank of India as Executive Director during the period from September 25, 2000 to December 3, 2003.

Mr. S.K. Goel: Mr. Goel joined the Bank of Baroda as a directly recruited officer on January 1, 1974 and worked in different branches. He joined Andhra Bank on August 1, 1980 as a Grade – I officer. He held the post of General Manager from December 1, 1997 to February 1999 and has been in-charge of Computer Policy and Planning Department, General Administration Department, Central Accounts Department, Economics and Policy Department, Credit Card Division with Additional charge of Priority Sector Credit and Human Resource Development. He has also worked as the General Manger and Chief Vigilance Officer in the Bank of India, Mumbai and held additional charge of inspection and audit in Bank of India from October, 2000 to September, 2001. Mr. Goel has visited foreign centres, such as New York, Paris, San Francisco, Singapore, Tokyo and Osaka for prevention of frauds in terms of the guidelines issued by RBI, GoI and the Central Vigilance Commission.

Mr. G. Bhujabal : Mr. Bhujabal was nominated as a Government Nominee Director of Allahabad Bank on March 20, 2002. Mr. Bhujabal is a post graduate in Economics and joined Indian Economics Service in 1982. Subsequent to his joining in service, he has also completed his Masters' Degree in social policy and planning in developing countries from London School of Economics, U.K. Mr. Bhujabal also worked in different capacities in important ministries, such as, the ministry of agriculture, ministry of industry, ministry of labour, ministry of finance, investment division and planning commission. He has also represented on the Boards of Saurastra - Kuchch Stock Exchange, Bhubaneswar Stock Exchange and Mangalore Stock exchange as Government Nominee. Apart from acting as Director of Allahabad Bank, he also serving as Director (Insurance), Ministry of Finance, representing the Boards of National Insurance Academy, Pune and Loss Prevention Association of India, Mumbai.

Ms. Sewali Choudhury: Ms. Chaudhury is a post-graduate in education. She joined the RBI as a Manager (Grade B). She has worked in different departments of the RBI. Presently, Chief General Manager in the Issue Department of Non-Banking Services, RBI, Kolkata. Ms. Chaudhury has put in more than 21 years of service in the RBI. She was nominated as Director of the Board by the Central Government, to represent RBI with effect from January 9, 2004.

Mr. Biswabandu Bhattacharya: Mr. Bhattacharya is a post-graduate. He started his career as a teacher. He has varied interests in number of fields and specialises in Art, Literature and Indian Philosophy. He is well-known for his creative and innovative ideas. He authored the "Vedanga Parichaya" a pioneering book on the history of Vedanga in 1973. He is the General Secretary of the All India Allahabad Bank Officers' Association and has rich experience in the field of banking and the trade union movement. Presently, Mr. Bhattacharya is serving the provident fund department at the head office of the Bank as a Manager. He was nominated as the Officer Employee Director on the Board of the Bank by the Central Government effective from November 25, 2003.

Mr. Deb Kishore Bhattacharya: Mr. Bhattacharya is graduate in Art with honours, graduate in law and is practicing advocate in the High Court at Calcutta. He is practicing on the civil side, mainly revenue law. Mr. Bhattacharya was appointed to the Union of India High Court Panel in 1988. He has rich experience in the field of legal matters. He was nominated on the Board as a Director by the Central Government effective from July 28, 2003.

Mr. V. Gurumurthy: Mr. Gurumurthy is a Workman Employee - Director on the Board of the Bank. Mr. Gurumurthy is the General Secretary of the Allahabad Bank Employees Union, Tamil Nadu. He is also the Assistant General Secretary of the All India Allahabad Bank Employees Co-ordination Committee, Kolkata.

Shareholding of our Directors in our Bank

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

Name of the Director	Number of Equity Shares of Rs. 10 each
Mr. Biswabandhu Bhattacharya	100

Changes in our Board of Directors during the last three years

Name of the Director	Reasons for change	Date of Appointment	Date of expiry / retirement / continuance
Dr. B. Samal	Relinquished charge as per Government notification	April 20, 2000	March 31, 2003
Mr. K. K. Rai	Relinquished charge as per Government notification	January 8, 2001	June 30, 2004
Mr. S. K. Batra	Relinquished charge as per Government notification	November 18, 1999	April 20, 2001
Mr. D. Choudhury	Relinquished charge as per Government notification	April 20, 2001	March 20, 2002
Mr. V. K. Sharma	Relinquished charge as per Government notification	October 30, 2000	June 13, 2001
Mr. Anand Sinha	Relinquished charge as per Government notification	June 13, 2001	June 11, 2002
Mr. Surinder Kumar	Relinquished charge as per Government notification	June 11, 2002	January 08, 2004
Mr. Ashok Kumar	Relinquished charge as per Government notification	June 13, 2002	November 24, 2003
Mr. B. Subba Raju	Relinquished charge as per Government notification	August 28, 2001	August 27, 2004
Mr. Ram Bishun Chaubey	Relinquished charge as per Government notification	July 4, 2000	January 3, 2005
Ms. Deepa Gupta	Relinquished charge as per Government notification	November 5, 2001	November 4, 2004
Mr. Amitav Kothari	Relinquished charge as per Government notification	December 20, 2001	December 18, 2004
Mr. Zafar Obaid	Relinquished charge as per Government notification	February 6, 2002	February 5, 2005
Mr. O. N. Singh	Appointed as per Government notification	December 04, 2003	Continuing
Mr. S. K. Goel	Appointed as per Government notification	August 27, 2004	Continuing
Mr. G. Bhujabal	Appointed as per Government notification	March 20, 2002	Continuing
Ms. Sewali Choudhury	Appointed as per Government notification	January 9, 2004	Continuing
Mr. Biswabandhu Bhattacharya	Appointed as per Government notification	November 25, 2003	Continuing
Mr. Nakul Sein Anand	Appointed as per Government notification	March 1, 2002	Continuing
Mr. Deb Kishore Bhattacharya	Appointed as per Government notification	July 28, 2003	Continuing
Mr. V. Gurumurthy	Appointed as per Government notification	January 4, 2005	Continuing
Mr. Nakul Sein Anand	Relinquished charge as per Government notification	March 1, 2002	February 28, 2005

Corporate Governance

The Bank has taken initiatives in furthering corporate governance practices leading to greater transparency and better coordination between the Board and the management and the members of the organisation. The Bank has constituted various Committees of the Directors, in keeping with the existing guidelines of the GoI and RBI, as follows :

Management Committee of the Board of Directors

In pursuance of Clause 13 of the Bank Scheme read with the directive of the Ministry of Finance, GoI, a Management Committee has been constituted. The function of the Management Committee is to consider various business matters of material significance like sanction of high value proposals, compromise / write-off, sanction of capital and revenue expenditure and review the exercise of delegated authority by the Chairman and Managing Director and the Executive Director. The Committee also reviews the performance in key areas like investment portfolio, non-performing assets and other important management decisions referred to the committee by the Board.

The Management Committee comprises of the following Directors :

1.	Mr. O. N. Singh	:	Chairman and Managing Director
2.	Mr. S. K. Goel	:	Executive Director
3.	Mr. G. Bhujabal	:	Government Nominee Director
4.	Ms. Sewali Choudhury	:	RBI Nominee Director
5.	Mr. Deb Kishore Bhattacharya	:	Non-executive Director
6.	Mr. Biswabandhu Bhattacharya	:	Non-executive Director

The Committee is chaired by Mr. O.N. Singh, Chairman and Managing Director.

Audit Committee of the Board of Directors

The Audit Committee provides direction and oversees the operations of the total audit function of the Bank including the organisation, operation and quality control of internal audit, inspection within the Bank, follow up on the statutory / external audit of the Bank and inspections of RBI.

Regarding internal audit, the Audit Committee reviews the internal inspection / audit function in the Bank, the system, its quality and effectiveness in terms of follow-up. It further reviews the financial and risk management policies of the Bank. It also reviews the inspection reports of specialised and extra large branches and all branches with an unsatisfactory rating.

Regarding statutory audit, the Audit Committee interacts with the central Statutory Auditors before finalisation of annual/semi-annual financial Accounts and reports. It also follows up on various issues raised in the Long Form Audit Report (LFAR).

The Audit Committee comprises of the following Directors :

1.	Mr. Deb Kishore Bhattacharya	:	Non-executive Director
2.	Mr. S.K.Goel	:	Executive Director of the Bank
3.	Mr. G. Bhujabal	:	Director, Government Nominee
4.	Smt. Sewali Choudhary	:	Director, RBI Nominee

The Committee is chaired by Mr. Deb Kishore Bhattacharya, Non-executive Director.

Shareholders'/Investors' Grievances Committee

The Shareholders'/Investors' Grievances Committee has been constituted to specifically look into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheets, non-receipt of declared dividends etc. The Committee ensures that all share certificates are issued within a period of one month of the date of lodgement for transfer, sub-division, consolidation or renewal. The Committee monitors the redressal of investors' complaints in a time bound manner.

The Shareholders'/Investors' Grievances Committee comprises of the following Directors:

1. Mr. Deb Kishore Bhattacharya : Non-executive Director
2. Mr. S. K. Goel : Executive Director of the Bank
3. Mr. Biswabandhu Bhattacharya : Officer Employee Director
4. Mr. V. Gurumurthy : Workmen Employee Director

The Committee was last chaired by Mr. N.S. Anand, Non-executive Director.

Risk Management Committee of the Board

In pursuance of the directives of RBI, a Risk Management Committee was constituted on March 4, 2003. The Risk Management Committee devises the policy and strategy for integrated risk management, containing various risk exposures of the Bank including credit risk.

The Risk Management Committee comprises of the following Directors:

1. Mr. O. N. Singh : Chairman and Managing Director
2. Mr. S.K.Goel : Executive Director
3. Mr. G. Bhujabal : Government Nominee Director
4. Ms. Sewali Choudhury : RBI Nominee Director
5. Mr. Biswabandhu Bhattacharya : Officer Employee Director
6. Mr. Deb Kishore Bhattacharya : Non-executive Director

The Committee is chaired by Mr. O.N. Singh, Chairman and Managing Director.

I*T Sub Committee of the Board*

The Bank constituted the IT Sub-Committee on April 24, 2003 to monitor the implementation of various information technology projects of the Bank.

The IT Sub-Committee comprises of the following Directors:

1. Mr. O. N. Singh : Chairman and Managing Director
2. Mr.S.K. Goel: : Executive Director
3. Mr. G. Bhujabal : Government Nominee Director
4. Ms. Sewali Choudhury : RBI Nominee Director

The Committee is chaired by Mr. O.N. Singh, Chairman and Managing Director.

Fraud Monitoring Committee of the Board

The Fraud Monitoring Committee has been constituted exclusively for monitoring and review of cases of frauds involving amount of Rs.10 million and above, so as to identify the systemic lacunae, if any, identify the reason for delay in detection, if any, monitor progress of Central Bureau of Investigation/Police investigation and recovery position, ensure that staff accountability is examined at all levels, review the efficiency of the remedial action taken to prevent recurrence of frauds and put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

The Fraud Monitoring Committee comprises of the following Directors:

1. Mr. O. N. Singh : Chairman and Managing Director
2. Mr. G. Bhujabal : Government Nominee Director
3. Mr. Deb Kishore Bhattacharya : Non-executive Director
4. Mr. V. Gurumurthy : Workmen Employee Director

The Committee is chaired by Mr. O. N. Singh, Chairman and Managing Director.

Customer Service Committee of the Board

The Board of Directors, in its meeting held on September 9, 2004, constituted Customer Service Committee in compliance with an RBI letter dated August 14, 2004 from Governor, Reserve Bank of India, with a view to bringing out improvements in the quality of customer service in the Bank on a continuous basis.

The functions of the Customer Service Committee, inter alia, are as follows:

- To oversee the functioning of the ad hoc committee (internal committee of the Bank) of the bank so long as it operates.
- To comply with the recommendations of the committee on procedures and performance audit on public services
- To innovate measures for enhancing the quality of customer service and improve the level of customer satisfaction for all categories of clientele at all times.

The Customer Service Committee comprises of the following Directors:

1.	Mr. O. N. Singh	:	Chairman and Managing Director
2.	Mr. S. K. Goel	:	Executive Director
3.	Ms. Sewali Choudhury	:	RBI Nominee Director
4.	Mr. Biswabandhu Bhattacharya	:	Officers' Nominee Director
5.	Mr. V. Gurumurthy	:	Workmen Employee Director

The Committee is chaired by Mr. O.N. Singh, Chairman and Managing Director.

Management of the Bank

The overall supervision and control of the Bank's functions rests with the Board of Directors which consists of the Chairman and Managing Director and Executive Director, both appointed by the Government of India, other Directors represent the Government, Reserve Bank of India, employees and officers of the Bank. The day-to-day affairs of the Bank are managed by the Chairman and Managing Director and Executive Director, the Bank's General Managers, Deputy General Managers, who are assisted by a team of competent professionals.

Key Managerial Personnel

Sl. No	Name and Qualification	Date of Joining the Bank	Experience (years)	Designation	Functional Responsibility
1.	Mr. O. N. Singh B.Com(Hons), LLB, CAIIB, F.C.A.	December 4, 2003	34	Chairman and Managing Director	Chairman and Managing Director
2.	Mr. S. K. Goel M.Com., LLB, CAIIB	August 27, 2004	30	Executive Director	Executive Director
3.	Dr. Bikash Ghosh M.Sc. (Ag.), Ph.D	August 02, 1971	33	General Manager	Accounts, Annual Audit Internal Audit, LFAR, Central Accounts, House Keeping, Planning & Development, Eco-stat and Management Services Department, Risk Management.
4.	Mr. J. N. Pandey M.Com., B.L.,CAIIB, Cert. Co-op DBKM	November 05, 1964	40	General Manager	Inspection, Concurrent Audit of Branches and RBI Inspection, RBS Cell.
5.	Mr. Pankaj Mishra, M.Sc. (Ag), PGDIBM	November 16,1972	32	General Manager	General Manager, regional office, Ranchi
6.	Mr. Bijan Ray, B.Com., ACA, CAIIB	August 16, 1971	33	General Manager	Recovery and Rehabilitation, Law
7.	Mr. R. S. Tripathi B.Com., CA, CAIIB	January 2, 1973	32	General Manager	Credit sanction and Monitoring, Marketing
8.	Mr. Biplab Kumar Mitra M. A.	November 19, 2001	33	General Manager	Chief Vigilance Officer and General Manager
9.	Mr. Prabir Moulik M.Sc. (Ag.)	November 16, 1972	32	General Manager	Personnel Administration, Disciplinary Cell, Departmnet on Information Technology, Marketing, Publicity and Board Sect.
10.	Mr. S. K.Chakraborty M.Sc., CAIIB, MBA	November 19, 1987	33	General Manager	Treasury Operations, Foreign Exchange
11.	Mr. S. K. Katiyar M.Sc.(Ag.), CAIIB	September 19, 1974	30	General Manager	Priority Sector Credit, RRBs and SLBC
12.	Dr. Deepak Palit M.Sc(Ag.), Ph.D.	November 16, 1972	32	General Manager	Human Resource Department
13.	Mr. B. N. Rattan BA, CAIIB-I	December 2, 1968	36	General Manager	Regional Office, Kolkata (Metro)

Changes in the Key Managerial Personnel (During last three years from April 1, 2001 till date)

Name & Qualification	Position held	Reason for change
Dr. B.Samal	Chairman & Managing Director	Completed tenure on March 31, 2003
Mr. O. N. Singh	Chairman & Managing Director	Appointed by the Government of India with effect from December 04, 2003
Mr. K. K. Rai	Executive Director	Retired with effect from June 30, 2004
Mr. S. K. Goel	Executive Director	Appointed by the Government of India with effect from August 27, 2004
Mr. M. S. Bhattacharya	General Manager and Chief Vigilance Officer.	Retired with effect from July 31, 2001
Mr. Uday Shankar Ghose	General Manager	Retired with effect from December 31, 2001
Mr. P. Gopala Krishna Murthy	General Manager	Retired with effect from January 31, 2002
Mr. Dipankar Bhattacharya	General Manager	Retired with effect from March 31, 2002
Mr. Pran Nath Rattan	General Manager	Retired with effect from July 31, 2002
Mr. Sushil Kumar Pal	General Manager	Retired with effect from January 31, 2003
Mr. Medam Venkata Reddy	General Manager	Retired with effect from May 31, 2003
Mr. Shyam Sunder Thapar	General Manager	Retired with effect from August 31, 2003
Mr. Subir Gangopadhyay	General Manager	Retired with effect from Janaury 31, 2004
Mr. Milanendra Nath Roy	General Manager	Retired with effect from January 31, 2004
Mr. R. K. Nath	General Manager	Retired with effect from January 31, 2005
Mr. Ajmal Saeeduddin	General Manager	Promoted with effect from January 11, 2003
Mr. Prabir Moulik	General Manager	Promoted with effect from February 1, 2003
Mr. Sant Kumar Katiyar	General Manager	Promoted with effect from March 10, 2004
Dr. Deepak Palit	General Manager	Promoted with effect from March 10, 2004
Mr. Swapan Kr. Chakraborty	General Manager	Promoted with effect from March 10, 2004
Mr. Bijinder Nath Rattan	General Manager	Promoted with effect from March 10, 2004
Mr. S. Ray	General Manager and Chief Vigilance Officer	Retired with effect from November 18, 2004
Mr. Biplab Kumar Mitra	General Manager and Chief Vigilance Officer	Appointed by the GoI with effect from November 19, 2004
Mr. Ajmal Saeeduddin	General Manager	Retired with effect from February 28, 2005

3. Remuneration of the Directors:

The remuneration including travelling and halting expenses to Non-executive Directors is paid as decided by the GoI in consultation with RBI from time to time in term of Section 17 of Bank Scheme.

The Chairman and Managing Director and Executive Director are being paid remuneration and reimbursement of travelling and halting expenses as per rule framed by the Government of India in this regard.

4. General Body Meeting

The details of General body meeting held during the fiscal year 2004 and fiscal year 2005 are given below:

Name of Meeting	Date & Time	Venue
First Annual General Meeting	June 30, at 11.00 AM	J.B.S. Science City Auditorium, Haldane Avenue, Kolkata-46
Second Annual General Meeting	June 21, at 10.30 AM	J.B.S. Science City Auditorium, Haldane Avenue, Kolkata-46

OUR PROMOTER, SUBSIDIARIES AND GROUP COMPANIES

Promoter

Our Promoter is the President of India, acting through the MoF, GoI, which holds 71.16% of the Pre-Issue paid-up Equity Share capital of our Bank and will hold at least 55.23% of the fully diluted post-Issue paid-up Equity Share capital of our Bank.

Subsidiary

AllBank Finance Limited is a wholly owned subsidiary of Allahabad Bank. The subsidiary was incorporated under the name of Allahabad Bank Nominees Limited on September 29, 1951 under the Indian Companies Act, 1913 primarily to hold the shares, debentures, etc. of the clients of Allahabad Bank purported to be securities against advances granted to them by the Bank to comply with relevant provisions of the Companies Act and Banking Regulation Act. The name of Allahabad Bank Nominees Limited was changed to Allahabad Bank Nominees Private Limited by virtue of Section 24 of the Companies Act, 1956 by the Assitant Registrar of Companies, West Bengal on January 15, 1957. Subsequently, the word "Private" was deleted on April 12, 1961 in accordance with Section 43 A of Companies Act, 1956. Pursuant to the Registrar of Companies letter bearing no. NCR/CN/20023/91 dated February 15, 1991 the name of Allahabad Bank Nominees Limited was changed to AllBank Finance Limited. On February 27, 1991, a fresh incorporation certificate was issued.

The subsidiary was set up to undertake merchant banking activities and to undertake the business of leasing and all other kind of related financial services. However, presently the subsidiary is not undertaking any business of leasing and hire purchase. Consequent upon the SEBI Rules and Regulations notified on December 9, 1997 for segregation of capital market and fund based activities into separate entities, the AllBank Finance Limited surrendered its Merchant Banking registration with SEBI with effect from July 1, 1998 and is registered as a Non-Banking Financial Company with RBI on August 21, 1998. AllBank Finance Limited has not raised any Public Deposit and so it is not required to maintain CRR and SLR. The detailed financials of AllBank Finance Limited are as set out in the section titled "Financial Statement" on page 237.

The Board of directors of AllBank Finance Limited comprise the following as of December 31, 2004:

Director	Post Held
Mr. O.N.Singh (Chairman and Managing Director, Allahabad Bank)	Chairman
Mr. S.K.Goel(Executive Director, Allahabad Bank)	Director
Dr. Surinder P.S. Pruthi	Director
Mr. Vinod Kothari	Director
Mr. Raghu Mody	Director
Mr. S. K. Chakraborty (General Manager, Allahabad Bank)	Additional Managing Director

The paid-up capital for the Bank is given below:

(Rs. in Millions)

Paid-up Capital of AllBank	As of March 31, 2004	As of December 31, 2004
Allahabad Bank	600.0	600.0

Presently, the Bank is in the process of revamping the operations of the subsidiary company to make it economically viable.

Regional Rural Banks sponsored by Allahabad Bank

In accordance with the Regional Rural Banks Act, 1976 providing for the incorporation, regulation and functioning of Regional Rural Banks with the view to develop the rural economy, the Bank has sponsored seven Regional Rural Banks (RRB's): six in the State of Uttar Pradesh and one in Madhya Pradesh, with a view to provide banking services in rural areas in pursuance of GoI policies.

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

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

The operational responsibilities of the RRBs are vested with the Bank, while supervisory and regulatory roles are played by NABARD and RBI, respectively. The executives of the Scale V as per the Allahabad Bank (Officers') Service Regulations, 1979 are deputed as the Chairpersons to the RRBs. The Financial accounts of the RRBs are audited by the statutory central auditor selected by NABARD. Each of the RRB's publish their annual report containing working results for placement to the Lok Sabha. The working results of the RRB's are not consolidated with the working results of the Bank.

The RRBs together have 504 branches, deposits of Rs. 19,171 million and advances of Rs. 7968.4 million as on March 31, 2004. During the financial year 2003-2004, the growth of deposits and advances was 12.8% and 19.7% respectively. For the year ended March 31, 2004, the RRBs sponsored by the Bank have posted combined profit of Rs. 607.9 million. All the 7 (seven) RRBs earned aggregate accumulating profit of Rs. 2,180.3 million as on March 2004. All the RRBs are covered under the restructuring programme of the GoI.

Bhagirath Gramin Bank

Bhagirath Gramin Bank, established on September 19, 1976 has its head office at Sitapur in Uttar Pradesh. The operational area of the bank covers Sitapur district in Uttar Pradesh.

The Board of directors of Bhagirath Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	Post Held
Mr. Jagannath Mishra	Chairman
Mr. P.K.Pradhan	Reserve Bank Of India, Nominee
Mr. V.K. Sinha	NABARD Nominee
Mr. Vijay Kumar Shukla	GoI Nominee
Mr. Narendra Singh Verma	GoI Nominee
Mr. Azmal Saeeduddin	Allahabad Bank Nominee
Mr. Anil Kumar Sinha	Allahabad Bank Nominee
Dr. Suman Srivastava	State of Uttar Pradesh Nominee
Mr. Ramesh Mishra	State of Uttar Pradesh Nominee

The paid-up capital for Bhagirath Gramin Bank is given below:

(Rs. in million)

Shareholder	As of March 31, 2004	As of December 31, 2004
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	399.0	369.0
Refinance Outstanding	150.8	105.2

The audited financial position of Bhagirath Gramin Bank for the last five financial years and the (six months ended September 30, 2004) is as under:

(Rs. in million)

Bhagirath Gramin Bank	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	526.0	719.4	895.7	1,073.0	1,266.9	1,266.9
Deposits	3,283.2	3,676.5	3,858.9	4,259.9	4,600.1	4,332.7
Advances	497.9	711.0	763.4	944.5	1,298.8	1,523.5
Priority sector advances	483.6	565.1	609.1	752.4	919.0	1,259.0
Profit/ (Loss)	162.2	193.2	176.6	182.6	213.5	91.7
Productivity Per Employee	9.3	8.9	7.9	8.9	10.1	10.0

Transactions between Bhagirath Gramin Bank and Allahabad Bank in the past four financials years and the (six months ended September 30, 2004) are as set forth below:

(Rs. in million)

Particulars (As of March 31)	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Deposit with Allahabad Bank	2582.9	2723.5	2650.3	399.0	369.0
Refinance outstanding	29.7	34.7	NIL	NIL	NIL

Chhatrasal Gramin Bank

Chhatrasal Gramin Bank, established on March 30,1982 has its head office at Rath Road, Orai in Uttar Pradesh. The operational area of the bank covers district Jalaun, Hamirpur and Mahoba under Jhansi and Chitrakut dham divisions of Uttar Pradesh.

The Board of directors of Chhatrasal Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	Post Held
Mr. L.M. Pandey	Chairman
Mr. R.K.Ram	Reserve Bank Of India, Nominee
Mr. R.A.S. Khangar	NABARD Nominee
Mr. Brij Bhusan Singh	GoI Nominee
Mr. R.K.Dhingra	Allahabad Bank Nominee
Mr. Vijay Kumar	Allahabad Bank Nominee
Mr. Gobinda Prasad	State of Uttar Pradesh Nominee
Mr. Raj Bahadur	State of Uttar Pradesh Nominee

The paid-up capital for the Bank is given below:

(Rs.in million)

Shareholder	As of March 31, 2004	As of September 30, 2004
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	598.3	672.5
Refinance Outstanding	269.4	249.1

The audited financial position of Chhatrasal Gramin Bank for the last five financial years and the (six months ended September 30, 2004) is as under:

(Rs.in million)

Chhatrasal Gramin Bank	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Sept 30 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	-	-	-	116.7	34.5	53.7
Deposits	1,359.0	1,655.0	1,863.1	2,137.6	2,486.4	2,521.6
Advances	451.7	608.5	814.2	1,027.8	1,345.3	1,423.5
Priority Sector Advance	398.2	520.5	673.7	822.7	1,031.5	1,283.2
Profit/ (Loss)	17.9	25.7	28.2	45.4	48.2	19.2
Accumulated losses	98.1	72.4	44.2	—		
Productivity Per Employee	7.4	9.2	10.9	12.9	11.5	11.9

Transactions between Chatrasal Gramin Bank and Allahabad Bank in the past four financials years and the (six months ended September 30, 2004) are as set forth below:

(Rs.in million)

Particulars (As of March 31)	2001	2002	2003	2004	September 30, 2004
Deposit with Allahabad Bank	786.1	636.3	431.7	598.3	877.5
Refinance outstanding	5.9	7.8	9.4	5.0	Nil

Saryu Gramin Bank

Sarayu Gramin Bank established on August 9, 1983 has its head office at L.R.P Road, Lakhimpur-Kheri, Uttar Pradesh. The operational area of the bank covers Lahimpur-Kheri district in Uttar Pradesh.

The Board of directors of Sarayu Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	Post Held
Mr. Kaptan Pai	Chairman
Mr. S.K.Verma	Reserve Bank Of India, Nominee
Mr. S.V.Sardesai	NABARD Nominee
Ms. Sudha Sharma	GoI Nominee
Mr. Bala Prasad Awasthi	GoI Nominee
Mr. A.K.Jain	Allahabad Bank Nominee
Mr. M.D. P.Patnaik	Allahabad Bank Nominee
Mr. Harish Kumar Verma	State of Uttar Pradesh Nominee
Mr. V.P.Pandey	State of Uttar Pradesh Nominee

The paid-up capital for Sarayu Gramin Bank is given below:

(Rs.in million)

Shareholder	As of March 31, 2004	As of September 30, 2004
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	1,207.2	1,077.9
Refinance Outstanding	367.8	459.2

The audited financial position of Sarayu Gramin Bank for the last five financial years and the (six months ended September 30, 2004) is as under:

(Rs.in million)

Saryu Gramin Bank	FY 2000	FY 2001	FY 2002	FY2003	FY2004	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	165.6	246.9	331.8	430.4	522.8	577.2
Deposits	1,139.8	1,421.8	1,530.6	1,546.0	1,897.8	1,696.5
Advances	406.8	550.4	754.8	947.3	944.7	1,050.5
Priority sector advances	365.1	512.1	690.9	878.3	864.6	967.9
Profit/ (Loss)	59.4	81.3	93.8	98.6	92.4	54.4
Productivity Per Employee	13.9	14.3	14.8	15.9	18.8	18.1

Transactions between Saryu Gramin Bank and Allahabad Bank for the last four financials years and the six months ended September 30, 2004 are as set forth below:

(Rs. in millions)

Particulars	**2001**	**2002**	**2003**	**2004**	September 30, 2004
Deposit with Allahabad Bank	805.4	920.8	728.4	1,207.2	1,077.9
Refinance outstanding	35.2	46.7	101.6	0.2	NIL

Sharda Gramin Bank

Sharda Gramin Bank, established on March 31, 1979 has its head office at Satna in Madhya Pradesh. The operational area of the bank covers Satna district in Madhya Pradesh.

The Board of directors of Sharda Gramin Bank As of March 31, 2004 comprises of the following directors:

Director	**Post Held**
Mr. R.P.Singh	Chairman
Mr. S.N.Pandey	Reserve Bank Of India, Nominee
Mr. A.K.Yadav	NABARD Nominee
Mr. Ram Khelawan Tripathy	GoI Nominee
Mr. Ram Kripal Singh	GoI Nominee
Dr. Rajendra Singh	Allahabad Bank Nominee
Mr. U.S. Srivastava	Allahabad Bank Nominee
Mr. Umakant Umarao	State of Uttar Pradesh Nominee
Mr. Vijay Anand Kuril	State of Uttar Pradesh Nominee

The paid-up capital for Sharda Gramin Bank is given below:

(Rs. in millions)

Shareholder	**As of March 31, 2004**	**As of December 31, 2004**
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	954.7	802.0
Refinance Outstanding	143.4	60.7

The audited financial position of Sharda Gramin Bank for the last five financial years and the (six months ended September 30, 2004)is as under:

(Rs. in millions)

Sharda Gramin Bank	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	-	-	-	—		
Deposits	1,187.8	1,418.1	1,622.7	1,880.3	2,190.4	2,170.1
Advances	231.6	354.6	464.7	624.5	708.8	714.7
Priority sector advances	221.3	260.2	335.6	457.6	518.6	519.9
Profit/ (Loss)	11.5	25.7	12.8	18.1	31.7	22.2
Accumulated losses	157.7	132.0	121.7	103.7	72.0	49.8
Productivity Per Employee	6.3	7.4	8.9	10.8	12.4	12.4

Transactions between Sharda Gramin Bank and Allahabad Bank for the past four financials years and the (six months ended September 30, 2004) are as set forth below:

(Rs. in million)

Particulars (As of March 31)	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Deposit with Allahabad Bank	789.9	799.8	804.2	954.7	802.0
Refinance outstanding	0.4	0.4	NIL	58.0	NIL

Sravasthi Gramin Bank

Sravasthi Gramin Bank, established on March 4, 1980 has its head office at Bahraich in Uttar Pradesh. The operational area of the bank covers two districts namely Bahraich and Sravasthi in Uttar Pradesh.

The Board of directors of Sravasthi Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	Post Held
Mr. K.G. Sharma	Chairman
Mr. K.S. Bhatti	Reserve Bank Of India, Nominee
Mr. Sudhanshu K.K.Mishra	NABARD Nominee
Mr. Ram Sundar Chowdhury	GoI Nominee
	GoI Nominee
Mr. Ejaz Hussain	Allahabad Bank Nominee
Mr. D.K.Sinha	Allahabad Bank Nominee
Mr. Kalika Prasad	State of Uttar Pradesh Nominee
Mr. Shobhnath Bind	State of Uttar Pradesh Nominee

The paid-up capital for Sravasthi Gramin Bank is given below:

(Rs.in million)

Shareholder	As of March 31, 2004	As of September 30, 2004
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	1612.9	1618.0
Refinance Outstanding	184.2	101.3

The audited financial position of Sravasthi Gramin Bank for the last five financial years and the (six months ended September 30, 2004) is as under:

(Rs.in millions)

Sravasthi Gramin Bank	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	13.6	156.0	175.1	243.0	343.8	395.8
Deposits	2,032.4	2,442.5	2,529.3	2,811.6	3,096.2	3,194.3
Advances	792.0	974.9	1,017.6	1,021.7	1,209.5	1,298.8
Priority sector advances	755.5	819.4	866.2	962.5	1,040.5	1,130.0
Profit/ (Loss)	123.4	142.4	64.4	68.3	100.8	52.0
Accumulated losses	-	-	-	-		
Productivity Per Employee	9.5	9.9	11.6	9.5	10.5	14.8

Transactions between Sravasthi Gramin Bank and Allahabad Bank in the past four financials years and the (six months ended September 30, 2004) are as set forth below:

(Rs. in millions)

Particulars (As of March 31)	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	September 30, 2004
Deposit with Allahabad Bank	1,062.3	1,245.6	1,487.7	1,612.9	1,618.0
Refinance outstanding	14.4	28.6	3.6	NIL	NIL

Tulsi Gramin Bank

Tulsi Gramin Bank, established on March 26, 1981 has its head office at Banda in Uttar Pradesh. The operational area of the bank covers Banda and Chitrakoot district in Uttar Pradesh.

The Board of directors of Tulsi Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	**Post Held**
Mr. R.A.Pal	Chairman
Mr. Jiyalal	Reserve Bank Of India, Nominee
Mr. R.P. Acharya	NABARD Nominee
Mr. Mannulal Kuril	GoI Nominee
Mr. Vishambar Singh	GoI Nominee
Mr. S.N.Pandey	Allahabad Bank Nominee
Mr. R.K.Singh	Allahabad Bank Nominee
Mr. N.L.Gangwar	State of Uttar Pradesh Nominee
	State of Uttar Pradesh Nominee

The paid-up capital for Tulsi Gramin Bank is given below:

(Rs. in million)

Shareholder	**As of March 31, 2004**	**As of September 30, 2004**
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	886.8	825.7
Refinance Outstanding	642.0	437.7

The audited financial position of Tulsi Gramin Bank for the last five financial years and the (six months ended September 30, 2004) is as under.

(Rs. in million)

Tulsi Gramin Bank	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	-	-	43.3	43.3		
Deposits	1,793.8	2,039.3	2,314.9	2,735.4	3,161.2	3,233.3
Advances	666.6	885.0	1,082.3	1,397.4	1,742.7	1,845.8
Priority Sector Advance	561.2	710.3	841.6	1,073.8	1,344.6	
Profit/ (Loss)	35.7	61.9	42.5	64.9	72.1	19.2
Accumulated losses	194.3	132.5	93.7	28.8	*	*
Productivity per Employee	8.6	8.8	9.0	10.9	13.0	13.9

Transactions between Tulsi Gramin Bank and Allahabad Bank in the past four financials years and the (six months ended September 30, 2004) are as set forth below:

(Rs. in Million)

Particulars (As of March 31)	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Deposit with Allahabad Bank	566.3	637.8	725.2	886.8	85.7
Refinance outstanding	26.0	NIL	47.0	NIL	NIL

Vindhyavasini Gramin Bank

Vindhyavasini Gramin Bank, established on March 30, 1983 has its head office at Mirzapur in Uttar Pradesh. The operational area of the bank covers two districts namely Mirzapur and Sonebhadra in Uttar Pradesh.

The Board of directors of Vindhyavasini Gramin Bank as of March 31, 2004 comprises of the following directors:

Director	Post Held
Mr. D.S.Upadhya	Chairman
Mr. M.K.Datta	Reserve Bank Of India, Nominee
Mr. J.K.Mishra	NABARD Nominee
Mr. Ram Bulawan Singh	GoI Nominee
Mr. Rabindra Nath Pathak	GoI Nominee
Mr. R.N. Mehra	Allahabad Bank Nominee
Mr. R.P. Singh	Allahabad Bank Nominee
Mr. Bharat Lal Rai	State of Uttar Pradesh Nominee
Mr. A.K.Srivastava	State of Uttar Pradesh Nominee

The paid-up capital for Vindhyavasini Gramin Bank is given below:

(Rs. in Million)

Shareholder	As of March 31, 2004	As of September 30, 2004
GoI Share	5.0	5.0
State Government Share	1.5	1.5
Allahabad Bank	3.5	3.5
Non SLR Deposit	225.0	503.9
Refinance Outstanding	139.1	88.2

The audited financial position of Vindhyavasini Gramin Bank for the last five financial years and the six months ended (September 30, 2004) is as under:

(Rs. in million)

Vindhyavasini Gramin Bank	FY 2000	FY2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Capital	10.0	10.0	10.0	10.0	10.0	10.0
Reserves & Surplus	-	-	-	-		
Deposits	1,030.1	1,264.6	1,488.3	1,626.8	1,739.2	1,865.9
Advances	491.3	535.8	612.0	761.2	856.2	968.8
Priority sector advances	444.6	478.5	553.7	697.6	783.6	838.5
Profit/ (Loss)	18.7	23.7	6.4	11.2	8.6	4.7
Accumulated losses	35.6	11.9	11.8	12.9	*	*
Productivity Per Employee	12.1	11.9	11.8	13.1	14.7	15.7

Transactions between Vindhyavasini Gramin Bank and Allahabad Bank in the past four financial years and the (six months ended September 30, 2004) are as under :

(Rs. in million)

Particulars	FY 2001	FY 2002	FY 2003	FY 2004	September 30, 2004
Deposit with Allahabad Bank	506.5	500.5	469.7	225.0	503.9
Refinance outstanding	NIL	NIL	NIL	NIL	NIL

Contingent liabilities of Regional Rural Banks

As of March 31 2004, the contingent liabilities of Regional Rural Banks aggregating Rs. 22.8 million as given in the following table.

Sl. No	Name of the Gramin Bank	Amount of contingent liability (Rs. million)
1.	Bhagirath Gramin Bank	Nil
2.	Chhatrasal Gramin Bank	6.9
3.	Sarayu Gramin Bank	Nil
4.	Shravasthi Gramin Bank	8.1
5.	Sharda Gramin Bank	7.6
6.	Tulsi Gramin Bank	0.0
7.	Vindhyavasini Gramin Bank	0.2
	Total	22.8

As per the RRB Act, RRBs are exempted from payment of Income Tax. They have complied with the CRR and SLR requirement.

Listed ventures of the Promoters:

Since the GoI 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.

RELATED PARTY TRANSACTIONS

We have entered into related business transactions with key managerial personnel and our rural regional banks.

As per the RBI circular no. DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standard by Banks, all nationalized banks are exempt from disclosing their transactions with their subsidiaries as well as the RRBs sponsored by them. Accordingly we are disclosing transactions with key management personnel in the audited accounts in compliance with the relevant accounting standard and extant RBI circular.

Transactions with whole time directors (Mr. O. N. Singh, Chairman and Managing Director and Mr. S. K Goel, Executive Director and Shri K. K. Rai, Former Executive Director), who have been termed key managerial personnel for the purposes of the audited accounts of the Bank, are as follows (these numbers are from the audited accounts):

Related Party Disclosures as of March 31, 2004 and December 31, 2004

List of Related Parties and Transaction (if any)

a) Key Management Personnel.

S.No.	Name	Designation	Remuneration (Amount in Rs.)	
			2003-04	April-Dec'04
1	Shri O. N. Singh	Chairman & Managing Director*	151,980.40	421,810.55
2	Shri S. K. Goel	Executive Director #	———	175,774.67
3.	Shri K K Rai	Former Executive Director **	444,426.00	144,326.66

* Joined with effect from December 4, 2003

" Joined with effect from August 27, 2004.

** Retired on June 30, 2004

REGULATIONS AND POLICIES

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

Allahabad Bank, as a corresponding new bank, is governed primarily by the provisions of the Bank Acquisition Act. In addition, the Nationalised Bank Scheme and the Bank Regulations also govern our operations.

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

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

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

Comparative Table of Rights of Shareholders under Companies Act, 1956 and under Regulations Applicable to Corresponding New Bank.

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

	COMPANY		CORRESPONDING NEW BANK
Co. Act	Rights	Provision	Rights
62	To sue directors, promoters or persons who have authorized the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus.	No corresponding provision.	
71	To avoid irregular allotment of shares/debentures within two months after the holding of the statutory meeting of the company or two months from the date of allotment, and not later.	No corresponding provision.	
73	To obtain repayment of the application money/ excess application money within eight days from the date the company becomes liable to pay it.	No corresponding provision.	
81	Rights in relation to rights issue and preferential allotment.	No corresponding provision.	
84	To receive a share certificate and obtain a duplicate if the original lost or damaged.	Regulations 14 and 15	Regulation 14 - Issue of Share Certificates – While issuing share certificates to any shareholder, it shall be competent for the Board to issue multiples thereof to the shareholder. Regulation 15 - Renewal of Share Certificate - If any share certificate is worn or defaced, the Board or a Committee designated by it may order the same cancelled and have a new certificate issued in lieu thereof.
87	Voting rights at general meetings and on a poll in proportion to the share of the paid-up equity capital of the company.	Regulations 61 and 68 Sections 3(2BBA)(a) and 3(2E)	Regulation 61: Voting at general meetings (i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands. (ii) Save as otherwise provided in the Act, every matter submitted to a general meeting shall be decided by a majority of votes. (iii) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in the Bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution. (iv) The decision of the chairman of the meeting as to the qualification of any person to vote, and also on the case of poll, as to the number of votes any person is competent to exercise shall be final.

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
			Regulation 68: Determination of voting rights (i) Subject to the provisions contained in Section 3 (2E) of the Bank Acquisition Act, each shareholder who has been registered as a shareholder shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him. (ii) Subject to the provisions contained in Section 3 (2E) of the Bank Acquisition Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation (i) Explanation - For this Chapter, “Company” means any body corporate. (iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting. Section 3(2BBA)(a) A corresponding new bank may from time to time and after any paid-up capital been raised by public issue under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way. 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.

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
91	To have calls on shares on a uniform basis on all the shares falling under the same class.	Regulations 22, 24, 26 and 29	Regulation 22: Calls on shares - The Board may from time to time make such calls as it thinks fit upon the shareholders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be payable by installments. Regulation 24: Notice of Calls – A notice of not less than thirty days of ever call shall be given specifying the time of payment provided that before the time of payment for such call the Board may by notice indicating to the shareholder revoke the same. Regulation 25 – Extention of time for payment of calls – The Board may, from time to time, and its discretion extend the time fixed for the payment of any call to all or any of the shareholders having regard to distance of their residence or some other sufficient cause but no shareholder shall be entitled to such extension as a matter or right. Regulation 26 – Liabilities of Joint holders – The joint holders of the share shall be jointly held, severally liable, to pay all calls in respect thereof. Regulation 29 – Non-payment of calls by the shareholder – No shareholder shall be entitled to receive any dividend or to exercise any right of a shareholder until he shall have all calls for the itme being due and payable on every share held by him, whether singly or jointly, with any person, together with interest and expenses as may be levied or charged.
99	Right to determine that uncalled share capital shall be capable of being called only upon winding up.	No corresponding provision.	
106	To consent to the variation of rights attached to the shares.	No corresponding provision.	
107	To apply to the National Company Law Tribunal[1] to have the variation of rights cancelled if no consent is given.	No corresponding provision.	
108	To transfer shares held in the company.	Regulations 3, 17, 18 and 19 Section 3(2D)	Regulation 3: Nature of Shares The shares of the Bank shall be movable property, transferable in the manner provided in the Regulations.

[1] The National Company Law Tribunal (NCLT) has not yet been constituted and therefore reference in this section and in all succeeding sections referring to the NCLT, are to be reas as Company Law Board/High Court as the case may be.

	COMPANY		CORRESPONDING NEW BANK
Co. Act	Rights	Provision	Rights
			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 of any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceeds the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.
110	To apply for the registration of transfer of shares.	Regulations 18 and 19	Regulation 18: Power to suspend transfers The board or the committee designated by the board shall not register any transfer during any period in which the register is closed. Regulation 19: Board's right to refuse registration of transfer of shares (i) The board or committee may refuse transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other grounds: a. the transfer of shares is in contravention of the provisions of the Bank Acquisition Act or regulations made thereunder or any other law or that any other requirement under the law relating to registration of such transfer has not been complied with; b. the transfer of shares, in the opinion of the board, is prejudicial to the interests of the Bank or to public interest; c. the transfer of shares is prohibited by an order of court, tribunal or any other authority under any law for the time being in force; d. an individual or a company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, will on the transfer being allowed, hold or acquire as a result thereof, shares of the bank and such investment in the aggregate will exceed the percentage being more than 20% of the paid-up capital or as may be prescribed by the Central Government by notification in the Official Gazette. (ii) The board or the committee shall, after the instrument of transfer of shares of the Bank is

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
			lodged with it for the purpose of registration of such transfer, form its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to above: ● if it has formed the opinion that such registration ought not to be so refused, effect such registration; and ● if it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-regulation (i) above intimate the same to the transferor and the transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the listing agreement with the concerned stock exchange.
111, 111A	To make a petition to the National Company Law Tribunal against refusal by the company for the registration of transfer of shares or rectification of the register of members.	No corresponding provision.	
112	To have the share transfer instrument certified by the company in the case of part transfer of the total holding.	Regulation 16	Regulation 16: Consolidation and sub-division of shares - On a written application made by the shareholder(s), the board or the committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/ sub-division as the case may be and issue new certificate(s) in lieu thereof on payment to the bank of its costs, charges and expenses of and incidental to the matter.
113	To have the share certificate delivered within the time limit stipulated.	Regulation 17(v)	Regulation 17(v) Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days of the date of lodging the instrument of transfer.
113	To serve on the company a notice, requiring it to make good any default in delivering share/ debenture/ stock certificates.	No corresponding provision.	
113	To apply to the Central Government in the event of the company's failure to make good any default as above.	No corresponding provision.	
117A	To inspect debenture trust deed and obtain a copy thereof.	No corresponding provision.	
118	To request the company to forward a copy of a debenture trust deed.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	Rights	Provision	Rights
118	To apply to the Central Government to direct the company to forward a copy of the debenture trust deed forthwith.	No corresponding provision.	
134	To file with the Registrar of Companies the particulars of a charge created by the company, as a person interested therein.	No corresponding provision.	
141	To apply to the Central Government for the rectification of the register of charges as an interested party.	No corresponding provision.	
144	To inspect the copies of instruments creating charge.	No corresponding provision.	
144	To apply to the Central Government for compelling inspection of the copies and the register aforesaid, in case of refusal by the company.	No corresponding provision.	
163	To inspect, to obtain copies of the register of members or register of debenture holders and copies of annual returns together with the copies of certificates and documents required to be annexed thereto.	Regulations 11 and 12	Share register maintained under Regulation 5 and Section 3(2F) Regulation 5: Particulars to be entered into the register – (i) A share register shall be kept, maintained and updated in accordance with sub-section 2(F) of Section 3 of the Bank Acquisition Act. (ii) In addition, to the particulars specified in sub-section 2(F) of Section 3 of the Bank Acquisition Act, such other pariticulars as the Board may specify shall be entered in the register. (iii) In the case of joint-holders of any share, their names and other particulars required by sub-regulation (i) shall be grouped under the name of first of such joint holders. Regulation 11: Inspection of Register The register shall, except when closed under Regulation 12, be open to inspection of any shareholder, free of charge, at the place where it is maintained during business hours, subject to such reasonable restrictions as the board may impose, but so that not less than two hours in each working day be shall allowed for inspection Notwithstanding anything contained in sub-regulation (ii), any duly authorized officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.
163	To apply to the Central Government for compelling inspection of the registers of shareholders and debenture-holders and annual returns.	No corresponding provision.	
165	To receive a copy of the statutory report and to attend the statutory meeting.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
165	To discuss at the statutory meeting, any matter relating to the formation of the company or arising out of the statutory report, without giving a previous notice therefor.	No corresponding provision.	
165	To have accessible, a list of members with details, during the continuation of the statutory meeting.	No corresponding provision.	
169	To attend an extra-ordinary general meeting.	Regulations 60	Regulation 60: Persons entitled to attend general meetings (i) All directors and all shareholders of Allahabad Bank shall, subject to the provisions of sub-regulation (ii), be entitled to attend a general meeting. (ii) A shareholder (not being the Central Government) or a director, attending a general meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the bank a form to be specified by the chairman containing the particulars relating to: (a) his full name and registered address; (b) the distinctive number of his shares; (c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorized representative.
169	To requisition an extra-ordinary general meeting.	Regulation 57	Regulation 57: Extraordinary General Meeting (i) The Chairman and Managing Director or in his absence the Executive Director of the bank or in his absence any one of the directors of the bank may convene an extra-ordinary general meeting of shareholders, if so directed by the board, or on a requisition for such a meeting having been received either from the Central Government or from other shareholders holding shares carrying, in the aggregate not less than ten percent of the total voting rights of all shareholders. (ii) The requisition referred in sub-regulation (i) shall state the purpose for which the extra ordinary general meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists. (iii) Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting signed by one or some of them shall, for the purpose of this regulation have the same force and affect as if it had been signed by all of them.

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
			(iv) The time, date and place of the extra-ordinary general meeting shall be decided by the board: Provided that the extraordinary general meeting convened on the requisition by the Central Government or other shareholder shall be convened not later than 45 days of the receipt of the requisition. (v) If the chairman and managing director or in his absence the executive director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation (iv), the meeting may be called by the requisitionist themselves within three months from the date of the requisition: Provided that nothing in this sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period. (vi) A meeting called under sub-regulation (v) by the requisitionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the board.
169	To hold an extra-ordinary general meeting if the Board of Directors fails to convene a meeting on the requisition, within the time limit stipulated.	Regulation 57	As provide above.
169	To have reimbursed, the expenses incurred for convening/ holding the extra-ordinary general meeting, on failure of the board as aforesaid.	No corresponding provision.	
171, 172	To receive a notice of every general meeting.	Regulation 56	Regulation 56: Notice convening an Annual General Meeting (i) A notice convening an annual general meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any authorised official of Allahabad Bank shall be published at least twenty-one clear days before the meeting in not less than two daily newspapers having wide circulation in India. (ii) Every such notice shall specify the time and place of such meeting and also the business that shall be transacted at the meeting. (ii) The time and date of such meeting shall be as specified by the board. The meeting shall be held at the place of head office of Allahabad Bank.
173	To have the notice of a general meeting annexed with an explanatory statement.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
174	To be counted for the purpose of constituting a quorum at a general meeting.	Regulation 58	Regulation 58: Quorum of general meeting No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business.
176	To appoint a proxy to attend and vote at a general meeting of a company.	Regulations 68 and 70	Shareholders can attend and vote personally and through proxy Regulation 70 – Proxies – No instrument of proxy shall be valid unless, in the case of an individual shareholder, it is signed by him or by his attorney duly authorised in writing, or in the case of joint holders, it is signed by the shareholder first named in the register or his attorney duly authorised in writing or in the case of the body corporate signed by its officer or any attorney duly authorised in writing. Provided that an instrument of proxy shall be suffieciently signed by an shareholder, who is, for any reason, unable to write his name, if his mark is affixed thereto and attested by a judge, magistrate, registrar or sub-registrar of assurance or other Government gazetted officer or officer of the Allahabad Bank.
176	To inspect the proxies lodged with the company in the manner specified.	No corresponding provision.	
179	To demand a poll and to withdraw the demand in the manner laid down in this section at a general meeting of the company.	Regulation 61	Regulation 61: Voting at general meetings At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.
182	Not to be prohibited from exercising the voting right on the ground that the shares or other interest in the company has not been held for any specified period or on any other ground than the one specified in Section 181.	No corresponding provision.	
183	To use votes on a poll differently, for or against the resolution.	No corresponding provision.	
184	To be appointed as a scrutineer at a poll.	Regulation 61A	Regulation 61A: Scrutineers at a Poll - Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on a poll and to report thereon to him. Of the two scrutineers appointed under this regulation, one shall always be a shareholder (not being an officer or employee of the bank) present at the meeting; provided that such a shareholder is available and willing to be appointed.

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
186	To apply to the National Company Law Tribunal to order a general meeting other than annual general meeting, to be called.	No corresponding provision. However the listing agreement	
187	To be represented at a general meeting of a company (if the member to be represented, is a company).	Regulation 69(i)	Regulation 69(i): Voting by duly authorised representative - A shareholder, being the Central Government or a company, may authorise any of its officials or any other person to act as its representative at any general meeting. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the Central Government / company.
187A	To be represented at a general meeting of a company (if the member to be represented, is the President or Governor of a State).	Regulation 69(i)	Same as above
188	To have a resolution to be proposed at a general meeting to be circulated amongst members of the company.	No corresponding provision.	
190	To give a special notice to the company in respect of the resolutions requiring special notice.	No corresponding provision.	
190	To be given a notice of a resolution requiring special notice.	No corresponding provision.	
196	To inspect and be furnished with a copy of the minutes of any general meeting.	Regulation 62	Regulation 62: Minutes of general meetings - (i) The Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose. (ii) On written request made by a shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the bank shall allow the inspection or furnish the copy of the minute, as the case may be.
196	To apply to the Central Government for inspection of the minutes books or to be furnished with a copy of minutes of the general meeting.	No corresponding provision.	
203	To apply to the court/ National Company Law Tribunal to restrain fraudulent persons from managing companies.	No corresponding provision.	
205A, 205B	To claim any unclaimed dividend.	No corresponding provision.	
206	To receive dividend declared.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	Rights	Provision	Rights
206A	To have the dividend transferred to the special account where the transfer of shares has not been registered by the company.	No corresponding provision.	
206A	To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company.	No corresponding provision.	
219	To receive 21 days before the date of the annual general meeting, copies of the balance sheet, profit and loss account, directors' report, auditor's report and other documents.	No corresponding provision.	
219	To require a company to furnish the full accounts where the company has sent abridged accounts.	No corresponding provision.	
219	To inspect the full accounts at the annual general meeting if the company has sent the abridged accounts.	Section 10A	Section 10A: Annual general meeting The shareholders present at an annual general meeting shall be entitled to discuss the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new bank for the period covered by the accounts and the auditor's report on the balance-sheet and accounts.
224(5)	To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting.	No corresponding provision.	
225	To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be reappointed.	No corresponding provision.	
227	To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company.	Section 30(2), Banking Regulation Act	The auditor shall discharge the duties and be subject to the liabilities imposed on auditors of companies by Section 227 of the Companies Act. This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.
230	To inspect the auditors' report at the general meeting where it is laid.	Section 10 A	The auditor shall discharge the duties and be subject to the liabilities imposed on auditors of companies by Section 227 of the Companies Act. This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.
250	To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	Rights	Provision	Rights
257	To stand for election for directorship at a general meeting.	Section 9(3) Regulation 63	Regulation 63: Directors to be elected at general meeting - (i) A director under clause (i) of sub-Section (3) of Section 9 of the Bank Acquisition Act shall be elected by the shareholders on the register, other than the Central Government, from amongst themselves in the general meeting of Allahabad Bank. (ii) Where an election of a director is to be held at any general meeting the notice thereof shall be included in the notice convening the meeting. Every such notice shall specify the number of directors to be elected and the particulars of vacancies in respect of which the election is to be held.
257	To give notice to the company for proposing a resolution at a general meeting to have himself or any other person elected as a director.	Regulation 65	Regulation 65: Nomination of candidates for election (i) No nominatio n of a candidate for election as a director shall be valid unless, a. he is a shareholder holding not less than 100 shares in the Bank; b. he is on the last date for receipt of nomination, not disqualified to be a director under the Bank Acquisition Act or under the Nationalised Bank Scheme; c. he has paid all calls in respect of the shares of the bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call; d. nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Bank Acquisition Act or by the duly consituted attorney, provided that a nomination by a shareholder who is a company may be made by a resolution of the Directors of the said company and where it is so met a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passes shall be dispatched to the head office of Allahabad Bank and such copy shall be deemed to be nomination on behalf of such company. (ii) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of the bank on a working day not less than fourteen days before the date fixed for the meeting.
257	To be informed of the candidature for directorship or the intention of a member to propose such person for directorship.	No corresponding provision.	
265	To vote for appointing a director by the proportional representation system.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
284	To give a notice to the company proposing a resolution at a general meeting for removal of a director and appointment of a person as director in place of the removed director.	Clause 11A	Clause 11-A: Removal from office of an elected director -The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected by the shareholders and elect in his stead another person to fill the vacancy.
301	To inspect, to take copies of the register of contracts, etc. kept under this Section.	No corresponding provision.	
302	To receive an abstract of the terms of the contract or variation thereof, in respect of the appointment of manager or managing director, in which any director is interested.	No corresponding provision.	
304	To inspect the register of directors.	No corresponding provision.	
304	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if it is refused by the company. To inspect the register kept by the registrar under this Section.	No corresponding provision.	
306	To inspect at the annual general meeting, the register of directors’ shareholdings.	No corresponding provision.	
307	To inspect at the registered office, the register of directors’ shareholdings.	No corresponding provision.	
391	To apply to the National Company Law Tribunal to call a meeting of the creditors or of the members in case compromise or arrangement is proposed with its creditors or members.	No corresponding provision.	
391	To agree to any compromise or arrangement at a special meeting called for that purpose.	No corresponding provision.	
391	To have disclosed in the notice of the special meeting referred to above, the particulars notified in sub-s (1) of this Section.	No corresponding provision.	
393	To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement.	No corresponding provision.	
393	To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
395	To receive notice within one month from the date of the transfer, of that fact in the prescribed manner, to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract.	No corresponding provision.	
395	To require the transferee company to acquire the shares in question within three months of giving the notice.	No corresponding provision.	
395	To have a copy of the notice transmitted to the transferor company together with an instrument of transfer and within one month of the date of registration be informed of the fact of registration, and of the receipt of amount or other consideration.	No corresponding provision.	
395	To have a copy of the notice transmitted to the transferor company together with an instrument of transfer and within one month of the date of registration, he informed *of* the fact of registration and of the receipt of amount or other consideration.	No corresponding provision.	
396	To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, and to receive compensation in case such interests or rights are reduced.	No corresponding provision.	
396	If aggrieved by any assessment of compensation, to prefer an appeal to the National Company Law Tribunal.	No corresponding provision.	
397, 398	To apply to the National Company Law Tribunal if he is of the opinion that the affairs of the company are being conducted in a manner prejudicial to the public interest or in a manner oppressive to any member.	No corresponding provision.	
408	To apply to the National Company Law Tribunal for appointment of nominee director, to safeguard the interests of the company or its shareholders or the public interests.	No corresponding provision.	
433	To resolve along with other members, at a general meeting, that the company be wound-up by the National Company Law Tribunal.	No corresponding provision.	
439	To petition the National Company Law Tribunal for winding-up the company.	No corresponding provision.	

	COMPANY		CORRESPONDING NEW BANK
Co. Act	**Rights**	**Provision**	**Rights**
440	To present winding-up petition where company is being wound-up voluntarily or subject to court's supervision.	No corresponding provision.	
490	To appoint one or more liquidators in the case of voluntary liquidation, and to fix the remuneration if any, to be paid to the liquidator.	No corresponding provision.	
492	To fill the vacancy occurred by the death, resignation or otherwise in the office of the liquidator appointed by the company, in a general meeting and convene a general meeting for this purpose.	No corresponding provision.	
511	To have distributed to himself on the winding-up, the assets of the company according to his rights and interests in the company.	No corresponding provision.	
545	To have the opportunity of making a statement in writing to the registrar and being heard thereon, in case he is being prosecuted as a delinquent member.	No corresponding provision.	
621	To make a complaint in a court regarding offence under the Companies Act.	No corresponding provision.	

*Please note the following for the above table;

1. All references to **Sections** are references to Sections of the Bank Acquisition Act, except where otherwise specified.
2. All references to **Regulation** are references to provisions of the Bank Regulations
3. All references to **Clauses** are references to provisions of the Bank Scheme

Licensing of Corresponding New Banks

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

Regulations relating to the Opening of Branches

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

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of RBI, which is based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1988. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

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

Tier II capital, include the undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. Tier II capital cannot exceed Tier I capital.

With a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in "held for trading" and "available for sale" categories. Investment fluctuation reserve is included in Tier II capital. Though investment fluctuation reserve is also considered general provision for Tier II but the same is not be subjected to the ceiling of 1.25 % of risk weighted assets.

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

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9.0%. However, as per RBI guidelines issued in September, 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 11.0%.

Asset Classification and Provisioning

In April 1992, RBI issued formal guidelines on income recognition, asset classification, provisioning norms and valuation of investments applicable to banks, applicable from the financial year 1993, which are revised from time to time. As per these guidelines, the basis of treating various credit facilities as non-performing are set forth below.

Non-Performing Assets

An advance is a non-performing asset where:

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

Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account, is derecognised and further interest is not recognised or credited to the income account unless collected.

Asset Classification

Non-performing assets are classified as described below:

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

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

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

Provisioning and Write-Offs

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

- **Standard Assets***.* A general provision of 0.25% is required.
- **Sub-Standard Assets***.* A general provision of 10.0% on total outstanding should be made. The unsecured exposures that are identified as sub-standard would attract additional provision of 10%, i.e., a total of 20% on the outstanding balance.
- **Doubtful Assets***.* A 100.0% provision/ write-off of the unsecured portion of advances that are not covered by realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0% to 100.0% provision is required to be made against the secured asset as follows:
    - ❒ Up to one year: 20.0% provision
    - ❒ One to three years: 30.0% provision
    - ❒ More than three years:
        - In respect of outstanding stock of non-performing assets as of March 31, 2004: 50.0% provision, which will become 60% with effect from March 31, 2005, 75 per cent with effect from March 31, 2006 and 100% with effect from March 31, 2007.
        - In respect of assets, that have been doubtful for over three years on or after April 1, 2004, the provision is to be raised to 100% with effect from March 31, 2005.
- **Loss Assets***.* The entire asset is required to be written off or provided for.

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

Regulations Relating to Making Loans

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

- RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/ provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by RBI from time to time. Banks are free to determine their own lending rates but each bank must declare its benchmark prime lending

rate as approved by its Board of Directors. Benchmark prime lending rate is determined on the basis of various parameters, which *inter alia*, include cost of funds, operating expenses, capital charge and profit margin. Each bank should also indicate the maximum spread over the benchmark prime lending rate for all credit exposures other than retail loans over Rs. 200,000. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than most retail loans) must not exceed the benchmark prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exporters on the basis of a transparent and objective policy approved by their boards. Interest rates for certain categories of advances are regulated by the RBI. Banks are also free to stipulate lending rates without reference to their own benchmark prime lending rates in respect of certain specified categories of loans.

- In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances on the security of its own shares. A bank is also prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the Section provides that 'loans or advances' shall not include any transaction, which RBI may specify by general or special order as not being a loan or advance for the purpose of such Section. We are in compliance with these requirements.

Legislation introduced in the Indian Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company.

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

Regulations Relating to Sale of Assets to Asset Reconstruction Companies

The SARFAESI provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75% by value of the total loans to the borrower are classified as non-performing and at least 75% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. Banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Any loss on sale must be charged to the profit and loss account, but any gains must be used for meeting losses on sale of other financial assets. For computing capital adequacy, a risk weight of 102.5% is applied to instruments received by banks as consideration for sale of financial assets to asset reconstruction companies.

Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sectors advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Domestic scheduled commercial banks having a shortfall in lending to priority sector are allocated amounts for contribution to the Rural Infrastructure Development Fund established by the National Board for Agricultural and Rural Development. Any shortfall by foreign banks in the amount required to be lent to the priority sectors may be required to be deposited with the Small Industries Development Bank of India.

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

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

Export Credit

RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in Rupees and foreign currencies.

Credit Exposure Limits

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

- Credit exposure ceiling for a single borrower shall not exceed 15.0% of capital funds. Group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e. up to 50.0% of capital funds. Capital funds is the total capital as defined under capital adequacy standards (Tier I and Tier II capital).
- A bank may, in exceptional circumstances, with the approval of its Board of Directors, consider enhancement of the exposure over the above specified limits, up to a further 5% of capital funds. Allahabad Bank has decided that such enhancement may be considered for public sector undertaking borrowers based on their cash flows, and for non-public sector undertaking borrowers if they have a risk rating of 'AA' and above.
- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstandings, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be calculated at 100% of the limit or outstandings, whichever is higher.

Credit exposure is the aggregate of:

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

Investment exposure comprises of the following elements:

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

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

Regulations Relating to Investments and Capital Market Exposure Limits

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

Pursuant to the RBI guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity-oriented mutual funds and loans to brokers, should not exceed 5.0% of outstanding domestic advances (excluding inter-bank lending and advances outside India and including commercial paper) on March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity-oriented mutual funds should not exceed 20.0% of the bank's net worth.

In April 1999, RBI, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier II capital and free reserves.

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

Consolidated Supervision Guidelines

In fiscal 2003, RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. Allahabad Bank adopted these guidelines on April 1, 2002. The principal features of these guidelines are:

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

Banks' Investment Classification and Valuation Norms

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

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Banks should decide the category of investment at the time of acquisition.
- Held to maturity investments compulsorily include (a) recapitalisation bonds, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalisation bonds and debentures and as well as investments in joint ventures & subsidiaries.
- Profit on sale of investments in held to maturity category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be recognised in the profit and loss account.
- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the profit and loss account.

- Shifting of investments from or to held to maturity may be done with the approval of the Board of Directors once a year, normally at the beginning of the accounting year.

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

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

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

Restrictions on Investments in a Single Company

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

Limit on Transactions through Individual Brokers

Guidelines issued by RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. RBI specifies that not more than 5.0% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, RBI has stipulated that the Board of Directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

Regulations Relating to Deposits

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

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

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

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

RBI stipulated that the interest rate on NRE Account deposits contracted effective close of business in India in India on April 17, 2004 should not exceed the US Dollar LIBOR/ swap rates for the corresponding maturity.

Deposit Insurance

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

Regulations relating to Knowing the Customer and Anti-Money Laundering

RBI has issued several guidelines relating to identification of depositors and has advised banks to put in place systems and procedures to control financial frauds, identify money laundering and suspicious activities, and monitor high-value cash transactions. RBI has also issued guidelines from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds.

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

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

The Prevention of Money Laundering Act, 2002 seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering and for incidental and connected matters.

Legal Reserve Requirements

Cash Reserve Ratio

A corresponding new bank such as us is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with RBI. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to Section 42 of the Reserve Bank of India Act, 1934. In September 18, 2004, the cash reserve ratio was made 4.75%. From October 2, 2004, it has been increased to 5%.

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

The RBI pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and pays interest on the eligible cash balances, currently at the rate of 3.5%. Earlier, interest was paid by RBI at the bank rate.

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

Statutory Liquidity Ratio

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

Regulations on Asset Liability Management

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

Foreign Currency Dealership

The RBI has granted us a full-fledged authorised dealers licence to deal in foreign exchange through our designated branches. Under this licence, we have been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;

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

Our foreign exchange operations are subject to the guidelines specified by RBI under the Foreign Exchange Management Act, 1999. As an authorised dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and these limits are approved by RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

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

Restriction on Transfer of Shares

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

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

Permitted Business

The Banking Regulation Act specifies the business activities in which a bank may engage. In addition to the business of banking, a bank may engage in any one or more of the following forms of business, namely:

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

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

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

(d) the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;

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

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

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

- undertaking and executing trusts;
- the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;
- selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;

Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

As per the provision of Section 17 of the Banking Regulation Act, any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to RBI within 21 days, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of RBI, exempt a bank from the requirements relating to reserve fund.

Restrictions on Payment of Dividends

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalised expenses (including preliminary expenses, organization expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The GoI may exempt banks from this provision by issuing a notification on the recommendation of RBI. We are required to secure exemptions from the MoF, GoI from the provisions of the Banking Regulation Act for payment of dividends. Prior approval of RBI is required for a dividend payment above 25.0% of face value of a bank's shares or for an interim dividend payment.

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

- Capital to risk asset ratio of at least 11% for the preceding two accounting years and for the accounting year for which it proposes to declare a dividend.
- Net non-performing assets of less than 3%.
- The dividend pay out ratio does not exceed 33.33%.
- The proposed dividend is payable out of the current year's profit.
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year.

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

RBI has also notified that banks may also declare and pay interim dividends out of the relevant account period's profit without the prior approval of RBI if they satisfy the minimum criteria above, and the cumulative interim dividend is within the prudential cap on dividend payout ratio (33.33%) computed for the relevant accounting period. Declaration and payment of interim dividend, beyond this limit would require the prior approval of RBI.

Restriction on Share Capital and Voting Rights

Public sector banks can issue Equity Shares as per the SEBI Guidelines.

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

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

Regulatory Reporting and Examination Procedures

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

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

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

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

Directors on the Board of Directors of our Bank are appointed by the Central Government in terms of Section 9 of the Bank Acquisition Act. Further, a specified number of directors are appointed by the shareholders. The chairman and managing director are appointed by the Central Government in consultation with RBI. The other directors appointed by the Central Government include an officer of RBI appointed in consultation with RBI and one employee and one workman director. The whole time directors to be appointed by the Central Government and the official of the Central Government who serves as the nominee director of the Central Government cannot be a director of any other corresponding new bank. For the text of Section 9 of the Bank Acquisition Act see the section titled "Main Provisions of Constitutional Documents" on page 198.

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

Penalties

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

Assets to be maintained in India

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

Subsidiaries and other investments

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

Restriction on Creation of Floating Charge

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

Maintenance of Records

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

Secrecy Obligations

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

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

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

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

Regulations and Guidelines of SEBI

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

Foreign Ownership Restrictions

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

Special Status of Banks in India

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

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

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

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

Regulations Governing Insurance Companies

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

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities, and no further major approvals from any Government authority/ RBI is required to continue these activities.

A. Approval for the Issue

1. Government Approval

The Banking Division, Department of Economic Affairs, Ministry of Finance, GoI has given permission for the Issue under section 3(2B)(c) of the Bank Acquisition Act through letter number F.No.11/34/2004-BOA dated December 6, 2004. The contents of this approval are being reproduced and are as follows:

To

The Chairman & Managing Director
Allahabad Bank
Head Office
Kolkata.

Subject: Second Public Offer by Allahabad Bank of Rs.100 crores

Sir,

I am directed to refer to Allahabad Bank's letter No.IPO/MoF/2004-05/01 dated 11th October, 2004 on the above subject. The approval of the Central Government under Section 3(2B)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 is hereby conveyed to Allahabad Bank for its second public issue of Rs. 100 crores through book-building process comprising ten crore Equity Shares of Rs. 10/- each at a premium to be decided by the bank subject to the following terms and conditions:-

(i) The Bank should comply with the provisions of Section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;

(ii) Central Government's share holding shall not be below 51% at any point of time;

(iii) The timing of the public issue shall be decided by the Bank keeping in view the conditions prevailing in the market;

(iv) The Bank shall obtain necessary approvals from its Board of Directors/Management Committee of the Board of Directors, Securities & Exchange Board of India, and other Regulatory Bodies;

(v) Reservation/firm allotment, if any, to financial institutions, banks, mutual funds, Non-Resident Indians/Overseas Corporate Borrowers etc., should be advised to the Government of India/Reserve Bank of India before the issue is launched. Allotment to Non-Residents, if any, will be subject to prior approval of Exchange Control Department of Reserve Bank of India and should be within the ceiling of 20% of paid-up capital or any lower ceiling that may be notified by the Government of India under sub-section (2D) of Section 3 of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970.

(vi) The Bank should restrict its public issue expenses to the bare minimum.

(vii) The Central Government shall not consider any proposal for the disinvestment of its shares in the Bank.

2. As regards, grant of exemption from compliance of the provisions of Section 13 and Section 15(1) of the Banking Regulation Act, 1949, necessary Gazette notification in this regard will be issued separately.

3. The Bank may intimate to the Govt. the final issue structure, time of the offer etc. as soon as these are finalized.

4. The receipt of this letter may kindly be acknowledged.

Yours Faithfully,

(Kiren Khullar)

Section Officer (BOA)
Tel.No.3745374

Copy to the Chief General Manger, Department of Banking Operations and Development, Reserve Bank of India, Central Office, Mumbai with reference to their letter No. DBOD.BP.604/21.01.002/2004-05 dated 3rd November, 2004.

2. RBI Approval

The Bank has received permission from the Foreign Exchange Department, RBI vide their letter FE.CO.FID/4684/10.02.40(8435)/ 2004-05 dated January 18, 2005 permitting the Bank to issue shares to NRIs / FIIs with repatriation benefits out of our public Issue of 100,000,000 Equity Shares. RBI has imposed the condition that post Issue the non-resident equity holding in our Bank should not exceed 20% of the paid-up capital. The permission is further subject to the conditions laid down by the GoI in their approval letter no. F. No. 11/34/2004-BOA dated December 6, 2004, condition prescribed/stipulated by SEBI in this connection and the terms and conditions for issue of shares as stipulated in the Schedule 1 and 2 to RBI Notification No. FEMA.20/2000-RB dated May 3, 2000.

B. Approvals for our Current Business

Licences and Approvals granted by RBI

- Section 22 of the Banking Regulation Act, which requires a licence to be obtained from RBI in order to carry out banking business in India, applies only to banking companies, and not corresponding new banks. Accordingly, our Bank does not require a licence in order to carry out banking activities.
- Approval No. DBOD.FSC.No.523/24.76.002/2003-04 dated May 7, 2004 with respect to the Memorandum of Understanding with UTI Mutual Fund for distribution of Mutual Fund products, permittng the Bank to undertake retailing and marketing of Government securities to its clients subject to the term and conditions mentioned therein.
- In priciple approval bearing No.DBOD.No.FSC.680/24.01.018/2002-2003 dated March 28, 2003 to the Bank for acting as a ‘corporate agent’ to undertake distribution of insurance products on agency basis without any risk participation.
- The Bank has obtained a licence to deal in foreign exchange from RBI.

License granted by the Insurance Regulatory and Development Authority

- Licence dated September 1, 2003 bearing number 1371356 for acting as a corporate agent for three years from September 1, 2003 for procuring or soliciting insurance business of one general insurer.
- Licence dated June 28, 2004 bearing number 1371356 for acting as a corporate agent for three years from September 1, 2003 for procuring or soliciting insurance business of both life insurance and general insurance.

Registration with Association of Mutual Funds in India

- SEBI, vide its circular dated November 28, 2002, has made registration with Association of Mutual Funds in India (AMFI) mandatory for all intermediaries who are engaged in selling and marketing of mutual funds schemes before September 30, 2003. Accordingly, on an application by the Bank, the Bank has been issued Certificate of Registration bearing registration no. ARN – 19897 and has been enrolled as AMFI Registered Mutual Fund Advisor.

Registration with the Securities and Exchange Board of India

- Registration certificate dated January 5, 2004 under the SEBI (Depositories and Participants) Regulations, 1996 for the period March 9, 2004 to March 8, 2009 permitting the Bank to be a Depository Participant. The Bank’s registration code is IN-DP-NSDL-89-99.
- Registration certificate dated December 18, 2003 under the SEBI (Depositories and Participants) Regulations, 1996 for the period December 18, 2003 to December 17, 2006 permitting the bank to be a Depository Participant. The Bank’s registration code is IN-DP-CDSL-225-2003.

Approvals from Commissioner of Income Tax

- The Bank has received approval from the Commissioner of Income Tax, West Bengal dated March 20, 1996 under Rule 2(1) of Part B of the Fourth Schedule of the Income Tax Act, 1961 in respect of the Allahabad Bank (Employees’) Pension Fund.
- The Bank has received approval from the Commissioner of Income Tax, West Bengal under Rule 2(1) of Part C of the Fourth Schedule of the Income Tax Act, 1961 in respect of the Allahabad Bank Employees’ Gratuity Fund consituted under the Trust Deed dated December 23, 1997 as amended by the Deed of Variation dated October 20, 2000.
- The Bank has received approval from the Commissioner of Income Tax, West Bengal dated July 31, 1939 under Section 58-B(1) of the Income Tax Act, 1922 in respect of the Allahabad Bank Limited Provident Fund.

Miscellaneous Approvals

- The Bank's Permanent Account Number issued by the Assistant Commissioner of Income Tax, Kolkata is AACCA8464F.
- Tha Bank's Service Tax Code Number issued by the Deputy Commissioner of Central Excise is AACCA8464FST019.
- The Bank's Tax Deduction Account Number is A00089FCAL.

C. Applications made by the Bank

- We have made an application dated July 23, 2004 to the Chief General Manager, RBI seeking permission for opening a branch office of the Bank in Hongkong.
- We have made an application dated November 4, 2004 to the Chief General Manager, RBI seeking permission for participating in the joint venture subsidiary to be set up by Punjab National Bank at Kazakhstan.

D. Approvals For Setting up Branch Offices

- We require prior approval from RBI for opening a new place of business in India or abroad or for otherwise than within the same city, town or village, the location of the existing place of business. Except as stated above, we have obtained the necessary approvals from the appropriate statutory and regulatory authorities for carrying on our business and operations through our branches and representative offices and no further approvals are required from any Government authority/ RBI to continue our business and operations.
- There are no approvals which have expired, or which have been applied for and have not been granted to the branches of the Bank. We are not required to apply for any other approvals for the purposes of carrying on our business and operations.

E. Approvals of our Subsidiary Company

- Certificate of Registration dated August 21, 1998, bearing No. 05.02792 issued by RBI to AllBank Finance Limited in exercise of the powers conferred under Section 451A of the Reserve Bank of India Act, 1934, to carry on the business of non-banking financial institution.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Bank, its Directors, our subsidiary, joint ventures and regional rural banks sponsored by our Bank, that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Bank or Directors, our subsidiary, joint ventures and regional rural banks sponsored by our Bank.

I. Litigation against our Bank

As of December 31, 2004, there are 929 cases including writ petitions filed by employees/ ex-employees, suits/ writs by customers and consumer cases with aggregate claim of Rs. 2,501.12 million approximately for which no contingent liability has been provided for.

In addition to the above mentioned 929 cases, there are 6 criminal cases outstanding against the officials of the Bank in connection to the transactions of the Bank.

Out of the above mentioned 929 cases pending against the Bank:

- 4 cases pertain to Income tax with an aggregate monetary liability of Rs. 557.7 million approximately;
- 136 pertain to consumer court cases with an aggregate monetory liability of Rs. 17.38 million approximately;
- 278 pertain to labour cases with an aggregate monetory liability of Rs. 25.71 million;
- 60 pertain to property and premises/eviction matters with an aggregate monetory liability of Rs. 10.67 million approximately;
- 31 cases pertain to fraudulent transaction with an aggregate monetory liability of Rs. 144 million approximately;
- 20 cases relating to the facilities provided by the Bank with an aggregate monetory liability of Rs. 44.85 million approximately;
- 3 cases relating to interest charges made by the Bank with an aggregate monetory liability of Rs. 5.54 million approximately;
- 2 counter claims in respect of recovery suits with an aggregate monetory liability of Rs. 696.35 million approximately;
- 8 cases where the Bank has been impleaded as a formal / proforma party with an aggregate monetory liability of Rs. 0.10 million approximately; and
- 387 miscellaneous cases including cases pertaining to loans, insurance claims, recovery, damages, guarantee, unauthorised debits, motor accident claims, etc., with an aggregate monetory liability of Rs. 998.82 million approximately.

Following are the brief summaries of certain cases under the above mentioned categories different heads:

Criminal Cases

There are 6 criminal cases against the Bank, the details of which are provided below:

1. A criminal case has been instituted by the State of West Bengal against Mr. J. N Pandey, General Manager, Head Office of the Bank (on behalf of the Bank) upon the complaint of the Labour Enforcement Inspector (Central) on December 14, 2002 alleging, *inter alia*, that the provisions of Section 7 of Contract Labour (Abolition and Regulation) Act, 1970 were violated, since (i) no certificate for registration was obtained where twenty or more persons were engaged by way of contract labour; and (ii) the requisite notice showing the rates of wages of the contract labour was not displayed; and (iii) the principal employer did not maintain the register for the contractor in Form III as prescribed in Rule 74 of the Rules made under the Contract Labour (Abolition and Regulation) Act, 1970. It has been alleged that the principal employer is liable to be prosecuted under Sections 23 and 24 of the penal provision of the Contract Labour (Abolition and Regulation) Act, 1970. Challenging the said allegations, the Bank has filed a Criminal Revision Petition in the Calcutta High Court on February 27, 2003, and has obtained a stay of proceedings in the criminal court till disposal of the Criminal Revision Petition. This case is pending and is awaited for hearing.
2. Mr. Ketan Shroff, director of Pushpak Bullions Private Limited, has filed a complaint bearing Case No. 1119/M of 2002 in the 33rd Court of the Metropolitan Magistrate, Mumbai under Sections 403, 406 and 500 of the Indian Penal Code, 1870 against Mr. B. Samal (erstwhile Chairman and Managing Director of the Bank), Mr. K. K. Rai (Executive Director) and Mr. S. K. Widhani (Assistant General Manager, Mumbai) of the Bank alleging, *inter alia*, that the cheque for Rs.1,500,000.00 drawn on current account of Pushpak Bullions Private Limited in favour of M/s. Fine Gold was wrongly dishonored by the Bank, despite sufficient balance being available in their account. The complainant further alleged that the Bank had adjusted the said amount with unrealised debts. On

receipt of the notice from the Metropolitan Magistrate, Mumbai, the Bank has moved a Criminal Writ Application bearing No. 1359 / 2003 in the Bombay High Court challenging the prosecution of Bank's Chairman and Managing Director, Executive Director without obtaining proper sanction from the Central Government in terms of the provision under Section 197 of the Criminal Procedure Code, 1973. The Bombay High Court, on November 7, 2003, has passed an order holding that the said criminal case against the Chairman and Managing Director, Executive Director of the Bank cannot continue without the sanction of the Central Government. However, the accused Mr. S.K. Widhani continues to contest the case in the trial court.

3. Mr. Swapan Chakrabarty, an ex-clerk and cashier of Berhampore Currency Chest of the Bank, was departmentally proceeded against by the Bank for having committed embezzlement of the Bank's funds, and was dismissed from service. A criminal case was instituted by the Bank against Mr. Chakrabarty, in which he was arrested. Mr. Chakrabarty filed a Writ Petition No. 15737 of 2000 in the Calcutta High Court challenging his dismissal, which was finally dismissed by the High Court on April 16, 2004. During pendency of the said Writ Petition, Mr. Chakrabarty had filed a complaint bearing no. 41/2002 before the Chief Judicial Magistrate, Murshidabad, Berhampore against Mr. Subrata Biswas, Assistant General Manager of the regional office at Berhampore of the Bank, alleging that, in accordance with the provisions of the wage settlement governing the service conditions of the workmen, if a police authority cannot submit charge sheet in the criminal case instituted against an employee upon the first information report (FIR) lodged by the Bank within one year from the date of initiation of criminal case, then the Bank authorities cannot initiate departmental proceedings on the same cause. Mr. Subrata Biswas, being the Disciplinary Authority, had violated the said provisions of said settlement, and thereby, had committed the offence of criminal breach of trust and misused the power vested in him as public servant. He was, therefore, liable to be proceeded under Sections 409 and 182 of the Indian Penal Code, 1870. The Bank has filed Criminal Revision Petition no. 415/2003 in the Calcutta High Court, which court has granted stay of all the proceedings in the lower court till disposal of the said Revision Petition. The Revision Petition is pending.

4. Mr. O. P. Saxena lodged a FIR with Hare Street Police Station, Kolkata on December 2, 2003 against the Manager of the Bank and others, alleging that the Bank officials had obtained the signature of Mr. Saxena on two cheques under threat, thereby committing extortion. The police has initiated a case being Case No. 687 under Sections 386 and 114 of the Indian Penal Code, 1870. Earlier, the officers of Red Cross Place branch office of the Bank made a demonstration on December 1, 2003 before the business place of Mr. O. P. Saxena, a borrower of the Bank and persuaded him to repay the dues owed to the Bank. Mr. Saxena issued two cheques for Rs. 0.9 million in aggregate, and sent those cheques to the Red Cross Place branch office of the Bank in the afternoon for crediting to their account. Subsequently, Mr. O.P. Saxena and Mr. Binay Das filed two separate criminal complaint cases bearing no. 6968/2003 and no. 6828/2003 respectively, against Mr. R.K. Nath, General Manager and others. In the above cases, the Hare Street Police authorities have submitted a final Report stating that no charge sheet against the accused persons could be submitted for want of sufficient evidence. The Criminal Revision Petition filed by the Bank challenging the said complaint cases is, however, pending before the Calcutta High Court.

5. On the basis of a FIR lodged by M. S. Shoes (East) Limited, Central Bureau of Investigation (CBI) instituted a case bearing no. SIA-2001-E-002 against the erstwhile Chairman and Managing Director of the Bank, Mr. Harbhajan Singh and eleven other officials of All Bank Finance Limited. In the FIR it was alleged that the officials of the Bank and its subsidiary, in conspiracy with SBI Capital Market Limited and other banks and financial institutions (numbering 167 and involving 684 persons in aggregate), had made false representation and certain promises regarding Underwriting Agreement, thereby cheated the complainant company. The Bank moved a criminal revision petition under Section 482 of the Criminal Procedure Code, 1973 before the Delhi High Court on April 22, 2002, and Delhi High Court directed the CBI not to cause arrest of the Bank officials. Against this order, the Bank moved a special leave petition before the Supreme Court of India, however, the Supreme Court did not interfere with the order of the High Court. Presently, the CBI has not charge-sheeted the officials of the Bank.

6. M.S. Shoes (East) Limited had filed three complaints bearing nos. 308, 310 and 311 respectively, under Section 156(3) of the Criminal Procedure Code, 1973 and under the Indian Penal Code, 1870 before the Metropolitan Magistrate, Delhi for taking cognizance against the seven Bank officials, including the erstwhile Chairman and Managing Director of the Bank, Mr. Harbajan Singh. The Delhi Police has registered a FIR bearing No. 319, 320 and 321 of 2001 on the basis of the above complaints. Since the Metropolitan Magistrate refused to issue direction to the police, the said company approached the High Court on July 24, 2001. The High Court has directed the police authorities to register the first information report. In respect of the FIR cases bearing nos. 320 and 321 of 2001, the police authorities submitted their report that nothing was found against the accused persons, and on receipt of the same, the High Court disposed of the Writ Petition by allowing the Bank's prayer for quashing the proceedings. In respect of FIR bearing no. 319 of 2001, the Magistrate refused to take cognizance as no case was made out by the police. The criminal complaint case filed by M.S. Shoes (East) Limited is pending before Metropolitan Magistrate, Delhi. The Bank has filed Criminal Writ Application for quashing the criminal proceedings before Delhi High Court.

Income Tax Cases

Income Tax Appeals filed by the Bank.

Since following are cases filed by the Bank, the same are not included in the aggregate number of cases filed against the Bank mentioned in the beginning of this chapter.

7. The Bank has filed an appeal before the Commissioner of Income Tax (Appeals), Circle 6 on April 10, 2004, being Appeal no. 846-CIT (A)–VI/2004-05, against the order of the Assistant Commissioner of Income Tax, Circle, 6 Kolkata dated March 12, 2004 for the assessment year 2001 – 2002 challenging the disallowance of Rs. 1,025.9 million under various sections of the Income Tax Act, 1961, including Sections 36 (1) (vii), 36 (1) (vii) (a), etc. on account of bad debt written off, expenditure incurred during the prior accounting period, interest reversal of non-performing assets, contribution made to the Recognised Provident Fund and others. The disputed amount of tax burden is Rs. 405.7 million. The matter is pending.

8. The Bank has filed an appeal in the ITAT, "A" Bench, Kolkata on December 31, 2003 being Appeal no. 77/K/2004 against the order of the Commissioner of Income Tax (Appeals), Kolkata dated October 14, 2003 for the assessment year 1999 - 2000. The Bank has filed this appeal challenging the disallowance under Section 36 (1) (vii) of the Income Tax Act, 1961 on account of bad debt written off and contribution made to the Recognised Provident Fund. The disputed amount of tax burden is Rs. 270.4 million. The matter is pending.

9. The Bank has filed an appeal in the ITAT, C, Bench Kolkata on August 12, 2002, being Appeal no. 1691/K/ 2002, against the order of Commissioner of Income Tax (Appeals), Kolkata on May 31, 2002 for the assessment year 1998 - 1999. The Bank has filed this appeal challenging the disallowance made under Section 36 (1) (vii) of the Income Tax Act, 1961 on account of bad debt written off and other miscellaneous expenditure incurred. The disputed amount of tax burden is Rs.172.3 million. The matter is pending.

10. The Bank has filed an appeal in the ITAT, C, Bench Kolkata on May 20, 2002, being Appeal no. 806/K/ 2002, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated March 18, 2002 for the assessment year 1997 - 1998. The Bank has filed this appeal challenging the disallowance made under Section 36 (1) (vii) of the Income Tax Act, 1961 on account of bad debt written off. The disputed amount of tax burden is Rs. 74.9 million. The Income Tax Appellate Tribunal, C, Bench Kolkata has remanded the matter to the Assessing Officer for reconsidering the matter vide order dated August 24, 2004. The matter is pending before the Assessing Officer.

11. The Bank has filed an appeal in the ITAT, C, Bench Kolkata on May 18, 2002, being Appeal no. 805/K/ 2002, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated March 8, 2002 for the assessment year 1996 - 1997. The Bank has filed an appeal challenging the disallowance made under Section 36 (1) (vii) of the Income Tax Act, 1961 on account of bad debt written off and loss incidental to the business. The amount in dispute involved is Rs. 481.3 million. The Income Tax Appellant Tribunal, C, Bench Kolkata has remanded the matter to the Assessing Officer for reconsidering the matter vide order dated August 24, 2004. The matter is pending before the Assessing Officer.

12. The Bank has filed an appeal in the ITAT, C, Bench Kolkata on May 18, 2002, being Appeal no. 804/K/ 2002, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated March 22, 2002 for the assessment year 1996- 1997. The Bank has filed this appeal challenging the disallowance made on loss incidental to the business. The amount in dispute involved is Rs. 227.1 million. The Income Tax Appellant Tribunal, C, Bench Kolkata has remanded the matter to the Assessing Officer for reconsidering the matter vide order dated August 24, 2004. The matter is pending before the Assessing Officer.

12A. The Bank has filed an appeal in the ITAT, "C" bench, Kolkata on December 30, 2003 being Appeal no. 2967/KOL/03 against the order of the Commissioner of Income Tax (Appeals), Kolkata dated October 24, 2003 for assessment year 2000-2001. The Bank has filed this appeal challenging the disallowance made on account of reversal of interest on non performing accounts. The amount involved in dispute if Rs. 13.8 million. The appeal is pending.

Income Tax Appeals filed against the Bank.

13. The Income Tax Department has filed an appeal in the ITAT, A Bench, Kolkata on February 13, 2004, being Appeal no. 243/K/ 2002, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated November 1, 2003 for the assessment year 1999- 2000. The Department has filed this appeal against the deletions made by the Commissioner of Income Tax (Appeals) under Section 36 (1) (vii) of the Income Tax Act, 1961, and also against deleting the addition of of legal expenses, revenue expenses, intangible assets, interest on non performing assets, earlier year's expenses on account of bad debt written off. The disputed amount of tax involved is Rs. 285.5 million. The appeal is pending.

14. The Income Tax Department has filed an appeal in the ITAT, C Bench, Kolkata on August 8, 2002, being Appeal no. 1633/K/2002, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated May 31, 2002 for the assessment year 1998-1999. The Department has filed this appeal against the deletion made by the Commissioner of Income Tax (Appeals) under Section

36 (1) (viia) of the Income Tax Act, 1961, and also against deletion of earlier years expenses, interest on non performing assets, and provision made for gratuity. The disputed amount of tax involved is Rs. 263.7 million. The appeal is pending.

15. The Income Tax Department has filed an appeal in the ITAT, Kolkata, "A" bench, on February 13, 2004, being Appeal no. 242/K/2004 against the order of the Commissioner of Income Tax (Appeals), Kolkata dated November 12, 2003 for the assessment year 1996 - 1997. The Department has filed this appeal against the cancellation of the Assessing Officer's order by the Commissioner of Income Tax (Appeals) under Sections 154 and 153 (1) (a) of the Income Tax Act, 1961, whereby the additional tax demanded by the Assessing Officer on Rs. 22 million at the rate of 20% was calculated. The disputed amount of tax involved is Rs. 4.4 million. The appeal is pending before the Appellant Authority.

16. The Income Tax Department has filed an appeal in the ITAT, Kolkata "A" bench, February 13, 2004 (Interest Tax), being Appeal no. 32/K/ 2004, against the order of the Commissioner of Income Tax (Appeals), Kolkata dated November 13, 2003 for the assessment year 1995 - 1996. The Department has filed this appeal against the cancellation of the Assessing Officer's order by the Commissioner of Income Tax (Appeals), whereby the tax was levied on the interest tax collected by the Bank from the borrowers. The tax was levied on Rs. 137.1 million at the rate of 3%. The disputed amount of tax involved is Rs. 4.1 million. The appeal is pending.

Cases pertaining to facilities provided by our Bank

There are 20 cases filed against the Bank relating to disputes connected with the facilities provided with the Bank such as alleged (i) non-deposit, non-realisation or loss of cheques; (ii) wrongful refusal to sanction certain facilities/overdrafts by the Bank; (iii) release of sums to certain persons; (iv) wrongful debits in a customer's account; or (v) refusal to honour bank guarantees, letters of credits, bills of lading and other such instruments. Some of these cases also relate to the fixed deposit receipts maintained at the Bank by its customers. The total amount claimed in the aforementioned cases is Rs. 44.85 million. The details of five high value cases with respect to the claim amount have been provided hereunder:

17. Sangfroid Remedies Limited (Sangfroid) [name subsequently changed to Alankruta Laboratories Limited] has filed a suit bearing O.S. no. 1758/96 in the Civil Court, Hyderabad for recovery of Rs. 23.48 million against the Bank. Subsequently, the Bank had filed a suit bearing O.A. no. 173/97 against Sangfroid and others in the Debt Recovery Tribunal (DRT), Hyderabad for recovery of Rs. 154.92 million. On an application by the Bank, the Civil Court ordered the transfer of the suit of Sangfroid to the DRT, Hyderabad where the Bank's suit for recovery of its dues against the Sangfroid was pending. Against the transfer order of Civil Court, Hyderabad, Sangfroid has filed an appeal before the Andhra Pradesh High Court. This appeal filed is pending.

18. Ind Agro Synergy Limited has filed a suit bearing C.S no. 744/01 in the Civil Court, Nagpur pertaining to Letter of Credit facilities of an amount of Rs. 16.2 million established on their account in favour of State Trading Corporation, Bhopal. Certain discrepancies were noticed by the Bank's branch on presentation of the relevant documents in relation to opening of the Letter of Credit, and a notice was served to State Trading Corporation under Article 13 of Uniform Code of Practice 500. A copy of the notice was endorsed to Ind Agro Synergy Limited requesting them to waive the discrepancies, but they refused. However, State Trading Corporation subsequently replaced the discrepant documents. The account of Ind Agro Synergy Limited was debited and the funds remitted to State Trading Corporation, Bhopal. Ind Agro Synergy Limited contested this debiting of the account and have claimed Rs. 18.6 million plus interest and cost. The matter is pending.

19. Mr. Arvind S. Patel and Ms. Yogni A Patel have filed a case bearing no. 970/02 in the State Commission, Gujarat on April 26, 2002 in relation to a branch of the Bank exercising rights of set-off and adjusting the proceeds of the savings bank account held jointly by Ms. Yogni Patel and her son to the tune of Rs. 361,788.00 in the complainants' loan account, on failure to repay a tractor loan of Rs. 200,000.00 availed by the complainants. The claim against the Bank is Rs.1.90 million. The said case is pending.

20. A Bank Guarantee of Rs. 0.5 million was issued in favour of Bharat Heavy Electricals Limited (BHEL) on July 1, 1988 at the instance of M/s Ramu Dhayawala Sons & Co. against 100% margin in the form of fixed deposit receipt of Rs. 500,000.00. Subsequently, this guarantee was extended up to December 31, 1989 at the request of constituent and beneficiary. The guarantee was invoked on November 23, 1989. BHEL filed a civil suit against the Bank on August 16, 1992 bearing number 1541/93 before the High Court, Chennai for payment of guarantee sum plus interest at the rate of 18% and cost. The final hearing for the said case has been concluded and the decision of the court is awaited.

21. Mr. Prakash Chandra Rai has filed a suit on August 19, 2004 bearing no. 119/04 in the Consumer Forum, Ghazipur against the stipulation of collateral security for sanction of educational loan to him. He was sanctioned educational loan for Rs. 0.36 million under Education Loan Scheme for study in MBA and PGDBA in the Institute of Marketing and Management, New Delhi. The loan was sanctioned, *inter alia*, on the condition of providing mortgage of Agriculture land and furnishing of personal guarantee of two persons. The Bank has filed the written statement in this regard and the case is pending.

Cases before the Consumer Courts

There are currently 136 cases filed against the Bank under the Consumer Protection Act, 1986, in the District Forums, the State Forums and National Consumer Commission. These cases are in addition to the cases filed in the consumer courts and mentioned under the heads “Cases pertaining to facilities provided by our Bank” and “Cases pertaining to fraudulent transactions”. The total claim in these cases amount to Rs.17.38 million. Brief details of five cases where the amount of claim exceeds Rs. 0.5 million are provided below:

22. The director, Jan Siksha Directorate, Bihar has filed a case bearing number 210/01 in the National Commission, Delhi for the alleged non-payment of interest in their savings bank account. As per the guidelines of RBI then in force, no interest could be allowed in a bank account, where the budgetary support is provided by the State Government. In such circumstances, a current account has to be opened. The director of Jan Siksha opened a saving account with a declaration that there was no budgetary support provided, which was factually incorrect. Subsequently, it came to the knowledge of the branch of the Bank at Patna that the Jan Siksha Directorate, Bihar had taken budgetary support in the above account. On the Bank’s inquiry, the director of Jan Siksha could not satisfy the Bank about the funding of saving account as not being from the said budgetary support. Thus, a current account was opened and the balance in the savings bank account was transferred to a current account and no interest was credited to the same. The Jan Siksha Directorate, Bihar filed this case contesting the same. The claim against the Bank is for an amount of Rs. 9.60 million. The said case is pending.

23. Mr. P. Neogy had a savings bank account bearing no. 105278 with a balance of Rs. 708,997.97 as of September 30, 1996. After the demise of the depositor, Mr. Neogy, Mrs. Esha Bala Neogy claimed the said amount. The competent authority permitted to pay the balance to her. Meanwhile, the branch has come to know that there was an instruction from income tax officials to freeze the account. As the account was a non-resident external account, the permission from RBI is also required. Since, Mrs. Neogy requested the branch to put on hold the remittance, the payment was not made. Mrs. Neogy has filed a case bearing no. 376/97 at the State Consumer Commission at New Delhi regarding alleged delay in release of funds in NRE account of the deceased by the Parliament Street Branch. The alleged claim against the Bank is Rs. 1.10 million. The matter is pending hearing.

24. Mr Mulakhraj Sharma and others had availed housing loan of Rs. 1.5 million from RBB Rajouri Garden branch. After partial disbursement of the loan, the branch came to know that the complainant had filed a false chartered accountant report, income tax return etc. Hence, the branch handed over the matter to CBI along with the case of the other borrowers and disbursement of remaining loan amount was stopped. Mr. Mulakhraj Sharma filed a case bearing no. 674/04 in the District Consumer Forum, New Delhi in October, 2004 regarding alleged non-release of entire loan amount by the RBB Rajouri Garden Branch. Mr. Mulakhraj Sharma has claimed Rs. 1 million from the Bank. The matter is pending.

25. Dr. Sohanlal Johari has filed an appeal bearing no. 129/03 in the National Commission, against the dismissal of his case by the State Commission, Mumbai for dishonour of credit card by a hotel in Mumbai. The claim against the Bank is for an amount of Rs. 0.52 million. The said appeal is pending.

26. Mr. Ghanshyam Dass and Mr. Dilbagh Rai have filed an appeal before the State Commission, Chandigarh, regarding adjustment of proceeds of their fixed deposit receipt towards their outstanding loan. The Bank took the action of appropriating the money since the mortgaged property had been disposed of by the complainants. The claim against the Bank is Rs. 0.50 million. The said appeal is pending before the State Commission, Chandigarh.

27. B.L.N. Agri Fishery Animal Research Institute has filed a case in the Consumer Forum, Hooghly against the Bank claiming demurrage. This complainant has alled that the fishery loan was sanctioned by the Bank on this complainant creating a charge on its property in favor of the Bank. However, this charge would not be created in favor of the Bank due to certain restrictions imposed by the concerned State Government. Thus, the Bank did not disburse the loan to this complainant because of which this case was fixed. This case is pending and the same is scheduled on April 11, 2005 for filing a show cause by the Bank.

Cases Pertaining to Interest Charges

There are 3 cases pending against the Bank wherein disputes have arisen in relation to the interest charged or leviable by the Bank. The quantifiable amount claimed in one of these cases is Rs. 5.54 million, the details of which are as follows:

28. M/s Premier Motor Garage (PMG) was granted credit facilities of Inland Letter of Credit and Cash Credit against pledge. Payment against Letter of Credit was made by the Calcutta Branch of the Bank to Hindustan Motors Limited, the principal of PMG, who used to deliver vehicles to them. PMG closed the account some time in 1975. Later, PMG on April 20, 1982 filed a suit for rendition of accounts against the Bank alleging over/excess charging of commission, commitment, bank charges, interest and other expenses by the Bank during the period 1964-1982 in contravention of Rules 15 and 16 of Foreign Exchange Dealers Association of India Rules and claimed refund thereof. The Bank contested the suit. The suit was decreed against the Bank on May 4, 2002 for the suit amount and interest. The Bank has preferred an appeal against the aforesaid judgement and decree in the Chandigarh High Court, which is pending. The alleged claim against the Bank is Rs. 5.50 million.

Cases in relation to counter-claims

In the event a customer fails to pay to the Bank the amounts due within the prescribed time, the Bank takes necessary action to recover such amounts. Such action includes enforcement of the security or recovery of money against the defaulting customers. Two of the Bank's customers have filed counter claims against such recovery suits filed by the Bank. There are 2 such counter claims pending against the Bank and the total amount in dispute is Rs. 696.35 million. The details of these two cases are as follows:

29. The Bank had filed a suit bearing TA No. 1114/2000, against M/s. Ashish Fabrics for recovery of its dues to the tune of Rs. 4.68 million in DRT, Lucknow. M/s. Ashish Fabrics has filed a counter-claim, against the Bank, *inter alia*, alleging that no action was taken against the auction of fixed assets of the firm by Uttar Pradesh Finance Corporaion (UPFC), the first charge holder, where the Bank had the second charge. It is alleged that M/s. Ashish Fabrics could not continue with their business activity because of the said auction, and suffered losses and loss of goodwill. Further, their proposal of rehabilitation rejected by UPFC. Therefore, M/s. Ashish Fabrics filed a counter claim in the sum of 13.85 million on account of loss or damage of capital assets, loss on account of rejection of rehabilitation proposal and Rs. 1.5 million on account of loss of goodwill based on two years average of profit. The alleged total claim against the Bank is Rs. 15.35 million. This case is pending.

30. The Bank has filed a suit against Modipan Fibers Limited (Modipan) on September 11, 2003 in DRT, Lucknow for recovery of Rs. 161.92 million. In that suit, Modipon has filed a counter claim against the Bank alleging that the Bank is guilty of breach of contractual terms and conditions and for arbitrary acts which had caused losses to them. It was also alleged that the Bank had been charging interest at excessive rates over and above the contractual rate of interest and penal interest and that the Bank had debited their accounts with large amounts towards deffered payment gurantee (DPG) commission, excessive interest, penal interest and other charges during the period 1996-97. The case is pending.

Cases relating to property disputes

Cases with respect to Lease hold property

A number of the Bank's branches are located in rented premises. 60 cases have been filed against the Bank in relation to arrears/ enhancement of the rent of the premises occupied by our Bank, and for eviction. The total amount claimed in these cases amount to Rs. 10.67 million approximately. Details of the four high value cases are as follows:

31. Mrs. Arati Mishra, wife of the landlord of the branch premises at Industrial Estate, Cuttack, had filed a case against the Bank as also her husband for execution of lease deed and claimed 50% of the arrears of rent amounting to Rs. 3.35 million. Her husband i.e. landlord had not raised any demand on the Bank. The suit was dismissed by the Civil Judge stating that Mrs. Mishra had no right to file the suit. Mrs. Mishra has filed a writ petition bearing no. 5051/03 challenging the aforesaid order of Civil Judge. The matter is yet to be listed for hearing.

32. M/s. Delux Store, (the landlord) of the branch premises (Tughlakabad branch), filed a suit bearing No. 2300/99 against the Bank in the Delhi High Court on July 23, 2001 for eviction and arrears of rent of Rs.18,859 per month from April 1, 1997 onwards. The total amount of the claim against the Bank amounts to Rs. 1.70 million. Due to enhancement of jurisdiction of the District Court, i.e., Tis Hazari, Court, Delhi, the case has been transferred from the Delhi High Court to the Tis Hazari, Court, Delhi. The case is pending.

33. Mr. H. Chaterjee (the landlord) has filed a suit bearing no. 85/99 in the Civil Court, Alipur on September 23, 1999 for enhancement of rent and other relief in relation to the Bank's Behala Branch in Kolkata. Behala Branch was occupying the premises on leasehold basis for the last 21 years on payment of rent at the rate of Rs.0.75 per square feet per month. On July 9, 1976, the lease agreement expired. Although the landlord initially agreed to accept rent at the rate of Rs.3.25 square feet per month with effect from October 1, 1997, he later did not agree for renewal of lease on the terms as agreed and filed suit for enhancement of the rent and for other reliefs (including injunction for restraining the Bank from making construction, alterations, etc.) The landlord got permanent injunction restraining the Bank from carrying out any construction / developmental work. The claim against the Bank is for an amount of Rs. 1.40 million. The matter is pending.

34. National Coal Field Limited (the landlord) has filed a suit bearing C.S.no. 657/02 in the Court of the Estate Officer, Singrauli on October 23, 2002 for increasing rent on the building and seven residential quarters occupied by the Bank. The landlord had provided building for the branch and also residence for staff and nominal rent was received from the Bank. Thereafter, the landlord enchanced the rent and other charges, and thus, is claiming enhanced rent from 1996 onwards for the branch premises and staff quarters. The claim against the Bank is for an amount of Rs. 1.25 million. The said matter is pending.

Cases with respect to the Bank's own property

35. The Bank has purchased two plots of land at Salt Lake, Kolkata, bearing nos. 377 and 378 on a 999 years lease. A.J. Forging Private Limited and others have filed a writ petition in the Calcutta High Court, bearing WP no. 2114 / 2001, alleging that plot no.

377 was earlier allotted to them. The writ petition was disposed of in favour of the Bank. A.J. Forging Private Limited thereafter filed an appeal before the Calcutta High Court, which also decided in favour of the Bank. Subsequently, A.J. Forging Private Limited filed a review petition bearing no. 4493 of 2004 in the Calcutta High Court. In the meantime, a lease deed has already been entered into between the Government and the Bank in respect of the land in question in this case. The case is pending.

36. Northern India Oil Co. Limited, Kanpur, owed certain amount to the Bank, which it was not able to repay. Some land belonging to the Northern India Oil Co. Limited was secured with the Bank. The Bank acquired the land through a court auction in 1963 for an amount of Rs. 610,000. Mr. Sunil Saran Garg has filed a case bearing no. 261/1978 before Second Additional Judge, Kanpur contending that $1/24^{th}$ share of the landed property belongs to him as HUF property. The case is pending.

In addition to the above case, there is one case filed against the Bank in respect of boundary dispute in Kolkata, where the amount is not quantifiable.

Labour / service matters

There are 278 labour related cases/industrial dispute cases pending against the Bank in the labour courts, authority under the Payment of Wages Act, 1972, and various High Courts in India and the Supreme Court of India. The total amount claimed in these cases aggregate to Rs. 25.71 million. The break up of the total number of cases pending before various courts are as provided below.

The aforesaid cases are classified as follows:

37. There are 83 cases pending before the Assistant Labour Commissioner (C) regarding, *inter alia*, rotational transfer of award staff, special allowance carrying posts, alleged claim to have been put in temporary service and inter-union rivalry. There is no financial implications of these disputes since they relate to non-financial matters, i.e., regarding interpretation of service conditions of employees.

38. There are 20 cases pending before the Controlling Authority under the Payment of Gratuity Act, 1972 regarding, *inter alia,* payment of interest on delayed payment of terminal benefits, payment of interest on delayed payment of gratuity, and payment of terminal benefits. The aggregate claim against the Bank alleged to be payable in respect of these cases is Rs. 3.45 million.

39. There are 10 cases pending before the Regional Labour Commissioner, Calcutta and the Appellate Authority under the Payment of Gratuity Act, 1972 regarding, *inter alia,* appeals against the orders of the Assistant Labour Commissioner (C) and appeals against the orders of the Controlling Authority under the Payment of Gratuity Act, 1972. The aggregate claim against the Bank alleged to be payable in respect of these cases is Rs. 1.12 million.

40. There are a total of 66 cases pending against the Central Government Industrial Tribunal regarding, *inter alia*, discharge/dismissal of award staff, stoppage/withdrawal of graded increments, non-release of special allowance and non-payment of officiating allowance. The aggregate claim against the Bank in respect of these cases is Rs. 8.39 million.

41. There are totally 99 cases pending in various High Courts and in the Supreme Court of India regarding, *inter alia*, claim of retirement benefits, reinstatement of services and Special Leave Petition (SLP)'s filed against the orders of the High Courts. The aggregate claim against the Bank in respect of these cases is Rs. 12.79 million.

    We have provided below the brief summary of five different kinds of cases, including SLPs pending before the Supreme Court of India. The decision of the Supreme Court may have an impact the cases involving similar disputes, which are pending in lower courts.

42. SLP No. 3613 / 2004: Allahabad Bank versus All Allahabad Bank Retired Employees Association

    Payment of pension to the employees of the Bank in lieu of service gratuity was in vogue much prior to the nationalisation of the Bank in the year 1969. This system of payment of pension was an alternative to the payment of gratuity, which was also confirmed by the National Special Labour Tribunal formed for settlement of various issues of Banking Industry in the year 1962 known as 'Desai Award' and 'Sastry Award'. After enactment of the Payment of Gratuity Act, 1972, the retired employees of the Bank, who were drawing pension in lieu of gratuity, started demanding payment of gratuity under the statute in addition to the pension they were receiving till then. Their claim was declined by the Bank. The aggrieved retired employees formed an Association and filed a Writ Petition No. 1002 / 1989 in the Allahabad High Court. After hearing the matter, the Division Bench of Lucknow Bench of the Allahabad High Court passed its judgment dated November 13, 2003 holding, *inter alia,* that the members of the retired Employees Association are entitled to both the terminal benefits of gratuity under the Payment of Gratuity Act, 1972, and also the Allahabad Bank's Service Pension, which they have been receiving since their retirement.

    Challenging the above mentioned decision of the Lucknow High Court, the Bank filed the above SLP, which was admitted on February 27, 2004 and the Supreme Court granted stay of the operation of the order of the High Court. The Association has filed their counter affidavit and the matter is awaited for hearing. As the above issue involved a question of law relating to the Payment of Gratuity Act, 1972 and the Award of a Special Labour Tribunal, it is not possible to quantify the extent of liability at this stage.

43. CCP No. 9037 / 2004, Allahabad Bank versus B.L. Kapoor

Mr. Biswambar Lal Kapoor, an ex-officer of Ludhiana branch was dismissed from the Bank's service on June 1, 1986 after holding departmental enquiry into the charges levelled against him. Challenging the said decision of the Bank, Mr. Kapoor filed Writ Petition no.2513 / 1984, which was disposed of on February 21, 1992 directing the Bank to hold departmental enquiry afresh. Against this judgement of the High Court, Mr. Kapoor filed Writ Appeal No.33 / 1992 before the Division Bench. The High Court did not grant any stay on the operation of judgement of the single judge. In the fresh departmental enquiry, the disciplinary authority again held him guilty and passed an order dated May 10, 1993 dismissing Mr. Kapoor from service. The aforesaid writ appeal was disposed of on January 9, 1995 by setting aside the order of dismissal of Mr. Kapoor with effect from July 1, 1984. The Appellate Court, however, held that the petitioner be declared as a person, who has been notionally taken back in service with effect from earlier order of dismissal was passed. This was subject, of course, to the petitioner's right to challenge the subsequent order dated May 10, 1993 in accordance with the law. Regarding the issue of back wages, the appellate Court held that the Disciplinary Authority will decide whether any amount is due to the appellant towards back wages for the said period, and if so, what amount. If any amount is found due to Mr. Kapoor towards back wages as aforesaid, the same will be paid. The Bank has filed a SLP against this order of the Appellate Court, which was disposed of on January 22, 1996, when the Supreme Court declined to interfere with the judgement. The Bank was given liberty to enquire as to whether Mr. Kapoor was working somewhere else for gainful employment for the period after his dismissal from the Bank's service. After making enquiry about the mode and style of livelihood of Mr. Kapoor after dismissal, the Bank came to conclusion that unless Mr. Kapoor had any other source of income, he could not live such fabulous life and considering all the submissions of the Bank's Presenting Officer, the Disciplinary Authority passed an order dated June 28, 1996 rejecting the claim of Mr. Kapoor for back wages. In the meantime, Mr. Kapoor filed another writ petition No. 855 / 1996 against second order of dismissal dated May 10, 1993, which was disposed of by direction Mr. Kapoor to exhaust the remedy available to him for making appeal to the Appellate Authority of the Bank. The Appellate Authority rejected the Appeal dated September 11, 1998 on December 4, 1998. Challenging the said decision of Appellate Authority, Mr. Kapoor filed another Writ Petition no. 2550 / 1998, which was decided in favour of Mr. Kapoor on January 4, 2002 holding, *inter alia*, that the petitioner is entitled to back wages and consequential benefits for the period from June 1, 1984 to May 10, 1993. The Bank filed a Writ Appeal no.251 / 2002 against the order dated January 4, 2002 which was disposed of on September 17, 2002 by dismissing the Bank's appeal. Against the said judgement dated Sepetmber 17, 2002 the Bank filed the above mentioned SLP, which was decided on January 9, 2004. The Supreme Court, after considering the long standing litigation, disposed of the SLP directing the Bank to pay 50% of the back wages and other consequential benefits. In compliance with the order of the Supreme Court, the Bank had released Rs. 302,872, being the amount of 50% of the back wages for the period from June 1, 1984 to May 10, 1993 and other benefits, like cost as imposed by the Court, medical aids for the said period, Medical Hospitalisation Bill of Mr. Kapoor, the bill of Mr. Kapoor Staff concessonal facility against LIC policies, difference of salary due to salary revision, etc. Despite receiving of all that consequential benefits Mr. Kapoor filed a Misc. Application in the Delhi High Court bearing CCP no. 9037 / 2004 claiming many other purported benefits to which he is not entitled to the Bank is contesting the said Misc. Application case.

44. SLP (C) NO. 3252 / 2004: Allahabad Bank versus Prem Nayain Pandey

Mr. Prem Narain Pandey, ex-manager of the Bank was dismissed from the Bank's service with effect from March 21, 1986 after departmental enquiry of imputation of charges for his negligence in monitoring the advances he granted. The said departmental enquiry was conducted even after his date of superannuating by invoking the provisions of Regulation 20 (3) (iii) of Allahabad Bank (Officers') Service Regulation, 1979. Mr. Pandey filed a Writ Petition no. 3841(SB) / 1986 in which an interim order was passed on June 3, 1986 for keeping the dismissal order under suspension. The Bank has filed an application to vacate the said interim order before the Division Bench, which was disposed of on February 30, 1993 declaring that the Assistant General Manager cannot act as the Disciplinary Authority since Mr. Pandey was retired from the Bank's service on February 28, 1997, earlier to the date of passing order of dismissal.

The Bank filed Civil Misc Application No.1286(W) / 1997 before the Division Bench of Lucknow High Court. This Court, by its order dated November 20, 1998, directed the Bank to pay the salary from the date of dismissal with retrospective effect. The High Court, while disposing the original writ application passed its judgement dated December 19, 2003, *inter alia*, quashed the impugned order of dismissal dated November 24, 1999 with direction to pay to the petitioned salary from the date of dismissal dated March 21, 1986 upto the date of superannuation i.e February 28, 1997. Since the said judgement envisaged the question of the provision of the Officers' Service Regulation as to whether the disciplinary proceeding can continue against an officer after his superannuation and whether the punishment of dismissal can be inflicted with retrospective effect, the Bank has filed the above SLP in the Supreme Court. By an interim order dated February 23, 2004, the Supreme Court stayed the operation of the order and directed the Bank for payment of 30% of the arrear salary. The Bank has complied the said order. The matter is pending.

45. SLP (C) No- 15392 of 2004: Oriental Fire & General Insurance Co Limited versus Uma Mera & Others

In an Insurance claim of death of one Mr. J.N. Mehra in a motor collision, the Insurance company alleged that since the motor car involved in the accident belonged to the Bank, the Bank was liable to pay the balance of the amount of the award for Rs. 303,816/- determined by the Motor Vehicle Accident Claim Tribunal, Patna, less the amount of insurance of the car of Rs. 50,000/- only. After several proceedings The Motor Accident Claim Tribunal in its Award dated 29-07-1998 directed the Insurance company to pay Rs. 302,816/- along with interest at the rate of 9% with effect from January 25, 1989. Challenging the said Award of Motor Accident Claim Tribunal, the Insurance company filed an Appeal No. 153 / 1998 in the Patna High Court, which was decided on March 18, 2004 dismissed against the said judgement. The Insurance company has filed the above SLP, which is pending. The Bank is contesting SLP.

46. SLP (C) No. 1178 / 2005: Allahabad Bank versus Prem Singh

Mr. Prem Singh, an ex-army personnel joined the Bank's service as Armed Guard. Having attained the age of 40 years, he became eligible under the Voluntary Retirement Scheme, 2000 and his application under Voluntary Retirement Scheme was accepted on the parameter of his age only, although he did not qualify on the other parameter for completion of minimum period of 15 years of service in the Bank. Although he had opted for pension under Allahabad Bank Employees' Pension Regulation, 1995, the request for payment of pension under the said Regulation could not be entertained because he had not completed the required period of service of 15 years to get proportionate rate of pension under the said Regulation. There was shortfall of 4 months of service to become eligible under the said parameter. Against the decision of the Bank, Mr. Singh filed a writ petition in the Allahabad High Court. The writ petition was decided in favour of Mr. Singh. The Bank filed a writ appeal in the same High Court. The Appellate High Court held that the related provisions of Allahabad Bank Voluntary Retirement Scheme, 2000 envisaged the said two parameters distinctly 'Disjunctive', and not 'Conjunctive' one, and the Bank cannot resile from its own provision. The Bank's contention is that this provision was incorporated in VRS only for the purpose of computing ex-gratia amount. The Supreme Court has granted stay on the operation of judgement of the Appellate High Court on February 4, 2005.

Cases arising out of service matters, which can be quantified

Of the 278 cases, brief details of some of these cases are as follows:

47. Mr N.K.Jain has filed a Writ Petition (CWP No.3135/98) in the Delhi High Court against the order of compulsory retirement. The alleged claim against the Bank is Rs. 1.00 million. The said matter is pending.

48. Mr. A.B.Bhartiya has filed a Writ Petition no. 9426/90 in the Allahabad High Court challenging his dismissal. The petitioner has also claimed payment of salary, treating him without any break in service. The alleged claim against the Bank is Rs. 0.85 million. The said matter is pending for final hearing.

49. The All India Bank Employees' Association (National Confederation of Bank Employees) (AIBEA (NCBE)) has filed a case bearing ID no. 32/1995 in the Central Government Industrial Tribunal for alleged retrenchment amount due to Ms. Krishnawati, who claims to have worked as a sweeper in ZSD, Okhala. The claim against the Bank is Rs. 0.80 million. The case is pending.

50. The AIBEA (NCBE) has filed a case bearing ID no. 11/1998 in the CGIT in respect of retrenchment and payment of salary. The alleged claim against the Bank is Rs. 0.60 million. The case is heard, and the final order is awaited.

51. Mr. Pravin Srivastava has filed a writ petition, beingCWP No. 4476 / 2000) in the Delhi High Court against the order of dismissal, and for payment of his salary. The alleged claim against the Bank is Rs. 0.60 million. The case is pending.

Cases wherein the Bank is proforma / formal party

There are in all 8 cases where the Bank has been made a proforma / formal party, without claiming any substantial releifs against it.

Cases pertaining to fraudulent transactions

There are 31 cases filed against the Bank for disputes in relation to alleged premature withdrawal of fixed deposits, alleged issuance of a false bank guarantee and banker's cheque, etc. The total amount claimed by the petitioners in these cases amounts to Rs. 144 million. Brief details of 4 high value cases amongst these cases, are as follows:

52. Pratibha Pratisthan Trust ("Trust") had pledged two fixed deposits with the JVP branch of the Bank in the sum of Rs. 13.22 million and Rs. 5.8 million, respectively. The Bank was holding these deposits for the Trust in safe custody. The Trust alleged that, vide its letter dated April 8, 1996, it had requested the Bank to transfer the proceeds of these fixed deposit to their (Trust's) savings bank account no. 11978 maintained with Indian Bank, Nariman Point Branch, Mumbai. However, both these fixed deposit receipts were prematurely withdrawn and amounts were transferred to the Bank's Andheri (West Branch) in an allegedly fictitious current account no. 450 in the name of the Trust, from which the entire amount was siphoned off. The Trust has, therefore, filed a suit against the Bank bearing no. 155/1997 on June 13, 1997 before the National Consumer Dispute Redressal Commission (NCRDC),

New Delhi for recovery of Rs.18.9 million towards interest at the rate of 26% per annum with effect from July 10, 1995, and damages of Rs.1 million. The Trust has demanded from the Bank the amount of the fixed deposit receipts, with interest at the rate of 26% per annum, amounting to Rs. 19.0 million. Aggrieved by the failure of the Bank to pay the said amount, the Trust has filed a case before the NCRDC, New Delhi. The case is pending.

53. The Trust (as defined above) had requested Canara Bank, Bhatbazar Mumbai (the first opposite party) on April 23, 1996 to transfer the maturity amount of their seven fixed deposit receipts of Rs.118.1 million with interest to savings bank account no. 11978 maintained by the said Trust at Indian Bank, Nariman Point Branch, Mumbai. It is alleged that, inter alia, Canara Bank transferred the proceeds of fixed deposit proceeds with the Andheri (West) Branch of Allahabad Bank without authority by way of demand draftand that the Bank has allegedly opened a bogus account in the name of the Trust from where the entire amount was being siphoned of. The said Trust demanded from Canara Bank and the Bank, the amount of fixed deposit receipts, with interest at the rate of 26% per annum, amounting to Rs. 118.0 million, but when Canara Bank and the Bank failed to pay the demanded sum, the Trust filed case in the National Consumer Dispute Redressal Commission, New Delhi bearing Case No. 156 / 1997 on June 13, 1997 before the National Consumer Dispute Redressal Commission, New Delhi for recovery of Rs.118.1 million with interest at the rate of 26% per annum with effect from September 30, 1995 and damages of Rs.1 million.

54. C.K. Industries has filed a suit against the Wadala branch of the Bank and Bomex Industries Limited bearing Case no. 1487/ 96 before the Bombay High Court. The plaintiff has claimed the amount of the bank guarantee of Rs. 0.98 million, alleged to have been issued by the bank in their favour at the instance of Bomex Auto Industries Limited. The Bank has denied having issued such a bank guarantee. The Bank has filed written statement. The case is pending.

55. Ashtech Limited has filed a suit against the Pedder Road, Mumbai branch office of the Bank bearing Case no. 859 / 95 before the Bombay High Court. The plaintiff has alleged fraud by the Bank in respect of lost banker's cheque alleged to have been issued by the Bank, and which were lost in transit. The Bank has denied having issued any banker's cheque. This suit is pending. In the meant time, pursuant to the court's order dated October 29, 1996, Rs.0.49 million has been depostied by the Bank in the court for the debit of suspense account.

Miscellanoeus Cases

Besides the above mentioned cases, we have 387 miscellaneous cases, *inter alia*, relating to loans, insurance claims, securitisation, alleged wrongful deductions, motor accident claims, etc pending against the Bank in various courts including the High Courts, Consumer Forums, Civil Courts, Debt Recovery Tribunals, etc. The total amount claimed by the plaintiffs in these cases amounts to Rs. 9,98.82 million. Out of these, brief details of some of the cases where the claim amount exceeds Rs. 10 million, are as provided below:

SL No	Suit No. / Forum	Complainant / Branch Name	Claim Amount (in million)	Nature of the Dispute	Zonal Office	Remarks
1.	CS no. 1156 / 1999 [TS 1156 of 1999], Calcutta High Court	Lal Baba Tube Company Private Limited [Industrial Finance branch, Kolkata]	100.00	Money Claim	Kolkata (Metro)	A suit filed against the Bank in June 1999, claiming a decree for damages for alleged wrongful acts, negligence etc. by the Bank in non-sanction /disbursement of loan. The matter is pending.
2.	CS No. 587/ 99, High Court, Kolkata	Asian Vegpro. Indudstries. Limited [Chowringhee branch]	290.10	Money Claim	Kolkata (Metro)	The company has claimed loss suffered by it due to the Bank's alleged delay in sanctioning credit facility specially opening of Letter of Credit facility. The matter is pending.

SL No	Suit No. / Forum	Complainant / Branch Name	Claim Amount (in million)	Nature of the Dispute	Zonal Office	Remarks
3.	CS –no. 88/ 2000 at High Court, Kolkata	Candlewood Holding Limited - EZO [previous premises on 24, Park Street]	28.40	Money Claim	Kolkata (Metro)	Puniti Holdings Limited, Bonsal Estates Private Limited, Puneed Developers Private Limited and Seville Estates Private Limited amalgamated with Altima Properies Private Limited vide High Court order dated November 20, 1997. The said Altima Properties Private Limited changed its name to Candlewood holding Ltd. on October 29, 1998. Candlewood Holding Limited has claimed this amount on account of alleged non payment of rent, municipal taxes and interest there on and cost of damage in furniture fixture located in the premises 24, Park Street, which the Bank has already vacated. The Bank has admitted part of the amount claimed and paid Rs. 6.7 million after deducting TDS. The plaintiff thereafter filed an application dated December 11, 2001 disputing the deduction of TDS. The application disposed of and the plaintiff was directed to take up the matter with Income Tax authority. The case is pending.
4.	MS no. 11/98, Alipore Court	Plastoman Private Limited [Southern Avenue branch]	11.10	Money Claim	Kolkata (Metro)	A suit was filed for a decree for Rs. 11.10 million towards alleged wrongful debit and deduction from the plaintiff's cash credit account contrary to the agreement made between the Bank and the borrower. Against the order allowing the petition for recalling the witness of the plaintiff, the Bank has filed a revision petition on October 10, 2001 before District Judge and obtained interim stay of the proceedings. The case is pending.

SL No	Suit No. / Forum	Complainant / Branch Name	Claim Amount (in million)	Nature of the Dispute	Zonal Office	Remarks
5	CS no. 145/ 2002 at High Court,	Calcutta. BCL Financial Services Limited [Industrial Finance branch, CAL]	91.20	Suit for damages.	Kolkata (Metro)	Claim against all the consortium banks. It has been sought for decree towards refund of excess interest realised and loss suffered by the reason of alleged wrongful freezing of the Bank's account. . The case is pending.
6	CS no. 215 / 2002 [WP 181/2003] at Calcutta High Court	Abhinandan International Private Limited [International branch]	35.60	Suit for damages	Kolkata (Metro)	A suit filed for damages with interest at the rate of 18% per annum from May 1, 2002 till re-payment for alleged not returning the original shipment documents and not releasing of funds and other alleged wrongful.
7.	CS no. 392/ 2000 at Calcutta High Court	Taya Mastya Super feeds Private Limited [International Branch]	24.60	Damage suit	Kolkata (Metro)	The company filed suit for damages West Bengal Finance Corporation (WBFC), West Bengal Industrail Development Corporation (WBIDC), and the Bank. Since amount of loan was not repaid, WBFC, sold plant and machinery etc., and, therefore, this suit has been filed. The Bank has also filed recovery suit before Debt Rrecovery Tribunal, Kolkata.
8.	OA 132/1999 at Debt Recovery Tribunal, Kolkata	State Bank of Inida [Southern Avenue branch]	24.00	Recovery suit	Kolkata (Metro)	Demon Finance had offered fixed deposits receipts purportedly issued by our Bank as security. Upon demand, the Bank rejected the claim as the same were issued fraudulently and without consideration. State Bank of India filed above suit and the Bank is the 5th defendant. The case is pending.
9.	OA 131/1999 at Debt Recovery Tribunal, Kolkata	State Bank of India [Southern Avenue branch]	10.20	Recovery suit	Kolkata (Metro)	A suit was filed against Corpus Credit and Leasing Limited and others. The case is for issuance of fixed deposit receipts by the Bank and State Bank of India and allowing of loans against three fixed deposit receipts. The case is pending.

SL No	Suit No. / Forum	Complainant / Branch Name	Claim Amount (in million)	Nature of the Dispute	Zonal Office	Remarks
10	Civil Suit no. 329/2003 Calcutta High Court	MAK Engineering Industies Limited, Manash Forgings Private Limited, Bengal General Trading Company Private Limited [Industrial Finance branch, Kolkata]	90.00	Civil Suit	Kolkata (Metro)	These three companies have claimed damages of Rs.30 million each, alleged to have suffered for keeping their office closed for 3 days on account of the alleged wrongful action on the part of the Bank to implement the orders of Debt Recovery Tribunal-1 in suit filed against BCL Financial Services Limited.
11	Civil Suit no. 304/98 Calcutta High Court	Bhagwan Das Agarwalla & Santosh Agarwalla [A/c Surendra Engineering Works – RC Place branch]	36.50	Money Suit	Kolkata (Metro)	A suit was filed by Bhagwan Das Agarwala and Santosh Agarwalla against Allahabad Bank, S. N. Agarwala and others claiming decree of Rs. 36.5 million with interest at the rate of 15% per annum. Since the suit was dismissed on March 3, 2004, restoration petition is filed, and the same is pending.
12	Civil Suit no. 648/2001 Calcutta High Court	Shivaram Singh & Sons (Coal Sales Limited) [Stephen House branch]	30.80	Money Claim	Kolkata (Metro)	A suit claiming compensation, interest, damages, refund of maturity value of fixed deposits, loss of goodwill etc. is filed. Notice was received by the head office of the Bank on April 17, 2004 as also by the branch on April, 2004 for the first time even though the suit has been filed in 2001. The case is pending.
13	83/96	Mecon India [Doranda Branch]	52.80	Money Suit	Ranchi	The Bank has preferred an appeal in High Court, and has obtained stay of the execution proceedings in the suit which was decreed against the Bank. The Bank has paid Rs. 30 million to MECON in terms of High Court Order against bank guarantee of Union Bank of India, through Bankers' cheque dated March 22, 2004. The High Court, vide its order dated November 8, 2004, set aside the order of the Lower Court to the extent that MECON was not entitled to get interest at the rate of 21.75% per annum with quarterly rests, but was entitled to interest only at the interest rate of the fixed deposit receipt. Being dissatisfied with the aforesaid order of the High Court, both parties have preferred appeals before the larger Bench of the High Court, Ranchi which is pending.

Past Case Related to SEBI directions under Section II B Of SEBI Act

The Bank had acted as Banker to the Issue in the Public Issue of Super Compact Disc Limited held in the year 2001, in which SEBI had directed the Bank to refund the money to the NRI investors. Pursuant to this direction, the Bank dispatched Rs. 2,441,000 to all the 212 NRI investors, alongwith interest of Rs 378,355 in November 2002.

II. Litigation against Our Directors

Except as stated above, there is no litigation against the Directors of our Bank pending as of December 31, 2004.

III. Material Developments

Except as disclosed above, in the opinion of the Board of our Bank, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of our Bank taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months.

IV. LITIGATION AGAINST OUR SUBSIDIARY, ALLBANK FINANCE LIMITED ("ALLBANK")

Income Tax particular of suit filed against Allbank

Income Tax / Interest as of December 31, 2004

Name of plaintiff	Pending before Authority	Suit No.	Nature of suit / cause of action	Monetary lia-bility which may be incurred by the Company (Rs. in million)	Present Status
Income Tax Department	Income Tax Appellate Tribunal (ITAT), Kolkata "E" Bench	478/K/04 Assessment Year–1999-2000	Diminution in the value of investment Rs. 1.3 million allowed by Commission of Income Tax (Appeals) in favour of AllBank.	0.463	The case is pending.
Income Tax Department	ITAT, Kolkata "E" Bench	894/K/04 Assessment Year –2000-2001	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	27.643	The case is pending.
Income Tax Department	ITAT, Kolkata "D" Bench	853/K/04 Assessment Year –1994-1995	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	64.799	Though this appeal is filed by the Bank, the same is not yet heard as the Committee of Disputes (COD) has not yet given its consent to the Bank for pursuing this appeal.
Income Tax Department	ITAT, Kolkata "D" Bench	854/K/04 Assessment Year –1996-1997	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	33.028	Though this appeal is filed by the Bank, the same is not yet heard as the Committee of Disputes (COD) has not yet given its consent to the Bank for pursuing this appeal.

Name of plaintiff	Pending before Authority	Suit No.	Nature of suit / cause of action	Monetary lia-bility which may be incurred by the Company (Rs. in million)	Present Status
Income Tax Department	ITAT, Kolkata "D" Bench	855/K/04 Assessment Year –1997-1998	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	63.902	Though this appeal is filed by the Bank, the same is not yet heard as the COD has not yet given its consent to the Bank for pursuing this appeal.
Income Tax Department	ITAT, Kolkata "D" Bench	856/K/04 Assessment Year –1999-2000	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	25.130	Though this appeal is filed by the Bank, the same is not yet heard as the COD has not yet given its consent to the Bank for pursuing this appeal.
Income Tax Department	ITAT, Kolkata "C" Bench	Interest tax – 70/ K/03 A. Y. 2000-2001	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	2.154	Though this appeal is filed by the Bank, the same is not yet heard as the COD has not yet given its consent to the Bank for pursuing this appeal.
Income Tax Department	ITAT, Kolkata "E" Bench	Interest tax – 31/ K/04 A. Y. 1994-1995	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	2.154	This case is pending.
Income Tax Department	ITAT, Kolkata "E" Bench	Interest tax – 33/ K/04 A. Y. 1996-1997	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	2.154	This case is pending.
Income Tax Department	ITAT, Kolkata "E" Bench	Interest tax – 34/ K/04 A. Y. 1999-2000	Addition of notional interest of Rs. 71.8 million rejected by the Commissioner of Income Tax (Appeals) in favour of AllBank.	2.154	This case is pending.

Civil Cases

There are 4 cases filed against AllBank wherein the total amount of claims involved amount to Rs. 34.70 million. The details of the cases are as follows:

1. Twin Pack Industries Limited has filed a case against AllBank in the MRTP Commission for restrictive trade practices. AllBank was the underwriter for the public issue of Twin Pack Industries Limited. Twin Pack Industries Limited has alleged that there was a delay in the public issue and that AllBank has not complied with the terms of the underwriting agreement. Twin Pack Industries Limited has, thus, claimed for an amount of Rs. 4.66 million as consequential loss due to the delay and breach of the terms of the underwriting agreement. The case is pending.
2. M.S. Shoes (East) Limited has filed two cases against AllBank for alleged violation of the provisions of the underwriting agreement entered into between AllBank and M.S. Shoes (East) Limited for the public issue of M.S. Shoes (East) Limited. AllBank acted as the underwriters to the said issue, however the issue did not go through and failed. M.S. Shoes (East) Limited has filed these two cases, one with the additional District Judge, Tis Hazari Court, Delhi vide 391 /2003 (earlier no. 1531 / 1995) and the other with the Joint Registrar, High Court, Delhi bearing case no. 1299/1997 praying for damages amounting to Rs. 29.99 million as consequential loss due to breach of the terms of the underwriting agreement. The case is pending.
3. Mr. Amit Chakraborty (ex-project executive) has filed a writ petition in the Calcutta High Court for encashment of leave allowance on resignation from service in the sum of Rs. 50,000. The case is pending.

Except as mentioned above

No proceedings have been launched against AllBank 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, 1956. No such litigation or disputes are pending as of and there are no defaults or outstanding statutory dues. In the past, no penalties have been imposed by any regulatory authority.

AllBank has not defaulted in meeting statutory dues, Institutional dues and has made all payments/refunds on debentures/fixed deposits. It has not defaulted on dues to holders of other debt instruments and preference shareholders. There are no pending proceedings initiated for economic offences.

Against the Directors of AllBank

A criminal case has been filed by M.S. Shoes (East) Limited in Delhi High Court against the Bank, AllBank, and one of the directors of AllBank relating to attachment and sale of property of M.S. Shoes (East) Limited by Debt Recovery Tribunal at a price less than the fair market value of the property.

Except as stated above, there are no outstanding litigations, disputes or penalties against the Directors of AllBank, 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.

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. There is no suit pending against the Directors in capacity as director or partner or sole proprietor in any other company/firm.

Other than the as stated above, there are no disputes/ litigations towards tax liabilities or any criminal or civil prosecutions against AllBank for any offence – economic or otherwise. No criminal proceedings have been launched against AllBank under any of the enactment irrespective of whether specified in paragraph 1 of part I of Schedule XIII of the Companies Act, 1956.

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 constitution of the Bank.

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.

V. Litigation against RRBs

1) Bhagirath Gramin Bank

Contingent Liabilities not provided for as of March 31, 2004:

Nil.

Litigation against as of December 30, 2004:

A. Civil Matters:

There are 73 civil cases pending against Bhagirath Gramin Bank. The aggregate liability in respect of these cases is Rs. 1.80 million.

B. Consumer Cases:

There are 18 consumer cases pending against Bhagirath Gramin Bank in the Consumer Forum, Sitapur. The aggregate liability in all these cases for Bhagirath Gramin Bank is Rs. 0.50 million.

2) Tulsi Gramin Bank

Contingent Liabilities not provided for as of March 31, 2004:

Nil.

Litigation against as of December 31, 2004:

A. Civil Matters:

There are 15 civil cases against Tulsi Gramin Bank pending in various civil courts, including one case at the Lok Adalat. The aggregate liability in respect of the said cases is Rs. 1.54 million.

B. Consumer Cases:

There are three consumer cases pending against Tulsi Gramin Bank in the State Consumer Commission, Lucknow. The aggregate liability in all those cases for the Tulsi Gramin Bank is Rs. 0.17 million.

There are 20 consumer cases pending against various insurance companies in the District Consumer Forum, Banda, in which Tulsi Gramin Bank has also been impleaded as a party. The aggregate liability in these cases is Rs. 0.26 million.

3) Vindhyavasini Gramin Bank

Contingent Liabilities not provided for as of March 31, 2004:

Rs. 0.2 million.

Litigation against as of September 30, 2004:

A. Labour cases:

There are 16 cases against Vindhyavasini Gramin Bank relating to service and labour matters pending before the Allahabad High Court at various stages of hearing and disposal.

B. Civil Matters:

A civil suit is filed against Vindhyavasini Gramin Bank in the Allahabad High Court, filed by a clerk of the Vindhyavasini Gramin Bank for stay in recovery proceedings for bank dues.

C. Contempt of Court:

A Contempt Petition no. 4024/2000 is pending in the Allahabad High Court filed by Phool Chand Singh, an Officer of Vindhyavasini Gramin Bank against the Chairman of the said bank.

4) **Sravasthi Gramin Bank**

Contingent Liabilities not provided for as of March 31, 2004:

Rs. 6.99 million.

Litigation against as of December 29, 2004:

A. *Civil Matters:*

There are 34 civil cases against Sravasthi Gramin Bank pending at the Civil Court, Bahraich. The aggregate liability in respect of the said cases is Rs. 0.47 million.

B. *Other cases:*

There are 42 other cases against Sravasthi Gramin Bank relating *inter alia*, to service, labour and consumer dispute matters pending before at various stages of hearing.

5) **Sharda Graminbank**

Contingent Liabilities not provided for as of March 31, 2004:

Rs. 7.33 million.

Litigation against as of November 23, 2004:

A. *Labour cases:*

There are five cases against Sharda Graminbank relating to service and labour matters pending before the Madhya Pradesh High Court, Jabalpur.

6) **Sarayu Gramin Bank**

Contingent Liabilities not provided for as of March 31, 2004:

Nil.

Litigation against as of November 19, 2004:

A. *Labour cases:*

There are 12 cases and Writ Petitions against Sarayu Gramin Bank relating to service and labour matters pending before the Allahabad High Court, Lucknow Bench at various stages of hearing.

7) **Chhatrasal Gramin Bank**

Contingent Liabilities not provided for as of March 31, 2004:

Rs. 0.28 million.

Litigation against as of September 30, 2004:

A. *Labour cases:*

There are 24 Writ Petitions against Sarayu Gramin Bank relating to service and labour matters pending before the Allahabad High Court at various stages of hearing.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition, and shall be subject to the guidelines issued by RBI. For further details on restrictions on dividend declaration, refer to the section titled “Regulations and Policies – Restrictions on Payment of Dividends” on page 141.

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

	Fiscal 2004	Fiscal 2003	Fiscal 2002	Fiscal 2001	Fiscal 2000
Face value of Equity Shares (in Rs. per share)	10	10	10	10	10
Dividend (in Rs. Million)	693.4	346.7	160.4	100.0	246.7
Dividend Tax (%)	12.81	12.81	nil	10.2	27.1
Dividend per Equity Share (Rs.)	2	1	0.65	0.41	1
Dividend Rate Approx. (%)	20	10	6.5	4.05	10

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

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares

See the section titled “History and Certain Corporate Matters - Stock Market Data” on page 71.

Particulars Regarding Public Issues During the Last Five Years

Details of the public issues made by our Bank in the previous five years are as follows:

Public Issue of Equity Shares (October, 2002)

Public Issue in which 10,00,00,000 Equity Shares of Rs.10 each for cash at par aggregating Rs. 1000 million were allotted to public.

Opening Date	October 23, 2002
Closing Date	October 31, 2002
Date of Allotment	November 26, 2002
Date of Refunds	November 25, 2002
Date of Listing on Stock Exchanges	
BSE on	November 27, 2002
NSE on	November 29, 2002
CSE on	November 27, 2002

Promise vs. Performance

We have not made any projections in the offer document of our previous capital issues during the last five years. The funds raised from these capital issues have been utilised for our business as mentioned in the offer document for the same.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Companies under the same management

There are no companies under the same management, as the Bank is not a company registered under the Companies Act.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection centre where the application was submitted.

Disposal of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

The details of the investor grievances are as follows:

Category	**Pending on December 1, 2004**	**Received during December 2004**	**Processed during December 2004**	**Pending on January 1, 2004**
Equity Shares	NIL	323	323	NIL

We have appointed Mr. M. M. Neogy, Deputy General Manager (Finance and Accounts) as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Allahabad Bank Head Office,
2 Netaji Subhas Road, Kolkata – 700 001.
Tel: (033)-2242 0375
Fax: (033)-2210 7424
E-mail: hogsc@cal.allahabadbank.co.in

STATEMENT OF TAX BENEFITS

Manubhai & Co., Chartered Accountants, T.K. Ghose & Co, Chartered Accountants, Ramesh C. Agrawal & Co., Chartered Accountants, Prakash & Santosh, Chartered Accountants, N. Chaudhuri & Co., Chartered Accountants and Dhamija Sukhija & Co., Chartered Accountants have given their report on the tax benefits available to the Bank and their prospective shareholders under the provisions of the current tax laws vide their letters dated December 22, 2005 and February 9, 2005.

A. TO THE BANK

1. In terms of section 10(15) of the Income Tax Act, 1961 interest on certain securities/ bonds as notified by Government of India is exempt from tax.

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

3. Income specified under Section 10(35) of Income Tax Act, 1961 i.e.

   a. Income received in respect of the units of a Mutual Fund specified under clause (23D).

      Income received in respect of the units from the Administrator of the specified undertakings;

      Income received in respect of units from the specified company is not taxable in the hands of Bank.

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

      - The transaction of Sale of such Equity Share is entered into on or after 1st October 2004.
      - The transaction is chargeable to Securities Transaction Tax.

   In case the transaction is not covered as per Para 4 above, the following benefits are available :

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

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

6. As per the provisions of Section 36 (1) (vii) of the Income Tax Act, 1961, any bad debts or part thereof of the Bank which is written off as irrecoverable in the books of accounts of the Bank is allowable as deduction subject to the condition that when the Bank claims deduction under sub clause (viia) of section 36 (1) the amount of the deduction relating to any such bad debts or part thereof shall be limited to the amount by which such debts or part thereof exceeds the credit balance in the provision for bad and doubtful debts account under this sub-clause.

7. As per the provisions of Section 36 (1) (viia) of the Income Tax Act, 1961, in respect of any provision for bad and doubtful debts made, the Bank is entitled to a deduction not exceeding:

   - 7.5% of the total income computed before making any deduction under this clause and chapter VIA ;
   - 10% of the aggregate average advances made by the rural branches of the Bank computed in the prescribed manner;

8. Further with effect from 01-04-2004 the bank at its option can claim further deduction in excess of the limits specified in the foregoing provisions for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government. In order to avail this benefit the Bank should disclose such income in the return of income under the head “Profit and gains of business or profession”.

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

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

B. TO THE INDIVIDUAL INVESTORS

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

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

   - The transaction of Sale of such Equity Share is entered into on or after 1st October 2004.
   - The transaction is chargeable to Securities Transaction Tax.

3. In case the transaction is not covered as per Para 1 above, the following benefits are available :

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

   - As per the provisions of Section 54ED of the Income Tax Act, 1961, and subject to conditions specified therein, capital gains arising from the transfer of Shares of the Bank held as long term capital assets, being listed securities or unit is fully exempt from tax if the Individual invests within a period of six months after the date of such transfer , in Equity Shares forming part of an eligible issue of capital as defined in clause (i) to Explanation in the above section. If only a portion of capital gain is invested, then the exemption is proportionally available.
   - As per the provisions Section 54F of the Income Tax Act, 1961 long term capital gains arising on transfer of Shares of the Bank in the case of Individuals 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 the net consideration is invested in the construction of a residential – house within a period of three years from the date of transfer. Where only a part of net consideration is invested then the exemption is proportionally available. The exemption is available subject to other conditions specified in that section.

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

C. TO THE MUTUAL FUNDS

As per the provisions of Section 10(23D) of the Income Tax Act, 1961 income by way of short term or long term capital gains arising from transfer of such Shares of the bank earned by the Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulation made there under, Mutual Fund set up by the Public Sector Banks or Public Financial Institutions and Mutual Fund authorized by the Reserve Bank of India would be exempt from Income Tax subject to the conditions as the Central Government may by notification in the official gazette specify in this behalf.

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

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

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

c) As per the provisions Section 54F of the Income Tax Act, 1961 long term capital gains arising on transfer of Shares of the Bank in the case of individual 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 the net consideration is invested in the construction of a residential – house within a period of three years from the date of transfer. Where only a part of net consideration is invested then the exemption is proportionally available. The exemption is available subject to other conditions specified in that section.

d) As per the provision of the first proviso to the section 48 of the Income Tax Act, capital gains arising from transfer of Equity Shares acquired by the non-resident in foreign currency are to be computed by converting the cost of acquisition / improvement, expenditure incurred wholly and exclusively in connection with such transfer and full value of consideration received or accruing into the same foreign currency as was initially utilised in the purchase of Equity Shares and the capital gains to computed in such foreign currency shall then be reconverted into Indian currency. Cost indexation will not be available in such cases.

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

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

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

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

   iii) Under provisions of section 115G of the Income Tax act 1961, it shall not be necessary for a Non resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains arising out of assets acquired, purchased or subscribed in convertible foreign exchange an tax deductible at source has been deducted there from.

   iv) Under section 115H of the Income Tax Act, where a NRI becomes assessable as a resident in India, along with his return of income for that year, he may furnish a declaration in writing to the Asse4ssing officer under section 139 o there Income Tax Act to the effect that the provisions of the Chapter – XII_A shall continue to apply to him in relation to income derived from Equity Shares of the company for that year and subsequent years until such assets are converted into money.

   v) Under section 115 – I of the Income Tax Act 1961, a Non Resident Indian may elect not to be governed by the provisions of chapter XIIA for any assessment year by furnishing the return of income under section 139 of the Income Tax Act declaring therein that the provisions of this chapter shall nor apply o his form that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the act shall apply.

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

h) In accordance with and subject to the provisions of Section 196D(2) of the Income Tax Act, no deduction of Tax at Source will be made in respect of capital gains arising from the transfer of the Equity Shares referred to in section 115AD from sale proceeds payable to the FIIs.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of this Prospectus, Red Herring Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, and laws as applicable and in force on the date of the Issue.

Authority for the Issue

The issue of Equity Shares is being made pursuant to the sanction of GoI in consultation with RBI vide letter No. F. No. 11/34/2004-BOA dated December 6, 2004 under Section 3(2B)(c) of the Bank Acquisition Act, as amended and the resolutions passed at the meeting of the Board of Directors of the Bank on October 9, 2004 and the shareholders of the Bank at the EGM held on January 4, 2005.

It is to be distinctly understood that from the sanction/approval of the GoI and RBI, it 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 approval from any Government authority is required by the Bank to undertake the proposed activities.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Constitutional Documents and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends**.** The Persons in receipt of Allotment will be entitled to dividends or other benefits, if any, declared by our Bank after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of the Prospectus at a total price of Rs. 82 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

Subject to applicable laws including, among others, the Bank Acquisition Act, the Bank Regulations, the Nationalised Bank Scheme and the Banking Regulation Act, the Equity Shareholders of the Bank shall have the following rights:

- Right to receive dividends, if declared. However, the declaration of dividends of the Bank is subject to certain restrictions. Please see the restrictions on the payment of dividends in the section titled “Regulation and Policies - Restrictions on Payment of Dividends” on page 141;
- Right to attend general meetings and exercise voting powers, unless prohibited by law. The Bank Acquisition Act states that no shareholder of the Bank, other than the GoI shall be entitled to exercise voting rights in respect of the shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank. However the power of shareholders to exercise voting rights is subject to certain restrictions. For information on restrictions on the power of shareholders to exercise voting rights please see the section titled “Regulation and Policies - Restriction on Share Capital and Voting Rights” on page 141;
- Right to vote on a poll either in person or by proxy;
- Subject to the provisions of Clause 3(2D) of the Bank Acquisition Act and Regulations 17 and 19 of the Bank Regulations, the right of free transferability. However, the right of free transferability is subject to certain restrictions. For information on these restrictions please see section titled “Main Provisions of Constitutional Documents” on page 198; and
- Such other rights, as may be available to a shareholder of a listed corresponding new bank under the Banking Regulation Act and our Constitutional Documents and under the listing agreements with the Stock Exchanges. However, please note that all rights available to shareholders of a company are not available to shareholders of a new corresponding bank. For information on these restrictions please see section titled “Regulation and Policies - Comparitive Table of Rights of Shareholders of Companies Act, 1956 and under regulations applicable to corresponding new banks” on page 117.

For a detailed description of the main provisions of our Constitutional Documents dealing with, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission, see the section titled “Main Provisions of Constitutional Documents” on page 198.

Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. The Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of One Equity Share subject to a minimum Allotment of 75 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Kolkata, India.

Nomination Facility to the Investor

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Head Office of our Bank or at the Registrar and Transfer Agents of our Bank.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the Allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Subscription by NRIs, FIIs

It is to be distinctly understood that there is no reservation for any NRIs, FIIs and such applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in the Issue. Further, NRIs who are not Eligible NRIs, foreign venture capital funds not registered with SEBI are not permitted to participate in this Issue.

The Equity Shares have not been and will not be registered under the US Securities Act, 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold of, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. State Securities laws. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A under the Securities Act and to “U.S. persons” (as defined in Regulation S under the Securities Act) who are “qualified institutional buyers” in transactions in compliance with Rule 144A under the Securities Act, and (ii) outside the United States to certain Non-U.S. persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 100,000,000 Equity Shares comprising Net Issue to the public of at least 80,000,000 Equity Shares, a reservation for Employees of 10,000,000 Equity Shares and a reservation for Existing Shareholders of 10,000,000 Equity Shares, at a price of Rs. 82 for cash aggregating Rs. 8,200 million is being made through the Book Building Process.

	Employees	**Existing Shareholders**	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Upto 10,000,000 Equity Shares	Upto 10,000,000 Equity Shares	Upto 40,000,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 12,000,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of 28,000,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Upto 10% of size of the Issue**	Upto 10% of size of the Issue**	Upto 50% of Net Issue or Net Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders	Minimum 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid #	75 Equity Shares and in multiples of 75 Equity Share thereafter	75 Equity Shares and in multiples of 75 Equity Share thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of 75 Equity Shares.	75 Equity Shares and in multiples of 75 Equity Share thereafter
Maximum Bid	Such number of Equity Shares such that the Bid does not exceed 2,500 Equity Shares	Such number of Equity Shares not exceeding 10,000,000 Equity Shares when applying in the Existing Shareholders Reservation Portion	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Employees as of March 31, 2005	Existing Shareholders as of March 24, 2005 and who hold Equity Shares of upto Rs. 100,000 determined on the basis of closing price of Equity Shares in the NSE on March 23, 2005.	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, Eligible NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Existing Shareholders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding	Nil	Full Bid Amount on Bidding	Full Bid Amount on Bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Bank, in consultation with the BRLMs.

** An undersubscription for Equity Shares, if any, reserved for Employees and Existing Shareholders would be included in the Net Issue to the public and first be distributed equally between the Retail Portion and the Non-Institutional Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194. In the event that the demand in either of the Retail Portion or the Non-Institutional Portion has been met, the Equity Shares shall be allocated to a category in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Retail Portion and the Non-Institutional Portion as stated above, shall be allocated to the QIB Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194.

The minimum number of Equity shars for which Bids can be made by Bidders and the multiples of Equity Shares in which the Bids can be made, have been advertised atleast one day prior to the bid Opening Date/Issue Opening Date, in Business Standard, an English language newspaper, Pratahkal, a Hindi language and Aajkal, a Bengali language newspaper with wide circulation.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to the public shall be available for allocation on a discretionary basis to QIB Bidders. Further, not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Bank in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason therefore. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids under Employees Reservation Portion and Bids under Existing Shareholders Reservation Portion, our Bank would have a right to reject the Bids only on technical grounds.

Investors should note that Allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the Designated Stock Exchange, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Bank to make the necessary changes in this Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the Designated Stock Exchange and as would be required by Designated Stock Exchange after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non-Institutional Bidders and Retail Individual Bidders	White
NRIs and FIIs	Blue
Employees	Pink
Existing Shareholders	Green

Who can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the *karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
3. Insurance companies registered with the Insurance Regulatory and Development Authority;
4. Provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in Equity Shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in Equity Shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
7. Indian mutual funds registered with SEBI;
8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;

10. State Industrial Development Corporations;

11. Trusts/ societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/ societies and who are authorised under their constitution to hold and invest in the Equity Shares;

12. Eligible NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws. NRIs other than NRIs, domestic venture capital funds and foreign venture capital funds are not permitted to participate in this Issue; and

13. Scientific and/ or industrial research organisations authorised to invest in Equity Shares.

Note: The BRLMs, the Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions, public sector banks) cannot participate in that portion of the Issue where allocation is discretionary, unless specifically exempted by SEBI, and will not be eligible in the QIB Portion. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in Equity Shares of our Bank.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

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

The above information is given for the benefit of the Bidders. Our Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of the option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The option to Bid at cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares. A Bid cannot be submitted for more than the Net Issue to the public. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date.

    In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at cut-off Price.

(c) **For Bidders in the Employees Reservation Portion**: The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 2,500 Equity Shares. Bidders in the Employees Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at cut-off Price.

(d) **For Bidders in the Existing Shareholder Reservation Portion:** The Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. The maximum Bid in this portion cannot exceed for more than 10,000,000 Equity Shares. Bidders in the Existing Shareholders Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at cut-off Price.

Information for the Bidders:

(a) Our Bank filed has the Red Herring Prospectus with the Designated Stock Exchange at least three days before the Bid Opening Date/ Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares according to the terms of the Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Head Office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

(e) The Price Band have been advertised at least one day prior to the Bid Opening Date/Issue Opening Date. With regard to the Price Band, the Bidders can be guided by the secondary market prices of the Equity Shares.

Method and Process of Bidding

(a) Our Bank and the BRLMs have declared the Bid Opening Date/ Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also published the same in three widely circulated newspapers (one each in English, Hindi and Bengali). This advertisement contained the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and the Syndicate Members and their bidding centres. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for the Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of three days and not exceed seven days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in three national newspapers (one each in English, Hindi and Bengali) and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section titled "Issue Procedure - Bids at Different Price Levels" on page 177 below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 179.

(f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure - Terms of Payment and Payment into the Escrow Accounts" on page 178.

Bids at Different Price Levels

(a) The Price Band have been advertised at least one day prior to the Bid Opening Date/Issue Opening Date in Business Standard, an English language newspaper with wide circulation, Pratahkal a Hindi language newspaper with wide circulation and Aajkal a Bengali language newspaper with wide circulation. Bidders are advised to be guided by the price of our listed Equity Shares in the secondary market for the purposes of making a decision to invest in Equity Shares offered as part of this Issue. The Bidders can bid at any price within the Price Band, in multiples of Re.1.

(b) In accordance with SEBI Guidelines, the Bank reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE, NSE and CSE, by issuing a public notice in three national newspapers (one each in English, Hindi and Bengali), and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(d) Our Bank, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders, Employees and Existing Shareholders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non-Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders or Employees or Existing Shareholders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders or Employees or Existing Shareholders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or Employees or Existing Shareholders, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders or Employees or Existing Shareholders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/ refund account(s).

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders or Employees or Existing Shareholders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders or Employees or Existing Shareholders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 75 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

Our Bank shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow

Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder who is required to pay a Margin Amount greater than 0% shall with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure - Payment Instructions" on page 185) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, Employees and Existing Shareholders, would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" on page 173. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder not later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-application form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date, failing which we and shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period/Issue Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the Bidding Period/ Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Employee, Existing Shareholder, Individual, Corporate, FII, NRI or Mutual Fund, etc.
- Numbers of Equity Shares Bid for.

- Bid Price.
- Bid cum Application Form number.
- Whether payment is made upon submission of Bid cum Application Form.
- Depository Participant identification no. and client identification no. of the demat account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Bank.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion, Bids under the Retail Portion, Bids under the Employees Reservation Portion and Bids under Existing Shareholders Reservation Portion, Bids would not be rejected except on the technical grounds listed in this Prospectus.

(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Bank, our Promoter, our management or any scheme or project of our Bank.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid Closing Date /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Bank, in consultation with the BRLMs, shall finalise the Issue Price, the number of Equity Shares to be Allotted in each portion and the allocation to successful QIB Bidders. The allocation will be decided based *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid.

(c) The allocation for QIB Bidders for up to 50% of the Net Issue would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue respectively would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. The allocation under the Employees Reservation Portion and the Existing Shareholders Portion for up to 10% of the Issue each would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Any undersubscription in the Employees Reservation Portion and Existing Shareholders Reservation Portion would be included in the Net Issue to the public and first be distributed equally between the Retail Portion and the Non-Institutional Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194. In the event that the demand in either of the Retail Portion or the Non-Institutional Portion has been met, the Equity Shares shall be allocated to the portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194.

(e) Allocation to QIBs, Non-Residents, FIIs and Eligible NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(g) We reserve the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever.

(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/ Issue Closing Date.

Signing of Underwriting Agreement and Filing with the Designated Stock Exchange

(a) Our Bank, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Prospectus with the Designated Stock Exchange, which then would be termed the Prospectus. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by the Bank after the filing of the Prospectus with the Designated Stock Exchange. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLMs or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Bank will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, our Bank would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within two working days of the date of Allotment.

(b) As per SEBI Guidelines, **Equity Shares will be issued, transferred and Allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be Alloted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), or Employee Bid Cum Application Form (pink in colour) or Existing Retail Shareholder Bid cum Application Form (specified pre-printed form which shall be mailed to them) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that you have been given a TRS for all your Bid options;

(f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(g) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 100,000 or more. In case neither the PAN nor the GIR number has been allotted, mention "Not allotted" in the appropriate place; and

(h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, Employees and Existing Shareholders for whom the Bid Amount exceeds Rs 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Net Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

(h) Do not submit Bid accompanied with Stockinvest.

(i) Do not provide your GIR Number instead of your PAN.

Instructions for Completing the Bid-Cum-Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for resident Indians, blue colour for Eligible NRIs and FIIs and applying on repatriation basis, pink colour for Employees and the green pre-printed form for Existing Shareholders which shall be mailed to them).

(b) Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) The Bids from the Retail Individual Bidders must be for a minimum of 75 Equity Shares and in multiples of 75 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares. Bids cannot be made for more than the Net Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(e) For Employees, the Bid must be for a minimum of 75 Equity Shares and shall be in multiples of 75 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 2,500 Equity Shares.

(f) For Existing Shareholders, the Bid must be for a minimum of 75 Equity Shares and shall be in multiples of 75 Equity Shares thereafter. The maximum Bid Amount in this portion cannot 10,000,000 Equity Shares.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees

For the sake of clarity, the term "Employees" shall mean all or any of the following:

- a permanent employee of the Bank working in India as of March 31, 2005;
- a director of the Bank, whether a whole time director, part time director or otherwise as of March 31, 2005.

(a) Bids by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e. pink colour form).

(b) Employees should mention their Employee number at the relevant place in the Bid cum Application Form.

(c) The Sole/First Bidder should be an Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.

(d) Only Employees on the rolls of the Bank as of March 31, 2005 would be to apply in this Issue under reservation for Employees on a competitive basis.

(e) Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Employees Reservation Portion.

(f) The maximum Bid in this portion can be for 2,500 Equity shares.

(g) If the aggregate demand in this category is less than or equal to 10,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Any undersubscription in the Employees Reservation Portion would be included in the Net Issue to the public and first be distributed equally between the Retail Portion and the Non-Institutional Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" as described in page 194. In the event that the demand in either of the Retail Portion or the Non-Institutional Portion has been met, the Equity Shares shall be allocated to the portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194.

(h) If the aggregate demand in this portion is greater than 10,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 75 Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Statutory and other Information - Basis of Allocation" on page 194.

(i) Bidding at Cut-off is allowed only for Employees whose Bid Amount is less than or equal to Rs. 100,000.

Bids by Existing Shareholders

For the sake of clarity, the term "Existing Shareholders" shall mean the persons who are holders of Equity Shares of the Bank as of March 24, 2005 and who hold Equity Shares worth upto Rs. 100,000 determined on the basis of closing price of the Equity Shares in the NSE on the previous day i.e. March 23, 2005.

(a) Bids by Existing Shareholders shall be made only in the prescribed Bid cum Application Form or Revision Form, which shall be mailed to them.

(b) Existing Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid cum Application Form.

(c) The sole/First Bidder should be an Existing Shareholder. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.

(d) Only Existing Shareholders of the Bank as of March 24, 2005 would be eligible to apply in this Issue under reservation for Existing Shareholders on a competitive basis.

(e) Existing Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Shareholders Reservation Portion.

(f) The maximum Bid in this category can not be for more than 10,000,000 Equity Shares

(g) If the aggregate demand in this category is less than or equal to 10,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Shareholders to the extent of their demand. Any undersubscription in the Existing Shareholders Reservation Portion would be included in the Net Issue to the public and first be distributed equally between the Retail Portion and the Non-Institutional Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194. In the event that the demand in either of the Retail Portion or the Non-Institutional Portion has been met, the Equity Shares shall be allocated to the portion in which the demand has not been met. The remaining undersubscribed Equity Shares, if any, after allocation to the Bidders in the Retail Portion and the Non-Institutional Portion as aforesaid, shall be allocated to the QIB Portion in accordance with the description in section titled "Statutory and other Information - Basis of Allocation" on page 194.

(h) If the aggregate demand in this category is greater than 10,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 75 Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Statutory and other Information - Basis of Allocation" on page 194.

(i) Bidding at Cut-off Price is allowed only for Existing Shareholders whose Bid Amount is less than or equal to Rs. 100,000.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

(a) On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

(b) In a single name or joint names (not more than three).

(c) By FIIs for a minimum of such number of Equity Shares and in multiples of 75 that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 175.

(d) In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals or their nominees, foreign venture capital investors.

(e) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

(a) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(c) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(i) In case of Resident Bidders: **"Escrow Account – Allahabad Bank FPO"**;

(ii) In case of Non-Resident Bidders: **"Escrow Account – Allahabad Bank FPO – NR"**;

(iii) In case of Employees: '**Escrow Account – Allahabad Bank FPO – Employees"**; and

(iv) In case of Existing Shareholders: '**Escrow Account – Allahabad Bank FPO – Existing Shareholders**"

- In case of bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in the NRE Accounts or the FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(d) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.

(e) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(f) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Banker to the Issue.

(g) On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Banks shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest/money orders/ postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through Stockinvest would not be accepted in this Issue.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids. Bids made by Existing Shareholders both under Existing Shareholders Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all portion.

Unique Identification Number - UIN

In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted Unique Identification Numbers (UIN) save and except (i) those promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of th appeal, as the cas emay be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN Card or PAN allotment letter is required to be submitted with the Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the Sole Bidder and/or the Joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of Declaration to be filed by a person who does not have a Permanent Account Number and who interse into any transactions specified in Rule 114B), or, Form 61 (Form of Declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to Income Tax in respect of transactions specified in Rule 114B), as may be applicable, duly filled alongwith a copy of any one of the following documents in support of the address: (a) ration card, (b) passport, (c) driving license, (d) identity card issued by any institution, (e) copy of the electricity bill or the telephone bill showing residential address, (f) any document or communication issued by an authority of the Central Government, State Government or local bodies showing residential address, (g) any other documentary evidence insupport of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide notification issued on December 1, 2004, by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

OUR RIGHT TO REJECT BIDS

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders, Retail Individual Bidders, Employees and Existing Shareholders who Bid, the Bank has a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

(a) Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

(b) Age of First Bidder not given;

(c) In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;

(d) NRIs, except Eligible NRIs, and Foreign Venture Capital Investors and Indian Venture Capital Funds;

(e) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;

(f) PAN Number not given if Bid is for Rs. 50,000 or more and GIR Number given instead of PAN Number;

(g) Bids for lower number of Equity Shares than specified for that category of investors;

(h) Bids at a price less than lower end of the Price Band;

(i) Bids at a price more than the higher end of the Price Band;

(j) Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders and Bids at Cut-off Price by Employees and Existing Shareholders applying for greater than 100,000 Equity Shares;

(k) Bids for number of Equity Shares, which are not in multiples of 75;

(l) Category not ticked;

(m) Multiple Bids as defined in this Prospectus;

(n) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

(o) Bids accompanied by Stockinvest/money order/postal order/cash;

(p) Signature of sole and / or joint Bidders missing;

(q) Bid cum Application Forms does not have the stamp of the BRLMs or the Syndicate Members;

(r) Bid cum Application Forms does not have Bidder's depository account details;

(s) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Prospectus and as per the instructions in the Prospectus and the Bid cum Application Forms;

(t) In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;

(u) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Labels" on page 177;

(v) Bids by OCBs;

(w) Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;

(x) Bids under Employees Reservation Portion for shares greater than 2,500 Equity Shares;

(y) Bids under Existing Shareholders Reservation Portion for greater 10,000,000 Equity Shares and

(z) Bids by specified investors, being body corporates who do not provide their UIN or UIN application status, in cases which have applied for such UIN before December 31, 2004.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

The Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Bank, the respective Depositories and the Registrar to the Issue:

(a) A tripartite agreement dated November 13, 2001 with NSDL, us and Registrar to the Issue in respect of debt instruments which was extended to cover Equity Shares vide letter dated February 26, 2002 bearing reference number AS/PM/02/393;

(b) A tripartite agreement dated February 25, 2002 with CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of the Bank would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

UNDERTAKINGS BY THE BANK

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allocation;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.

Our Bank shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

We shall ensure dispatch of Allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalisation of Allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of Allotment.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Bid Closing Date/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and
- we shall pay interest at 15% per annum (for any delay beyond the 15 day-time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 day-time prescribed above as per the guidelines issued by the GoI, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in corresponding new banks is regulated by the provisions of the Bank Acquisition Act. Under Section 3(2D) of these statutes, foreign investment in corresponding new banks is subject to an overall statutory limit of 20% of the paid-up capital of the bank.

Section 3(2D) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 states as follows:

"(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India of any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of *the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.*

Explanation— For the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals."

Hence, Section 3(2D) of the Bank Acquisition Act prescribed that foreign investment in the aggregate is permitted in the correspondent new bank, like our Bank only till 20% under the automatic route. For public sector banks the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. Once the aggregate net purchase of Equity Shares reaches the cut off points further acquisition of Equity Shares by FIIs/NRIs/PIOs requires approval of the RBI.

BASIS OF ISSUE PRICE

Qualitative Factors

1. We are one of the India's largest bank and service over 15 million customers over india
2. We have a pan-India franchise with 1,938 branches, 140 extension counters and 100 ATMs
3. Our advances increased by 21.5% to Rs. 163,876.6 million as of March 31, 2004 from Rs. 134,869.4 million as of March 31, 2003.
4. Our ratio of net NPAs to net advances declined to 4.07% in fiscal 2004 from 7.67% in fiscal 2003.
5. In fiscal 2004 our interest free demand deposits and low interest savings bank deposits constituted 41.90% of our total deposits. These low-cost deposits led to an average cost of deposits of 5.0% and an average cost of funds of 5.63% in fiscal 2004.
6. Our deposits increased by 23.6 % to Rs. 314,766.1 million at March 31, 2004 from Rs 254,633.8 million as of March 31, 2003.
7. We have a profitability track record. Our net profit in fiscal 2004 increased by 179.2% to Rs. 4,633.9 million as compared to Rs. 1,659.9 million in fiscal 2003.
8. We have 281 electronically interconnected branches as of December 31, 2004 across the country.

Quantitative Factors

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

1. Weighted average earnings per share (EPS)*

	EPS	Weight
Year ended March 31, 2002	3.71	1
Year ended March 31, 2003	6.88	2
Year ended March 31, 2004	15.98	3
Weighted Average	10.90	

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

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 82.

a. Based on twelve months ended January 24, 2005 (annualised) is 3.5.

b. Industry P/E

i) Highest: 11.7

ii) Lowest: 3.5

iii) Average (composite): 6.5

Source: "Capital Market" Volume XIX/ 24 dated January 31, 2005 to February 13, 2005 for the Category titled 'Banking – Public Sector'. The figures are in respect of fiscal 2004.

3. Weighted average return on average net worth (2)

Year ended March 31,	Return on Average Net Worth* (%)	Weight
2002	13.53	1
2003	23.55	2
2004	47.14	3
Weighted Average	33.68	

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

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

   The minimum return on increased net worth required to maintain pre-Issue EPS is 24.17%.

5. **Net Asset Value per Equity Share at March 31, 2004 is Rs. 40.93.**

6. **Net Asset Value per Equity Share after Issue**

   The net asset value per Equity Share after the Issue is Rs. 66.11.

   Issue Price per Equity Share: Rs. 82/-.

   Issue Price per Equity Share will be determined on conclusion of book building process.

7. **Comparison of Accounting Ratios for year-end fiscal 2004**

	EPS	P/E	Return On Average Net Worth	Book Value Per Share
Allahabad Bank	**13.1**	**5.0**	**41.0**	**38.1**
Peer Group				
Andhra Bank	11.2	9.4	36.1	36.3
Vijaya Bank	9.5	8.9	40.6	29.5
Indian Overseas Bank	9.4	8.1	31.7	35.4
UCO Bank	5.3	8.1	36.2	18.7
Syndicate Bank	8.9	8.0	28.2	36.1
Oriental Bank of Commerce	35.0	9.4	28.7	139.0
Corporation Bank	34.4	12.8	19.6	193.0
Bank of Maharashtra	6.9	10.5	25.9	35.7
Peer Group (Simple) Average	**14.9**	**9.4**	**32.0**	**63.7**

Source: Our EPS, Return On Average Net Worth and Book Value Per Share have been calculated from our audited restated financial statements. Source for other information is "Capital Market" Volume XX/01 dated March 14-27, 2005.

The Issue Price of Rs 82 has been determined on the basis of the demand from investors through the Book-building Process and is justified based on the above accounting ratios. The face value of the Equity Shares is Rs 10 each and the Issue Price is 8.2 times of the face value.

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, Company Secretary and Compliance Officer, Auditors, Legal Advisors, Bankers to the Issue; and (b) the Book Running Lead Managers, Syndicate Members, Escrow Collection Banker and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Prospectus with the Designated Stock Exchange. Such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the Designated Stock Exchange.

Our Chartered Accountants and Auditors (i) M/s. Manubhai & Co.; (ii) T.K.Ghose & Co.; (iii) M/s. Ramesh C. Agrawal & Co.; (iv) M/s. Prakash & Santosh; (v) M/s. N.C. Chaudhuri & Co.; and (vi) M/s. Dhamija Sukhija & Co., have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus, and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for filing with the Designated Stock Exchange.

The above mentioned Auditors have also given their written consent to the Tax Benefits accruing to the Bank and its members in the form and context in which it appears in the Prospectus and such consent has not been withdrawn up to the time of delivery of this Prospectus for filing with the Stock Exchanges.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest at the rates prescribed under Section 73 of the Companies Act.

Method of Redressal of Investor Grievances

See section titled "Other Regulatory Disclosures - Mechanism for Redressal of Investor Grievances" on page 167.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any other expert opinions.

Changes in Auditors

The Auditors of our Bank are being appointed by RBI and his/their remuneration, rights and duties shall be regulated by the Bank Acquisition Act.

There have been no changes of the auditors in the last three years except as detailed below:

Year	Added/Retired	Name of the Auditor	Reason
31.03.2000	Added	M/s. De Chakraborty & Sen	Added by RBI
31.03.2000	Added	M/s. George Read & Co	Added by RBI
31.03.2000	Retired	M/s. Ghiya & Co	Completed the term
31.03.2000	Retired	M/s. P.L. Tandon & Co	Completed the term
31.03.2001	Retired	M/s. George Read & Co	Retired
31.03.2001	Retired	M/s. Parikh & Jain	Completed the term
31.03.2001	Retired	M/s. S C Vasudeva & Co	Completed the term
31.03.2001	Added	M/s. N C Banerjee & Co	Added by RBI
31.03.2001	Added	M/s. Nandy Halder & Ganguli	Added by RBI
31.03.2001	Added	M/s. Goel Garg & Co	Added by RBI
31.03.2002	Added	M/s. Manubhai & Co	Added by RBI
31.03.2002	Added	M/s. M.K. Goswami & Co	Added by RBI
31.03.2003	Retired	M/s. M.K. Goswami & Co.	Retired
31.03.2003	Added	M/s. T.K. Ghose & Co.	Added by RBI
31.03.2003	Added	M/s. Ramesh C Agrawal & Co.	Added by RBI
31.03.2003	Retired	M/s. Nandy Halder & Ganguly	Retired

Year	Added/Retired	Name of the Auditor	Reason
31.03.2004	Added	M/s. Prakash & Santosh	Added by RBI
31.03.2004	Retired	M/s. N C Banerjee & Co	Completed the term
31.03.2004	Retired	M/s. Goel Garg & Co	Completed the term
31.03.2005	Added	M/s. N. Chaudhuri & Co.	Added by RBI
31.03.2005	Added	M/s. Dhamija Sukhija & Co.	Added by RBI

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 28,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 28,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of **75** Equity Shares and in multiples of One Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 12,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 12,000,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 75 Equity Shares and in multiples of One Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be decided by us in consultation with the BRLMs and would be at our sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allocation to QIB Bidders shall not be more than 40,000,000 Equity Shares.

D. For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand in this portion. Allotment to all the Employees who Bid successfully will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 10,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this portion is greater than 10,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 75 Equity Shares. For the method of proportionate basis of allocation, please refer below.

E. For Existing Shareholders

- Bids received from the Existing Shareholders at or above the Issue Price shall be grouped together to determine the total demand in this portion. Allotment to all the Existing Shareholders who bid successfully will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 10,000,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Existing Shareholders to the extent of their demand.
- If the aggregate demand in this portion is greater than 10,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 75 Equity Shares. For the method of proportionate basis of allocation, please refer below.

Method of proportionate basis of allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be Allotted to each portion as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate Allotment is less than 75 Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be Allotted a minimum of 75 Equity Shares; and
- The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and.

If the proportionate Allotment to a Bidder is a number that is more than 75 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Issue

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

Activity	**Expense (In Rs. million)**
Lead management, underwriting and selling commission *	43.00
Advertisement & Marketing expenses	170.00
Printing, stationery including transportation of the same	60.00
Others (Registrar’s fees, Legal fee, listing fee, etc.)	20.00
Miscellaneous Expenses	7.00
Total estimated Issue expenses	300.00

** Will be incorporated after finalisation of Issue Price*

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Bank and the BRLMs dated February 16, 2005, and March 16, 2005, a copy of which are available for inspection at our Head Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar' Memorandum of Understanding dated February 12, 2005, copies of which is available for inspection at our Head Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post.

Underwriting Commission, Brokerage and Selling Commission

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. 11/34/2004-BOA dated December 6, 2004 from Ministry of Finance, Department of Economic Affairs (Banking Division).

Accordingly, brokerage would be paid to the Brokers as per the Bank's communication to BSE, NSE and CSE. 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.

Previous Rights and Public Issues

For details of the previous public issue by our Bank, see section titled "Other Regulatory Disclosure" on page 157.

Commission and Brokerage paid on Previous Equity Issues by us

Name of issue	Month and Year	Commission and Brokerage (Rs. in million)
Public Issue of Equity Shares	October 2002	10.5

Issues otherwise than for cash

We have not issued any Equity Shares for consideration otherwise than for cash, except as mentioned elsewhere in the Prospectus.

Application in Issue

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only.

Purchase of Property

Except as stated in the section titled "Objects of the Issue" and elsewhere in this Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus

Except as stated in the section titled "Related Party Transactions" on page 116, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Whole Time Directors

1. Mr. O. N. Singh, Chairman and Managing Director:

   Mr. O. N. Singh was appointed as Chairman and Managing Director of our Bank on December 4 2003 by GoI after consultation with the RBI under clause (a) of Sub-Section (3) of Section 9 of the Bank Acquisition Act for a period of five years.

The details of Mr. Singh's remuneration during the period from April 1, 2004 to December 31, 2004 is as below:

	(Rs.)
Salary and allowances	369,582.75
Bank's contribution to provident fund	30,062.75
Medical expenses	10,989.30
Club fees	11,175.75
Total	**421,810.55**

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

2. Mr. S. K. Goel, Executive Director:

Mr. S. K. Goel was appointed as Executive Director of our Bank on August 27, 2004 by the Government after consultation with the RBI under clause (a) of sub-section (3) of Section 9 of the Bank Acquisition Act for a period of five years or until further orders, whichever is earlier.

The details of Mr. Goel's remuneration with effect from April 1, 2004 to December 31, 2004 is as follow:

	(Rs.)
Salary and Allowances	156,746.87
Bank's Contribution to Provident Fund	14,179.60
Medical Expenses	4,848.20
Total	**175,774.67**

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

Expenditure Incurred By the Directors

The fees, allowances and expenses incurred on the Directors for the period from April 1, 2003 to March 31, 2004 is Rs. 7.74 million.

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time.

Revaluation of Assets

The Bank has revalued certain immovable properties in India in the Financial Years 1991-1992 and 1996-1997. The amount of revision made was Rs. 1,214.35 million and Rs. 1,259.9 million, respectively and the same was credited to Revaluation Reserve Account. As per the Bank's policy, depreciation is provided on the revalued assets, and the equivalent amount is transferred from Revaluation Reserve Account to the Profit & Loss Account. As of March 31, 2004, the revaluation reserve account stood at Rs. 2,628.76 million. Apart from this, there has been no revaluation of assets in the last five years.

Payment or benefit to officers of our Bank

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees.

MAIN PROVISIONS OF CONSTITUTIONAL DOCUMENTS

We were constituted as a “corresponding new bank” in 1970 under the provisions of the Bank Acquisition Act. We are not required to have memorandum and articles of association. Since we were constituted under the Bank Acquisition Act we have profiled the salient terms of the Act. Further, since the Nationalised Bank Scheme and the Banking Regulations Act deal with the management of corporate affairs in our Bank, which are matters typically found in the constitutional documents of a company incorporated under the Companies Act, the same have been profiled in this section.

The Bank Scheme was issued under S.O. 3793 dated November 16, 1970 by the GoI in consultation with the RBI in exercise of the powers conferred to it under Section 9 of the Bank Acquisition Act.

The Bank Regulations were formulated under Section 19 of the Bank Acquisition Act by our Board of Directors in consultation with the RBI, and with the previous sanction of the GoI.

The BankAcquisition Act amended Sections 34A, 36 AD and Section 51 of the Banking Regulation Act and made these sections applicable to the corresponding new banks constituted under the Bank AcquisitionAct. For details on the applicability of the Banking Regulation Act to the corresponding new banks like our Bank see the section titled “Regulations and Policies” on page 117.

For the complete text of the Bank Acquisition Act, Banking Regulation Act, Bank Scheme and the Bank Regulations as of the date of filing of this Prospectus, please see the link to our Constitutional Documents on www.allahabadbank.com, which is the website of the Bank.

Shareholders in the Bank may note that the rights available to shareholders of a corresponding new bank are more restricted than the rights available to the shareholders of a company incorporated under the Companies Act, 1956. For further details on the restrictions and their potential impact on shareholders of our Bank, please see the section titled “Risk Factors – External Risk Factors” on page xviii.

Relevant provisions of the Bank Acquisition Act 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

Section 3 (Sub-section 2A) provides that the Authorised Capital of the Bank shall be Rs. 15,000 million to be divided into 1,500 million of fully paid-up Equity Shares of Rs. 10 each. Provided that the GoI may, after consultation with the RBI and by notification in the Official Gazette, increase or reduce the authorised capital as it thinks fit, provided however that after such increase or reduction, the authorised capital shall not exceed Rs.30,000 million, or be less than Rs.15,000 million.

Issued Capital

Section 3 (Sub-section 2B) of the Bank AcquisitionAct 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 RBI and with the previous sanction of the GoI transfer from the reserve fund established by such Bank to such paid-up capital;

b) Such amounts as the GoI may, after consultation with the RBI, contribute to such paid-up capital; and

c) Such amounts as the Board of Directors of the corresponding new bank may, after consultation with the RBI and with the previous sanction of the GoI, raise by Public Issue of shares as may be prescribed, provided however, that the GoI shall at all timeshold 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 GoI.

Section 3 (2BB) of Banking Companies (Acquisition) Act, 1970 provides that “notwithstanding anything contained in Sub-section (2), the paid-up capital of a corresponding new bank constituted under Sub-section (1) may from time to time and before any paid-up capital is raised by Public Issue under clause (c) of Sub-section (2B) be reduced by:

a) the GoI after consultation with the RBI by canceling any paid-up capital which is lost, or is unrepresented by available assets;

b) the Board of Directors, after consultation with the RBI and with the previous sanction of the GoI, 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 wants of the corresponding new bank.

(2BBB) "Notwithstanding anything contained in Sub-section (2BB) or Sub-section (2BBA), the paid-up capital of a corresponding new bank shall not be reduced at any time so as to render it below twenty five percent of the paid-up capital of that bank as of 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 GoI, 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 GoI or to the RBI, 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 GoI 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 GoI 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 GoI after consultation with the RBI;

b) One director who is an official of the GoI to be nominated by the GoI 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.

c) one director who is an officer of the RBI to be nominated by the GoI on the recommendation of the RBI.

Explanation: For the purpose of this clause "an officer of the RBI" includes an officer of the RBIwho 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 two directors to be nominated by the GoI 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 Sub-section (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 GoI.

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 GoI 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 GoI after consultation with the RBI;

g) One director who has been a Chartered Accountant for not less than 15 years to be nominated by the GoI after consultation with the RBI;

h) Subject to the provisions of clause (i), not more than six directors, to be nominated by the GoI;

i) Where the capital issued under clause (c) of Sub-section (2B) of Section 3 is 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 GoI, 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 RBI, 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 RBI 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 RBI and with the previous sanction of the GoI 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 defense 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 programs 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.

Allahabad Bank (Shares and Meetings) Regulations, 1999.

The Bank Regulations, which have been notified in the Gazette of India: Part II Section 3-Sub-Section (i) dated February 23, 2000. Regulation 41 of the Bank Regulations provides in sub regulation (i) (c) that “the Bank shall have a first and paramount lien on all shares interalia 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, fulfillment 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”

FINANCIAL STATEMENTS

Manubhai & Co.
Chartered Accountants

T.K. Ghose & Co
Chartered Accountants

Ramesh C. Agrawal & Co
Chartered Accountants

Prakash & Santosh
Chartered Accountants

N. Chaudhuri & Co.
Chartered Accountants

Dhamija Sukhija & Co.
Chartered Accountants

The Board of Directors,
Allahabad Bank,
Head Office,
2, N.S. Road,
Kolkata- 700001

Dear Sirs,

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

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

   a) The financial statements of the Bank for the financial year ended on March 31st, 2000, 2001, 2002, 2003, and 2004 which were audited and reported upon by the respective auditors for respective years, names of whom and the year covered by their audit are furnished below.

Year	Name of the auditors
1999-2000	M/s Ghiya & Co., De Chakraborty & Sen, Paraikh & Jain, George Read & Co., S. C. Vasudeva & Co., P.L.Tandon & Co.
2000-2001	M/s N. C. Banerjee & Co., De Chakraborty & Sen, Nanday Haldar & Ganguly, S. C. Vasudeva & Co, Paraikh & Jain, Goel Garg & Co.
2001-2002	M/s N. C. Banerjee & Co., De Chakraborty & Sen, Nanday Haldar & Ganguly, Manubahi & co, M. K. Goswami & co., Goel Garg & Co.
2002-2003	M/s N. C. Banerjee & Co., De Chakraborty & Sen, Ramesh C Agrawal & Co., Manubhai & Co, T. K. Ghose & Co., Goel Garg & Co.
2003-2004	M/s N. C. Banerjee & Co., Prakash & Santosh, Ramesh C Agrawal & Co., Manubhai & Co, T. K. Ghose & Co., Goel Garg & Co.

   b) The financial statements of the Bank for the nine months ended December 31st 2004, were subject to a limited review by us vide our report dated 18th January 2005. The aforesaid financial statements incorporated the relevant returns of 20 branches reviewed by us and un-reviewed returns in respect of 1808 branches and 73 other offices. In conduct of our review, we had taken note of review reports in respect of the non-performing advances received from the concurrent auditors of 110 branches. These review reports covered i) 55.36 % of advances portfolio of the Bank excluding advances portfolio of assets recovery and outstanding food credit and ii) 53.15 % of the non-performing advances.

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

3) The review of the financial statements for the period referred to in paragraph 1(b) above consisted principally of applying analytical procedures to financial data and making enquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion on the financial statement as a whole. Accordingly, neither was an audit performed nor an opinion expressed.

4) We have performed such tests and procedure which, in our opinion, were necessary for the purpose of our examination. These procedures mainly involved comparison of the attached financial information with the Bank's audited financial statements for the years 1999-2000 to 2003-04 and unaudited financial statements for the nine months ended December 31st 2004.

5) We report that the profits of the Bank as restated of the above period are as set out in Part - I. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the accounting policies and the notes there on.

6) We report that the assets and liabilities for the Bank as restated for the above periods are also as set out in Part - II after making such adjustments and regroupings as in our opinion are appropriate and are subject to the accounting policies and notes there on.

7) The financial statements as referred to in paragraphs 1(a) and 1(b) above consist of the following :-

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

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

   (c) Statement of Cash Flows for the years 2002-03 and 2003-04 and for nine months ended December 31st 2003 and 2004 as incorporated in note no 19 of Material Notes on Accounts (Part - III). The Bank did not prepare Cash Flow statements for the years 1999-2000, 2000-01 and 2001-02 since the Accounting Standards "AS-3 Cash Flow Statement" issued by the Institute of Chartered Accountants of India was not mandatory for those years.

   (d) Significant accounting policies as at March 31st 2004 (Part - III).

   (e) Notes on adjustments carried out (Part - II).

   (f) Auditors qualifications for which adjustments could not be carried out (Part - V).

   (g) Material notes on accounts (Part - III).

8) We report that in respect of each of the five financial years, the amount of dividend transferred to Government/ paid to the Shareholders by the Bank is stated in Part VI. The subsidiary company of the Bank has not declared any dividend during the said period.

9) We have also relied upon the audited financial statements of AllBank Finance Ltd., a subsidiary company of the Bank, for each of the five consecutive financial years ended on March 31st, 2004 being the last date upto which the accounts of the said company have been made and audited by the auditors of the company for those respective years and in respect of financial statements for the nine months ended December 31st 2004, the same have been taken as approved by the Management of the Subsidiary Company.

10) We set out in Part – XI a summary of the consolidated assets, liabilities, income and expenditure of the Bank as restated for the years 2002 – 2003 and 2003 – 2004. The consolidated financial information of the Bank for the years 2002 – 03 and 2003 – 04 are based on audited accounts regrouped/ rearranged/ reclassified, wherever considered necessary. The consolidated financial statements were audited and reported upon by the respective auditors, names of whom and the period of their audit are given below :

Year	Name of Auditors
2002-2003	M/s N. C. Banerjee & Co., De Chakraborty & Sen, Ramesh C Agrawal & Co., Manubhai & Co, T. K. Ghose & Co., Goel Garg & Co.
2003-2004	M/s N. C. Banerjee & Co., Prakash & Santosh, Ramesh C Agrawal & Co., Manubhai & Co, T. K. Ghose & Co., Goel Garg & Co.

The Bank did not prepare consolidated financial statements for the year 1999 – 2000, 2000 – 2001 and 2001 - 2002 since the relevant accounting standards "AS – 21 Consolidated Financial Statements" was not mandatory for those years.

11) (a) In our opinion, the financial information of the Bank as stated in paragraph 7 above read with respective significant accounting policies and material notes on accounts in particular note no B(7), after making groupings and adjustments as were considered appropriate by us and *subject to non-adjustment of certain matters as stated in Part - V*, have been prepared in accordance with the SEBI Guidelines.

   (b) In our opinion, the said financial information has been properly extracted from Bank's audited financial statements, financial statements for the nine months ended December 31st 2004 or have been correctly prepared from the financial information as applicable and in all cases are in accordance with clarifications XIII and XIV issued by SEBI *subject to consequential effect of non-adjustment of qualifications as described in Part V.*

12) We have also examine the following accompanying documents :

(a) Key accounting ratios as set out in part VII ;

(b) Capitalization statement as at December 31st 2004 as set out in part VIII;

(c) Details of outstanding unsecured liabilities as set out in part IX;

(d) Statement of tax shelter as set out in part X;

and report that in our opinion the above financial information are true and correct and are in accordance with relevant requirements of clarifications XIII and XIV issued by Securities and Exchange Board of India subject to consequential effect for non-adjustment of qualifications as described in Part V.

13) This report is intended solely for your information and for inclusion in the offer document in connection with the proposed public issue of the shares of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

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

Yours faithfully,

For Manubhai & Co.
Chartered Accountants

Partner

For T.K. Ghose & Co.
Chartered Accountants

Partner

For Ramesh C. Agrawal & Co.
Chartered Accountants

Partner

For Prakash & Santosh
Chartered Accountants

Partner

For N. Chaudhuri & Co.
Chartered Accountants

Partner

For Dhamija Sukhija & Co.
Chartered Accountants

Partner

Date : February 9, 2005

PART I – PROFIT AND LOSS ACCOUNT

(Rs. In Millions)

	PARTICULARS	Mar 31, 2000	Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Nine Month Ended Dec 31, 2004
A	INCOME						
	Interest Earned						
	Int. & Disc. On advance/ bills	8845.90	10640.50	11178.70	12119.00	13227.20	12362.76
	Income on Investments	9015.60	9346.70	10542.80	11877.50	13022.40	10905.53
	Interest on Balance with RBI and other inter-bank funds	577.30	688.50	782.90	595.30	317.90	279.40
	Interest on Income Tax	Nil	25.60	212.80	1101.70	114.50	-
	Others	13.10	12.30	11.20	9.80	4.70	2.13
	Sub-Total	18451.90	20713.60	22728.40	25703.30	26686.70	23549.82
	OTHER INCOME						
	Commission, Exchange & Brokerage	1312.70	1425.90	1434.70	1432.10	1619.60	1312.81
	Profit on Sale of Investments (Net)	735.60	484.50	1930.30	3369.40	5047.20	3269.16
	Profit on Sale of Land/Bldg. & other Assets (Net)	0.50	-0.40	0.30	-0.40	0.50	0.20
	Profit on Exch. Transaction (Net)	299.70	289.60	287.30	262.90	431.10	275.21
	Income earned by way of dividends from subsidiaries/Companies/JVs in India	114.20	132.90	149.00	100.70	195.40	121.10
	Miscellaneous Income	110.50	57.50	47.60	78.90	204.30	35.04
	Sub-Total	2573.20	2390.00	3849.20	5243.60	7498.10	5013.52
	TOTAL INCOME	21025.10	23103.60	26577.60	30946.90	34184.80	28563.34
B	EXPENDITURE						
	Interest Expended						
	Interest on Deposits	12606.60	13541.80	15080.80	16148.90	15408.00	12866.30
	Interest on RBI/Inter/Bank Borrowings	6.90	22.20	11.90	112.50	17.10	28.75
	Others	196.20	301.60	331.00	344.10	404.10	362.27
	Sub-Total	12809.70	13865.60	15423.70	16605.50	15829.20	13257.32
	Operating Expenses						
	Payment & Prov. for employees & wages	4001.70	4693.30	4631.00	4841.50	5297.40	3840.27
	Rent, Taxes and Lighting	343.90	397.80	445.90	491.10	517.90	415.35
	Insurance	88.20	113.20	119.70	129.80	159.00	209.22
	Printing & Stationery	95.90	—	111.30	115.10	114.60	89.96
	Advertisement & Publicity	34.50	34.90	29.00	34.50	40.70	47.03
	Postage, Telegram, Telephones, etc.	120.20	131.90	124.10	107.50	119.30	93.10
	Repairs & Maintenance	85.00	83.60	91.10	102.40	134.40	102.30
	Law Charges	51.60	29.40	27.80	25.00	29.80	18.86
	Directors Fees, Allowance & Expenses	Nil	2.90	3.60	7.20	7.70	4.60
	Auditors' fees & expenses	22.80	42.00	42.20	50.10	65.30	58.15
	Other Expenditure	666.90	619.20	804.90	2597.80	2464.40	1450.89
	Depreciation on Bank's properties	179.60	204.90	349.90	387.70	349.00	240.30
	Sub-Total	5690.30	6464.00	6780.50	8889.70	9299.50	6570.03
	TOTAL EXPENDITURE	18500.00	20329.60	22204.20	25495.20	25128.70	19827.35

(Rs. In Millions)

PARTICULARS	Mar 31, 2000	Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Nine Month Ended Dec 31, 2004
Gross Profit before provisions for Income Tax and Extraordinary items	2525.10	2774.00	4373.40	5451.70	9056.10	8735.99
Provisions and Contingencies (before extraordinary items)	1831.80	2306.00	3382.50	3606.20	4234.00	3970.09
Net Profit/(Loss) for the year (before extraordinary items)	693.30	468.00	990.90	1845.50	4822.10	4765.90
Less : Extraordinary Items	Nil	113.90	293.50	293.50	293.50	220.13
Add: Tax on Extraordinary Item	Nil	45.00	104.80	107.90	105.30	78.98
Net Profit/(Loss) for the year (after extraordinary items)	693.30	399.10	802.20	1659.90	4633.90	4624.75
Adjustments (As per details - Part IIA)	-415.00	718.10	177.00	441.20	1414.70	1243.20
Tax on Adjustments	-159.80	284.00	63.20	162.10	507.50	454.90
Total Adjustments	-255.20	434.10	113.80	279.10	907.20	788.30
Adjusted Net Profit	438.10	833.20	916.00	1939.00	5541.10	5413.05
Amt. Recd. From Inv., Fluct. Res.	352.90	233.30	6.70	76.70	Nil	Nil
Profit & Loss brought forward	47.80	162.20	114.60	206.50	193.70	443.90
Profit available for appropriation	838.80	1228.70	1037.30	2222.20	5734.80	5856.95
APPROPRIATION						
Transfer to Statutory Reserve	208.00	119.80	240.90	415.00	1200.00	Nil
Transfer to Capital Reserve	Nil	Nil	15.60	43.30	33.00	Nil
Transfer to Revenue & other Reserve	194.80	884.10	113.80	279.10	1207.20	788.30
Transfer to/from Inv. Fluct Reserves	Nil	Nil	300.00	900.00	2068.40	400.00
Proposed / interim Dividend.	246.70	100.00	160.50	346.70	693.40	Nil
Dividend Tax	27.10	10.20	Nil	44.40	88.90	Nil
Balance carried over to Balance Sheet	162.20	114.60	206.50	193.70	443.90	4668.65
TOTAL	838.80	1228.70	1037.30	2222.20	5734.80	5856.95
Break-up of Provisions & Contingencies						
Prov. for Inc .Tax, Int. Tax & Wealth Tax	239.70	288.30	682.10	1524.30	1105.30	429.54
Depreciation on Investment	352.90	556.40	38.20	194.30	Nil	2223.65
Prov. For Bad & Doubtful Debts	1082.50	1433.20	2600.60	1731.30	4784.40	-150.00
Provision for Std. Adv.	179.70	32.70	32.90	45.10	89.60	110.00
Others	8.00	23.90	39.40	111.20	Nil	1356.90
Sub-total	1862.80	2334.50	3393.20	3606.20	5979.30	3970.09
Less : Excess Provision Withdrawn						
Depreciation on Investment	Nil	Nil	Nil	Nil	586.20	Nil
Income Tax/Deferred Tax Written Back	31.00	28.50	10.70	Nil	1134.20	Nil
Bad & Doubtful debts written back						
Others					24.90	
Sub-Total	31.00	28.50	10.70	Nil	1745.30	Nil
Total	**1831.80**	**2306.00**	**3382.50**	**3606.20**	**4234.00**	**3970.09**

Note : Revision in profits in all the years due to adjustments have been notionally adjusted in Transfer to Revenue and Other Reserves.

ALLAHABAD BANK

PART II: ASSET & LIABILITY STATEMENT

(Rs. in Millions)

	PARTICULARS	Mar 31, 2000	Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Dec. 31, 31, 2004
A	Assets						
	1 Cash in hand	1415.70	1566.90	1834.70	2253.50	1975.80	2035.07
	2 Balances with RBI	18300.80	19591.90	14835.50	13204.10	19582.00	25051.25
	3 Balances with Bank in India	1105.80	2697.60	4813.20	4190.30	4107.00	2840.70
	Balances with Bank outside India	813.70	921.50	651.50	450.30	298.30	1860.66
	4 Money at Call & Short Notice	Nil	Nil	Nil	Nil	Nil	Nil
	5 Investments in India	82086.50	87071.60	103460.60	123597.40	155548.10	180262.92
	Investments outside India	Nil	Nil	Nil	Nil	Nil	NIL
	Total Investments	82086.50	87071.60	103460.60	123597.40	155548.10	180262.92
	6 Advances in India	82400.60	95827.10	110045.10	126236.00	156139.90	199564.54
	Advances outside India	Nil	Nil	Nil	Nil	Nil	Nil
	Total Advances	82400.60	95827.10	110045.10	126236.00	156139.90	199564.54
	7 Fixed Assets**	936.80	1258.70	1349.30	1254.90	1219.20	1291.79
	8 Other Assets	7556.70	8849.40	7998.70	7186.60	7733.30	9039.23
	Total (A)	194616.60	217784.70	244988.60	278373.10	346603.60	421946.16
B.	Liabilities						
	1 Demand Deposits						
	From Banks	600.40	654.70	525.00	749.60	870.80	405.30
	From Others	16363.90	17801.30	18191.00	21926.70	27596.20	27968.55
	2 Savings Deposits	57011.80	66037.30	77006.00	87251.80	103423.90	118121.26
	3 Term Deposits						
	From Banks	6507.00	8457.00	8634.40	6990.90	4304.30	3133.38
	From Others	95937.90	108109.90	122303.00	137714.80	178570.90	231789.66
	Total Deposits (1+2+3)	176421.00	201060.20	226659.40	254633.80	314766.10	381418.15
	4 Borrowings						
	In India	343.90	682.40	605.70	436.90	269.10	135.20
	Outside India	1.90	19.40	Nil	Nil	1420.80	1053.90
	Total Borrowing	345.80	701.80	605.70	436.90	1689.90	1189.10
	5 Other Liabilities & Prov. (including subordinate debts)	12178.70	9628.60	10574.00	13983.40	15955.80	18674.65
	(Subordinate Debts)	(2266.10)	(2266.10)	(3216.10)	(4216.10)	(6216.10)	(6216.10)
	Total (B)	188945.50	211390.60	237839.10	269054.10	332411.80	401281.90
C.	Net Assets (C = A - B)	5671.10	6394.10	7149.50	9319.00	14191.80	20664.26
	Represented by :						
D	Share Capital	2467.00	2467.00	2467.00	3467.00	3467.00	3467.00
E	Reserves & Surplus						
	1. Statutory Reserve	1788.20	1908.00	2148.90	2563.90	3763.90	3763.87
	2. Share Premium						
	3. Capital Reserve	Nil	Nil	15.60	58.90	91.90	91.90
	4. Investment Fluctuation Reserve	354.80	121.50	414.70	1238.10	3306.50	3706.48
	5. Revenue & Other Reserve	898.90	1783.00	1896.80	1797.40	3118.60	4966.36
	6. Balance of Profit & Loss Account .	162.20	114.60	206.50	193.70	443.90	4668.65
	Total (E)	3204.10	3927.10	4682.50	5852.00	10724.80	17197.26
F	Total (B+D+E)	194616.60	217784.70	244988.60	278373.10	346603.60	421946.16

(Rs. in Millions)

	PARTICULARS	Mar 31, 2000	Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Dec 31, 2004
G	Contingent Liabilities						
	1 Claims against the Bank not Acknowledged as Debts.	1260.30	1417.50	1467.10	1626.50	1492.40	2062.66
	2 Disputed IT demand under appeal/ refer etc.	NIL	3515.10	865.80	2192.30	NIL	NIL
	3 Liability for partly paid Investments	1.60	1.60	1.60	1.60	1.60	1.60
	4 Liability on account of outstanding Forward Exchange Contracts	43780.90	48706.60	61098.00	84700.90	101041.70	97169.71
	5 Guarantees given on behalf of constituents	7483.90	6662.00	6363.60	7887.70	9815.20	13677.80
	6 Acceptance, endorsements and other obligations	8309.20	6662.50	7770.80	6964.90	10061.00	19421.85
	7 Other items for which Bank is contingently liable	33.80	23.30	26.70	13.10	61.10	7.24
	Total (G)	60869.70	66988.60	77593.60	103387.00	122473.00	132340.86
	BILLS FOR COLLECTION	7508.90	9399.80	8935.00	8318.40	9752.40	15148.20

** Excluding revaluation reserve

Particulars of adjustments

(Rs. in Millions)

PARTICULARS	Mar 31, 2000	Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004	Dec, 2004
INCOME						
Depreciation on Revalued Premises	-12.30	-11.70	-11.10	-10.60	-10.00	-7.20
Prior Year Income	-13.00	-21.20	-6.10	28.20	-14.60	10.60
Total Income	-25.30	-32.90	-17.20	17.60	-24.60	3.40
EXPENDITURE						
Prior Year Expenditure	-79.30	-10.70	-63.10	19.09	-25.50	31.40
Depreciation on Revalued Premises	-12.30	-11.70	-11.10	-10.60	-10.00	-7.20
Total Expenditure	-91.60	-22.40	-74.20	8.49	-35.50	24.20
Increase (+)/Decrease (-) inProfit before provision for Income tax and extraordinary items	66.30	-10.50	57.00	9.11	10.90	-20.80
Less						
Provisions & Contingencies						
Provision for Pension	255.80	-	728.60			
Provision for NPA	564.50	-	120.00	-680.00	-1924.50	1024.50
Provision for depreciation on Investments	0.00	0.00	0.00	0.00	0.00	-1400.20
Provision for Wage Revision	0.00	0.00	0.00	247.90	640.40	-888.30
Provision for Subsidiary	-339.00	0.00	0.00	0.00	-119.70	0.00
Total Provisions	481.30	-728.60	-120.00	-432.10	-1403.80	-1264.00
Total Adjustments	-415.00	718.10	177.00	441.21	1414.70	1243.20
Appropriation						
Transfer to Revenue & Other reserves	-415.00	718.10	177.00	441.21	1414.70	1243.20
Net Profit as per Statement of Profit & Loss	693.30	399.10	802.20	1659.90	4633.90	4624.80
Adjustments	-415.00	718.10	177.00	441.21	1414.70	1243.20
Tax impact on Adjustments	-159.80	284.00	63.20	162.10	507.50	454.90
ADJUSTED NET PROFIT	438.10	833.20	916.00	1939.01	5541.10	5413.10
Increase/decrease in Assets & Liabilities						
Nature of adjustments						
ASSETS						
Investments	339.00	0.00	0.00	0.00	119.70	1400.20
Advances	-564.50	0.00	120.00	680.00	1924.50	-1024.50
Fixed Assets	12.30	11.70	11.10	10.60	10.00	7.20
Other Assets	226.10	-294.50	-6.20	-152.99	-496.60	-475.70
Increase/decrease in Assets	12.90	-282.80	124.90	537.61	1557.60	-92.80
LIABILITIES						
Revaluation Reserves	12.30	11.70	11.10	10.60	10.00	7.20
Revenue & Other Reserves	-255.20	434.10	113.80	279.11	907.20	788.30
Other Liabilities	255.80	-728.60	0.00	247.90	640.40	-888.30
Increase/decrease in Liabilities	12.90	-282.80	124.90	537.61	1557.60	-92.80

PART III

A. SIGNIFICANT ACCOUNTING POLICIES

1. General :

(a) The financial statements have been prepared by following going concern concept except on historical cost basis otherwise stated and are in conformity with the statutory provisions and standard accounting practices in India.

(b) The financial statements also conform to the Reserve Bank of India (RBI) guidelines issued from time to time on income recognition, asset classification, provisioning and other related matters.

2. Transactions involving Foreign Exchange:

(a) Foreign currency balances whether of assets or liabilities [including deposits mobilized under FCNR Scheme, EEFC Scheme, RFC Scheme etc.] and outstanding forward exchange contracts are converted at year end rates as advised by Foreign Exchange Dealers' Association of India (FEDAI).

The resultant profit/loss on revaluation of forward exchange contracts and NOSTRO accounts is taken to revenue as per FEDAI guidelines.

(b) Income and Expenditure items relating to foreign currency are converted at the rates of exchange ruling on the date of transaction.

(c) Acceptances, endorsements and other obligations including guarantees are stated at FEDAI advised rates prevailing at the year end.

3. Investments :

(a) The investment portfolio of the Bank is classified in accordance with RBI guidelines under three categories viz. "Held to Maturity", "Available for Sale" and "Held for Trading".

(b) The disclosure of investments under all the three categories mentioned above is made under six groups viz. (a) Government securities (b) Other approved securities (c) Shares (d) Debentures & Bonds (e) Investment in Subsidiaries/joint ventures and (f) Others (commercial paper, units in Mutual Funds etc).

(c) (i) Investments classified as 'Held to Maturity' (other than in Regional Rural Banks) are carried at acquisition cost. In case the acquisition cost is higher than the face value, the excess is amortized over the period remaining to maturity, and provision is made for:

-Depreciation in the value of debentures/bonds which are deemed to be in the nature of advances by applying the RBI prudential norms of asset classification and provisioning applicable to advances.

- Diminution, other than temporary, in the value of investments in subsidiaries/joint ventures.

(ii) Investments classified as "Available for Sale" are marked to market scripwise at quarterly intervals and resultant net depreciation is recognized and net appreciation, if any, is ignored under each classification. The book value of the individual scrip is not changed with the revaluation as indicated above.

(iii) Investments classified as "Held for Trading" are revalued scripwise at monthly interval and resultant net depreciation is recognized and net appreciation, if any, is ignored under each classification. The book value of the individual scrip is not changed with the revaluation as indicated above.

(iv) Investments in Regional Rural Banks are valued at carrying cost.

(d) In respect of non-performing securities (where interest/principal is in arrears for more than 90 days) income is not recognized and appropriate provision is made for depreciation in the value of the securities by applying prudential norms of asset classification and such depreciation is not set-off against the appreciation in respect of other performing securities.

(e) Cost of acquisition of investments:

Is net of incentives/commission and front-end fees received in case of securities subscribed.

Excludes commission, brokerage and stamp duty.

(f) Profit/loss on sale of investments is recognized in the Profit and Loss Account. An amount equivalent to the profit on sale of investments under "Held to Maturity" category, is first taken to the Profit and Loss Account and thereafter appropriated to the "Capital Reserve Account".

(g) For the purpose of determining market value of investments, Stock exchange quotations or rates put up by FIMMDA/PDAI are adopted. In absence of such quotations/rates, the market value is determined by applying appropriate Yield to Maturity rates as prescribed by FIMMDA / PDAI or as per norms laid down by the Reserve Bank of India.

4. Advances:

(a) Advances are classified as performing and non-performing as per guidelines prescribed by RBI and are shown net of provisions for non-performing advances.

(b) The provision made for standard advances (performing) in terms of RBI guidelines is however included in "Other Liabilities and Provisions".

5. Fixed Assets:

(a) Premises including freehold and leasehold and other Fixed Assets are stated at historical cost except certain premises, which are stated at their revalued amount.

(b) Capital expenditure incurred during construction period is included under 'Other Assets'.

(c) Depreciation is provided on diminishing balance method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except that in respect of ALPMs & Computers, where depreciation is provided on straight line method @ 33.33% as per RBI guidelines.

(d) In respect of revalued assets, the amount of additional depreciation consequent to revaluation is transferred from Revaluation Reserve to the Profit & Loss Account.

(e) Premium on leasehold land is amortized over the period of the lease.

6. Intangible Assets (Computer Software)

(a) Software for a computer that cannot operate without that specific software is an intangible part of related hardware and is treated as fixed assets. Where the software is not an integral part of the related hardware, computer software is recognised as an Intangible Asset.

(b) Computer software acquired from vendors is recognised as Intangible Asset only if the value /cost of the software is more than Rs.1.00 Millions.

7. Non-Banking Assets:

Non-Banking Assets acquired in satisfaction of claims are stated at cost.

8. Retirement Benefits to Employees:

(a) Liabilities for Gratuity, Leave Encashment and Pension benefits to employees are provided for on the basis of actuarial valuation at the year end.

(b) Expenditure towards ex-gratia and additional contribution in respect of gratuity and pension under Voluntary Retirement Scheme (VRS) is treated as Deferred Revenue Expenditure amortized over a period of five years in terms of RBI guidelines.

9. Recognition of Income and Expenditure:

Income and Expenditure are accounted for on accrual basis other than those stated below:

(i) Interest and Other Income on advances classified as non-performing assets are recognized to the extent realized.

(ii) Income from interest on refund of Income Tax and Interest Tax are accounted for in the year the order is passed by the concerned assessing officer.

10. Taxes on Income

The provision for income tax is made considering the applicable tax rates and judicial pronouncements/legal opinions and after making adjustment for deferred tax, in terms of Accounting Standard 22, issued by the Institute of Chartered Accountants of India.

11. Net profit :

The net profit is arrived at after accounting for the following.

(i) Provisions for Income Tax (including deferred tax) and Wealth Tax in accordance with the statutory requirements.

(ii) Provisions on advances / Investments.

(iii) Adjustments to the value of investments.

(iv) Transfer to Provisions and Contingencies.

(v) Other usual and necessary provisions.

B. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES BETWEEN 01.04.1999 AND 31.12.2004

1. During the five consecutive financial years ended March 31, 2004, various guidelines were issued by the Reserve Bank of India on Income Recognition, Asset Classification, Provisioning in respect of standard Assets / Non-Performing Advances / Other Assets, Classification of Investment, Valuation thereof, Treatment of Depreciation on Investment, amortisation of Voluntary Retirement. Scheme expenditure and Depreciation on ALPMs and Computers. Necessary changes 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 Acceptances, endorsements and other obligations including guarantees in transactions involving foreign exchange were stated at rates prevailing on the date of commitment upto 31st March 2001. In the year ended on 31st March, 2002, the same were treated at year end rate as advised by FEDAI.

3. During the year 2002-03 the method of providing liability in respect of leave encashment was changed from cash basis to accrual basis. As a result of this change, the liability ascertained on the basis of actuarial valuation upto 31.3.2002 amounting to Rs. 413.60. Millions is charged to revenue and other reserves and liability for the year 2002-03 amounting to Rs. 103.70 millions (including Rs. 55.00 millions paid during the year) is charged to Profit & Loss Account. As a result, the profit for the year was lower by Rs.48.70 millions.

4. Income from Commission earned on Letter of Credit, Bank Guarantee, Merchant Banking, Govt. Business, Locker Rent, and Interest on matured term deposit were accounted for on accrual basis during the year 2002-03 as against cash basis upto 31st March 2002. As a result, the profit for the year is lower by Rs.252.20 millions.

PART IV

A. MATERIAL NOTES ON ACCOUNTS

1. (i) Adequate provision has been made for Non-performing Advances in terms of Reserve Bank of India (RBI) guidelines.

(ii) A general provision @ 0.25% has been made on Performing Advances in terms of RBI guidelines.

(iii) Prudential floating provision of Rs. 2724.50 millions & Rs.1700.00 millions are held as at 31.03.2004 & 31.12.2004 in respect of gross Non-Performing Advances over and above the minimum provision prescribed by RBI with a view to strengthening the financial stability of the Bank.

2. The reconciliation of Inter-Branch Account and balancing / reconciliation of Account relating to Deposit, Advances, Bills Payable and Draft Ex-advice are in progress

3. The provision for income tax (including deferred tax) aggregating to Rs 1673.36 millions as on 31.12.2004 (previous year ending 31.03.2004 Rs. 1665.70 millions) held is considered adequate by the Bank.

4. (i) Certain premises were revalued on the basis of the reports of the approved valuers in the year ended 31.03.1997 and upward revision amounting to Rs. 1259.90 millions was credited to Capital Reserve Account. Additional depreciation of Rs.7.20 millions for the nine-month ended 31.12.2004 (Year ending 31.03.2004 Rs.10.00 millions) due to revaluation has been transferred from Capital Reserve and shown in Miscellaneous Income under the head 'Other Income' included in Sch-14 item (vi).

(ii) Depreciation has been charged on composite cost of land and building, where cost of land is not available and the quantum thereof is not ascertainable.

(iii) Premium on leasehold lands has been amortized over the period of lease, based on cost or written down value, where original cost is not available.

(iv) Premises include certain properties amounting to Rs. 31.90 millions as on 31.3.2004 (Previous Year Rs. 65.00 millions) for which registration formalities are yet to be completed.

5. (i) In terms of the RBI guidelines, provision for depreciation in the value of Investments under "Available for Sale" category amounting to Rs. 230.60 millions as on 31.03.2004 has been credited to the Profit and Loss Account under the head "Expenditure-Provisions and Contingencies" and an amount of Rs.110.90 millions (Net of the tax benefit and consequent reduction in the transfer to statutory reserve) has been appropriated to Investment Fluctuation Reserve Account from Profit & Loss Account (Previous year Rs. 76.70 millions, net of Tax benefit transferred from Investment Fluctuation reserve to Profit & Loss Account)

6. (i) In terms of RBI guidelines for building up Investment Fluctuation Reserve, the Bank has transferred additional sum of Rs. 1957.50 millions during 2003 - 04 (Previous Year Rs. 900.00 millions) to Investment Fluctuation Reserve from Profit & Loss Account. Further a sum of Rs. 400 million has been transferred to investment fluction Reserve to debit of Profit & Loss accounts for the nine-month ended 31.12.2004.

(ii) In respect of Investments of face value of Rs.806.40 millions as on 31.03.2004 (previous year Rs.4055.90 millions) the Bank is yet to receive scrips/certificates. However, out of Rs 806.40 millions, the Bank is holding Letters of Allotment in respect of securities for Rs 700.00 millions as on 31.03.2004 (previous year Rs. 3881.50 millions).

7. Investment in shares (at book value) excluding investments considered as exempted from capital market exposure as per RBI guidelines :

(Rs. in Millions)

		As on 31.03.2004	As on 31.12..2004
(a)	Investment in Equity Shares	509.80	529.0
(b)	Unit of Equity oriented Mutual Funds	1032.20	1259.0
	Total	**1542.00**	**1788.0**

8. An amount of Rs. 220.30 millions for the half year ended 31.12.2004 (Previous year ending 31st March, 2004 Rs. 293.50 millions) has being charged to the Profit & Loss Account one tenth of total expenditure relating voluntary retirement scheme introduced during the financial year 2000 - 2001. The balance amount of Rs. 326.30 millions included in 'Others' under head 'Other Assets' Sch-11 will be amortised over the residual period.

9. There were no material prior period items of Income/ Expenditure during the year requiring disclosure as per Accounting Standard (AS) 5 "Net Profit or Loss for the period, Prior Period Items, and Changes in Accounting Policies" issued by ICAI.

Segment Reporting - Accounting Standard (AS) 17, segment information is given below :

A. Business Segment

(Rs. in millions)

Business Segment	**Banking Operations**		**Treasury**		**Total**	
	31.03.04	**31.12.04**	**31.03.04**	**31.12.04**	**31.03.04**	**31.12.04**
Revenue						
Segment Revenue	24862.9	21461.1	9321.9	7102.2	34184.8	28563.3
Results	6354.9	7244.2	4420.80	2664.0	10775.7	9908.2
Unallocated Expenses					2022.3	1313.4
Unallocated Revenue					114.5	0.0
Operating Profit					8867.9	8594.8
Provisions & Contingencies					4262.9	3540.6
Income Taxes					(28.9)	429.5
Net Profit					4633.9	4624.7
Adjustment (+)					9070.2	488.3
Adjusted Net Profit					5541.1	5413.0
Other Information						
Segment Assets	259920.5	330521.8	85463.90	90132.6	345384.4	420654.4
Unallocated Assets					1219.2	1291.8
Total assets					**346603.6**	**421946.2**
Segment Liabilities	245794.5	308194.0	81111.30	84781.2	326905.8	393975.2
Unallocated Liabilities					5506.0	8306.7
Capital & Reserves					14191.8	20664.3
Total Liabilities					**346603.6**	**421946.2**

There are no significant residual operations carried on by the Bank

B. Geographical Segment : Not Applicable

(i) Other Banking Operation : Consists of Corporate Banking, Retail Banking, Personal and Commercial Banking, Cash Management Services, Deposits and allied services such Credit Cards and Depository Participant Services.

(ii) Treasury Operation includes dealing in Government and other Securities, Money Market Operations and Forex Operations.

(iii) Allocation of costs :

a) Expenses directly attributed to particular segment are allocated to the relative segment.

b) Expenses not directly attributable to specific segment are allocated in proportion to number of employees / business managed.

(iv) Investment for SLR securities in excess of statutory requirements is considered as investment for Treasury Operations.

11 Related Party Disclosures as on 31.3.2004 and 31.12.2004 - Accounting Standard (AS) 18

List of Related Parties and Transaction (if any)

a) Key Management Personnel.

S. No.	Name	Designation	Remuneration (Amount in Rs.) 2003-04	April-Dec'04
1	Mr. O. N. Singh	Chairman & Managing Director*	151980.40	421810.55
2	Mr. S. K. Goel	Executive Director #	———	175774.67
	Mr. K. K. Rai	Former Executive Director **	444426.00	144326.66

* Joined with effect from 04.12.2003

" Joined with effect from 27-08-2004.

** Retired on 30.06.2004

b) Subsidiary: All Bank Finance Limited (wholly owned)

c) Regional Rural Banks sponsored the bank: as on December 31, 2004

(Rs. In millions)

S. No.	Name	Deposit	Advances
1	Vindhyavasini Gramin Bank	1902.50	1010.60
2	Bhagirath Gramin Bank	4568.80	1700.30
3	Chhatrasal Gramin Bank	2509.30	1589.00
4	Saravasthi Gramin Bank	3164.40	1437.00
5	Tulsi Gramin Bank	3149.00	1986.10
6	Sharda Gramin Bank	2230.30	756.50
7	Sarayu Gramin Bank	1850.30	1061.10

12. Deferred Tax Assets and Deferred Tax Liabilities: Accounting for Taxes on Income- Accounting Standard (AS) 22

The Bank has recognized Deferred Tax Assets/ Liabilities and has accounted for net Deferred Tax of Rs. 84.20 millions as on 31.03.2004 by crediting to Profit & Loss A/C under the head "Expenditure – Provision & Contingencies" . An amount of Rs. 216.20 millions (Net) as on 31.3.2003 has been debited to Profit & Loss A/C by way of adjustment of Deferred Tax. The major components of Deferred Tax Assets/ Liabilities, as on 31.03.2004 are as under :

(Rs. in Millions)

Particulars	Deferred Tax Assets	Deferred Tax Liabilities
Interest Accrued but not due on securities held as Investments	-	114.00
Depreciation of Fixed Assets	-	29.50
Provision for Leave En-cashment	64.20	-
Total	**64.20**	**143.50**

Net Deferred tax liability 79.30 millions.

13. Bank's net funded exposure in respect of foreign exchange transactions as on 31.03.2004 as also as on 31.12.2004 with each country is below 2% of the total assets of the Bank. Hence, no provision and disclosure is required as per the RBI circular DBOD.BP.BC. 71/21.04.103/2002-03 dated 19.02.2003.

14. During the year 2002-03 the Bank made an initial public issue of 10,00,00,000 Equity Shares of Rs. 10 each at par aggregating to Rs 1000 millions. Consequently the paid up capital of the bank has been increased to Rs 3467.00 millions as on 31.3.2003 from Rs 2467.00 millions in the preceding year.

15. **Disclosure in terms of RBI guidelines:**

(Rs. in Millions)

a)	**Significant Performance Indicators**	**2003 - 2004**	**Dec 31th 2004**
(i)	Percentage of shareholding of the Government of India	71.16 %	71.16 %
(ii)	Percentage of Net NPAs to Net Advances	4.07%	2.32 %
(iii)	**Details of Provisions and Contingencies In Profit & Loss Account:**		
	a. Provision for Standard Advances		
	@ 0.25 %	89.60	110.00
	Others	-	-
	b. Provision made towards NPAs	4784.40	(-) 150.00
	c. Provision for Depreciation on Investments	Nil	2223.65
	d. Provision for Income Tax , Wealth Tax & Deferred Tax	1105.30	429.54
	e. Other Provisions (net)	Nil	1356.90
	Total Provisions	**5979.30**	**3970.09**
(iv)	Subordinated Debt raised as Tier II Capital	6216.10	6216.10
(v)	Capital Adequacy Ratio	13.01%	13.45%
	Tier I –	6.83%	8.44%
	Tier II –	6.18%	5.01%

b)	**Business Ratios**	**2003 - 2004**	**April-Dec 2004**
(i)	Interest Income as a percentage to Working Funds	8.33%	7.87%
(ii)	Non-Interest Income as a percentage to Working Funds	2.34%	1.67%
(iii)	Operating Profit as a percentage to Working Funds	2.83%	2.92%
(iv)	Return on Assets	1.60%	1.71%
(v)	Business (Deposits plus Advances) per employee (Rs. in million)	24.68	30.75
(vi)	Profit per employee (Rs. in million)	0.39	0.38

c)	**Movement in Non Performing Advances**	**As at 31.03.2004**	**As at 31.12.2004**
(i)	Gross NPA at the beginning of the year	18415.00	14184.63
(ii)	Additions during the year / Half Year	3779.10	1790.12
(iii)	Deduction during the year / Half Year	8009.50	2996.82
(iv)	Gross NPAs at the end of the year / Half Year	14184.60	12977.93
(v)	Net NPA at the end of the year / Half Year	****3628.30**	****2936.30**

**The sum of Rs.42.61 millions as on 31.12.2004 (Previous Year ending 31.3.2004 Rs.95.23 millions) has been netted with gross advances on account of receipts from DICGC/ECGC and certain amounts held in other liabilities.

(Rs. In Millions)

d)	**Movement of provisions towards NPAs**	**As at 31.03.2004**	**As at 31.12.2004**
(i)	Opening Balance	9433.40	10461.10
ii)	Add: Provision made during the year / half year	4784.40	NIL
iii)	Less: Write off, write back of excess provision during the year	3756.70	462.08
(iv)	Closing Balance	**10461.10**	**9999.02**

e)	Movement of provisions for depreciation for Non Performing Investments	As at 31.03.2004	As at 31.12.2004
(i)	Opening Balance	1043.10	452.70
(ii)	Add: Provision made during the year/ half year	NIL	310.00
iii)	Less: Write off, Write back of excess Provision/ adjustment for shifting	590.40	NIL
(iv)	Closing Balance	**452.70**	**762.70**

f)	Lending to Sensitive Sector	As at 31.03.2004	As at 31.12.2004
(i)	Advances to Capital Market Sector	48.80	49.36
(ii)	Advances to Real Estate Sector	1134.70	1141.68
(iii)	Advances to Commodities Sector	1096.30	1093.87

g)	Restructuring of Loans (Non Corporate Debt Restructuring cases)	As at 31.03.2004	As at 31.12.2004
(i)	Total amount of Loan Assets subjected to restructuring	330.20	642.38
(ii)	Total amount of Standard Assets subjected to restructuring	220.90	525.95
(iii)	Total amount of Sub-standard/Doubtful Assets subjected to restructuring	109.30	116.43

h)	Corporate Debt Restructuring	As at 31.03.2004	As at 31.12.2004
(i)	Total amount of Loan Assets subjected to restructuring under CDR	5351.70	1665.07
(ii)	Total amount of Standard Assets subjected to restructuring	4280.50	1147.43
(iii)	Total amount of Sub-standard/Doubtful Assets subjected to restructuring	1071.20	517.64

i) Maturity pattern of assets and liabilities

(Rs In Millions)

Maturity Pattern	Deposits		Loans& Advances		Investment		Borrowings	
	31.03.04	31.12.04	31.03.04	31.12.04	31.03.04	31.12.04	31.03.04	31.12.04
1 to 14 days	7192.7	7443.4	5460.4	6847.5	4043.8	7201.4	132.8	72.2
15 to 28 days	3462.3	6072.9	2905.4	3982.1	981.4	-	69	918.9
29 days and upto 3 months	18834.6	34189.1	9911.8	19317.2	1890	12949.4	1131	104
Over 3 months and upto 6 months	18210.8	21929.4	13837.5	18752.1	1842.9	3045.2	223.9	11.3
Over 6 months and upto 1 year	35318.7	40201.55	12520.6	14176.84	885.6	12757.5	97.6	40.9
Over 1 year and upto 3 years	75291.8	96346.1	57807.4	72055.2	14635.4	14299.2	35.6	41.8
Over 3 years and upto 5 years	55973.3	62995.6	22027.1	20376.7	18007.1	29536.2	NIL	NIL
Over 5 years	100481.9	112240.1	31669.7	44056.9	113261.9	100474.02	NIL	NIL
Total	314766.1	381418.15	156139.9	199564.54	155548.1	180262.92	1689.9	1189.1

The disclosures made in para 15 (f) & (i) with regard to lending to sensitive sector and maturity pattern of assets & liabilities are based on the information compiled by the bank and relied upon by the auditors.

16. During the year 2003-04 the Bank has raised Rs.2000 millions as Tier II Capital through Private placement of 5.90% p.a. subordinated, unsecured, non-convertible, redeemable bonds for a tenure of 99 months.

17. The period of 12 years for final adjustment of amalgamation of erstwhile United Industrial Bank Ltd. (UIBL) ended on 30.10.2001 and the process of valuation of Assets & Liabilities for final adjustment in consultation with RBI is in progress.

18. Cash Flow Statement

(Rs. in Millions)

	Particulars	2002-03		2003-04		Dec-04	
	Cash Flow from Operating Activities						
	Interest received during the year from Advances, Investments etc.	25703.3		26686.7		23549.8	
	Other Income	5244.0	30947.3	7497.6	34184.3	5013.3	28563.1
	Less:						
	Interest paid during the year on Deposits	16148.9		15408.0		12866.3	
	Operating Expenses including Provisions & Contingencies	12681.5	28830.4	13721.7	29129.7	10681.3	23547.6
	Add:						
	Depreciation on Fixed Assets		387.7		349.0		240.3
	Add/Less Adjustments (Part IIA)		279.1		907.2		788.3
a.	Cash Profit generated from operations (prior to changes in operating assets and liabilities)		2783.7		6310.8		6044.1
b.	Increase (Decrease) in Liabilities Deposits	27974.4		60132.3		66652.1	
	Other Liabilities & Provisions	1789.6		101.4		4162.1	
	(including deferred tax adjustment)		29764.0		60233.7		70814.2
c.	Decrease (Increase) in Assets Advances	(16190.9)		(29903.9)		(43424.6)	
	Investments	(20136.8)		(31950.7)		(24714.8)	
	Other Assets	812.1	(35515.6)	(546.7)	(62401.3)	(1305.7)	(69445.1)
A	**Net Cash Flow from Operating Activities (a+b+c)**		**(2967.9)**		**4143.2**		**7413.2**
	Cash Flow from Investing Activities						
	Sale/disposal of fixed assets	5.7		14.5		9.8	
	Purchase of fixed assets	(288.7)		(342.4)		(315.3)	
B	**Net Cash Flow from Investing Activities**		(283.0)		**(327.9)**		(305.5)
	Cash Flow from Financing Activities						
	Borrowings	(168.8)		1253.0		(500.8)	
	Interest Paid on Borrowings	(456.6)		(421.2)		(391.0)	
	Dividends (including tax)	(160.4)		(782.2)		(391.1)	
	Tier II Bonds	1000.0		2000.0		Nil	
	Issue of Shares	1000.0		Nil		Nil	
C	**Net Cash generated from Financing Activities**		**1214.2**		**2049.6**		**(1282.9)**
	Total Cash Flow during the year (A+B+C)		**(2036.7)**		**5864.9**		**5824.8**
D	**Cash and Cash equivalent at the beginning of the year**						
	Cash and Balances with RBI		16670.2		15457.6		21557.8
	Balances with Banks and Money at Call and Short Notice		5464.6		4640.5		4405.2
	Total		22134.8		20098.1		25963.0
E	**Cash and Cash equivalent at the end of the year**						
	Cash and Balances with RBI		15457.6		21557.8		27086.4
	Balances with Banks and Money at Call and Short Notice		4640.5		4405.2		4701.4
	Total		20098.1		25963.0		31787.8
	Total Cash Flow during the year (E-D)		**(2036.7)**		**5864.9**		**5824.8**

19. Effects of adjustments have been included under the head other liabilities and provisions

20. Previous year's figures have been regrouped/reclassified wherever considered necessary.

B. NOTES ON ADJUSTMENTS

1. Necessary adjustments arising from Auditors qualifications wherever quantifiable and material in respect of previous years have been carried out while preparing the Statements of Profit & Loss and Assets & Liabilities (Part I & II).

2. Necessary amendments in the Accounting policies have been made by the Bank to give effect to various guidelines issued by the RBI on Income Recognition, Assets Classification Provisioning on Standard Assets / Non performing Assets / other Assets, Classification of Investments, valuation and Treatment of depreciation thereof. Accordingly, the amounts for the respective years are based on RBI guidelines prevailing in the said years. Adjustment to Profit / Loss as well as Assets & Liabilities of Bank arising from the compliance with the guidelines issued by RBI have not been carried out as it is not practicable to give its effect in relevant years.

3. The pension liability was actuarially determined on 31st March 1998 and the same was amortised over a period of four years. The short / excess provision in respective years have been adjusted as per the details given below:

(Rs in Millions)

Year	Adjustment in Profit & Loss A/c.
1999-2000	255.80
2000-2001	(-)728.60

4. In respect of Investment in wholly owned subsidiary, the following adjustments (short+ / Excess -) have been made on the basis of Auditors observations:

(Rs. in Millions)

Year	Adjustment in Profit & Loss A/c.
1999 - 2000	(-) 339.00
2003 - 2004	(-) 119.70

5. In absence of adequate information, adjustment in respect of prior period have been made in the immediately preceding period.

6. Additional provision made on account of Non performing assets in the preceding years and subsequently utilized in next years are as follows:

(Rs. in Millions)

Year	Adjustment in Profit & Loss A/c.
1999 - 2000	(+) 564.50
2001 - 2002	(-) 120.00
2002 - 2003	(-) 680.00
2003 - 2004	(-) 1924.50
Nine-Month ended Dec. 2004	(+) 1024.50

7. In terms of RBI Circular DOBD No. BP.BC 37/21.04.141/2004-05 dated 02.09.2004, the Bank in exercise of one time option transferred securities of total book value of Rs. 57792.50 Millions from 'Available for Sale' to 'Held to Maturity' category. As a result thereof, a sum of Rs.1873.10 Millions were provided as depreciation during the nine month ended 31.12.2004. Had this option been not exercised, the provision requirement would have been to the extent of Rs.472.90 Millions only. Hence, the additional provision of Rs. 1400.20 Millions is considered by the Management as extraordinary item to be adjusted against depreciation in value of the investments, if any, in future years.

8. Liability on account of wage revision in the preceding years have been adjusted.

(Rs. in Millions)

Year	Adjustment in Profit & Loss A/c.
2002 - 2003	247.90
2003 - 2004	640.40
Nine-Month ended Dec. 2004	(-) 888.30

9. The adjustment to items of income and expenditure does not have material tax effect and hence the same is not considered.

PART V

AUDITORS QUALIFICATIONS FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT

1. Income on Commission earned on Letters of Credit and Bank Guarantees, Income from Merchant Banking and Government Transactions, Insurance claims and Locker rent, Interest on Matured Term deposits, Leave encashment benefit s upto 31.3.2002 have been accounted for on cash basis which is not in accordance with Accounting Standard 9 issued by the Institute of Chartered Accountants of India, the impact of which is not ascertainable. However, from the year 2002-03, the Bank has followed accrual system of accounting in respect of these items.

2. In some of the branches, reconciliation of differences between Advance Control Account and Subsidiary records is in progress. Pending such reconciliation, consequential effect on accounts is not ascertainable. The reconciliation of Inter-Branch Account & Balancing / Reconciliation of Accounts relating to Deposits, Advances, Bills Payable & Drafts Ex-Advice are in progress. Pending completion of aforesaid balancing/reconciliation/matching of inter-branch entries, in the opinion of the management, a provision of Rs 50 Millions is considered adequate.

4. Under Inter-Branch reconciliation, initial matching of entries has been done upto September 30th, 2004. Reconciliation of unmatched entries as per IBR department with the balance in Branch Adjustment Account and transactions between Head Office and branches including branches inter-se, is in progress, the impact of which is not ascertainable.

5. In terms of RBI directives regarding the depreciation on ALPMs and Computers has been changed to straight line method from diminishing balanced method w.e.f. from 1.4.2000. The deficiency / surplus arising from retrospective re-computation of depreciation has not been worked out. The treatment as accorded is also not in consonance with “AS-6 (Revised) Depreciation Accounting” as issued by the Institute of Chartered Accountants of India, the impact of which is not ascertainable.

6. The effect of observations in the foregoing paragraphs on the accounts upto the year ending 31st March 2003, as also capital adequacy ratios and other ratios/disclosures could not be determined for want of information.

PART VI

STATEMENT OF DIVIDEND DECLARED BY THE BANK AND IT’S SUBSIDIARY

A. ALLAHABAD BANK

Year ended	March 31, 2000	March 31, 2001	March 31, 2002	March 31, 2003	March 31, 2004
Number of shares (in millions)	246.70	246.70	246.70	346.70	346.70
Rate of Dividend (%)	10.00	4.05	6.50	10.00	20.00*
Amount of Dividend (Rs. in millions)	246.70	100.00	160.40	346.70	693.40

* Includes interim dividend of 10%.

B. The Subsidiary Company AllBank Finance Limited has not declared dividend during each the of five consecutive financial years ended on March 31st, 2004.

PART VII

Key Accounting Ratios

(Rs. In Millions)

Particulars	Year ended March 31st 2000	2001	2002	2003	2004	Nine Months Ended December 31st, 2004
Earning Per Share (Rs.)	1.78	3.38	3.71	6.88	15.98	*15.61
Net Asset Value per Share (Rs.) (Excl RR)	22.99	25.92	28.98	26.88	40.93	59.60
Return on Net Worth - before extraordinary items (%)	7.73	13.03	12.81	20.81	39.04	*26.20
Computation of the above ratios:						
Earning Per Share (Rs.) :						
Adjusted Profit **(A)**	438.10	833.20	916.00	1939.00	5541.10	5413.10
Weighted Avg. No. of Equity Shares **(B)**	246700000	246700000	24670000	282000000	346700000	346700000
Earning Per Share (Rs.) (A / B)	1.78	3.38	3.71	6.88	15.98	15.61
Net Asset Value per Share (Rs.) (Excluding Revaluation Reserve) :						
Net worth excl. RR **(A)**	5671.10	6394.10	7149.50	9319.00	14191.80	20664.30
No of Shares (In Millions) **(B)**	246700000	246700000	246700000	346700000	346700000	346700000
Net Asset Value per Share (Rs.) (Excl RR) (A / B)	22.99	25.92	28.98	26.88	40.93	59.60
Return on Net Worth - before extraordinary items (%):						
Adjusted Profit before Extraordinary Items **(A)**	438.10	833.20	916.00	1939.00	5541.10	5413.10
Net worth excl. RR **(B)**	5671.10	6394.10	7149.50	9319.00	14191.80	20664.30
Return on Net Worth - before extraordinary items(%) **(A /B)**	7.73	13.03	12.81	20.81	39.04	26.20
OTHER RATIOS						
Net NPA to Net Advance Ratio (%)	12.24	11.23	10.67	7.67	4.07	2.32
Interest Income/Working Fund (%)	9.64	9.79	9.41	9.34	8.33	7.87
Non-Interest Income/Working Fund (%)	1.34	1.13	1.59	1.90	2.34	1.67
Return on Assets (%)	0.23	0.38	0.37	0.70	1.60	1.71
Operating Profit/Working Funds (%)	1.32	1.31	1.81	1.98	2.83	2.92
Business per employee (Rs /millions)	11.38	13.70	16.49	19.56	24.68	30.75
Net Profit per employee (Rs/millions)	0.02	0.04	0.05	0.10	0.39	0.38
Capital Adequacy Ratio (%)	10.07	10.09	10.35	11.08	13.01	13.45
Tier I	5.66	6.27	5.94	6.29	6.83	8.44
Tier II	4.41	3.82	4.41	4.79	6.18	5.01
Credit/Deposit Ratio (%)	46.71	47.66	48.55	49.58	49.61	55.32
Interest Spread/Average Working Fund(%)	2.95	3.24	3.02	3.30	3.39	3.44
Operating Exp. /Avg. Working Funds (%)	2.97	3.06	2.81	3.23	2.90	2.19
Return on Average Net Worth (%)	6.19	13.81	13.53	23.55	47.14	41.41
Yield on Advances (%)	11.47	11.31	11.16	10.11	9.35	9.09
Yield on Investments (%)	10.97	10.93	9.95	10.14	9.08	8.15
Cost of Deposits (%)	7.78	7.44	7.20	6.79	5.63	4.97
Operating Profit per employee (Rs./ millions)	0.11	0.13	0.22	0.29	0.48	0.62
Business per Branch (Rs. / millions)	132.97	151.30	171.13	194.03	240.69	297.96
Operating Profit per Branch (Rs. / millions)	1.33	1.46	2.28	2.83	4.68	6.01

* Not Annualized ** On the basis of weighted average of no. of Equity Shares as the bank had come out with the public issue of Rs.1000 Millions during October, 2002.

Definitions of Key Ratios:

All the Financial Ratios/ Capital Adequacy Ratios as specified in the offer document and the disclosures regarding NPA's conform to the norms as specified by RBI

Credit/Deposit ratio	Total Advances/Total Deposits
Average Working Fund (AWF)	Total Average of monthly total assets as per Form X
Interest Spread/AWF (%)	Net Interest Earned/AWF
Operating Profit/AWF (%)	Profit prior to provisions and contingencies/AWF
Return/AWF (%)	Net Profit/AWF
Operating Expenses/AWF (%)	Non-interest expenditure/AWF
Cost of deposits (%)	Interest expended/Average Deposits as per Form X
Yield on Investments (%)	Interest earned on Investments/Average Investments as per Form X
Yield on Advances (%)	Interest earned on Advances/Average Advances as per Form X
Return on Average Net Worth (%)	Net Profit/Average of Opening & Closing Net Worth
Business per employee (Rs. lacs)	Total Deposits excl. Bank Deposits plus Total Advances/Employee Strength
Operating Profit per employee (Rs. lacs)	Profit prior to provisions and contingencies/Employee Strength
Business per Branch (Rs. lacs)	Total Deposits excl Bank Deposits and Advances/No of Branches
Operating profit per Branch (Rs. lacs)	Profit prior to provisions and contingencies/No of Branches

PART VIII

Capitalisation Statement as at December 31, 2004

(Rs.in millions)

Particulars	**Pre Issue**	**Post Issue as adjusted for the proposed Issue of Equity Shares of Rs.1000 Millions**
Loan Funds		
Long Term	6351.27	6351.27
Short Term	1053.93	1053.93
Total Debt	**7405.20**	**7405.20**
Shareholders' Funds		
Share Capital	3467.00	4467.00*
Reserves and Surplus(excluding revaluation reserve)	17197.26	25097.26
Total Equity	**20664.26**	**29564.26**
Long Term Debt/ Equity Ratio	**0.36**	**0.25**

* Public issue is under Book Building Process, hence computation is not possible

	December 31st, 2004
Long Term Debt	
Tier II Bonds	6216.10
MIDL	56.20
NABARD	76.90
IDBI	2.07
Total	6351.27
Short Term Debt Borrowing outstanding	1053.93

PART IX

Details of Outstanding Unsecured Liabilities

(Rs. in Millions)

As on	March 31, 2004	December 31, 2004
Demand Deposits from Banks	870.80	405.30
Demand Deposits from Others	27596.20	27968.50
Saving Bank Deposits	103423.90	118121.26
Term Deposits from Banks	4304.30	3133.38
Term Deposits from Others	178570.90	231789.66
Unsecured Subordinated Bonds Tier II Series I	1250.00	1250.00
Unsecured Subordinated Bonds Tier II Series II	950.00	950.00
Unsecured Subordinated Bonds Tier II Series III	1000.00	1000.00
Unsecured Subordinated Bonds Tier II Series IV	2000.00	2000.00
Subordinate Loans from World Bank	1016.10	56.20
Borrowings from Other Institutions & Agencies	269.10	135.20
Miscellaneous including Borrowing Outside India	1420.80	19728.55
Total	**322672.10**	**406538.05**

PART X

Tax Shelter

(Rs. in Millions)

For the Year/ Nine Months ended	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04	31-Dec 04
Tax Rate	38.50%	39.55%	35.70%	36.75%	35.88%	36.59%
Tax at actual rate on profit	107.10	441.90	349.60	712.58	1987.87	1980.78
Adjustments						
Permanent Differences						
i) Interest on Tax free bonds	(21.20)	(30.00)	(38.70)	(83.20)	(183.60)	(180.00)
ii) Dividend (exempt from tax)	(114.10)	(132.90)	(148.90)	(100.70)	(195.40)	(172.50)
iii) Others	0.00	108.80	21.70	(84.70)	(119.10)	(225.00)
Total	(135.30)	(54.10)	(165.90)	(268.60)	(498.10)	(577.50)
Timing Difference						
i) Difference between both Depreciation IT Depreciation on Fixed Assets	(33.30)	(105.40)	(40.10)	24.90	29.40	22.00
ii) Interest on securities	(255.40)	(128.80)	(553.30)	(610.00)	(145.00)	(229.80)
iii) Provision for bad and doubtful debts/ bad debts written off	250.50	475.40	1405.30	(1689.60)	(2073.70)	(3472.50)
iv) Difference between the profit/ loss on investment shown in Profit & Loss Account and the Income Tax Return	(20.30)	(313.30)	(317.90)	(156.80)	120.40	(4625.80)
v) Other Adjustments	807.60	27.00	458.80	—	—	—
vi) Brought forward Losses	—	—	—	—	—	—
Total	749.10	(45.10)	952.80	(2431.50)	(2068.90)	(8306.10)
Net Adjustments	613.80	(99.20)	786.90	(2700.10)	(2567.00)	(8883.60)
Tax Saving thereon	—	(39.20)	—	(992.29)	(920.91)	(3250.73)
Total Taxation	107.10	402.70	349.60	(279.71)	1066.96	(1269.95)
Taxation on VRS expenses being extra ordinary item	—	45.00	104.80	107.90	105.30	80.50
Tax before Extra-Ordinary item	107.10	447.70	454.40	(171.81)	1172.26	(1189.45)

Note:

The Income Tax liability for the five consecutive financial years ended March 31, 2004 has been computed as per the relevant Income Tax returns/ communications sent to the Assessing Officer. The tax liability for 9 months ended 31.12.2004 is calculated on the estimated basis.

PART XI

Consolidated Financial Statement

Profit and Loss Account

PARTICULARS		March 31, 2003	March 31, 2004	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2004
A	**INCOME**				
	Interest Earned				
	Int. & Disc. On advance/ bills	12117.6	13227.1	9863.7	12362.8
	Income on Investments	11978.6	13022.4	9619.0	10905.5
	Interest on Balance with RBI and other inter-bank funds	595.3	318.0	239.6	279.4
	Interest on Income Tax	1101.7	114.5	Nil	Nil
	Others	9.8	4.6	21.8	2.1
	Sub-Total	25803.0	26686.6	19744.1	23549.8
	OTHER INCOME				
	Commission, Exchange & Brokerage	1433.6	1621.5	1145.5	1313.0
	Profit on Sale of Investments (Net)	3369.5	5047.1	2841.9	3269.2
	Profit on Sale of Land/Bldg. & other Assets (Net)	-0.4	0.5	0.2	0.2
	Profit on Exch. Transaction (Net)	262.9	431.2	299.3	275.2
	Share of Profit in RRBs	174.5	205.7	150.5	145.9
	Miscellaneous Income	94.1	587.2	493.0	162.2
	Sub-Total	5334.2	7893.2	4930.4	5165.7
	TOTAL INCOME	**31137.2**	**34579.8**	**24674.5**	**28715.5**
B	**EXPENDITURE**				
	Interest Expended				
	Interest on Deposits	16147.5	15400.8	11518.5	12862.7
	Interest on RBI/Inter/Bank Borrowings	113.7	17.1	10.6	28.7
	Others	344.1	404.1	296.0	362.3
	Sub-Total	16605.3	15822.0	11825.1	13253.7
	Operating Expenses				
	Payment & Prov. for employees & wages	5136.5	5592.5	3987.6	4061.4
	Rent, Taxes and Lighting	491.1	518	383.4	415.3
	Printing & Stationery	115.1	114.7	80.5	90.0
	Advertisement & Publicity	34.5	40.7	36.3	47.0
	Depreciation	396.2	351.3	271.4	240.9
	Directors Fees, Allowance & Expenses	7.2	7.7	4.8	4.6
	Auditors' fees & expenses	50.1	65.3	46.5	58.2
	Law Charges	29.9	30.8	18.2	19.1
	Postage	107.5	119.6	82.0	93.2
	Repairs	102.4	134.9	96.3	102.5
	Insurance	129.8	159.0	105.9	209.2
	Other Expenditure	2600.2	2465.6	1721.8	1452.8
	Sub-Total	9200.5	9600.1	6834.7	6794.2
	TOTAL EXPENDITURE	**25805.8**	**25422.1**	**18659.8**	**20047.9**

PARTICULARS	March 31, 2003	March 31, 2004	Nine Months Ended Dec. 31, 2003	Nine Months Ended Dec. 31, 2004
Gross Profit	5331.4	9157.7	6014.7	8667.6
Provisions and Contingencies	3497.0	4299.5	3441.8	3894.9
Net Profit	1834.4	4858.2	2572.9	4772.7
Adjustment (As per details - Part IIA)	441.2	1414.7	-472.6	1243.2
Tax on Adjustment	162.1	507.5	-175.1	454.9
Total Adjustment	**279.1**	**907.2**	**-297.5**	**788.3**
Adjusted Net Profit	**2113.5**	**5765.4**	**2275.4**	**5561.0**
Profit & Loss brought forward	206.5	368.2	368.2	841.7
Profit available for appropriation	2320.0	6133.6	2643.6	6402.7
APPROPRIATION				
Transfer to Statutory Reserve	415.0	1200.0	NIL	NIL
Transfer to Revenue & other Reserve	1145.7	3309.7	-297.5	1160.6
Proposed / interim Dividend.incl tax	391.1	782.2	391.1	NIL
Balance carried over to Balance Sheet	368.2	841.7	2550.0	5242.1
TOTAL	**2320.0**	**6133.6**	**2643.6**	**6402.7**

Note : Revision in profits in all the years due to adjustments have been notionally adjusted in Transfer to Revenue and Other Reserves.

Consolidated Balance Sheet

(Rs. in Millions)

PARTICULARS		March 31, 2003	March 31, 2004	Dec. 31, 2003	Dec. 31, 2004
A	**Assets**				
1	Cash in hand	2253.5	1975.8	1957.3	2035.1
2	Balances with RBI	13204.1	19582.0	18059.7	25051.2
3	Balances with Bank in India	4190.3	3948.1	1803.5	2840.7
	Balances with Bank outside India	450.2	298.3	428.8	1860.7
4	Money at Call & Short Notice	Nil	167.0	Nil	Nil
5	Investments in India	123947.7	155788.2	147869.3	180647.3
	Investments outside India	Nil	Nil	Nil	Nil
	Total Investments	123947.7	155788.2	147869.3	180647.3
6	Advances in India	126274.5	156175.2	138744.9	199565.3
	Advances outside India	Nil	Nil	Nil	Nil
	Total Advances	126274.5	156175.2	138744.9	199565.3
7	Fixed Assets**	1282.2	1244.1	1180	1315.4
8	Other Assets	7459.0	7826.6	6226.4	9093.6
	Total (A)	**279061.5**	**347005.3**	**316269.9**	**422409.3**
B.	**Liabilities**				
1	Demand Deposits				
	From Banks	749.5	870.8	370.3	405.3
	From Others	21925.7	27161.9	19223.0	27941.0
2	Savings Deposits	87251.8	103423.9	97016.1	118121.3
3	Term Deposits				
	From Banks	6991.0	4304.3	6057.0	3133.4
	From Others	137707.1	178487.3	158129.3	231271.7
	Total Deposits (1+2+3)	254625.1	314248.2	280795.7	380872.7
4	Borrowings				
	In India	436.9	269.1	5828.5	135.2
	Outside India	Nil	1420.8	935.7	1053.9
	Total Borrowing	436.9	1689.9	6764.2	1189.1
5	Other Liabilities & Prov. (including subordinate debts)	14060.2	16030.8	16372.2	18690.6
	(Subordinate Debts)	4216.1	6216.1	4216.1	6216.1
	Total (B)	**269122.2**	**331968.9**	**303932.1**	**400752.4**
C.	Net Assets (C = A - B)	9939.3	15036.4	12337.8	21656.9
	Represented by :				
D	Share Capital	3467.0	3467.0	3467.0	3467.0
E	Reserves & Surplus				
	1.Statutory Reserve	2563.9	3763.9	2563.9	3763.9
	2. Share Premium	Nil	Nil	Nil	Nil
	3. Capital Reserve	58.9	91.8	58.8	91.9
	4. Capital Reserve on Consolidation	445.7	445.7	445.7	445.7
	5. Revenue & Other Reserve	3035.6	6426.3	3252.4	8646.3
	6. Balance of Profit & Loss Account .	368.2	841.7	2550.0	5242.1
	Total (E)	6472.3	11569.4	8870.8	18189.9
F	**Total (B+D+E)**	**279061.5**	**347005.3**	**316269.9**	**422409.3**

	PARTICULARS	March 31, 2003	March 31, 2004	Dec. 31, 2003	Dec. 31, 2004
G	**Contingent Liabilities**				
1	Claims against the Bank not Acknowledged as Debts.	4105.7	1492.4	1363.2	2062.7
2	Liability for partly paid Investments	1.6	1.6	1.6	1.6
3	Liability on account of outstanding				
4	Forward Exchange Contracts	84700.9	101041.7	116378.2	97169.7
5	Guarantees given on behalf of constituents	7887.7	9815.2	8698.4	13677.8
6	Acceptance, endorsements and other obligations	6964.9	10061.0	9904.9	19421.8
7	Other items for which Bank is contingently liable	13.1	61.1	6.5	7.2
	Total (G)	**103673.9**	**122473.0**	**136352.8**	**132340.8**
	BILLS FOR COLLECTION	**8318.4**	**9752.4**	**496.7**	**15148.2**

(Note: As per RBI circular no. DBOD No. BP.BC.72/21.04.018/2002-03 dated February 25, 2003, Banks have been consolidating their financial results from Financial Year 2002-03 onwards. In view of this, Bank has been preparing consolidated financial results from FY 2003 onwards.)

RELEVANT PRINCIPAL ACCOUNTING POLICIES ON THE CONSOLIDATED ACCOUNTS.

1. Basis of preparation of consolidation Accounts.

The accompanying financial statements have been prepared to comply, in all material aspects, with applicable Statutory/ Regulatory provisions, Accounting standards and generally accepted accounting principles and practices prevailing in India except otherwise stated.

2. Consolidation procedure:

a) Consolidated financial statements have been prepared on the basis of audited financial statements of Allahabad Bank (Parent) and one non-banking subsidiary (referred to as non-banking entity) and after eliminating inter-group transactions, unrealised profits/ loss and making necessary adjustments wherever required. The financial statements of the subsidiary is drawn upto the same reporting date as that of the parent i.e; 31st March 2004.

b) The difference between the cost of its investment in the sponsored banks (RRB) and the bank's portion of the equity of the RRBB is recognised in the financial statements as Capital Reserve in totality.

3. General :

1. The financial statements have been prepared by following going concern concept except on historical cost basis otherwise stated and are in conformity with the statutory provisions and standard accounting practices in India.

2. The financial statements also conform to the Reserve Bank of India (RBI) guidelines issued from time to time on income recognition, asset classification, provisioning and other related matters.

4. Investments

(a) Non-banking Entity.

Investments are accounted for at cost or market price whichever is less. Provision for diminution in the value of investment is made for decrease in value of such investment at the end of the year.

(b) Banking Entity

The investment portfolio of the Bank is classified in accordance with RBI guidelines under three categories viz. "Held to Maturity", "Available for Sale" and "Held for Trading".

(i) The disclosure of investments under all the three categories mentioned above is made under six groups viz. (a) Government securities (b) Other approved securities (c) Shares (d) Debentures & Bonds (e) Investment in Subsidiaries/ joint ventures and (f) Others (commercial paper, units in Mutual Funds etc).

(ii) - Investments classified as 'Held to Maturity' (other than in Regional Rural Banks) are carried at acquisition cost. In case the acquisition cost is higher than the face value, the excess is amortized over the period remaining to maturity, and provision is made for:

- Depreciation in the value of debentures/bonds which are deemed to be in the nature of advances by applying the RBI prudential norms of asset classification and provisioning applicable to advances.
- Diminution, other than temporary, in the value of investments in subsidiaries/joint ventures.

(iii) Investments classified as "Available for Sale" are marked to market scripwise at quarterly intervals and resultant net depreciation is recognized and net appreciation, if any, is ignored under each classification. The book value of the individual scrip is not changed with the revaluation as indicated above.

(iv) Investments classified as "Held for Trading" are revalued scripwise at monthly interval and resultant net depreciation is recognized and net appreciation, if any, is ignored under each classification. The book value of the individual scrip is not changed with the revaluation as indicated above.

(v) In respect of non-performing securities (where interest/principal is in arrears for more than 90 days) income is not recognized and appropriate provision is made for depreciation in the value of the securities by applying prudential norms of asset classification and such depreciation is not set-off against the appreciation in respect of other performing securities.

(vi) Cost of acquisition of investments:

(I) Is net of incentives/commission and front-end fees received in case of securities subscribed.

(II) Excludes commission, brokerage and stamp duty.

(vi) Profit/loss on sale of investments is recognized in the Profit and Loss Account. An amount equivalent to the profit on sale of investments under "Held to Maturity" category, is first taken to the Profit and Loss Account and thereafter appropriated to the "Capital Reserve Account".

(vii) For the purpose of determining market value of investments, Stock exchange quotations or rates put up by FIMMDA/ PDAI are adopted. In absence of such quotations/rates, the market value is determined by applying appropriate Yield to Maturity rates as prescribed by FIMMDA / PDAI or as per norms laid down by the Reserve Bank of India.

5. Fixed Assets / Depreciation :-

(a) Non-banking Entity

(i) Fixed Assets :-

Fixed Assets are capitalised at cost including installation cost and expenses.

(ii) Leased Assets :-

Assets purchased are capitalised, on installation, at cost and installation expenses.

(iii) Depreciation :-

Depreciation is provided on straight-line method at the rate prescribed in schedule-XIV of the Companies Act, 1956, in respect of assets other than leased assets. Depreciation on leased asset is provided as per guidance note on accounting for lease issued by ICAI. According to which Leased Equalisation account and Lease Adjustment account have been created.

Depreciation on fixed asset (including leased asset classified as NPA) has been provided on straight line method at the rates prescribed in schedule – XIV of the Companies Act, 1956.

(b) Banking Entity

(i) Premises including freehold and leasehold and other Fixed Assets are stated at historical cost except certain premises, which are stated at their revalued amount.

(ii) Capital expenditure incurred during construction period is included under 'Other Assets'.

(iii) Depreciation is provided on diminishing balance method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except that in respect of ALPMs & Computers, where depreciation is provided on straight line method @ 33.33% as per RBI guidelines.

(iv) In respect of revalued assets, the amount of additional depreciation consequent to revaluation is transferred from Revaluation Reserve to the Profit & Loss Account.

(v) Premium on leasehold land is amortized over the period of the lease.

6. Intangible Assets (Computer Software)

(i) Software for a computer that cannot operate without that specific software is an intangible part of related hardware and is treated as fixed assets. Where the software is not an integral part of the related hardware, computer software is recognised as an Intangible Asset.

(ii) Computer software acquired from vendors is recognised as Intangible Asset only if the value /cost of the software is more than Rs.1.00 Million.

7. Revenue Recognition :-

(a) Non-banking entity

Lease rentals are considered on the due date in terms of lease agreement.

(i) Lease rentals are not considered where, leased assets have been classified as Non-Performing assets (NPA) under prudential norms as prescribed by RBI.

(ii) Management Fees :-

The fees are accounted for as and when assignment is finalised and documentation has been completed.

(b) Recognition of Income and Expenditure: Banking Entity

Income and Expenditure are accounted for on accrual basis other than those stated below:

(i) Interest and Other Income on advances classified as non-performing assets are recognized to the extent realized.

(ii) Income from interest on refund of Income Tax and Interest Tax are accounted for in the year the order is passed by the concerned assessing officer.

8. Transactions involving Foreign Exchange:

(i) Foreign currency balances whether of assets or liabilities [including deposits mobilized under FCNR Scheme, EEFC Scheme, RFC Scheme etc.] and outstanding forward exchange contracts are converted at year end rates as advised by Foreign Exchange Dealers' Association of India (FEDAI).

The resultant profit/loss on revaluation of forward exchange contracts and NOSTRO accounts is taken to revenue as per FEDAI guidelines.

(ii) Income and Expenditure items relating to foreign currency are converted at the rates of exchange ruling on the date of transaction.

(iii) Acceptances, endorsements and other obligations including guarantees are stated at FEDAI advised rates prevailing at the year end.

9. Advances:

(i) Advances are classified as performing and non-performing as per guidelines prescribed by RBI and are shown net of provisions for non-performing advances.

(ii) The provision made for standard advances (performing) in terms of RBI guidelines is however included in "Other Liabilities and Provisions".

10. Non-Banking Assets:

Non-Banking Assets acquired in satisfaction of claims are stated at cost.

11. Retirement Benefits to Employees:

(i) Liabilities for Gratuity, Leave Encashment and Pension benefits to employees are provided for on the basis of actuarial valuation at the year end.

(ii) Expenditure towards ex-gratia and additional contribution in respect of gratuity and pension under Voluntary Retirement Scheme (VRS) is treated as Deferred Revenue Expenditure amortized over a period of five years in terms of RBI guidelines.

12. Taxes on Income

The provision for income tax is made considering the applicable tax rates and judicial pronouncements/legal opinions and after making adjustment for deferred tax, in terms of Accounting Standard 22, issued by the Institute of Chartered Accountants of India.

13. Net profit :

The net profit is arrived at after accounting for the following.

(i) Provisions for Income Tax (including deferred tax) and Wealth Tax in accordance with the statutory requirements.

(ii) Provisions on advances / Investments.

(iii) Adjustments to the value of investments.

(iv) Transfer to Provisions and Contingencies.

(v) Other usual and necessary provisions.

RELEVANT NOTES ON ACCOUNT TO THE CONSOLIDATED ACCOUNTS

1. The individual financial statement of Allahabad Bank and its subsidiary, AllBank Finance Limited have been considered in the preparation of consolidated financial statement. Allahabad Bank holds entire equity in its subsidiary and 35% in the equity of 7 Regional Rural Banks (RRB).

2. The bank and its subsidiary are operating in different circumstances and in different fields. It is not practicable for the bank and its subsidiary to follow an uniform accounting policy in following areas :-

   (a) Provision in the value diminution of investment.

   (b) Depreciation on fixed assets.

3. In respect of AllBank Finance Limited, following significant notes are considered :-

   (i) The payment of Bonus Act –1965 is not applicable.

   (ii) Contingent liabilities not provided for not consolidated.

   (a) Disputed Income Tax and Interest Tax liability in respect of matters pending before various appellate authorities where the Company expects to succeed

(Rs. in millions)

Asst. Year	31.03.2004 Income Tax	31.03.2004 Interest Tax	31.03.2003 Income Tax	31.03.2003 Interest Tax
1993-94	106.24	-	106.24	-
1994-95	15.78	2.91	52.94	2.91
1996-97	12.60	3.71	45.62	3.71
1997-98	30.54	-	61.42	-
1998-99	44.46	-	44.46	-
1999-00	13.96	2.45	41.65	2.45
2000-01	1.10	2.42	-	2.42
2001-02	5.15	-	-	-
Total	**229.83**	**11.49**	**352.33**	**11.49**

   (b) Claims against the Company not acknowledged as Debts : Rs34.70 millions (Previous Year Rs. Rs34.70 millions)

      (i) As per the order of Hon'ble Special court, the delivery of shares on 13.05.1992 by M/s V. B Desai to AllBank Finance Ltd., constituted complete transfer of property in the shares in favour of the Company. Accordingly, the Company became the owner of the shares from the date of delivery of the shares and was entitled to all accretions and rights declared thereafter. Pursuant to the above mentioned order, the acquisition of the shares has been considered as long term investment.

(ii) Till such time as the matter was sub judice, the Shares, and all accretions thereon, were held by the custodian, Mumbai. The Company was also informed that the custodian had disposed of some shares, while in his custody during this period. The ownership of the Shares and all accretions thereon and the disposal of shares, could be established in the records of the Company, only on receipt of the final order of the Special Court, and the subsequent details from the custodian, which was during the financial year 2003-04. .The net income on their disposal of the shares by the custodian, during the period prior to the F Y 2003-04, has been considered as an 'Exceptional Item', in the financial statements of the Company.

4. Related Party Disclosures :- AS-18

Payment to	Nature of relationship	Amount
All Bank Finance Limited		
Wisemen's Consultancy (P) Ltd	Director of the bank is director	Rs.24,000.00
Dr. Surinder. P.S.Pruthi.	Director	Rs.2,17,977.00
Allahabad Bank		
Shri O. N. Singh (Since 04/12/2004)	Chairman & M.D.	Rs.1,51,980.00
Sri K. K. Rai	Executive Director	Rs.4,44,260.00

5. A profit of Rs.825.90 Millions (comprising of Rs.205.70 Millions for the current year and Rs.620.20 Millions in respect of earlier years) in respect of seven Regional Rural Banks (RRB) sponsored by Allahabad Bank, has been considered in the consolidated statement based on Equity Method of Accounts.

PART XIII

Allbank Finance Limited

Statement of Assets & Liabilities

(Rs. in milions)

Particulars	As on March 31					Dec 31,
	2000	2001	2002	2003	2004	2004
Sources of Fund						
1 Shareholders' Funds						
a Share Capital	600.00	600.00	600.00	600.00	600.00	600.00
b Reserves & Surplus	1.10	1.10	1.10	1.10	18.70	20.86
Sub Total	**601.10**	**601.10**	**601.10**	**601.10**	**618.70**	**620.86**
2 Loan Funds						
a Secured	33.10	77.40	18.90	Nil	Nil	Nil
b Unsecured Loans	0.20	Nil	Nil	Nil	Nil	Nil
Sub Total	**33.30**	**77.40**	**18.90**	**Nil**	**Nil**	Nil
Total	**634.40**	**678.50**	**620.00**	**601.10**	**618.70**	**620.86**
Application of Funds						
3 Fixed Assets						
a Gross Block	186.20	192.20	192.20	152.30	149.30	147.68
b Less : depreciation	53.90	60.60	66.00	64.10	66.00	65.50
c Net Block	132.30	131.60	126.20	88.20	83.30	82.18
Less: Lease Adjustment	48.40	62.20	78.50	60.90	58.40	58.63
	83.90	69.40	47.70	27.30	24.90	23.55
4 Investment	16.00	15.70	10.90	2.30	14.10	12.62
5 Current Assets, Loans & Advances						
a Sundry debtors	131.80	134.20	135.60	183.10	41.40	55.15
b Cash & Bank Balance	5.40	0.90	1.50	1.10	434.30	547.58
c Other Current Assets	21.30	71.10	61.40	65.40	123.00	65.23
d Loans & Advances	88.50	121.90	70.90	70.00	66.60	Nil
Total Current Assets	**247.00**	**328.10**	**269.40**	**319.60**	**665.30**	**667.96**
6 Less : Current Liabilities & Provisions						
a Current Liabilities	(33.20)	(46.00)	(26.00)	(16.00)	(10.60)	(13.77)
b Provision	(132.10)	(146.70)	(162.30)	(180.70)	(75.00)	(69.50)
c Net Current Assets	81.70	135.40	81.10	122.90	579.70	584.69
7 Profit & Loss(Debit Balance)	452.80	458.00	480.30	448.60	Nil	Nil
Total	**634.40**	**678.50**	**620.00**	**601.10**	**618.70**	**620.86**

STATEMENT OF ACCOUNTS OF ALL BANK FINANCE LIMITED

STATEMENT OF PROFIT & LOSS

(Rs. in milions)

Particulars	For the Year ended March 31st					Nine months ended Dec 31,
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	2004
INCOME						
Lease Income	18.20	15.10	1.90	0.60	0.40	0.10
Hire Purchase Income	2.10	10.10	12.20	9.00	5.40	1.88
Investment Income/Interest	11.10	8.90	4.60	0.40	7.20	3.64
Profit from sale of Investment						
Income from Merchant Banking activites	2.00	0.40	0.10	1.40	1.90	0.24
Other income	1.20	0.20	0.10	0.10	4.40	1.76
Liabilities/Provision Written Back	0.10	0.60	0.10	54.30	172.80	2.30
Prior Period Adjustment	Nil	-2.90	Nil	Nil	176.90	Nil
	34.70	**32.40**	**19.00**	**65.80**	**369.00**	**9.92**
EXPENDITURE						
Personnel Cost	3.50	3.40	2.40	1.50	1.70	1.00
Administration & Other Expenditure	7.30	6.50	10.60	7.40	3.10	2.30
Interest	5.10	8.20	4.90	1.20	Nil	Nil
Depreciation	7.20	6.80	5.50	2.80	1.90	0.68
Provision for Doubtful Debt/Advances	4.70	12.30	14.70	17.40	6.40	0.95
Provision for Shortfall in Investment	Nil	0.30	3.30	2.30	1.60	1.54
Other Expenses	Nil	Nil	Nil	1.40	0.10	Nil
	27.80	**37.50**	**41.40**	**34.00**	**14.80**	**6.47**
PROFIT /(LOSS) BEFORE TAX	**6.90**	**(5.10)**	**(22.40)**	**31.80**	**354.20**	**3.45**
Provision for Income Tax	Nil	Nil	Nil	Nil	7.50	Nil
NET PROFIT /(LOSS) FOR THE YEAR	**6.90**	**(5.10)**	**(22.40)**	**31.80**	**346.70**	**3.45**
Prior Period Adjustments [Add / (Loss)]	-2.90	2.90	Nil	19.30	-19.30	(1.32)
Provision for Investments	Nil	Nil	Nil	Nil	119.70	Nil
ADJUSTED NET PROFIT (LOSS)	**4.00**	**(2.20)**	**(22.40)**	**51.10**	**447.10**	**2.13**
Profit / Losses of the Subsidiary so far as it concerns the member of Allahabad Bank	**4.00**	**(2.20)**	**(22.40)**	**51.10**	**447.10**	**2.13**

Significant Accounting Policies :

1. SYSTEM OF ACCOUNTING **:**

   The Company follows the accrual basis of accounting as required by the Companies Act, 1956, unless other wise stated.

2. REVENUE RECOGNITION :

   A. Lease Finance :

      (i) The Accounting Standard 19 (AS–19) on Leases came into effect in respect of all assets leased during accounting periods commencing on or after 1.4.2001. Since the Company has not sanctioned any lease on or after 1.4.2001, the AS–19 is not applicable to the Company.

      (ii) Lease Rentals are considered on the due dates in terms of lease agreements.

      (iii) Lease Rentals are not considered where Leased Assets have been classified as Non– Performing Assets (NPA) under the Prudential Norms announced by Reserve Bank of India.

   B. Fixed Assets :

      Fixed Assets are capitalized at cost inclusive of installation expenses as incurred by the Company.

   C. Leased Assets :

      Assets purchased and given on lease are capitalized on installation at cost and installation expenses.

   D. Depreciation :

      (a) Assets other than given on Lease :

         Depreciation is provided on straight line method at rates prescribed in Schedule XIV of the Companies Act, 1956.

      (b) Assets given on Lease :

         Depreciation on Leased Assets is provided as per the Guidance Note on ‘Accounting for Leases’ issued by the Institute of Chartered Accountants of India. Lease Equalisation Account and Lease Adjustment Account have been created as prescribed by the Guidance Note.

         Depreciation on all the fixed assets (including Leased Assets classified as Non Performing Assets) has been provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

   E. Investment :

      Long Term Investments are valued at cost. Provision for diminution in value of investment is made for decrease in value of such investments as at the end of the year.

      Current Investments are valued at the lower of cost and market value.

      In cases where Investments are listed but market quotations are not available, the value of the investment has been taken at Re. 1/- per Company.

      In the case of shares acquired in settlement of M/s V B Desai A/c pursuant to the Order of The Special Court, Mumbai, constituted under The Special Courts (Trial of Offences relating to Transactions in Securities) Act, 1992, the cost of acquisition of the Shares so acquired have been taken at the net amount due from M/s V B Desai, prior to such ruling. This investment has been considered as Long Term Investment.

   F. Prudential Norms :

      The directions issued by the Reserve Bank of India regarding prudential norms for Non-Banking Financial Companies for income recognition, asset classification and provisions have been followed.

Notes on Accounts :

1. Contingent liabilities not provided for :

   (a) Disputed Income Tax and Interest Tax liability in respect of matters pending before various Appellate authorities where the Company expects to succeed

(Rs. in Millions)

Asst. Year	31.03.2004 Income Tax	31.03.2004 Interest Tax	31.03.2003 Income Tax	31.03.2003 Interest Tax
1993-94	106.24	-	106.24	-
1994-95	15.79	2.91	52.94	2.91
1996-97	12.59	3.71	45.62	3.71
1997-98	30.54	-	61.42	-
1998-99	44.46	-	44.46	-
1999-00	13.96	2.45	41.65	2.45
2000-01	1.10	2.42	-	2.42
2001-02	5.15	-	-	-
TOTAL	**229.83**	**11.49**	**352.33**	**11.49**

(b) Claims against the Company not acknowledged as Debts: Rs 34.70 Millions (Previous Year Rs 34.70 Millions)

2. As per the order of the Hon'ble Special Court, the delivery of shares on 13.05.1992, by M/s V B Desai to AllBank Finance Ltd., constituted complete transfer of property in the shares in favour of the Company. Accordingly, the Company became the owner of the shares from the date of delivery of the shares and was entitled to all accretions and rights declared thereafter. Pursuant to the abovementioned order, the acquisition of the shares has been considered as Long Term Investment.

   Till such time as the matter was sub judice, the Shares, and all accretions thereon, were held by the Custodian, Mumbai. The Company was also informed that the Custodian had disposed off some shares, while in his custody during this period. The ownership of the Shares and all accretions thereon and the disposal of shares, could be established in the records of the Company, only on receipt of the final order of the Special Court, and the subsequent details from the Custodian, which was during the financial year 2003 – 2004. The net income on the disposal of the shares by the Custodian, during the period prior to the F Y 2003 – 2004, has been considered as an "Exceptional Item", in the financial statements of the Company.

3. Payments where Directors are Interested

Sl	Payment to	Relationship	Nature of transaction	Previous Year (Rs.)	Amount (Rs.)
1	Wise Men's Consultancy (P) Ltd.	Director's Co.	Consultancy Charges	24,000/-	24,000/-
2	Dr. Surinder P. S. Pruthi	Director	Travelling & Conveyance	2,17,977/-	2,54,221/-

4. As of 31.03.2004, Rs. 27.11 Millions have been shown as advance income tax, tax deducted at source and income tax refund receivable. This amount is pending adjustment at various stages of assessments and appeals.
5. In accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India on 'Accounting for taxes on income', the Company has net deferred tax assets arising out of provisions made on doubtful debts. Deferred tax assets have not been recognised keeping in view the uncertainty of sufficient taxable income in future.
6. No provision has been made for bonus to employees as salary of all employees exceed the eligibility limit under The Payment of Bonus Act, 1965
7. Provision for diminution in the value of Current Investments for the year ended 31.03.2004, of Rs 1.61 Millions *(Previous year : Rs 2.24* Millions*)* has been charged to the Profit & Loss A/c.
8. The diminution in value of Long Term Investment is Rs.67.01 Millions. This has been reduced from Income from Exceptional Items shown in Schedule L.
9. Provision for retirement benefits, i.e. gratuity and leave encashment have been made on accrual basis.
10. The figures have been rounded off to the nearest rupee and the figures of the previous year have been rearranged or regrouped wherever necessary.

    NOTES ON ADJUSTMENTS : Appropriate adjustments resulting from Auditor's qualifications wherever quantifiable and material adjustment for previous years wherever practicable have been carried out while preparing the statements of Profit & Loss and Assets and Liabilities.

AUDITORS QUALIFICATIONS FOR WHICH ADJUSTMENTS COULD NOT BE CARRIED OUT

There are no material audit qualifications for which adjustments could not be carried out in the accounts for the period 01.04.2000 to 31.03.2004.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of SEBI (Disclosure and Investor protection) Guidelines 2000 the Companies Act, 1956 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP")

The following table summarizes significant measurement differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Prospectus.

Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

Particulars	Indian GAAP	U.S. GAAP
Format and content of financial statements.	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statute.	All entities are required to present balance sheets, income statements, statements of shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosure in the notes to financial statements generally is far more extensive than under Indian GAAP. No specific format is mandated, generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.
Allowance for credit losses.	Allowance for credit losses are based on defaults expected both on principal and interest. The allowance does not consider present value of future inflows. The allowances are made in accordance with prudential norms prescribed by the Reserve Bank of India (RBI).	Loans are identified as non-performing and placed on non-accrual basis, where management estimates that payment of interest or principal is doubtful of collection. Non-performing loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan to the present value of expected future cash flows or the fair value of the collateral (discounted at the loan's effective rate).
Investments in securities.	Securities are classified as held to maturity, available for sale and held for trading as per RBI guidelines. Held to maturity are valued at cost unless more than face value in which case the premium is amortised over the remaining period / years of maturity. Held for trading securities are valued scrip-wise and net depreciation is accounted for. Available for sale are valued scrip-wise and net depreciation under each category is provided for while net appreciation is ignored. Amortisation of purchase premium is required in respect of 'Held to Maturity' category.	Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity. Trading securities are marked to fair value, with the resulting unrealized gain or loss recognized in the income statement. Available-for-sale (AFS) securities are marked to fair value, with the resulting unrealized gain or loss recorded directly in a separate component of equity called 'Other Comprehensive Income' until realized, at which time the gain or loss is reported in income. Held-to-maturity (HTM) debt securities are carried at amortized cost. Other than temporary impairments in the value of HTM and AFS investments are accounted for as realized losses. Amortisation of purchase premium and discount is required for all the categories of debt securities.

Particulars	Indian GAAP	U.S. GAAP
Loan origination fees / costs	Loan origination fees and costs are taken to the income statement in the year in which they are accrued/ incurred.	Loan origination fees (net of loan origination - costs) are deferred and recognized as adjustment to yield over the life of the loan.
Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group. Accordingly, there is no legal requirement to prepare consolidated financial statements. In stand alone financial statements, investments in subsidiaries, if classified as long term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value. Accounting Standard (AS21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent. For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered. Unlisted entities with subsidiaries will continue to have the option of not presenting consolidated financial statements.	Under U.S. GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent. Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented. Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of the entity. In such cases, the equity method of accounting applies. Entities where the minority shareholder has protective rights only are consolidated. For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP, which may be treated as equity affiliates under Indian GAAP. In January 2003, the FASB issued Interpretation No.46, "Consolidation of Variable Interest Entities" an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.
Investments in associates or affiliates.	The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the standalone financial statements of the parent and the same are accounted for in the same manner as other investments in the stand alone financial statements of a parent. Unlisted companies that do not prepare consolidated financial statements could continue to account joint venture investments as before.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method. The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account. This method is also followed for unconsolidated subsidiaries.

Particulars	Indian GAAP	U.S. GAAP
Business combination	Business combinations are accounted for either as pooling of interests or as acquisitions. Accounting for business combinations as pooling of interests is permitted only on fulfillment of certain conditions. Non-fulfillment of one or more conditions results in the combination being accounted for as an acquisition using the 'purchase method' of accounting. Under the pooling of interest method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts after making changes for uniformity of accounting policies. Under the purchase method, assets and liabilities are recorded either at their existing carrying amounts or by allocating the consideration to individual identifiable assets and liabilities on the basis of their fair values at the date of acquisition.	The ' Purchase method' of accounting is required for all business combinations. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged. Under APB Opinion No. 16, the pooling of interest method is required in respect of combination of entities under common control in a manner similar to Indian GAAP. Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the next assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.
Acquired Goodwill	Goodwill arising on amalgamation is amortised to income on systematic basis over its useful life, not exceeding five years unless a longer period can be justified (AS14). The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve. Goodwill arising on the acquisition of shares of a company is generally not Separately recognized, but is included in the cost of the investment. For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consoli-dation. Such goodwill is not amortized. Additionally, goodwill needs to be tested for impairment on annual basis, as required by AS 28 "Impairment of Assets".	Under SFAS No. 142, effective for fiscal years beginning after December 15, 2001, goodwill arising on new acquisitions and any unamortized balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level.
Impairment of assets	Applicable for accounting periods beginning from April 1, 2004 onwards. The standard requires companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the company is required to estimate the recoverable amount of the assets. If the recoverable amount of an asset is less than its carrying amount, that carrying amount of the asset should be reduced to its recoverable amount. The reduction is reported as an impairment loss.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.
Property, Plant and equipment	Fixed assets are recorded at historical costs or revalued amounts. On revaluation, an entire class of assets is revalued or selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets.	Revaluations are not permitted

Particulars	Indian GAAP	U.S. GAAP
Issuance and redemption costs for borrowings	Debt issuance costs may be amortized/charged as an expense or charged to the Securities Premium Account. Redemption premiums payable on the redemption of debt may be accrued over the life of the debt.	Debt issuance costs are treated as a deferred charge and amortized using the effective interest rate method over the life of the debt. Redemption premiums are accrued as a yield adjustment over the life of the debt.
Foreign exchange	AS11 "The Effects of Changes in Foreign Exchanges Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalized. With the revision of this standard, with effect from accounting periods commencing on or after April 1, 2004, translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Guidance relating translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement.	Under US GAAP gains or losses arising from foreign currency transaction are included in determining net income. Foreign exchange gains or losses are not included in interest cost. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity.
Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book basis of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.
Proposed dividend	Proposed dividends are recognized in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year of declaration.
Vacation accrual	Vacation accrual, or leave encashment, is viewed as retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.

Particulars	Indian GAAP	U.S. GAAP
Retirement benefits	The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has considerable latitude in selecting assumptions to be used. Expenditure incurred on voluntary retirement scheme may be deferred.	The liability for defined benefit retirement plans is reported at the present value of future benefits using the project unit credit method, with a stipulated method to determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period in which it is incurred.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates , and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives , if shorter.	Depreciation is provided in a systematic and rational manner Over the estimated useful economic life of the assets.
Derivative financial instruments and hedging	The Guidance note on 'Accounting for Equity Index Options and Equity Stock Options' and the Guidance Note on 'Accounting for Equity Index Futures' are the pronouncements, which address the accounting for derivatives. RBI Guidelines on Forward Rate Agreements / Interest Rate Swaps requires the transactions to be classified in to the hedging and trading. The swap that is accounted for like a hedge should be accounted for on accrual basis except the swap designated with an asset or liability that is carried at market value or lower of cost or market value in the financial statements. In that case the swap should be marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability. This implies that any gain or loss on the terminated swap would be deferred and recognised over the shorter of the remaining contractual life of the swap or the remaining life of the asset / liability. Trading swaps should be marked to market with changes recorded in the income statement. Income and expenses relating to these swaps should be recognised on the settlement date. Gains or losses on the termination of trading swaps should be recorded as immediate expense or income.	All, derivatives are required to be recognised as assets or liabilities in the balance sheet and measured at fair value. The accounting for changes in the fair value of a derivative (that is gain or losses) depends on the intended use of the derivative and the resulting designation. Derivatives based on the intended use are broadly classified into three classes' viz. Fair value hedge, Cash flow hedge and Foreign currency hedge. Gains and losses on fair value hedges, for both the hedging instrument and the item being hedged, are recognised in the income statement. Gains and losses on effective portion of cash flow hedges is initially reported as a component of other comprehensive and subsequently reclassified in to earnings when the forecasted transaction affects earnings. In case of hedging the foreign currency exposure of a net investment in a foreign operation, the same accounting treatment is given as in the case of Cash flow hedge. The gains or losses on the ineffective portion of any hedge are written off as income or expense. Derivatives that are not designated as a hedging instrument, the gain or losses is recognised in earnings in the period of change.
Off-balance sheet items	There is no specific guidance on the accounting and reporting for off-balance sheet items. Commitments and contingencies are required to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
Fair values of financial instruments	There is no requirement to disclose the fair value of financial instruments.	Extensive disclosures are required of the fair values of financial instruments and the methodologies or determining fair values.
Segment Reporting	Requirement is to report Primary and secondary (business and geographic) segments based on risk and returns and internal reporting structure.	Requirement is to report segments based as classes of business and geographical areas.

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 BSE, NSE and CSE, 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 Red Herring Prospectus until the date of closing of the subscription list.

Material Contracts

1. Memorandum of Understanding dated February 16, 2005 between the Bank and the Book Running Lead Managers to the Issue viz. SBI Capital Markets Limited, DSP Merill Lynch Limited, ICICI Securities Limited, JM Morgan Stanley Private Limited and Kotak Mahindra Capital Company Limited specifying the terms of the engagement with Interse Allocation of Responsibilities between the Book Running Lead Managers .
2. Memorandum of Understanding dated March 16, 2005 between the Bank and Enam Financial Consultants Private Limited.
3. Memorandum of Understanding dated February 12, 2005, between the Bank and Registrars to the Issue, specifying the terms and conditions of the engagement.
4. Copy of the tripartite agreement between the Bank, Registrars and NSDL dated November 13, 2001.
5. Copy of the tripartite agreement between the Bank, Registrars and CDSL dated February 25, 2002.
6. Escrow Agreement dated April 5, 2005 between the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
7. Syndicate Agreement dated April 5, 2005 between the Bank, the BRLMs and the Syndicate Members.
8. Underwriting Agrement dated April 14, 2005 between the Bank, the BRLMs and the Syndicate Members.

Material Documents

1. Copy of the resolutions passed by the Board of Directors of the Bank at the Board Meeting held on October 9, 2004 providing approval of the Board for the second public offer of the Bank for issue of 100 millionEquity Shares of face value Rs.10 and the consent of the shareholders of the Bank at the EGM held on January 4, 2005.
2. Copy of the letter no. F. No. 011/34/2004/BOA dated December 6, 2004, under Section 3(2B)(c) of the Bank Acquisition Act from Ministry of Finance (Department of Economic Affairs) in consultation with the Reserve Bank of India (RBI).
3. Copy of Letter No. F.No.11/34/2004-BOA dated December 6, 2004 from Ministry of Finance, Department of Economic Affairs (Banking Division) exempting the Bank from provisions of Sections 13 and 15 (1) of the Banking Regulation Act, 1949.
4. Consent dated February 9, 2005 from Manubhai & Co., Ramesh C. Agrawal & Co, T. K. Ghose & Co., Prakash & Santosh, N. Choudhary & Co. and Dhamija Sukhija & Co. for inclusion of their Auditors report in the Prospectus for the Issue.
5. Consent from Manubhai & Co., Ramesh C. Agrawal & Co, T. K. Ghose & Co., Prakash & Santosh, N. Choudhary & Co. and Dhamija Sukhija & Co. for acting as Statutory Auditory of the Bank.
6. Auditors Report dated February 9, 2005 from Manubhai & Co., Ramesh C. Agrawal & Co, T. K. Ghose & Co., Prakash & Santosh, N. Choudhary & Co. and Dhamija Sukhija & Co.
7. Tax benefit report dated December 22, 2004 and February 9, 2005 from Manubhai & Co., Ramesh C. Agrawal & Co, T. K. Ghose & Co., Prakash & Santosh, N. Choudhary & Co. and Dhamija Sukhija & Co.
8. Consents from the Book Running Lead Managers, Syndicate Members, Registrars, Legal Advisors, Directors, Compliance Officer, Escrow Collections Bank(s) and Bankers to the Issue.
9. Copy of Initial Listing Applications dated February 16, 2005 made to the Stock Exchanges at the Stock Exchange, Mumbai, National Stock Exchange and Calcutta Stock Exchange for listing of the Equity Shares of the Bank.
10. Copies of In-principle approval for listing equity shares from NSE vide letter no. NSE/LIST/10821-Q date February 23, 2005, BSE vide letter no. DCS/SG/SM/2005 dated February 24, 2005, and CSE vide letter no.CSEA/LD/188/2005 dated March 7, 2005.

11. Permission from Foreign Exchange Department, RBI vide its letter no. FE.CO.FID/4684/10.02.40(8435)/2004-05 dated January 18, 2005 for allowing NRIs and FIIs to invest in the Equity Shares offered in the Issue with repatriation benefit.

12. Copy of the Gazette of India notification no. F.No.9/14/2003-B.O.I. dated December 4, 2003 appointing Shri O. N. Singh as Chairman and Managing Director of Allahabad Bank.

13. Copy of the Ministry of Finance letter no. F.No.20/13/2000 –B.O.I dated January 6, 2004 detailing the terms and condition of the appointment of Shri O. N. Singh as Chairman and Managing Director of Allahabad Bank.

14. Copy of the Gazette of India notification F.No.9/8/2004-B.O.I (iv) dated August 27, 2004 appointing Mr. S.K.Goel as the Executive Director of Allahabad Bank.

15. Copy of the Ministry of Finance letter no. F.No. 20/8/2004- B.O.I. dated September 21, 2004 detailing the terms and condition of the appointment of Shri S. K. Goel as the Executive Director of Allahabad Bank.

16. Copy of the Observation letter no. CFD/DIL/JAK/35616/2005 dated March 9, 2005 from Securities & Exchange Board of India

17. SEBI letter no. CFD/DIL/JAK/35616/2005 dated March 9, 2005 permitting the Bank to present its financial results for the nine months ended December 31, 2004 with limited review.

18. Copy of letter no. CMG/AK/AB/3178 dated March 10, 2005 to SEBI from SBI Capital Markets Limited requesting permission for inducting Enam Financial Services Limited as the sixth Book Running Lead Manager and SEBI’s consent via letter no CFD/DIL/UR/36219/2005 dated March 16, 2005.

19. Power of Attorney from the Directors for signing the Prospectus and Prospectus in favour of the Chairman and Managing Director.

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.

Mr. O. N. Singh	Chairman & Managing Director
Mr. S. K. Goel	Executive Director
Mr. G. Bhujabal *	Director
Ms. Sewali Choudhury *	Director
Mr. B. B. Bhattacharya *	Director
Mr. D. K. Bhattacharya *	Director
Mr. V.Gurumurthy	Director
Dr. Bikash Ghosh	General Manager (Finance and Accounts)

*Signed by constituted attorney Mr. O. N. Singh, Chairman and Managing Director.

Dated : April 15, 2005
Place : Kolkata

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