Red Herring Prospectus
Dated January 17, 2007

100% Book Built Issue

INDIAN BANK

(Indian Bank was originally incorporated on March 5, 1907 under provisions of the Indian Companies Act, 1882 as "The Indian Bank Limited" with its head office at Chennai (then known as Madras). For details of change in name and head office, see the section titled "History and Certain Corporate Matters" on page 100 of this Red Herring Prospectus).

(Constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 on July 19, 1969)

Head Office: 66, Rajaji Salai, Chennai 600 001, India
Tel: (91 44) 25260337; **Fax:** (91 44) 25263949
Contact Person: V. Ganesan; Email: investors@indianbank.co.in; **Website:** www.indianbank.in

PUBLIC ISSUE OF 85,950,000 EQUITY SHARES OF RS. 10 EACH ("EQUITY SHARES") OF INDIAN BANK (THE "BANK" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] MILLION (THE "ISSUE"). THE ISSUE INCLUDES A RESERVATION OF 8,595,000 EQUITY SHARES OF RS. 10 EACH FOR THE ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE "NET ISSUE". THE ISSUE WILL CONSTITUTE 25 % OF THE PRE ISSUE AND 20 % OF THE POST ISSUE FULLY DILUTED PAID-UP EQUITY CAPITAL OF THE BANK.

PRICE BAND: RS. 77 TO RS. 91 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10. THE ISSUE PRICE IS 7.7 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 9.1 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

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

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, (**"SCRR"**) this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted on a proportionate basis to Qualified Institutional Buyers (**"QIBs"**). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to all the QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 8,595,500 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price. We have not opted for IPO grading of the Issue.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Bank, there has been no formal market for the Equity Shares of the Bank. **The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value.** The Issue Price (as determined by the Bank in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares by way of book-building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

ISSUER’S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of the Equity Shares pursuant to letters dated December 15, 2006 and December 21, 2006, respectively. The Designated Stock Exchange for the purposes of the Issue shall be the NSE.

BOOK RUNNING LEAD MANAGERS				REGISTRAR TO THE ISSUE
SBI Capital Markets Limited	ENAM	ICICI Securities	kotak Investment Banking	CAMEO
SBI CAPITAL MARKETS LIMITED 202, Maker Tower - E Cuffe Parade Mumbai 400 005, India Tel: (91 22) 22189166 Fax: (91 22) 22188332 Email: indianbankipo@sbicaps.com Website: www.sbicaps.com Contact Person: Rohan Talwar	**ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED** 801/802, Dalamal Towers, Nariman Point Mumbai 400 021, India Tel: (91 22) 66381800 Fax: (91 22) 22846824 Email: indianbankipo@enam.com Website: www.enam.com Contact Person: Kinjal Palan	**ICICI SECURITIES LIMITED** ICICI Centre H.T. Parekh Marg., Churchgate Mumbai 400 020, India Tel: (91 22) 22882460 Fax: (91 22) 22826580 Email: indianbank_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Ratnadeep Acharyya	**KOTAK MAHINDRA CAPITAL COMPANY LIMITED** 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021, India Tel: (91 22) 66341100 Fax: (91 22) 22840492 Email: indianbank.ipo@kotak.com Website: www.kotak.com Contact Person: Chandrakant Bhole	**CAMEO CORPORATE SERVICES LIMITED** Subramanian Building 1 Club House Road Chennai 600 002, India Tel: (91 44) 28460390 Fax: (91 44) 28460129 Email: ibipo@cameoindia.com Website: www.cameoindia.com Contact Person: R.D. Ramasamy

ISSUE PROGRAMME	
BID / ISSUE OPENS ON : FEBRUARY 5, 2007	**BID / ISSUE CLOSES ON : FEBRUARY 9, 2007**

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DEFINITIONS AND ABBREVIATIONS

Bank related terms

Term	Description
The “Bank” or “our Bank” or “Indian Bank”	Unless the context otherwise requires, refers to Indian Bank, a corresponding new bank constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 having its head office at 66, Rajaji Salai, Chennai, 600 001, India
Associates	The regional rural banks sponsored by our Bank, namely: 1. Saptagiri Grameena Bank; and 2. Pallavan Grama Bank Saptagiri Grameena Bank was formed on July 1, 2006 pursuant to the merger of Sri Venkateswara Grameena Bank and Kanakadurga Grameena Bank, while Pallavan Grama Bank was formed on August 31, 2006 pursuant to the merger of Adhiyaman Grama Bank and Vallalar Grama Bank.
Board of Directors/Board	The board of directors of our Bank or a committee constituted thereof
CMD or Chairman and Managing Director	The Chairman and Managing Director of our Bank
Constitutional Documents	The Bank Acquisition Act read with the Bank Regulations and the Nationalised Bank Scheme
Director(s)	Unless the context otherwise requires, refers to the director(s) of the Bank
Head Office	The head office of the Bank being 66, Rajaji Salai, Chennai, 600 001, India
Promoter	The President of India acting through the MoF, GoI
Subsidiaries	The subsidiaries of our Bank, namely: 1. Ind Bank Housing Limited; 2. Indbank Merchant Banking Services Limited; and 3. Indfund Management Limited.
“we” or “our” or “us”	Unless the context otherwise requires, refers to the Bank and its Subsidiaries, on a consolidated basis, as described in this Red Herring Prospectus

Issue Related Terms

Term	Description
Allot/ Allotted/Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been Allotted
Auditors	B. Purushottam & Co., J.P. Kapur and Uberai, R. Subramanian And Company, R. Gopal and Associates and Grandhy & Co., the statutory auditors of the Bank
Banker(s) to the Issue	Indian Bank
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to the Bank’s 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 cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Bank and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form

Term	Description
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid /Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bidding /Issue Period	The period between the Bid/Issue Opening Date and the Bid /Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Bid Price	In respect of each successful Bidder, the Issue Price multiplied by the Equity Shares allocated to a successful Bidder
Book Building Process	The book building process as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being SBI Capital Markets Limited, Enam Financial Consultants Private Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Any price within the Price Band finalised by the Bank in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date, after the Prospectus is filed with the Designated Stock Exchange, on which the Escrow Collection Banks transfer funds from the Escrow Account(s) to the Issue Account, following which the Board shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	The NSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated December 1, 2006 filed with SEBI, which did not have complete particulars of the price at which the Equity Shares are offered and size of the Issue
Eligible Employees	A permanent employee or Director of the Bank or any of its Subsidiaries who is, on the date of filing the Red Herring Prospectus (i) an Indian National and a person resident in India (as defined under FEMA), and (ii) based in, working and present in India as on the date of submission of the Bid cum Application Form
Eligible NRI	NRIs from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an offer to sell or an invitation to subscribe to Equity Shares Allotted herein
Employee Reservation Portionto	The portion of the Issue, being 8,595,000 Equity Shares available for allocation Eligible Employees.
Enam	Enam Financial Consultants Private Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 113, The Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001, India
Equity Shares	Equity shares of the Bank of Rs. 10 each, unless otherwise specified in the context thereof

Term	Description
Escrow Account(s)	Account(s) opened with Escrow Collection Bank(s) 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 among the Bank, the Registrar, the Escrow Collection Bank(s), the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened, in this Issue comprising Indian Bank
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Indian National	As used in the context of the Employee Reservation Portion shall mean, a citizen of India as defined under the Indian Citizenship Act, 1955, as amended, and who is not an NRI
I-SEC	ICICI Securities Limited, a company incorporated under the provisions of the Companies Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India
Issue	Public issue of 85,950,000 Equity Shares for cash at a price of Rs. [•] per Equity Share (including a share premium of Rs. [·] per Equity Share) aggregating Rs. [•] million. The Issue comprises a Net Issue to the Public of 77,355,000 Equity Shares and a reservation of 8,595,000 Equity Shares for the Eligible Employees.
Issue Account	An account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Bank in consultation with the BRLMs, on the Pricing Date
KMCC	Kotak Mahindra Capital Company Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021, India
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be 10% or 100% of the Bid Amount, as applicable
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Mutual Fund Portion	5% of the QIB Portion or 2,320,650 Equity Shares available for allocation to Mutual Funds only
Net Issue	The Issue less the Employee Reservation Portion
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue being not less than 7,735,500 Equity Shares available for allocation to Non-Institutional Bidders
Pay-in-Date	The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable

Term	Description
Pay-in-Period	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 with respect to QIBs whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN
Preference Shares	Preference shares of the Bank of Rs. 100 each, unless otherwise specified in the context thereof
Price Band	The price band with a minimum price (Floor Price) of Rs. 77 and the maximum price (Cap Price) of Rs. 91, including any revisions thereof
Pricing Date	The date on which the Bank in consultation with the BRLMs finalizes the Issue Price
Prospectus	The Prospectus, filed with the Designated Stock Exchange containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
QIB Margin Amount	An amount representing 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid
QIB Portion	The portion of the Net Issue being at least 46,413,000 Equity Shares of Rs. 10 each at the Issue Price, to be allotted to QIBs on a proportionate basis.
Refund Account(s)	Account(s) opened with an Escrow Collection Banks from which refunds if any, of the whole or part of the Bid Amount, shall be made
Registrar/Registrar to the Issue	Registrar to the Issue, in this case being Cameo Corporate Services Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000
Retail Portion	The portion of the Net Issue to the public of not less than 23,206,500 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	This red herring prospectus dated January 17, 2007 issued in accordance with the SEBI Guidelines, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will become a Prospectus upon filing with the Designated Stock Exchange after pricing and allocation
SBI Caps	SBI Capital Markets Limited, a company incorporated under the provisions of the Companies Act and having its registered office at 202, Maker Tower – E, Cuffe Parade, Mumbai 400 005, India
Stock Exchanges	The NSE and the BSE
Syndicate	The BRLMs and the Syndicate Members

Term	Description
Syndicate Agreement	The agreement to be entered into among the Bank and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	SBICAP Securities Limited, Enam Securities Private Limited, ICICI Brokerage Services Limited and Kotak Securities Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters, the Registrar and the Bank to be entered into on or after the Pricing Date

Technical and Industry Terms

Term	Description
ALM	Asset Liability Management
ALCO	Asset and Liability Management Committee
ARC	Asset Reconstruction Company
ATMs	Automated Teller Machines
Bank Acquisition Act	Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended
Bank Regulations	Indian Bank (Shares and Meetings) Regulations, 1999, as amended, which have been made by the Board of Directors in the exercise of powers conferred by Section 19 of the Bank Acquisition Act after consultation with the RBI and with previous sanction of the GoI
Banking Division	Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division)
Banking Regulation Act	The Banking Regulation Act, 1949, as amended
CBS	Core Banking Solutions
CDR	Corporate Debt Restructuring
CISA	Certified Information Systems Auditor
CPs	Commercial Papers
CRAR	Capital to Risk weighted Assets Ratio
CRR	Cash Reserve Ratio
ECS	Electronic Clearing Services
HR	Human Resources
IBA	Indian Banks Association
IRDA	Insurance Regulatory and Development Authority
IT	Information Technology
KYC Norms	Know Your Customer norms stipulated by the RBI
LC	Letters of Credit
LFAR	Long Form Audit Report
NPA	Non-performing Asset
NDS-OM	Negotiated Dealing Screen-Order Matching

Term	Description
OTS	One Time Settlement
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
SLR	Statutory Liquidity Ratio
SME	Small and Medium Enterprises
SSI	Small Scale Industries
Spread	The difference between the yield on the fortnightly average of interest earning assets and the cost of the fortnightly average of interest bearing liabilities
Tier II Bonds	Unsecured, redeemable, non-convertible, subordinated bonds in the nature of promissory notes issued by the Bank for augmenting Tier II capital for capital adequacy purposes
Tier I capital	The core capital of a bank, which provides the most permanent and readily available support against unexpected losses. It comprises paid--up capital and reserves consisting of any statutory reserves, free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period
Tier II capital	The undisclosed reserves and cumulative perpetual preference shares, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities), investment fluctuation reserves and subordinated debt

Conventional and General Terms

Term	Description
Companies Act	The Companies Act, 1956, as amended
Depositories Act	The Depositories Act, 1996, as amended
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended
Depository Participant	A depository participant as defined under the Depositories Act
FEMA	Foreign Exchange Management Act, 1999, as amended, and the regulations framed thereunder
FCNR Account	Foreign Currency Non Resident Account
FII	Foreign Institutional Investor (as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year /fiscal year/ FY/ fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FVCI	Foreign Venture Capital Investors, as defined in and registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended
Government/ GoI	The Government of India
I.T. Act	The Income Tax Act, 1961, as amended
Indian GAAP	Generally accepted accounting principles in India

Term	Description
MoF	Ministry of Finance, Government of India
NABARD	National Bank for Agricultural and Rural Development
Nationalised Bank Scheme	The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 notified under Section 9 of the Bank Acquisition Act
Non Resident	All eligible Bidders, including Eligible NRIs, FIIs registerd with SEBI and FVCIs registered with SEBI, who are not persons resident in India
NRE Account	Non Resident External Account
NRI/Non Resident Indian	A Person resident outside India, as defined under FEMA, and who is a citizen of India or a Person of Indian Origin and such term as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000, as amended. OCBs are not permitted to invest in this Issue
P/E Ratio	Price/Earnings Ratio
PSU	Public Sector Undertaking
RBI	The Reserve Bank of India
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended
RRB	Regional Rural Bank
RRB Act	Regional Rural Banks Act, 1976, as amended
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended
U.S. GAAP	Generally accepted accounting principles in the United States of America

Abbreviations

Term	Description
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BIFR	Board for Industrial and Financial Reconstruction
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited

Term	Description
DRT	Debt Recovery Tribunal(s)
EPS	Earnings Per Share
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
MICR	Magnetic Ink Character Recognition
NAV	Net Asset Value
NBFCs	Non-Banking Finance Companies
NEFT	National Electronic Funds Transfer
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
PAT	Profit after tax
PBT	Profit before tax
PAN	Permanent Account Number
RTGS	Real Time Gross Settlement
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992, as amended
SCRA	The Securities Contract (Regulation) Act, 1956, as amended
SCRR	The Securities Contract (Regulation) Rules, 1957, as amended
SICA	The Sick Industrial Companies (Special Provisions) Act, 1995, as amended
UIN	Unique Identification Number

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of each year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year and all references to the periods ended September 30, 2005 and September 30, 2006 are to the six months period from April 1 to September 30 of 2005 and 2006, respectively. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

The degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

Currency of Presentation

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

Market Data

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

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward looking statements". These forward looking statements generally can be identified by words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" or other similiar words or phrases of similar import. 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:

- Volatility in interest rates and other market conditions;
- Our ability to maintain or reduce the level of our non performing assets ;
- The condition and performance of any industry or the real estate market in which our loans are concentrated;
- Our ability to maintain our income from treasury operations;
- Our ability to sustain the growth of our retail banking business;
- The ability of the borrowers of our structured loans to perform as expected;
- Our ability to successfully diversify our products and services; and
- General economic and business conditions in India, particularly in southern India.

For further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors", "Our Business", and "Management's Discussion and Analysis of Financial and Condition and Results of Operations" beginning on pages xi, 42 and 202 respectively, of this Red Herring Prospectus. Neither the Bank, the Book Running Lead Managers nor any of their respective affiliates has any obligation 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 Book Running Lead Managers 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 pursuant to this Issue.

RISK FACTORS

An investment in the Equity Shares involves a degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding of our Bank, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 42 and 202 of this Red Herring Prospectus, respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

All of the financial data presented in this section are based on our Bank's standalone restated financial statements included in this Red Herring Prospectus or on the data reported to the RBI on the dates indicated unless otherwise noted.

Internal Risk Factors and Risks Relating to our Business

1. ***There are criminal cases and cases involving violation of securities laws against us.***

   There are two criminal cases that have been filed against the Bank and/or its officers. There are two securities related cases against the Bank as the sponsor and principal trustee of Indian Bank Mutual Fund. In addition, the Central Bureau of Investigation has filed 59 complaints filed against 74 employees (including 28 complaints against a former chairman and managing director) of the Bank in respect of offences such as fraud. For details of these cases, refer to the section titled "Outstanding Litigation and Material Developments – Litigation against the Bank – SEBI Orders" and "Outstanding Litigation and Material Developments – Litigation against the Bank – Criminal Cases" on page 226 of this Red Herring Prospectus.

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

   As with most banking institutions, our results of operations depend to a great extent on our net interest income. In the six months ended September 30, 2006, net interest income represented 43.40% of our interest income and 38.03% 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 our net interest income. Accordingly, volatility in interest rates could materially and adversely affect our business and financial performance. An increase in interest rates may also materially and adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may materially and adversely impact our business.

   Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. On January 24, 2006, the reverse repo rate (which is the overnight rate at which commercial banks place funds with RBI) was raised from 5.25% to 5.50% and with effect from July 25, 2006 it was raised to 6.00%. Similarly, the repo rate at which banks borrow money from the RBI under liquidity adjustment facilities was also increased to 7.25% with effect from November 1, 2006.

   Under the RBI regulations, we are required to maintain a minimum specified Statutory Liquidity Ratio which is presently 25.0% of our net demand and time liabilities in cash and government or other approved securities with the RBI. As at September 30, 2006, 27.33% of our demand and time liabilities were in government and other approved securities. As at September 30, 2006, 59.53% of our total investments were in government and other approved securities. Yields on these investments, as well as yields on our other interest earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase was sudden or sharp, we could be materially and adversely affected by the decline in the market value of our government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the "Available for Sale" and "Held for Trading" categories. As at September 30, 2006, 1.77% of our investments are in the "Held for Trading" category, 47.72% in the "Available for Sale" category and 50.51% in the "Held to Maturity" category. We are required to mark to market securities in the "Available for Sale" and "Held for Trading" categories which may decrease in a given financial period. In respect of securities under the Held to Maturity category, we are required to amortise over the residual maturity period of the security the difference between book value and face value of the security, wherever the book value is greater than the face value.

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

Our gross non-performing assets were Rs. 6,689.90 million as at March 31, 2006, representing 2.91% of our gross advances and 1.54% of our total assets, and Rs. 6,250.00 million as at September 30, 2006, representing 2.34% of our gross advances and 1.23% of our total assets. Our net non-performing assets were Rs. 1,766.60 million as at March 31, 2006, representing 0.79% of our net advances and 0.41% of our total assets, and Rs. 1,180.00 million as at September 30, 2006, representing 0.45% of our net advances and 0.23% of our total assets.

We have been able to reduce our net non-performing assets through recoveries, upgrading of non-performing assets to "performing" categories and additional provisioning. However, our ability to continue to reduce or contain the level of our gross and net non-performing assets may be affected by a number of factors that are beyond our control, such as increased competition, a recession in the economy, including in respect of specific industries to which we are exposed, decreases in agricultural production, decline in commodity and food grain prices, adverse fluctuations in interest and exchange rates or adverse changes in Government policies, laws or regulations. In addition, the expansion of our business may also cause the level of our non-performing assets to increase. As at September 30, 2006, approximately 34.5% of our gross industrial sector non-performing asset portfolio was concentrated in the following industries: textiles, engineering, chemicals and food processing. These industries together constituted 9.22% of our total funded credit exposure as at September 30, 2006. Although our loan portfolio contains loans to a wide variety of businesses, adverse market conditions in these industries could increase our level of non-performing assets. Future increases in our non-performing assets may have a material adverse effect on our business and financial condition. For further details, refer to the section titled "Selected Statistical Information" beginning on page 182 of this Red Herring Prospectus.

4. ***We have substantial exposure to certain industries and sectors and our business could be materially and adversely affected by market and other factors that impact these sectors.***

We have substantial exposure to loans and advances to agriculture and small-scale industries, which are categorised as "priority sectors". The RBI requires every bank to extend at least 40% of its net bank credit to priority sectors, with at least 18% of net bank credit extended to the agricultural sector. When we are unable to meet these requirements, we are required to place the difference between the required lending level and our actual agriculture sector lending in an account with the National Bank for Agriculture and Rural Development under Rural Infrastructure Development Fund scheme, from which we will not be able to earn as much interest as we would from making loans to the priority sector. As at the last reporting Friday of September 2006, priority sector credit constituted 50.45% of our net bank credit, and loans to agricultural and small-scale industry borrowers constituted 20.16% and 7.26%, respectively, of our net bank credit, which are higher than the minimum requirements set by the RBI. As at September 30, 2006, the percentage of our priority sector gross non-performing assets to total priority sector advances was 4.20%. Historically, non-performing assets are higher in priority sector lending compared with non-priority sector lending. As at September 30, 2006, the percentage of our agricultural sector gross non-performing assets to total agricultural advances was 1.94% and the ratio of our small-scale industry gross non-performing assets to total small-scale industry advances was 13.65%, compared with our overall ratio of non-performing assets to total domestic advances of 2.41%.

Furthermore, we have substantial exposure to the real estate market in India through our housing finance loans. As at September 30, 2006, our housing finance loans, including NRI housing finance loans, represented 53.26% of total loans outstanding in our retail business segment. As at September 30, 2006, the percentage of non-performing assets in our housing finance portfolio was 2.99%.

Any significant downturn in the agriculture sector or the real estate market or in any industry in which our loans are concentrated, including as a result of monsoons or other weather conditions, natural calamities, reductions in price supports, changes in government policy or other events and conditions, may lead to a significant increase in non-performing loans, which may materially and adversely affect our results of operations and financial condition.

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

Approximately 42.67% of our total income in fiscal 2006 and 37.27% of our total income in the six months ended September 30, 2006 was derived from our treasury operations. Our treasury operations are vulnerable to changes in interest rates, exchange rates, equity prices and other factors. In particular, if interest rates rise, we may not be able to realise the same level of income from treasury operations as we have in the past. Any decrease in our income from our treasury operations could materially and adversely affect our business if we cannot offset the same by increasing returns on our loan assets.

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

We have achieved significant growth in our net advances in India in recent years. Between March 31, 2002 and March 31, 2006, our net advances grew at a CAGR of 50.53% from Rs. 11,393 million to Rs. 58,499 million in the same period. As at September 30, 2006, retail loans represented 24.86% of our total outstanding credit. This compares with 26.02%, 25.67% and 23.49% of our net bank credit as at March 31, 2006, March 31, 2005 and March 31, 2004, respectively. One of our present business strategies reflects continued focus on further growth in this sector. We intend to grow our income from this sector by offering new products and services and by cross-selling to our customers through aggressive marketing. While we anticipate continued demand in this area, our retail portfolio may not grow at the rates we have recently experienced between fiscal 2002 and fiscal 2006, which could materially and adversely affect our business, financial condition and results of operations.

7. ***The failure of our restructured loans to perform as expected or a significant increase in the level of restructured loans in our portfolio could affect our business***

Our net standard assets of Rs. 260,745.03 million at September 30, 2006 included net restructured standard loans of Rs. 7,522.00 million, compared to Rs. 6,911.50 million at year-end fiscal 2006. Our borrowers' need to restructure their loans can be attributed to several factors, including increased competition arising from economic liberalisation in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including iron and steel, textiles and cement. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

8. ***We face significant challenges in our new businesses.***

We are diversifying our products and services, particularly in retail banking. For example, we have added retail products, such as credit and debit cards, sweep facilities, a micro-insurance product line, gold trading products and depository participant services. As part of our strategy, we intend to focus on the distribution and sale of such products to enhance our fee-based revenues. However, the distribution and sale of new products may expose us to a number of risks and challenges, such as start-up risks as well as general risks and costs associated with the respective businesses. If we are unable to successfully diversify our products and services due to these risks and challenges, the returns on our new products, services or businesses may be less than anticipated, which could have a material and adverse effect on our business, financial condition and results of operations.

9. ***The Bank has a regional concentration in southern India and Tamil Nadu, in particular, which increases the Bank's dependence on the economy of southern India.***

The Bank has a regional concentration in southern India, particularly Tamil Nadu. As at September 30, 2006, 992 branches, or approximately 70.45% of our total branches, were located in southern India, including 640 of these branches in the state of Tamil Nadu. As at September 30, 2006, approximately

59.07% and 37.22% of the Bank's loans and advances were from branches located in southern India and the state of Tamil Nadu, respectively. As at March 31, 2006, 41.90% of our total priority sector lendings and 43.09% of our total agricultural lending was in the state of Tamil Nadu. The concentration of assets in southern India and Tamil Nadu, in particular, exposes the Bank to any adverse economic, political or environmental condition in this region. If there is a sustained downturn in the economy of India, particularly southern India, our financial performance may be materially and adversely affected.

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

As at September 30, 2006, our total funded exposure was Rs. 261,925 million, while our non-funded exposure as at September 30, 2006 was Rs. 31,014 million. Our exposure to the ten largest borrowers to whom we have made advances in the aggregate accounted for approximately 11.54% of our total gross credit exposure as at September 30, 2006. Our exposure to our largest single borrower (excluding food credit) as at September 30, 2006, accounted for approximately 1.56% of our total gross credit exposure and 14.03% of our capital funds (comprising Tier I and Tier II capital as defined in Indian banking regulations). Our exposure to our largest borrower group (excluding food credit) as at September 30, 2006 accounted for approximately 2.44% of our total gross credit exposure and 21.97% of our capital funds. Credit losses on these large borrowers and group exposures could materially and adversely affect our business, results of operations and financial condition.

Our internal policies limit our credit exposure to various industries. The maximum permissible exposure across all industries is to the power sector, which is 15.27% of funded exposure of the Bank as at the end of the previous half year. The top five industries that are not related to food credit accounted for 14.75% and 15.78% of our funded exposure as at March 31, 2006 and September 30, 2006, respectively. Based on fund based outstanding exposures as at September 30, 2006, our five largest industry exposures were to the textiles, petroleum, iron and steel, power and engineering industries (including both direct and indirect lending to corporate borrowers, housing finance institutions and state governments) and which in the aggregate constituted 15.78% of our total fund based domestic exposures in respect of accounts larger than Rs. 10 million. Our aggregate as at September 30, 2006 funded domestic exposure to the top five borrowers in each of these industries together represented 9.63% of our aggregate funded credit exposure to these industries. Market difficulties in these industries could materially and adversely affect our business, results of operations and financial condition.

As at September 30, 2006, 69.48% of our rated advances were to borrowers that we rate as "A" and above, which is considered by us to be of sound grade. As at September 30, 2006 17.51% of our rated advances were to borrowers that we rate as being in the moderate safety grades "BBB", "BB" and "B", 5.90% of our rated advances were to borrowers that we rate as average grade "C" and 3.78% of our rated advances were to borrowers that we rate as poor grade "Below C". In addition, 3.33% of the standard advances were not rated. Our "C" grade and "Below C" grade borrowers, in particular, could be especially vulnerable if economic conditions worsen or economic growth rates were to slow, which could materially and adversely affect our business, results of operations and financial condition.

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

We take collateral for a large proportion of our loans, including mortgages, pledges or hypothecation of inventories, receivables and other current assets, and, in some cases, charges on fixed assets and financial assets, such as marketable securities. As at September 30, 2006, 73.87% of our net advances were secured by tangible assets, such as properties, plant and machinery, inventory, receivables and other current assets. Foreclosure of such securities may require court or tribunal intervention that may involve protracted proceedings, and the process of enforcing security interests against collateral can be difficult. As a result, it may be difficult and time consuming for us to take control of or liquidate the collateral securing any non-performing loans. Any delays in enforcement could result in a decline in the value of collateral securing our loans, which may decrease the amounts we can recover on the underlying loans.

The Bank is a member of the RBI Corporate Debt Restructuring ("**CDR**") mechanism. The RBI has set forth guidelines on CDR. The guidelines envisage that for debt amounts of Rs. 100 million and above, for manufacturing concerns only, lenders holding greater than 75% of such debt along with the support of 60% of the number of creditors can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where we have exposure of 25% or less, we could be required to agree to a restructuring of debt, which may be time consuming or require us to reduce interest rates or write-off portions of outstanding amounts, in preference to foreclosure of security or a one-time settlement.

During the six months ended September 30, 2006, we had no new assets restructured under CDR. As at September 30, 2006, the total amount of loan assets under CDR was Rs. 6,357 million (funded exposure of Rs. 4,732 million and non-funded exposure of Rs. 1,625 million), all of which were standard assets. There were no sub-standard, doubtful and no loss assets.

Our inability to realize the full value of collateral securing our loans on a timely basis may materially and adversely affect our asset quality, results of operations and financial condition.

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

A high portion of our funding requirements is met through term deposits. As at September 30 2006, term deposits represented 64.90% of our total deposits. Savings deposits and current deposits constituted 27.50% and 7.60%, respectively, of our total deposits as at September 30, 2006.

A portion of our assets have long-term maturity profiles, creating a potential for funding mismatches. In our experience, a substantial portion of our customer deposits have been rolled over on maturity and have been, over time, a stable source of funding. However, in the event that a substantial number of our depositors do not roll over deposited funds on maturity, our liquidity position and business could be materially and adversely affected. If we are unable to maintain or increase our base of low-cost deposits, our overall cost of funds could increase, which could have a material and adverse effect on our business, profitability and our ability to grow.

13. ***Problems in the continued roll-out of our Core Banking Solution could materially and adversely affect our ability to expand our products and services across our branch network.***

We are in the process of implementing our Core Banking Solution ("**CBS**") and as at December 31, 2006, 800 branches and 80 extension counters were networked under this system. This information technology initiative will allow us to increase interconnectivity among our branches and is required to provide many of the products and services we have introduced. CBS will also be necessary to comply with regulatory requirements in the future. We may experience problems in the installation and implementation of our CBS across our branches and extension counters, including problems relating to migration of information, data protection and upgrading existing hardware and software. We have invested substantial amounts in software, hardware, network architecture and asset management services. We have already rolled out CBS branches, which covered approximately 84% of our business as at December 31, 2006. If we are unable to roll out further CBS branches without upgrading the existing infrastructure, it will be difficult for us to expand our products and services across our branch network.

14. ***Significant security breaches in our computer systems and network infrastructure could materially and adversely impact our business.***

We depend on our computer systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of our business and operating data. We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. We have implemented the Internet banking platform and we believe that that these concerns will intensify with our increased use of technology and Internet-based resources. To address these issues and to minimise the risk of security breaches, we employ security systems, including firewalls and intrusion detection systems, conduct periodic penetration testing for identification and assessment of potential vulnerabilities and use encryption technology for transmitting and storing critical data such as passwords. However, these systems may not guarantee prevention of frauds, break-ins, damage or failure. A significant failure in security measures could have an adverse effect on our business.

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

There have been publicized cases involving fraud or other misconduct against Indian commercial banks in recent years. We are exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, unauthorised transactions by employees or operational errors, such as clerical or recordkeeping errors or errors resulting from faulty computer or telecommunications systems. Fraud and other misconduct can be difficult to fully detect and deter. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us.

We outsource some functions to other agencies and are exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that its (or its vendors') business continuity and data security systems prove to be inadequate. We also face the risk that the design of our controls and procedures prove inadequate, or may be circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have, in the past, suffered some losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future. The Bank plans to implement advanced approaches in Basel II norms. For a discussion of how operational risk is managed, see the section "Our Business - Risk Management - Operational Risk" on page 63 of this Red Herring Prospectus.

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

With the implementation of our CBS and other technology initiatives, the importance of systems technology to our business has increased significantly. Our principal delivery channels include our branches and ATMs. Each of these delivery channels is vulnerable to systems failures or other calamities. Although we currently have the technology and facilities in place to back up our systems and we have established a disaster recovery centre in Hyderabad, any failure in our systems, particularly those utilised for our retail products and services and transaction banking, or the occurrence of calamities, accidents and other unexpected events that affect areas in which we have a significant presence, could materially and adversely affect our operations and the quality of our customer service.

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

As at September 30, 2006, we had contingent liabilities not provided for amounting to Rs. 81,959.40 million. Contingent liabilities arising out of the ordinary course of business include liability on account of outstanding forward exchange contracts of Rs. 41,600.40 million, guarantees given on behalf of constituents in and outside India of Rs. 16,590.00 million, and acceptances, endorsements and other obligations of Rs. 18,611.10 million. In addition, we have contingent liabilities on account of claims against us not acknowledged as debts of Rs. 2,640.72 million. Other contingent liabilities amount to Rs. 2,516.40 million. If these contingent liabilities materialise, fully or partly, our financial condition and results of operations could be materially and adversely affected.

For further details, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 226 of this Red Herring Prospectus.

18. ***We are subject to certain risks relating to the recapitalisation bonds issued by the Government.***

We received a series of recapitalisation bonds with an aggregate face value of Rs. 45,649.60 million issued by the Government in connection with our Restructuring Plan. These bonds form 56.31% of our non-SLR portfolio and 22.79% of our total investment portfolio as at September 30, 2006. For more information on our restructuring, please see the section titled "History and Certain Corporate Matters – Restructuring Plan".

The Government has been making timely payments of interest on the bonds in the past. If the Government amends the terms of the bonds, including reducing the interest payable, or converts the bonds into tradeable bonds, our results of operations and financial condition may be materially and adversely affected. Additionally, if the bonds are redeemed by the Government, it could have a material and adverse impact on our investment income.

19. ***Implementation of AS-15 relating to accounting of staff pension and gratuity may adversely impact our profitability***

We currently calculate staff pension and gratuity liability on the basis of current salaries; however, actual payment is made on the basis of an employee's last drawn salary before retirement. Accounting standard - 15, which deals with accounting for employee benefits including pension and gratuity, has been revised by the ICAI with effect from the current financial year. The changes require us to provide for pension and gratuity liability as per the valuation of an actuary. The implementation of this accounting standard could lead to higher provisioning requirements which may adversely affect our future profitability.

20. ***We have recently restructured our capital base.***

With the permission of the MoF, the Bank restructured its capital base on September 30, 2006, by netting off its aggregate accumulated unabsorbed losses of Rs. 38,301.40 million against its paid up capital of Rs. 45,739.60 million as of March 31, 2006. The balance of Rs. 7,438.20 million was retained as Rs. 4,000 million in perpetual non-cumulative preference share capital and Rs. 3,438.20 million in equity share capital. If we are unable to maintain an adequate capital base our financial condition may be adversely affected. Any net off of losses against our equity capital in the future, would lead to a reduction in our capital base and adversely affect our shareholders' funds and the price of our Equity Shares.

21. ***On a standalone basis, the Bank has experienced negative cash flows in prior periods.***

For fiscal 2005 and the six months ended September 30, 2006, on a standalone basis, the Bank had a negative cash flow from operating activities of Rs. (8,253.20) million and Rs. (15,264.51) million, respectively. For fiscal 2004, 2005 and 2006, the Bank had a negative cash flow from investing activities of Rs. (404.68) million, Rs. (469.40) million and Rs. (1,239.70) million, respectively, reflecting investments in fixed assets and dividends received from subsidiaries and other companies. The net cash flow from investing activities was Rs. (445.71) million and Rs. (380.02) million in the six months ended September 30, 2005 and 2006, respectively. Our cash flow from financing activities was Rs. (38,301.40) million in fiscal 2006 and Rs. (1,157.70) million for the six months ended September 30, 2006. Any negative cash flows in the future could adversely affect our shareholders' funds and the price of our Equity Shares. For further details, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operation" on page 202 of this Red Herring Prospectus.

22. ***Our Subsidiaries have incurred losses and our Subsidiaries and our Associates are involved in legal proceedings, which if determined against us, may have an adverse impact on our operations.***

Certain of our Subsidiaries have incurred losses in recent years, as set forth in the table below:

(Rs. in millions)

Subsidiary	Year ended March 31					Six months ended September 30 2006 (unaudited)
	2002	2003	2004	2005	2006	
Indbank Housing Limited	(94.06)	(88.61)	(56.78)	(41.84)	(33.01)	50.79
Indbank Merchant Banking Services Limited	(134.97)	(36.63)	24.10	15.67	20.43	17.74
Indfund Management Limited	14.87	17.29	19.61	21.18	29.88	13.78

Any further losses in these Subsidiaries may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

23. ***There were deviations, including shortfalls, in the performance vis-à-vis projections made by our subsidiary, Indbank Merchant Banking Services Limited, in its previous issue.***

Indbank Merchant Banking Services Limited made an initial public issue of 14,410,000 equity shares of Rs. 10 each at an issue price of Rs. 25 per share for cash aggregating Rs. 360.25 million in March 1994. The objects of the issue were to fund leasing and hire purchase operations and augment the long-term resources of Indbank Merchant Banking Services Limited. With respect to certain parameters, there are deviations, including shortfalls, between the financial and operational projections made in the offering document and the actual performance of Indbank Merchant Banking Services Limited.

For further information, please see the section titled "History and Certain Corporate Matters" beginning on page 100 of this Red Herring Prospectus.

24. ***While the Bank declared dividends in fiscal 2006, we cannot assure you that the Bank will make dividend payments in the future.***

While the Bank declared dividends in fiscal 2006, the Bank may not pay dividends in the future. Such payments will depend upon a number of factors, including the Bank's consolidated and standalone results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board.

25. ***In the last 12 months, the Bank has issued Equity Shares at a price which may be lower than the Issue Price.***

On September 30, 2006, the Bank restructured its entire paid up capital of Rs. 7,438.20 million held by the Promoter into perpetual non-cumulative preference share capital of Rs. 4,000 million and equity share capital of Rs. 3,438.20 million. To give effect to this restructuring, the Bank issued 343.82 million Equity Shares of Rs. 10 each to the Promoter, without payment by the Promoter.

26. ***We may fail to maintain the minimum capital adequacy requirements established by the RBI.***

We are required by the RBI to maintain a minimum capital adequacy ratio of 9.0% in relation to our total risk-weighted assets. We must maintain this minimum capital adequacy level to support our continuous growth. Our capital adequacy ratio was 12.02% as at September 30, 2006. Although we currently meet the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and changes in the minimum capital adequacy requirements. For example, the implementation of the Basel II capital adequacy standards could result in a decline in our capital adequacy ratio. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty obtaining capital in any other manner. We cannot assure you that we will be able to obtain additional capital on commercially reasonable terms in a timely manner, or at all. If we fail to meet capital adequacy requirements, the RBI may take certain actions, including restricting our lending and investment activities, and the payment of dividends by us. These actions could materially and adversely affect our reputation, results of operations and financial condition.

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

Basel II is the international capital adequacy framework for banks that prescribes minimum capital requirements for market risk and operational risk in addition to the requirement of minimum capital for credit risk. Our capital requirements are expected to increase when Basel II standards are implemented by the RBI. We may need to augment our capital base to meet these norms. In preparation for the adoption of the Basel II accord, we have already commenced active measures in terms of risk management systems, and evaluation of capital charges, including for operational risk and increase in transparency in financial reporting as part of market discipline, as required by the RBI.

In its Annual Policy Statement for the year 2006-07, the RBI increased requirements for provisioning on standard advances from 0.40% to 1.00% in respect of personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs. two million and commercial real estate loans in phases over a year. Credit risk and operational risk management measures, as per Basel II norms, will be implemented as directed by the RBI, by March 31, 2008.

While we are in the process of adopting the recommendations, if we are required to implement the Basel II standards before we are ready to do so, it could materially and adversely impact our business and financial performance.

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

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in many other countries. Under the RBI regulations, we are subject to a cash reserve ratio requirement under which we are currently required to keep 5.50% of our net demand and time liabilities in a current account with the RBI. The RBI may increase the cash reserve ratio requirement as a monetary policy measure. We do not earn interest on the entire CRR. In addition, under the RBI regulations, our liabilities are subject to a statutory liquidity ratio requirement, according to which 25% of our demand and time liabilities need to be invested in GoI securities, state government securities and other approved securities. Increases in cash reserve ratio and statutory liquidity ratio requirements could materially and adversely affect our business and financial performance.

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

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

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

- There are two criminal cases against the Bank. The financial impact of these cases cannot be quantified.
- There are two securities related cases against the Bank.
- There are approximately 199 civil cases filed against the Bank before various forums in respect of amounts aggregating approximately Rs. 2,877.24 million. In addition, there are approximately 1,002 cases filed against the Bank where the financial impact cannot be quantified.
- There are approximately 334 consumer complaints filed against the Bank before various consumer disputes redressal forums in respect of amounts aggregating approximately Rs. 328.43 million.In addition, there are approximately 41 consumer complaints filed against the Bank where the financial impact cannot be quantified.
- There are 207 labour related claims against the Bank before various forums in respect of amounts aggregating approximately Rs. 9.00 million. In addition, there are 99 labour related claims filed against the Bank where the financial impact cannot be quantified.
- There are seven complaints against the Bank pending before the Banking Ombudsman in respect of an amount aggregating approximately Rs. 2.28 million.

For details please refer to the section titled “Outstanding Litigation and Material Developments” on page 226 of this Red Herring Prospectus.

31. ***We are involved in certain income tax cases, which if determined against us could have a material adverse impact on us.***

There are 17 income tax cases against us involving an amount aggregating Rs. 31,373.11 million and a tax outflow of Rs. 1,043.00 million.

For details please refer to the section titled “Outstanding Litigation and Material Developments - Tax Cases” on page 230 of this Red Herring Prospectus.

32. ***We depend on the accuracy and completeness of information about customers and counterparties.***

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

33. ***We face greater credit risks than banks in developed economies.***

Our credit risk is higher because most of our borrowers are based in India. Unlike several developed economies, a nation-wide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our borrowers to adapt to global technological advances. Also, several of our borrowers suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy at the time of their financing, and other factors. This may lead to an increase in the level of our non-performing assets and there could be an adverse impact on our business, our future financial performance, our shareholders’ funds and the price of our Equity Shares.

34. ***Our logo and our centenary symbol have not been registered as trademarks and our failure to protect our intellectual property rights in respect of the same may adversely affect our business.***

While we have filed an application dated November 14, 2006 with the Trade Marks Registry, Chennai for registration of our logo as appearing on the cover page of this Red Herring Prospectus under class 36, the same has not yet been granted as of the date of this Red Herring Prospectus. We have adopted a new symbol to commemorate our centenary celebrations, but the same has not been registered as a trademark. We operate in a competitive environment where retaining and recognition will be a significant element of our business strategy. Our application may not be allowed or our competitors may challenge the validity or scope of our intellectual property. Until our trademarks are registered, we may not be able to prohibit other persons from using the logo or the centenary symbol, which may materially and adversely affect our goodwill and business. If we fail to successfully obtain or enforce our trade mark rights with respect to our logo or our centenary symbol, we may need to change our logo or centenary symbol. Any such change could require us to incur additional costs and may adversely impact our business, financial condition and results of operations.

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

We require certain statutory and regulatory permits and approvals for this Issue and to operate our business. We are yet to receive the following statutory approval in respect of which an application have been made:

- Application number 1504395 dated November 14, 2006 for registration of our logo as appearing on the cover page of this Red Herring Prospectus as a trademark in class 36 under the provisions of the Trade Marks Act, 1999

In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for our proposed operations. While we believe that we will be able to renew or obtain such permits and approvals as and when required, there can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals, including those set forth above, may result in the interruption of our operations or delay or prevent our expansion plans and may have a material adverse effect on our business, financial condition and results of operations. For further information, refer to the section titled “Licenses and Approvals” on page 235 of this Red Herring Prospectus.

36. ***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.***

Under Section 9 of the Bank Acquisition Act, the GoI has the power to appoint directors on our Board. We have received approval of the GoI by its letter No. F. No. 11/30/2004 – BOA dated November 28, 2006 to issue Equity Shares in this Issue, subject to the condition that the GoI’s shareholding will not decrease below 80% of our post-issue share capital. After the completion of the Issue, the Government will own at least 80% of our outstanding Equity Shares and will have the right to appoint nine 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. At times, the Government’s interests may conflict with our interests or those of our other shareholders. Furthermore, the Bank Acquisition Act provides that 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 such Person in excess of 1% of the total voting rights of all the shareholders of the corresponding new bank. Therefore, the outcome of most proposals for corporate action requiring the approval of our shareholders will be largely controlled by the Government.

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

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

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

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

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

At September 30, 2006, we occupied 1,589 properties, including branches, offices, guest houses and residences that we own or lease, in respect of certain of which we have one or more of the following irregularities in title, including:

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

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

Pursuant to RBI circular number DBOD.No.BP. BC. 89 /21.04.018/2002-03 dated March 29, 2003 on Guidelines on the Compliance of Accounting Standards by Banks, all nationalised banks are exempt from disclosing the transactions with the RRBs sponsored by them. Hence, no such disclosure has been made in this Red Herring Prospectus with respect to the RRBs in which we have an interest. Further we have not disclosed transactions with the RRBs in our audited accounts or restated financial statements included in this Red Herring Prospectus.

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

We are currently rated LAA by ICRA, AA (ind)/Stable by Fitch for raising debt and F1+(ind) by Fitch for our certificate of deposit program. A downgrade in our credit rating may negatively affect our ability to obtain funds and increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur new debt, which may materially and adversely affect our business, financial condition and results of operations.

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

We are dependent on our key personnel. Attracting and retaining talented professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. Our inability to attract and retain talented professionals or the loss of key management personnel could have a material and adverse impact on our business, our future financial performance and the price of our Equity Shares.

43. ***Our financial statements for the period ended September 30, 2006 and September 30, 2005 have not been audited***

Our financial statements for the six month ended September 30, 2006 and September 30, 2005 have not been audited and are based on a limited review of our accounts for the aforementioned periods conducted by our Auditors in compliance with extant RBI guidelines on limited review in conjunction with other relevant applicable norms.

External Risk Factors

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

In India, we compete with public and private sector Indian commercial banks as well as foreign commercial banks. Many of our competitors in India and internationally are large institutions, which may have much larger customer and deposit bases, larger branch networks and more capital than we do. Some of the banks with which we compete may be more flexible and better positioned to take advantage of market opportunities than us. In particular, private banks in India and many of our competitors outside of India may have operational advantages in implementing new technologies, rationalising branches and recruiting employees through incentive-based compensation.

Both the Indian and global financial sector may experience further consolidation, resulting in fewer banks and financial institutions. The Government has also announced measures that would permit foreign banks to establish wholly-owned subsidiaries in India and invest up to 74% in Indian private sector banks, which is likely to further increase competition in the Indian banking industry. The RBI has introduced a two-phase road map for allowing ownership of private banks in India by foreign banks. In the first phase up to March 2009, foreign banks are permitted to establish wholly owned subsidiaries or convert existing branches into wholly-owned subsidiaries or acquire shares in select Indian private sector banks that are identified by the RBI for restructuring up to the limit of 74%. In the second phase from April 2009, subject to guidelines that will be issued by the RBI, foreign banks will be permitted to undertake merger and acquisition transactions with private sector banks within an overall investment limit of 74%, thus enabling consolidations between foreign banks and private sector banks. Therefore, we may face more competition from larger banks as a result of any such consolidation.

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

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

45. ***Banking, compared to other industries, is subject to greater regulation and changes in the regulations that govern us could materially and adversely affect our business.***

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

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

- We can increase our paid-up capital only with the consent of the Government and in consultation with the RBI and the shareholding of the Government cannot go below 51% of the paid-up capital. In addition, currently as per the MoF approval for the issue, the Government shareholding cannot go below 80% without prior approval of the MoF.
- The Government has control over policy matters and has the power to caution or prohibit us from entering into any particular transaction or class of transactions.
- Foreign investment is subject to an overall statutory limit of 20% of our paid-up capital. The RBI has fixed a cut-off point at 18% for the purpose of effective monitoring. Once the aggregate net purchases of equity shares of the respective bank by FIIs/NRIs/PIOs reaches the cut-off point, which is 2% below the overall limit of 20%, the RBI cautions all designated bank branches so as not to purchase any more equity shares in the respective bank on behalf of NRIs/PIOs without prior approval of the RBI.
- No shareholder, other than the Government, is entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all of our shareholders.
- There are restrictions on payment of dividends and on rights relating to unclaimed dividends.
- Certain restrictions on opening a new place of business and transferring an existing place of business require the approval of the RBI, which may hamper the operational flexibility of the Bank.
- We have to maintain assets in India equivalent to not less than 75% of our net demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.
- There are no provisions requiring us to send compulsory statutory reports to our shareholders prior to a general meeting of the shareholders and our shareholders do not have the right to approve our accounts, the report of our Board of Directors on our activities for the period covered by the accounts and the auditors' report on our accounts. However, we are required by our listing agreements with the Stock Exchanges to send annual reports to our shareholders prior to our annual general meeting.
- Rights of minority shareholders statutorily available in the case of a company incorporated under the Companies Act are not available to our shareholders.

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

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

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

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

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

As a financial organisation we are exposed to exchange rate risk. Adverse movements in foreign exchange rates may impact our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. In addition, our financial statements are denominated in Rupees while the functional currencies of our international operations are foreign currencies. Accordingly, the financial performance of these international operations when translated into Rupees may from time to time be adversely impacted by exchange rate movements.

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

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

49. ***A significant change in the Government of India's economic liberalisation 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 GoI has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, public sector entities including us, and on market conditions and prices of Indian securities including our Equity Shares. Any significant change in the Government's policies or any political instability in India could materially and adversely affect business and economic conditions in India and could also materially and adversely affect our business, our future financial performance and the price of our Equity Shares.

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

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during Fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The monsoons in 2005 and 2006 resulted in floods in a number of rural and urban areas and had an adverse impact on agriculture in certain parts of the country. Furthermore, prolonged spells of abnormal rainfall or other natural calamities could have a negative impact on the Indian economy, materially and adversely affecting our business and the price of our Equity Shares.

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

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

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

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

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

53. ***Banks are subject to restrictions on payments of dividends under Indian law.***

Under Section 15 of the Banking Regulation Act, no banking company may pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisational expenses, share selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. Prior to fiscal 2006, we have not paid any dividends as we previously had accumulated losses.

54. ***After this Issue, the price of Equity Shares may be highly volatile, or an active trading market for the Equity Shares may not develop.***

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; performance of our competitors, and the perception in the market about investments in the banking sector; adverse media reports about us or the Indian banking sector; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's fiscal regulations. There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

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

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the real estate sector in India, and volatility in the Indian Stock Exchanges and securities markets elsewhere in the world. Our bank will apply to the NSE and the BSE for final listing and trading approvals after the allotment of Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time, or at all.

Notes to Risk Factors:

- The RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. The reports of the RBI are strictly confidential. We are in discussions with the RBI in respect of observations made by the RBI in their reports for prior periods. The RBI does not permit disclosure of its inspection report.
- Public issue of 85,950,000 Equity Shares for cash at a price of Rs. [·] per Equity Share aggregating Rs. [·] million. The Issue comprises Net Issue to the public of 77,355,000 Equity Shares and a reservation for Eligible Employees of 8,595,000 Equity Shares. The maximum bid under Employee Reservation Portion by an Eligible Employee cannot exceed 5,000 Equity Shares.

- Net worth of our Bank as at September 30, 2006 was Rs. 26,016.80 million.
- The book value per Equity Share as of September 30, 2006 was Rs. 64.03 per Equity Share.
- The average cost of acquisition of Equity Shares by the President of India, our Promoter, acting through the Ministry of Finance is Rs. 10 per Equity Share.
- Refer to the notes to our financial statements relating to related party transactions in the section titled “Related Party Transactions” on page 126 of this Red Herring Prospectus.
- Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.
- Investors are advised to refer to the section titled “Basis for Issue Price” on page 26 of this Red Herring Prospectus, before making an investment.
- Investors should note that in case of oversubscription in the Issue, allotment would be made on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders, Eligible Employees and Non–Institutional Bidders. The overall Allotment would be subject to ensuring that the Non-Resident shareholding in the post-Issue paid-up share capital of our Bank would not exceed 20%. Refer to the section titled “Issue Information – Other Instructions – Basis of Allotment” on page 264 of this Red Herring Prospectus.
- All information shall be made available by the BRLMs and us to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
- Trading in equity shares for all investors shall be in dematerialised form only.
- Section 3(2E) of the Bank Acquisition Act provides that no shareholder other than GoI shall be entitled to exercise voting rights in respect of any Equity Shares held by him/her in excess of one per cent of the total voting rights all the shareholders of the Bank
- Except as stated in section titled “Our Management – Interests of Directors” on page 110 of this Red Herring Prospectus, none of our Directors are interested in any advances/facilities that have been provided by us, to their relatives/Persons in which such relatives are interested.

SUMMARY OF OUR BUSINESS

Overview

We are a public sector banking institution with a network of branches in the state of Tamil Nadu. As at September 30, 2006, we had 1,408 branches in India spread over 26 states and 3 union territories. We also have a branch in Singapore and a branch and foreign currency banking unit in Colombo, Sri Lanka. As at December 31, 2006, we had an additional 506 delivery channels, including extension counters, ATMs and satellite offices. As at December 31, 2006, we had a workforce of over 21,000 people serving over 18.1 million customers.

In Fiscal 2006, we made a net profit of Rs. 4,894.00 million and had assets of Rs. 474,115.55 million and net worth of Rs. 22,676.80 million. As at September 30, 2006, we had assets of Rs. 508,129.70 million and our net worth was Rs. 26,016.80 million. We have experienced consistent growth in deposits and advances, with deposits growing at a compounded annual rate of 13.47% during the last five fiscal years and net advances growing at a compounded annual rate of 18.97% during the same period.

The Indian Bank Limited, the predecessor of Indian Bank, was founded due to the efforts of Sri V. Krishnaswami Iyer and others. We were incorporated on March 5, 1907, commenced operations on August 15, 1907 and are currently celebrating our centenary. We were nationalised in 1969 along with 13 other major commercial banks in India and are currently wholly-owned by the Government of India. After this Issue, the Government of India's shareholding in the Bank will be reduced to 80%.

Our mission statement is to be the "common man's bank", as unveiled by the President of India on September 4, 2006. We seek to provide a range of financial products and services to all our customers under one roof. Our business is divided into four main areas: retail, agriculture, corporate and commercial financial services and SMEs.

Our retail banking business provides financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education and other personal loans and deposit services, such as demand, savings and fixed deposits for our customers. In addition, we distribute products such as global debit and credit cards. We also distribute third party products such as mutual fund products, life and non-life insurance policies, as well as mediclaim policies.

We have maintained our focus on addressing the needs of agricultural customers and offer specialised products and services that cater to the agricultural and rural sectors. We offer direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. We have also established rural Internet Kiosk Centers in 12 locations to facilitate banking information in rural areas.

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

Our corporate banking products are intended to facilitate the establishment, expansion and modernisation of businesses, including the acquisition of fixed assets, plant and machinery and meeting working capital needs. We provide flexible security requirements to such borrowers to help make credit more accessible to them.

We have recently set up a fourth business segment for SMEs through which we provide financial services to medium enterprises and SSIs. Our products for this sector are intended to facilitate the establishment, expansion and modernisation of businesses, including acquisition of fixed assets, plant and machinery and meeting working capital needs.

We are committed to social banking and facilitating community development. The Bank has played an active role in provide microfinance through Self Help Groups ("**SHGs**"). We are one of the pioneers in the SHG movement, which is a bank linkage program. We had loaned a total of Rs. 10,832.7 million to 174,162 SHGs as on September 30, 2006.

We have a network of branches across India, which increases our accessibility and enables us to offer retail customers convenient and accessible banking services. Of our domestic network of 1,408 branches, 640 are located in Tamil Nadu, which has a strong agricultural base and developing industrial base.

We deliver our products and services through our branches, extension counters and ATMs. As at September 30, 2006, our domestic branch network comprised of 468 rural, 357 semi-urban, 337 urban and 246 metropolitan branches. This network includes a number of specialised branches that focus on the needs of specific sectors. We have segmented our branches into corporate, credit intensive, commercial, personal and rural banking branches. In addition, the Bank has asset recovery management branches, service branches, two overseas business branches, an SSI branch, an NRI branch and a microsate branch for SHGs.

All our 1,408 domestic branches are computerised. The Core Banking Solution has been implemented in 800 branches and 80 extension counters as at December 31, 2006, covering approximately 84% of our business, to provide our customers "Any time, Any where" banking through multiple delivery channels.

The following table gives the geographic breakup of domestic deposits, advances and branch network as at the end of fiscal 2005 and fiscal 2006 and as at September 30, 2006:

	As at March 31, 2005			As at March 31, 2006			As at September 30, 2006		
Geographic Distribution	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**
Northern India	**88**	53,221.50	22,878.61	**95**	59,094.37	31,949.61	**100**	69,961.41	32,862.39
Eastern India	**149**	31,686.52	8,418.43	**150**	33,235.59	11,150.43	**152**	34,989.95	13,254.45
Central India	**46**	9,550.23	2,081.21	**47**	10,910.25	2,923.38	**47**	11,822.87	3,355.20
Western India	**115**	56,068.20	38,126.67	**118**	72,155.20	44,691.03	**117**	75,154.48	52,887.86
Southern India	**982**	190,283.78	102,219.82	**990**	224,014.98	122,733.66	**992**	240,626.22	147,713.91
Total	**1,380**	340,810.23	173,724.70	**1,400**	399,410.38	213,448.10	**1,408**	432,554.92	250,073.81

MISSION STATEMENT

Our mission statement is to be the "common man's bank", as unveiled by the President of India on September 4, 2006. We seek to provide financial products and services to all our customers:

- Under one roof;
- At an affordable cost; and
- In a fair and transparent manner.

BUSINESS STRATEGIES

We strive to become the bank of first choice for the common man. We plan to achieve this vision by building lasting relationships with our customers and by continuously striving to enhance our offerings and operations to meet the changing needs of our customers. The main elements of our strategy are set forth below:

Continue to develop our technological capabilities

The development of efficient means of reaching customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth. We have revised our IT strategy and taken initiatives including the implementation of the Core Banking Solutions through our wide area network, increasing the number of ATMs and introducing alternate delivery channels (*e.g.*, internet banking, mobile banking and telebanking). We seek to improve our services by using technology for better credit management, extending our rural reach and increasing data storage capabilities. We are also evaluating opportunities to implement certain technological advancements such as e-enabled smart card technology and participating in e-governance. We believe that technology offers unparalleled opportunities to reach out to our customers in a cost-efficient manner.

Maintain and enhance our franchise in the agriculture and SME sectors

We intend to maintain and enhance our position as one of the banks involved in agricultural lending in India. We have introduced products such as our Kisan credit cards, which provide farmers with convenient and assured financing for their production, investment and consumption activities. We have a presence in the agriculture sector, particularly in southern India. We also intend to further expand our agricultural sector lending activities to other areas. Another aspect of our strategy is to further strengthen our ties with the agricultural community by providing training and social support programs for the rural populace. We intend to focus on giving loans to SMEs to facilitate their establishment, expansion and modernization of businesses. We have recently identified and created a separate business segment for SMEs and introduced centralised processing of credit applications to quicken the credit decisions and improve lending to this particular segment.

Enhance our retail banking business and focus on small businesses

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

We place emphasis on financing and nurturing small entrepreneurial activities. Our focus is to provide loans to entrepreneurs for certain activities, such as the purchasing of commercial space and new or second hand shops.

Build upon and expand our rural area business

We have traditionally had a strong presence in the rural and semi urban areas. We believe there is substantial potential for expanding our business by increasing our focus and leveraging our strength in these areas, including rolling out new products and services and increasing the accessibility of our products. We have focused on playing an active role in providing microfinance through SHGs. We believe that financial inclusion would pave the way for marketing of our products and services to people who do not have access to banking services.

Strengthen and expand our corporate and commercial product and service offerings

We seek to strengthen our position in the corporate and commercial sector by expanding our product and service offerings to growth-oriented small, medium and large sized businesses. We seek to increase our customer base by offering products and servicing the needs of these customers through specialized branches. Additionally, we seek to cross-sell our fee-based products and services to our current customer base and thereby increase our income from these products and services.

Maintain high asset quality standards through comprehensive risk management

We have improved our loan and investment portfolios by carefully targeting our customer base and implementing a risk assessment process and other risk monitoring and remedial procedures. 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 remedial policies to recover non-performing loans. In addition, we intend to maintain internal policy guidelines concerning exposure to individual industries and concentration of loans.

Leveraging on strong brand equity and expansive branch network

We are currently celebrating our centenary and we believe that we enjoy a strong brand perception. We strive to further build our "Indian Bank" brand through a focused marketing approach and using our widespread network of branches and other delivery channels. We plan to use the brand equity enjoyed by the Bank to enhance our business. We have adopted a new symbol to commemorate our centenary celebrations.

Attract and retain skilled and experienced professionals

We believe the recruitment, training and retention of skilled and experienced professionals are essential to the success of our business. We intend to continue attracting the appropriate level of talent from across India through the right mix of recruitment and retention strategies.

Control our costs

We have made a concerted effort to achieve a low overall cost of funds. We strive to do this by seeking operating efficiencies, developing deposit products with lower costs and regularly reviewing our costs for areas where we can achieve cost controls while continuing to develop our business.

Pursue selective strategic alliances

We strive to deliver a range of financial products under one brand with a view to become a financial supermarket. We have signed a Memorandum of Understanding ("**MoU**") with Oriental Bank of Commerce and Corporation Bank to create a strategic alliance with a view to collectively face the challenges of consolidation, convergence and competition without sacrificing the legal identity of the Bank to harness the economies of scale.

Additionally, we have entered into alliances with mutual funds, life insurers and non-life insurers to distribute their products. We have also signed an MoU with the ministry of Railways to install and operate ATMs at select Railway Stations. Further, we have entered into a sub-agency agreement with UAE Exchange and Financial Services Limited (an agent of MoneyGram Payment Systems, Inc.) to provide money transfer services at certain of our locations. We will continue to seek to enter into strategic alliances with other banks and financial institutions where management believes such alliances will provide advantages to our core business.

SUMMARY FINANCIAL INFORMATIONS

SUMMARY STATEMENT OF RESTATED STAND-ALONE PROFIT AND LOSS ACCOUNT

Rs. In Million

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	2003	2004	2005	2006	Sep-05	Sep-06
A	**INCOME**							
1	**Interest Earned**	**22939.30**	**25319.10**	**26669.20**	**28706.60**	**33645.10**	**15790.70**	**19884.60**
1.1	Interest & Discount on advances/bills	10837.10	11365.00	11719.50	13818.80	17777.60	8088.30	11640.90
1.2	Income on Investment	11617.10	13564.60	14546.40	14413.30	15264.90	7410.60	8013.30
1.3	Interest on balance with RBI and other Inter Bank Lending	452.30	357.20	402.00	460.20	580.00	291.60	229.40
1.4	Interest on Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.5	Others	32.80	32.30	1.30	14.30	22.60	0.20	1.00
2	**OTHER INCOME**	**5019.30**	**5250.00**	**7473.30**	**5688.10**	**5314.80**	**2521.00**	**2810.10**
2.1	Commission, Exchange Brokerage	979.20	1068.70	1078.70	1157.00	1180.20	563.60	733.30
2.2	Profit on sale of investments (Net)	2262.70	2728.00	4654.70	2097.70	759.20	492.30	204.30
2.3	Profit on revaluation of investments(Net)	0.00	0.00	0.00	-36.25	0.00	0.00	0.00
2.4	Profit on sale of land,bldg. & other assets (Net)	47.80	7.10	1.20	-7.50	-12.80	-9.50	-7.00
2.5	Profit on exchange transaction (Net)	554.90	550.00	583.20	686.60	680.60	282.30	246.50
2.6	Income earned by way of dividend etc. from subsidiaries/companies/ jt.Ventures in India	28.10	35.50	58.40	46.40	21.50	12.00	12.70
2.7	Miscellaneous Income	1146.60	860.70	1097.10	1744.15	2686.10	1180.30	1620.30
	TOTAL INCOME	**27958.60**	**30569.10**	**34142.50**	**34394.70**	**38959.90**	**18311.70**	**22694.70**
B	**EXPENDITURE**							
1	**Interest Expended**	**17628.80**	**17115.20**	**15498.60**	**15670.10**	**18543.40**	**8787.80**	**11253.80**
1.1	Interest on Deposits	16847.60	16624.90	15067.70	15076.60	17303.20	8424.50	10205.40
1.2	Interest on RBI/ Inter-Bank borrowings	473.60	277.10	283.20	339.20	727.00	282.00	931.40
1.3	Others	307.60	213.20	147.70	254.30	513.20	81.30	117.00
	Operating expenses	**7220.60**	**8130.70**	**9964.60**	**10041.80**	**11630.80**	**5953.40**	**6172.90**
1	Payment to & provision for employees	5592.70	6340.00	7972.30	7272.90	7886.10	4216.70	4050.40
2	Rent, Taxes & Lighting	479.10	512.70	572.50	648.10	688.70	320.10	381.10
3	Printing and Stationery	88.70	94.20	107.90	122.80	142.60	61.20	74.50
4	Advertisement and publicity	9.80	19.00	39.70	110.20	54.90	39.80	76.50
5	Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	311.80	348.80	307.50	308.20	513.40	205.90	320.40
6	Director's Fees, Allowances & Expenses	2.70	3.20	3.60	1.90	1.90	0.90	1.40
7	Auditor's Fees & Expenses	55.80	69.80	82.10	86.70	82.20	42.00	44.10
8	Law Charges	7.10	7.20	15.30	17.30	40.60	18.40	14.90
9	Postage, Telegrams, Telephones etc.	20.20	4.30	9.20	9.60	57.20	29.00	22.10
10	Repairs & Maintenance	136.70	144.50	162.70	195.00	259.10	125.10	107.90
11	Insurance	97.90	147.20	158.30	263.90	367.00	178.70	214.90
12	Other Expenditure	418.10	439.80	533.50	1005.20	1537.10	715.60	864.70
	TOTAL EXPENDITURE	**24849.40**	**25245.90**	**25463.20**	**25711.90**	**30174.20**	**14741.20**	**17426.70**

SUMMARY STATEMENT OF RESTATED STAND-ALONE PROFIT AND LOSS ACCOUNT ***(contd.)***

Rs. In Million

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
	Operating Profit (before Provision & Contingencies)	**3109.20**	**5323.20**	**8679.30**	**8682.80**	**8785.70**	**3570.50**	**5268.00**
	Less: Provisions & Contingencies (Other than Provision for Tax)	2731.20	2991.60	3731.30	5266.10	3329.50	1016.60	1460.20
	Profit Before Tax	**378.00**	**2331.60**	**4948.00**	**3416.70**	**5456.20**	**2553.90**	**3807.80**
	Provision for Tax	8.10	87.10	235.80	229.70	562.20	207.90	467.80
	Net Profit after tax	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
	Add: Amount transferred from Investment Fluctuation Reserve							
	Net Profit for the Year/ quarter ended as per Financial Statements	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
a)	Statutory Reserve		400.00	1100.00	2890.80	1270.00	600.00	
b)	b) Capital Reserve				3.00	28.90	1.30	
c)	c) Revenue and Other Reserves							
i)	Investment Fluctuation Reserve		1400.00	2800.00	1141.00	-5569.90	1820.10	
ii)	General Reserve		21.00	30.00	50.00	7393.40		
iii)	Statutory Reserve (Foreign)							
d)	Dividend (including Dividend Tax)							
i)	Interim Dividend							
ii)	Proposed Dividend					1010.00		
	Tax on Dividend					141.70		
	Transfer to: Unallocated Profit	369.90	423.50	782.20	-897.80	619.90	-75.40	3340.00
	TOTAL	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
	Break up of Miscellaneous Income (*)							
	Incidental charges	83.20	82.00	110.90	180.20	224.10	89.10	130.90
	Recovery in bad debts w/o	632.80	361.00	519.80	1016.70	1814.70	861.90	1046.80
	Others	430.60	417.70	466.40	547.30	647.30	229.30	442.60
	Total Miscellaneous Income	**1146.60**	**860.70**	**1097.10**	**1744.20**	**2686.10**	**1180.30**	**1620.30**
	(*) Items listed here are generally of recurring nature.							
	Break-up of provisions and contingencies							
	Provision for Non Performing Advances	2051.10	1547.50	1665.50	1659.20	519.90	-17.30	137.00
	Floating Provision for NPAs (in addition to norms)			1750.00	330.00	400.00	620.00	
	Prov.for Inv. NPA		319.70	-334.60	1.00	51.60	26.00	124.80
	Provision for Standard Advances	37.70	44.00	50.00	111.50	358.50	268.50	95.00
	Depreciation on Investments	-2.80	-76.80	13.10	1364.70	1326.70	-26.90	-126.20
	Provision for Restructured Standard Accounts	292.20	889.10	332.90	211.00	-747.90	50.00	300.00
	Others	353.00	268.10	254.40	1588.70	1420.70	96.30	929.60
	Provision & Contingencies (other than provision for tax)	**2731.20**	**2991.60**	**3731.30**	**5266.10**	**3329.50**	**1016.60**	**1460.20**
	Provisions for income tax	8.10	87.10	235.80	229.70	562.20	207.90	467.80
	TOTAL	**2739.30**	**3078.70**	**3967.10**	**5495.80**	**3891.70**	**1224.50**	**1928.00**

SUMMARY STATEMENT OF RESTATED STAND-ALONE PROFIT AND LOSS ACCOUNT ***(contd.)***

Rs. In Million

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
(A)	**ASSETS**							
1	Cash in Hand	1025.80	868.10	792.90	877.00	905.50	947.60	1125.10
2	Balance with RBI	11817.60	18171.10	27644.60	18743.40	22124.40	22156.50	23287.20
3	Balance with Banks							
	- In India	399.30	5887.40	1291.20	2812.40	23117.00	3069.60	1535.20
	- Outside India	1689.70	1479.60	1696.70	3201.30	1849.20	3982.90	2582.50
4	Money at call and Short notice	78.70	2073.40	20.60	89.30	77.40	5102.70	2747.20
5	Investment							
	- In India	121681.40	146140.30	165486.00	177580.90	188265.10	185203.70	198699.10
	- Outside India	2399.30	2249.80	1476.10	1629.00	1904.90	1592.30	3533.40
	TOTAL	**139091.80**	**176869.70**	**198408.10**	**204933.30**	**238243.50**	**222055.30**	**233509.70**
6	**Advances**							
	- In India	94268.50	109383.40	130418.40	173724.70	213448.10	192183.30	250073.80
	- Outside India	14815.10	13366.50	10842.40	10076.30	11398.30	9585.10	11851.20
7	Fixed Assets	4538.20	4238.60	4343.40	4493.90	5187.50	4716.80	5231.00
	Less: Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
	Net Fixed Assets	2107.50	1858.60	2015.50	2215.40	2950.40	2457.80	3015.80
8	Other Assets	11457.20	11540.50	9658.50	8163.80	8075.20	9648.30	9679.20
	Less Deferred Tax Asset (DTA)/ Deferred Revenue Exp.	2806.60	1871.00	935.40				
	Other Assets excl. DTA/DRE	8650.60	9669.50	8723.10	8163.80	8075.20	9648.30	9679.20
	TOTAL – (A)	**258933.50**	**311147.70**	**350407.50**	**399113.50**	**474115.55**	**435929.80**	**508129.70**
(B)	**LIABILITIES**							
1	**DEPOSITS**							
	Demand Deposits							
	- From Banks	611.80	357.40	679.10	354.50	386.80	373.30	297.90
	- From Others	17086.50	20949.00	22730.30	28228.50	31653.20	29054.30	33246.20
2	Saving Deposits	52847.90	65727.10	78683.80	92756.70	110027.20	101986.20	121337.50
3	Term Deposits from Banks	5807.00	4794.00	4971.90	4206.20	6908.00	4469.10	1759.80
	Term Deposits from Others	164035.20	178331.80	197378.80	222538.50	259080.00	243186.20	284595.10
4	**Borrowings**							
	- In India	2391.40	2696.90	1730.50	4542.40	13029.30	5184.90	16944.70
	- Outside India	1329.10	1795.20	1258.70	2703.50	5843.60	7642.40	860.20
5	Other Liabilities and Provisions	14858.90	25671.50	26302.80	20039.20	19701.20	18094.20	18262.10
6	Subordinate Debts	1809.40	1809.40	1809.40	4809.40	4809.40	4809.40	4809.40
	TOTAL – (B)	**260777.20**	**302132.30**	**335545.30**	**380178.90**	**451438.70**	**414800.00**	**482112.90**
(C)	**NET WORTH (C=A-B)**	**-1843.70**	**9015.40**	**14862.20**	**18934.60**	**22676.80**	**21129.80**	**26016.80**
(D)	Share Capital	38039.60	45739.60	45739.60	45739.60	7438.20	45739.60	7438.20
(E)	Share Application Money							

SUMMARY STATEMENT OF RESTATED STAND-ALONE PROFIT AND LOSS ACCOUNT ***(contd.)***

Rs. In Million

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
(F)	**RESERVES AND SURPLUS**							
1	Statutory Reserve	674.10	1074.10	2174.10	5064.90	6334.90	5664.90	6334.90
2	Capital Reserve				3.00	31.90	4.40	31.90
3	Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
4	Investment Fluctuation Reserve	0.00	1400.00	4428.90	5569.90	0.00	7389.90	0.00
5	Revenue & Other Reserve	707.80	707.80	707.80	707.80	8101.20	707.80	8101.20
6	Deferred Tax Reserve							
7	Balance of Profit & Loss Account	-38458.60	-38035.10	-37252.80	-38150.60	770.60	-38376.80	4110.60
8	Share Premium							
	TOTAL	**-34646.00**	**-32473.20**	**-27614.00**	**-24526.50**	**17475.70**	**-22350.80**	**20793.80**
	Less: Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
	Less Deferred Tax Asset (DTA)/DRE	2806.60	1871.00	935.40				
	TOTAL - (F)	**-39883.30**	**-36724.20**	**-30877.40**	**-26805.00**	**15238.60**	**-24609.80**	**18578.60**
	NET WORTH (D+E+F)	**-1843.70**	**9015.40**	**14862.20**	**18934.60**	**22676.80**	**21129.80**	**26016.80**
(G)	**Contingent Liabilities**							
1	Claims ag. The Bank not acknowledged as debt	2075.20	1647.50	2069.50	2776.20	2673.90	2881.40	2640.70
2	Liability for partly paid investments	0.80	0.80	0.80	0.80	0.80	0.80	0.80
3	Liability on account of outstanding forward exchange contracts	48428.40	55117.00	28909.20	26249.00	66552.60	50955.70	41600.40
4	Guarantees given on behalf of constituents :	7348.10	9281.80	7868.30	12734.40	16212.40	13725.70	16590.00
	in India							
	Outside India							
5	Acceptances, Endorsements & other Obligations	7135.30	11427.30	11612.30	14268.90	16894.70	17629.00	18611.10
6	Other items for which the Bank is contingently liable	1907.50	1720.60	1912.00	2591.00	2069.20	2011.70	2516.40
	TOTAL - (G)	**66895.30**	**79195.00**	**52372.10**	**58620.30**	**104403.60**	**87204.30**	**81959.40**
	Bills for collection	12088.20	12278.00	12818.80	17350.40	15440.60	14939.40	14568.40

STATEMENT OF RESTATED CONSOLIDATED PROFIT AND LOSS
(INDIAN BANK AND ITS SUBSIDIARIES)

Rs. In Million

		AUDITED				LIMITED REVIEW	
		Mar-03	**Mar-04**	**Mar-05**	**Mar-06**	**Sep-05**	**Sep-06**
A	**INCOME**						
	Interest Earned	25402.50	26714.50	28735.60	33674.90	15804.30	19912.70
I	Interest / Discount on Advances/Bills	11426.90	11756.80	13842.70	17801.70	8099.00	11653.90
II	Income on Investments	13571.90	14554.40	14418.40	15270.60	7413.50	8028.40
III	Interest on Balances with Reserve Bank of India and other Inter-Bank Funds	357.20	402.00	460.20	580.00	291.60	229.40
IV	Others	46.50	1.30	14.30	22.60	0.20	1.00
	OTHER INCOME	5378.20	7579.30	5828.10	5392.90	2558.20	2847.30
I	Commission, Exchange and Brokerage	1089.60	1078.70	1157.00	1180.10	563.60	733.30
II	Profit on sale of Land, Buildings and Other Assets (Net)	10.40	2.30	-7.50	-12.80	-9.50	-7.00
III	Profit on Exchange Transactions (Net)	550.00	583.20	686.60	680.60	282.30	246.50
IV	Profit on sale of Investments(Net)	2728.70	4680.20	2069.70	773.10	499.40	204.90
V	Profit on revaluation of Investments (Net)	0.00	0.00	-36.25	0.00	0.00	0.00
VI	Income earned by way of dividends from subsidiaries/companies/and or joint ventures	37.40	58.40	46.40	21.50	12.00	12.70
VII	Miscellaneous Income	962.10	1176.50	1912.15	2750.40	1210.40	1656.90
	TOTAL INCOME – A	30780.70	34293.80	34563.70	39067.80	18362.50	22760.00
B	**EXPENDITURE**						
1	**Interest Expended**	17197.10	15530.70	15648.70	18517.20	8775.30	11253.60
I	Interest on Deposits	16656.50	15062.40	15056.30	17277.00	8412.00	10205.20
II	Interest on Reserve Bank of India/ Inter-Bank Borrowings	277.10	283.20	339.20	727.00	282.00	931.40
III	Others	263.50	185.10	253.20	513.20	81.30	117.00

STATEMENT OF RESTATED CONSOLIDATED PROFIT AND LOSS
(INDIAN BANK AND ITS SUBSIDIARIES) (Contd.)

Rs. In Million

		AUDITED				LIMITED REVIEW	
		Mar-03	**Mar-04**	**Mar-05**	**Mar-06**	**Sep-05**	**Sep-06**
	Operating Expenses	8227.70	10045.50	10106.60	11691.80	5983.10	6199.90
I	Payments to and Provisions for Employees	6364.00	7993.70	7290.70	7904.90	4227.00	4057.60
II	Rent, Taxes and Lighting	520.00	576.70	651.30	692.40	321.90	383.10
III	Printing and Stationery	95.60	109.60	124.10	144.00	61.80	75.20
IV	Advertisement and Publicity	19.10	39.80	110.30	55.10	39.80	76.70
Va)	Depreciation on Bank's Property other than Leased Assets	353.40	311.30	310.90	516.80	207.10	321.50
b)	Depreciation on Leased Assets	3.70	30.40	23.80	16.60	8.30	7.10
VI	Directors' Fees, Allowances and Expenses	4.20	4.40	1.90	1.90	0.90	1.60
VII	Auditors' Fees and Expenses (including Branch Auditors' Fees and Expenses)	70.20	82.30	87.00	82.60	42.10	44.10
VIII	Law Charges	9.60	16.50	18.90	41.10	18.60	15.10
IX	Postages, Telegrams, Telephones etc.	6.50	11.20	11.60	60.80	30.00	24.10
X	Repairs and Maintenance	147.10	164.80	197.20	261.70	126.20	109.00
XI	Insurance	147.90	159.00	264.20	367.40	179.00	215.20
XII	Other Expenditure	486.40	545.80	1014.70	1546.50	720.40	869.60
	TOTAL EXPENDITURE	25424.80	25576.20	25755.30	30209.00	14758.40	17453.50
	Gross Profit before provisions & contingencies	5355.90	8717.60	8808.40	8858.80	3604.10	5306.50
	Add: Share of earnings/losses in associates	0.00	0.00	0.00	0.00	0.00	0.00
	Less: Provisions & Contingencies	3158.70	3955.30	5498.60	3847.70	1186.80	1834.70
	Consolidated Net Profit before minorities interest	2197.20	4762.30	3309.80	5011.10	2417.30	3471.80
	Less: Minorities Interest	-12.90	8.30	5.50	7.20	1.10	6.20
	Consolidated Profit attributable to Group	2210.10	4754.00	3304.30	5003.90	2416.20	3465.60
	Less: Brought forward consolidated profit/loss attributable to group	-39438.50	-39049.40	-38225.40	-39005.90	-39005.90	25.30
	Less: Setoff with Capital				38301.40		
	Profit available for Appropration	-37228.40	-34295.40	-34921.10	4299.40	-36589.70	3490.90
	APPROPRIATIONS						
	Statutory Reserve	400.00	1100.00	2890.80	1270.00	600.00	0.00
	Capital Reserve	0.00	0.00	3.00	28.90	1.40	0.00
	Revenue and Other Reserves	1400.00	2800.00	1141.00	1823.50	1820.00	0.00
	Staff Welfare	21.00	30.00	50.00	0.00	0.00	0.00
	Proposed Dividend (including Dividend Tax)	0.00	0.00	0.00	1151.70	0.00	0.00
	Balance carried over to Consolidated Balance Sheet	-39049.40	-38225.40	-39005.90	25.30	-39011.10	3490.90
	TOTAL	-37228.40	-34295.40	-34921.10	4299.40	2416.20	3490.90

STATEMENT OF RESTATED CONSOLIDATED PROFIT AND LOSS

(INDIAN BANK AND ITS SUBSIDIARIES) (Contd.)

Rs. In Million

		AUDITED				LIMITED REVIEW	
		Mar-03	Mar-04	Mar-05	Mar-06	Sep-05	Sep-06
(A)	ASSETS						
1	Cash in Hand	868.40	793.10	877.10	909.00	947.80	1125.20
2	Balance with RBI	18171.10	27644.60	18743.40	22124.40	22156.50	23287.20
3	Balance with Banks - In India	5888.00	1295.00	2818.60	23117.00	3087.80	1545.20
	- Outside India	1479.60	1696.60	3201.30	1849.20	3982.90	2582.50
4	Money at call and Short notice	2073.50	20.70	89.30	77.40	5102.60	2747.20
5	Investment - In India	146418.20	165655.90	177734.10	188399.00	185348.60	198834.20
	- Outside India	2249.80	1476.10	1629.00	1904.90	1592.30	3533.40
	TOTAL	177148.60	198582.00	205092.80	238380.90	222218.50	233654.90
6	**Advances**						
	- In India	108862.40	129912.20	172886.40	212727.90	191413.60	249489.90
	- Outside India	13366.50	10842.40	10076.30	11398.30	9585.10	11851.20
7	Fixed Assets	4396.30	4453.50	4601.10	5293.40	4823.80	5336.10
8	Other Assets	11961.40	9687.80	7597.10	8450.50	10138.50	10047.40
	TOTAL - (A)	315735.20	353477.90	400253.70	476251.00	438179.50	510379.50
(B)	**LIABILITIES**						
1	**DEPOSITS**						
	Demand Deposits From Banks	357.40	679.20	354.50	386.80	373.40	298.00
	Demand Deposits From Others	20928.90	22715.70	28203.30	31642.10	29034.20	33246.30
2	Saving Deposits	65727.10	78683.80	92756.60	110027.20	101986.20	121329.00
3	Term Deposits from Banks	4794.00	4971.90	4206.20	6908.00	4469.10	1759.80
	Term Deposits from Others	178301.20	197024.20	222080.90	258582.30	242717.50	284113.20
4	**Borrowings**						
	- In India	3064.30	2063.20	4542.40	13029.30	5184.90	16944.80
	- Outside India	1795.20	1258.70	2703.50	5843.60	7642.40	860.10
5	Other Liabilities and Provisions	25881.40	26286.30	19401.00	20014.80	18368.70	18561.60
6	Subordinate Debts	1809.40	1809.40	4809.40	4809.40	4809.40	4809.40
	TOTAL - (B)	302658.90	335492.40	379057.80	451243.50	414585.80	481922.20
(C)	**NET ASSETS (C=A-B)**	13076.30	17985.50	21195.90	25007.50	23593.70	28457.30
(D)	Share Capital	45739.60	45739.60	45739.60	7438.20	45739.60	7438.20
(E)	Minority Interest	32.70	41.00	46.50	53.70	47.60	59.90
(F)	Share Application money/Share Premium	0.00	0.00	0.00	0.00	0.00	0.00
(G)	**RESERVES AND SURPLUS**						
1	Statutory Reserve	1132.30	2232.30	5123.20	6393.20	5723.20	6393.20
2	Capital Reserve	2447.20	2395.20	2348.70	2336.20	2330.60	2314.30
3	Share Premium	666.10	666.10	666.10	666.10	666.10	666.10
	Other Reserves	1400.00	4428.90	5569.90	0.00	7389.90	7386.90
4	Revenue & Other Reserve	707.80	707.80	707.80	8094.80	707.80	707.80
5	Balance of Profit & Loss Account	-39049.40	-38225.40	-39005.90	25.30	-39011.10	3490.90
	TOTAL - (G)	-32696.00	-27795.10	-24590.20	17515.60	-22193.50	20959.20
(H)	**TOTAL (D to G)**	13076.30	17985.50	21195.90	25007.50	23593.70	28457.30

The Bank did not prepare consolidated financial statements for the year 2001-2002, since the relevant accounting standard was not mandatory for that year

THE ISSUE

Equity Shares issued by the Bank	85,950,000 Equity Shares
of which	
Employee Reservation Portion.	8,595,000 Equity Shares
Net Issue to the Public	77,355,000 Equity Shares
of which	
QIB Portion	At least 46,413,000 Equity Shares (allocation on a proportionate basis)
of which	
Mutual Funds	2,320,650 Equity Shares (allocation on proportionate basis)
Balance for all QIBs including Mutual Funds	44,092,350 Equity Shares (allocation on proportionate basis)
Non-Institutional Portion	Not less than 7,735,500 Equity Shares available for allocation on proportionate basis
Retail Portion	Not less than 23,206,500 Equity Shares available for allocation on proportionate basis
Equity Shares outstanding prior to the Issue	343,820,000 Equity Shares
Equity Shares outstanding after the Issue	429,770,000 Equity Shares
Use of proceeds by the Bank	See the section titled "Objects of the Issue" on page 24 of this Red Herring Prospectus.

GENERAL INFORMATION

Head Office of our Bank

Indian Bank
66, Rajaji Salai
Chennai 600 001, India
Tel: (91 44) 25260337
Fax: (91 44) 25263949
E-Mail: investors@indianbank.co.in
Website: www.indianbank.in

Board of Directors

Our Board comprises:

Sr. No.	Name and Designation	Age	Address
1.	Dr. K.C. Chakrabarty *Chairman and Managing Director*	54	New No. 21 (Old No. 3) Kothari Road, Nungambakkam, Chennai 600 034, India
2.	M.S. Sundara Rajan *Executive Director*	56	75, Oliver Road, Mylapore, Chennai 600 004, India
3.	V.S. Senthil *GoI Nominee Director*	49	Department of Expenditure, Ministry of Finance (Plan Finance-I) North Block, New Delhi 110 001, India
4.	S. Karuppasamy *RBI Nominee Director* *Independent Director*	52	Reserve Bank Staff College Quarters 369/370, Anna Salai, Teynampet, Chennai 600 018, India
5.	A.X. George *Officer Employee Director*	55	7C, Harbour Point, Kuruspally Road, Ravipuram, Kochi 682 011, India
6.	Ashok Gupta *Workman Employee Director*	53	E-414, Greater Kailash Part II, New Delhi 110 048, India
7.	G. Charath Chandran *Part-time Non-official Director* *Independent Director*	51	18, South Saliya Street, Koranad Mayiladuthurai 609 002, India
8.	Nafisa Ali Sodhi *Part-time Non-official Director* *Independent Director*	49	D-237, Defence Colony, New Delhi 110 024, India
9.	Ponguleti Sudhakar Reddy *Part-time Non-official Director* *Independent Director*	46	H. No. 1-2-234/13/49/2, Arvind Nagar Colony, Domalaguda, Hyderabad 500 029, India
10.	Dr. Gundmi Sudhakar Rao *Part-time Non-official Director* *(under Chartered Accountant category)* *Independent Director*	53	"Sriniketan" 43/1, 5th Cross Jayanagar, Ist Block Bangalore 560 011, India

For further details in relation to our Board and our Directors please refer to the section titled "Our Management" beginning on page 103 of this Red Herring Prospectus.

Compliance Officer
V. Ganesan
66, Rajaji Salai, Chennai 600 001, India
Tel: (91 44) 25260337, Fax: (91 44) 25263949
E-mail: investors@indianbank.co.in

Company Secretary
S. Chandramouli
66, Rajaji Salai, Chennai 600 001, India
Tel: (91 44) 25226699, Fax: (91 44) 25248106
E-mail: indianbankipo@indianbank.co.in

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of allotted shares in the respective beneficiary account, refunds, etc.

BOOK RUNNING LEAD MANAGERS

SBI Capital Markets Limited
202, Maker Tower – E,
Cuffe Parade,
Mumbai 400 005, India
Tel: (91 22) 22189166
Fax: (91 22) 22188332
Email: indianbankipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Rohan Talwar

Enam Financial Consultants Private Limited
801/802, Dalamal Towers,
Nariman Point,
Mumbai 400 021, India
Tel: (91 22) 66381800
Fax: (91 22) 22846824
Email: indianbankipo@enam.com
Website: www.enam.com
Contact Person: Kinjal Palan

ICICI Securities Limited
ICICI Centre,
H.T. Parekh Marg, Churchgate,
Mumbai 400 020, India
Tel: (91 22) 22882460
Fax: (91 22) 22826580
Email: indianbank_ipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Ratnadeep Acharyya

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar,
229 Nariman Point,
Mumbai 400 021, India
Tel: (91 22) 66341100
Fax: (91 22) 22840492
Email: indianbank.ipo@kotak.com
Website: www.kotak.com
Contact Person: Chandrakant Bhole

SYNDICATE MEMBERS

SBICAP Securities Limited
202, Maker Tower – E,
Cuffe Parade, Mumbai 400 005, India
Tel: (91 22) 30273309
Fax: (91 22) 22180193
Email: indianbankipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Prasad Chitnis

Enam Securities Private Limited
Khatau Building, 2nd Floor, 44B Bank Street,
Off Shaheed Bhagat Singh Road,
Fort, Mumbai 400 023, India
Tel: (91 22) 22677901
Fax: (91 22) 22665613
Email: indianbankipo@enam.com
Website: www.enam.com
Contact Person: M. Natarajan

ICICI Brokerage Services Limited
ICICI Centre,
H.T. Parekh Marg,
Churchgate, Mumbai 400 020, India
Tel: (91 22) 22882460
Fax: (91 22) 22826455
Email: indianbankipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Anil Mokashi

Kotak Securities Limited
Bakhtawar, 1st Floor,
229, Nariman Point,
Mumbai 400 021 India
Tel: (91 22) 6634 1100
Fax: (91 22) 6634 3927
Email: umesh.gupta@kotak.com
Website: www.kotak.com
Contact Person: Umesh Gupta

LEGAL ADVISORS TO THE ISSUE

Domestic Legal Counsel to the Bank

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

International Legal Counsel to the Underwriters

Dorsey & Whitney LLP
21 Wilson Street,
London EC2M 2TD
United Kingdom
Tel: (44 020) 7826 4524
Fax: (44 20) 7588 0555

Domestic Legal Counsel to the Underwriters

S & R Associates
K 40, Connaught Circus, New Delhi 1100 001, India
Tel: (91 11) 4289 8000 Fax: (91 11) 4289 8001

ADVISOR TO THE ISSUE

Indbank Merchant Banking Services Limited
1st Floor, Khivraj Complex 1,
No. 480, Anna Salai, Nandanam,
Chennai 600 035, India
Tel: (91 44) 2522 4693
Fax: (91 44) 2522 7059
Email: ibipo@indbankonline.com
Contact Person: Sanjay Varghese

REGISTRAR TO THE ISSUE

Cameo Corporate Services Limited
Subramanian Building,
1, Club House Road,
Chennai 600 001, India
Tel: (91 44) 28460390
Fax: (91 44) 28460129
Email: cameo@cameoindia.com
Website: www.cameoindia.com
Contact Person: R.D. Ramasamy

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

Indian Bank
66, Rajaji Salai,
Chennai 600 001, India
Tel: (91 44) 25215368
Fax: (91 44) 25210342
E-Mail: ibharb@indianbank.co.in
Website: www.indianbank.in
Contact Person: B. Panda

AUDITORS

B. Purushottam & Co.
Chartered Accountants
Flat No. 3D, 3rd Floor,
Pioneer Home,
23/A, North Boag Road,
T. Nagar, Chennai 600 017, India
Tel: (91 44) 28152515/28153170
Fax: (91 44) 42013485
Email: bpcchennai@airtel.broadband.in
Contact Person: B.S. Purushotham

R. Subramanian And Company
Chartered Accountants
New No. 6, Old No. 36,
Krishnaswamy AvenueLuz, Mylapore,
Chennai 600 004, India
Tel: (91 44) 24992261
Fax: (91 44) 24991408
Email: rs_company@yahoo.com,
rsubramanian_co@vsnl.net
Contact Person: R. Subramanian

Grandhy & Co.
Chartered Accountant
MIG 36, D No. 4-68-1/4, Lawsons Bay Colony,
Vishakhapatanam 530 017, India
Tel: (91 891) 2530285, Fax: (91 891) 2550094
Email: Grandhyco@hotmail.com
Contact Person: Naresh Chandra Gelli

J.P., Kapur and Uberai
Chartered Accountants
Lower Ground Floor,
C 4/5. Safdarjung Development Area,
New Delhi 110 016, India
Tel: (91 11) 26512393
Fax: (91 11) 26511158
Email: menon@jpku.com
kapur@jpku.com
Contact Person: Deepak Menon

R. Gopal and Associates
Chartered Accountants
B/4 Deokaran Das Complex,
Kachery Road,
Rourkela 769012, India
Tel: (91 661) 2507001
Fax: (91 661) 2401483
Email: vedapresident@yahoo.co.in
Contact Person: R.P. Agarwal

Statement of Inter Se Allocation of Responsibilities for the Issue

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

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	SBI Caps, I-Sec, Kotak, ENAM	SBI Caps
Due diligence of the Bank's operations/ management/ business plans/ legal, etc.Drafting and design of offer document and drafting and approval of all publicity material and 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 finalization of the Prospectus and filing with the Stock Exchanges.	SBI Caps, I-Sec, Kotak, ENAM	SBI Caps
Appointment of other Intermediaries: (a) Printers (b) Registrar (c) Advertising Agency, and (d) Banker to the Issue	SBI Caps, I-Sec, Kotak, ENAM	(a) Printers: Kotak (b) Registrar: I-Sec (c) Advertising Agency: Enam (d) Banker to the Issue: SBI Caps
Domestic institutions/banks/mutual funds marketing strategy:		
▪ Finalize the list and division of investors for one on one meetings, institutional allocation	SBI Caps, I-Sec, Kotak, ENAM	Kotak
International institutional marketing strategy and Roadshow presentation: ▪ Finalize the list and division of investors for one on one meetings, institutional allocation▪	Roadshow Presentation Kotak, ENAM	SBI Caps, I-Sec, Enam
Retail/Non-institutional marketing strategy which will cover, inter alia, ▪ Finalize media, marketing and public relation strategy, ▪ Finalize centers for holding conferences for brokers, etc. ▪ Finalize collection centers, ▪ Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material	SBI Caps, I-Sec, Kotak, ENAM	I-Sec
Branch Training including identification of Branches/centers, Branch training material etc.	SBI Caps, I-Sec, Kotak, ENAM	Kotak
Managing the Book, coordination with Stock Exchanges, pricing and allocation to QIB Bidders.	SBI Caps, I-Sec, Kotak, ENAM	SBI Caps
Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, etc.	SBI Caps, I-Sec, Kotak, ENAM	I-Sec
The post issue activities of the Issue will involve essential follow up steps, which include finalization of trading and dealing instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the Issue, Banker to the Issue and the bank handling refund business. The BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the issuer Bank.	SBI Caps, I-Sec, Kotak, ENAM	I-Sec

Credit Rating

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

IPO Grading

We have not opted for IPO grading of this Issue.

Monitoring Agency

We have not appointed a monitoring agency.

Trustees

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

Book Building Process

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

The principal parties involved in the Book Building Process are:

- The Bank;
- Book Running Lead Managers;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted on a proportionate basis to QIBs. 5% of the QIB portion shall be available for allocation to Mutual Funds only and the remaining QIB portion shall be available for allocation to all the QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 8,595,500 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In this regard, we have appointed the BRLMs to manage the Issue and to procure subscriptions to the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay the QIB Margin Amount, representing 10% of the Bid Amount, upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For details see the section "Issue Structure" on page 247 of this Red Herring Prospectus.

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

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

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

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

Steps to be taken for bidding:

- Check eligibility for bidding, see the section titled "Issue Procedure – Who Can Bid?" on page 250 of this Red Herring Prospectus;
- Ensure that the Bidder has an active demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure" beginning on page 250 of this Red Herring Prospectus); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Million)
Book Running Lead Managers		
SBI Capital Markets Limited 202, Maker Tower – E, Cuffe Parade, Mumbai 400 005, India Tel: (91 22) 22189166 Fax: (91 22) 22188332 Email: indianbankipo@sbicaps.com	[●]	[●]
Enam Financial Consultants Private Limited 801/802, Dalamal Towers, Nariman Point, Mumbai 400 021, India Tel: (91 22) 66381800 Fax: (91 22) 22846824 Email: indianbankipo@enam.com	[●]	[●]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg., Churchgate, Mumbai 400 020, India Tel: (91 22) 22882460 Fax: (91 22) 22826580 Email: indianbank_ipo@isecltd.com	[●]	[●]
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021, India Tel: (91 22) 66341100 Fax: (91 22) 22840492 Email: indianbank.ipo@kotak.com	[●]	[●]

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Million)
Syndicate Members		
SBICAP Securities Limited 202, Maker Tower – E, Cuffe Parade, Mumbai 400 005, India Tel: (91 22) 30273309 Fax: (91 22) 22180193 Email: indianbankipo@sbicaps.com	[●]	[●]
Enam Securities Private Limited Khatau Building, 2nd Floor, 44B Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai 400 023, India Tel: (91 22) 22677901 Fax: (91 22) 22665613 Email: indianbankipo@enam.com	[●]	[●]
ICICI Brokerage Services Limited ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India Tel: (91 22) 22882460 Fax: (91 22) 22826455 Email: indianbankipo@isecltd.com	[●]	[●]
Kotak Securities Limited Bakhtawar, 1st Floor, 229, Nariman Point, Mumbai 400 021India Tel: (91 22) 6634 1100 Fax: (91 22) 6634 3927 Email: umesh.gupta@kotak.com	[●]	[●]

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

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with one or more of the Stock Exchanges.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. 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.

CAPITAL STRUCTURECAPITAL STRUCTURE

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

(in Rs.)

			Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL**			
	1,500,000,000	Equity Shares of Rs. 10 each(1)	15,000,000,000	
	40,000,000	Perpetual Non-cumulative Preference Shares of Rs. 100 each	4,000,000,000	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE(2)**			
	343,820,000	Equity Shares of Rs. 10 each	3,438,200,000	
	40,000,000	Perpetual Non-cumulative Preference Shares of Rs. 100 each	4,000,000,000	
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS(4)**			
	85,950,000	Equity Shares of Rs. 10 each fully paid up	859,500,000	[•]
	Of which			
	Employee Reservation Portion:			
	8,595,000	Equity Shares of Rs. 10 each fully paid up	85,950,000	[•]
	Net Issue to the Public:			
	77,355,000	Equity Shares of Rs. 10 each fully paid up	773,550,000	[•]
D)	**EQUITY CAPITAL AFTER THE ISSUE**			
	429,770,000	Equity Shares of Rs. 10 each fully paid up	4,297,700,000	[•]
E)	**SHARE PREMIUM ACCOUNT**			
	Before the Issue		Nil	
	After the Issue		[•]	

(1) The authorised equity share capital of the Bank is Rs. 15,000 million as per sub-section 2A of Section 3 of the Bank Acquisition Act.

(2) In accordance with the permission granted by the MoF, GoI, by its letter dated April 19, 2006, the Bank netted off its accumulated unabsorbed losses aggregating Rs. 38,301.40 million against its paid up capital of Rs. 45,739.60 million with effect from March 31, 2006. The balance of Rs. 7,438.20 million was retained as share capital. The Bank, by its letter dated April 28, 2006, sought the approval of the MoF, GoI, to restructure the paid up capital of Rs. 7,438.20 million into perpetual non-cumulative preference share capital of Rs. 4,000 million and equity share capital of Rs. 3,438.20 million. The MoF, GoI by its letter dated September 29, 2006, granted permission to the Bank for this restructuring. Accordingly, the Board passed a resolution dated October 4, 2006 giving effect to the restructured capital structure with effect from September 30, 2006.

(3) In order to give effect to the restructuring of the share capital as described in point (2) above, the authorised share capital of the Bank was altered to include the preference share capital of Rs. 4,000 million divided into 40,000,000 perpetual non-cumulative preference shares of Rs. 100 each at a provisional coupon rate of 8% p.a. Except for this restructuring of the capital, there has been no change to the authorised share capital of the Bank since nationalisation on July 19, 1969.

(4) The Board authorised a fresh issue of 85.955 million Equity Shares in an initial public offering pursuant to a resolution passed at its meeting held on October 4, 2006. The Department of Economic Affairs (Banking Division), Ministry of Finance, Government of India, has, by its letter dated November 28, 2006 granted its approval for the present Issue of 85.95 million Equity Shares. For further details, see the sections titled “Capital Structure – Notes to Capital Structure” on page 20 of this Red Herring Prospectus, “Other Regulatory and Statutory Disclosures – Authority for the Issue” on page 239 of this Red Herring Prospectus and “Licenses and Approvals – Approvals for the Issue” beginning on page 235 of this Red Herring Prospectus.

Notes to Capital Structure

1. **Capital history of the Bank since nationalisation on July 19, 1969**:

The paid-up capital of the Bank was converted into share capital with effect from September 30, 2006. Prior to such date, the paid-up capital of the Bank was not divided into equity shares. Consequently, the Bank did not have a specific number of shares with a fixed par value. The paid-up capital history of the Bank since nationalisation is given below:

(Rs. million)

Period ended	Increase / Decrease	Source	Mode	Paid-up capital
At the time of nationalisation				8.90
December 31, 1973	11.10	Capitalisation of reserves	-	20.00
December 31, 1976	10.00	Capitalisation of reserves	-	30.00
December 31, 1977	10.00	Capitalisation of reserves	-	40.00
December 31, 1979	20.00	Capitalisation of reserves	-	60.00
December 31, 1982	30.00	Capitalisation of reserves	-	90.00
December 31, 1985	180.00	GoI	7.75 Central Government Special Securities	270.00
December 31, 1986	100.00	GoI	7.75 Central Government Special Securities	370.00
March 31, 1989	130.00	GoI	7.75 Central Government Special Securities	
	60.00	GoI	7.75 Central Government Special Securities	560.00
March 31, 1991	620.00	GoI	7.75 Central Government Special Securities	1,180.00
March 31, 1992	500.00	GoI	7.75 Central Government Special Securities	1,680.00
March 31, 1993	350.00	GoI	7.75 Central Government Special Securities	2,030.00
March 31, 1994	2200.00	GoI	10.0 Bank Recapitalisation Bonds	4,230.00
March 31, 1995	2309.60	GoI	10.0 Central Government Special Securities	6,539.60
March 31, 1998	17,500.00	GoI	10.0 Central Government Special Securities	24,039.60
March 31, 1999	1,000.00	GoI	10.0 Central Government Special Securities	25,039.60
March 31, 2002	13,000.00	GoI	8.5 Central Government Special Securities	38,039.60
March 31, 2003	7,700.00	GoI	Central Government Special Securities*	45,739.60
March 31, 2006	(38,301.40)	Netting off of accumulated unabsorbed losses	-	7,438.20
September 30, 2006	(4,000)**	Conversion to preference share capital	-	3,438.20

* At a floating rate, being bank rate + 200 basis points

** 40,000,000 perpetual non-cumulative preference shares of Rs. 100 each were allotted to the Promoter. These preference shares were provisional coupon rate of 8% p.a. and are outstanding as of the date of filing this Red Herring Prospectus.

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

Pursuant to the SEBI Guidelines, an aggregate of 20% of the fully diluted post-Issue capital of the Bank held by the Promoters shall be locked in for a period of three years from the date of Allotment of Equity Shares in the Issue. Further, pursuant to Clause 4.14.1 of the SEBI Guidelines, the entire Pre-Issue capital, other than that locked in as minimum Promoter's contribution, shall be locked in for a period of one year from the date of Allotment of Equity Shares in the Issue. The Bank's issued share capital consists only of Equity Shares and Preference Shares issued to the GoI on September 30, 2006. Accordingly, these are the only Equity Shares available to calculate Promoter's contribution in terms of Clause 4.6.2 of the SEBI Guidelines. The Department of Economic Affairs (Banking Division), MoF, GoI has, through its letter no. F.No. 11/30/2004-BOA dated November 28, 2006, agreed that 20% of the post-Issue capital held by it shall be locked-in for a minimum period of three years from the date of Allotment in the Issue and the remaining equity held by the Government shall be locked-in for a period of one year from the date of Allotment in the Issue.

In terms of clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and among the Promoter group or to a new promoter or persons in control of the Bank subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines.

Locked-in Equity Shares held by the Promoter can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided a pledge of the Equity Shares is one of the terms of the sanction of the loan.

3. **Shareholding Pattern of our Bank**

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

	Pre-Issue		**Post-Issue**	
	Number of Equity Shares	**Percentage of Equity Share capital**	**Number of Equity Shares**	**Percentage of Equity Share capital**
Promoter				
President of India	343,820,000	**100**	343,820,000	**80**
Sub Total (A)	343,820,000	**100**	343,820,000	**80**
Eligible Employees* (B)	-	-	8,595,000	**2**
Public (pursuant to the Issue) (C)	-	-	77,355,000	**18**
Total share capital (A+B+C)	343,820,000	**100**	429,770,000	**100**

* Assuming the Employee Reservation Portion is fully subscribed by the Eligible Employees

4. On September 30, 2006 our Bank issued 40,000,000 perpetual non-cumulative preference shares of Rs. 100 each at a provisional coupon rate of 8% p.a. to the President of India.

5. **Equity Shares held by top shareholders of the Bank**

(a) The top shareholder of the Bank as of the date of filing this Red Herring Prospectus with SEBI and ten days prior to the date of filing this Red Herring Prospectus with SEBI is as follows:

Sr. No.	**Name**	**Number of Equity Shares**	**Percentage**
1.	The Government of India, through the President of India	343,820,000	100
	Total	343,820,000	100

(b) Two years prior to the date of filing this Red Herring Prospectus with SEBI:

Since our paid-up capital was converted into share capital with effect from September 30, 2006, we had no shareholders two years prior to the date of filing this Red Herring Prospectus with SEBI. The President of India held 100% of the paid-up capital of the Bank.

6. On September 30, 2006, the Bank restructured its entire paid up capital of Rs. 7,438.20 million held by the Promoter into perpetual non-cumulative preference share capital of Rs. 4,000 million and equity share capital of Rs. 3,438.20 million. To give effect to this restructuring, the Bank issued 343.82 million Equity Shares of Rs. 10 each to the Promoter, without payment by the Promoter.

7. As of the date of this Red Herring Prospectus, none of our Directors or key managerial personnel holds Equity Shares in the Bank.

8. The Bank had, by its letter dated October 7, 2006 applied to the Government of India for its consent to a fresh issue of 85.955 million Equity Shares. The Department of Economic Affairs (Banking Division), Ministry of Finance, Government of India, has, by its letter dated November 28, 2006 granted its approval for the present Issue of 85.95 million Equity Shares. The RBI, by its letter dated December 28, 2006, granted its approval for the issue of Equity Shares to non-residents including NRIs/FIIs such that the non-resident equity holding in the Bank does not exceed 20% of the post-Issue paid up capital of the Bank or any lower ceiling that may be specified by the GoI.

9. Neither the Promoter nor our Directors have purchased or sold any Equity Shares, directly or indirectly, during a period of six months preceding the date on which this Red Herring Prospectus was filed with SEBI.

10. Neither the Bank, the Promoter, the Directors nor the BRLMs have entered into any buyback and/or standby arrangements for the purchase of Equity Shares from any person.

11. We have not raised any bridge loan against the proceeds of this Issue.

12. There are no outstanding warrants, options or other financial instruments or rights that may entitle any person to receive any Equity Shares in the Bank.

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

14. Further, 10% of the Issue, i.e., 8,595,000 Equity Shares has been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees, as defined, who are Indian nationals based in India and are physically present in India on the date of submission of the Bid cum Application Form would be eligible to apply in this Issue under the Employee Reservation Portion. Employees, other than as defined, are not eligible to participate in the Employee Reservation Portion. The maximum bid under Employee Reservation Portion by an Eligible Employee cannot exceed 5,000 Equity Shares. If the aggregate demand in the Employee Reservation Portion is greater than 8,595,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. Eligible 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 Employee Reservation Portion would be treated as part of the Net Issue.

15. Under-subscription, if any, in any category other than the QIB Portion, would be met with spill-over from other categories or combination of categories at the discretion of the Bank in consultation withthe BRLMs.

16. Oversubsciption to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalising the basis of Allotment.

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

18. 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 the date of filing the Draft Red Herring Prospectus with SEBI until the Equity Shares offered in this Issue are listed.

19. The Bank presently does not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of a share split or consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into or exchangeable, directly or indirectly, for Equity Shares, whether on a preferential basis or otherwise. However, we may enter into joint ventures or acquisitions and we may consider raising additional capital to fund such activity or use our Equity Shares as currency for acquisition or participation in such joint ventures.

20. Except as disclosed in this Red Herring Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

21. Refer to our financial statements relating to related party transactions in the section titled "Related Party Transactions" beginning on page 126 of this Red Herring Prospectus.

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

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

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

25. As on the date of filing this Red Herring Prospectus, the GoI, through the President of India is our sole shareholder.

OBJECTS OF THE ISSUE

The objects of the Issue are as follows:

The RBI, which regulates us, requires us to maintain a minimum CRAR of 9.0%, at least half of which should consist of Tier I capital. As of September 30, 2006, our total capital adequacy ratio was 12.02% and our Tier I capital adequacy ratio was 9.84%. As per our restated financial statements our total capital adequacy ratio was 13.19% and our Tier I capital adequacy ratio was 10.29% as of March 31, 2006 compared with 14.14% and 7.60% as of March 31, 2005, respectively.

The RBI has adopted a phased approach to the implementation of the Basel II norms. New capital norms for market risk will be implemented over two years from the year ended March 31, 2005 and norms for credit risk and operational risk are proposed to be implemented with effect from the year ended March 31, 2008. In order to maintain consistency and harmony with international standards, banks have been advised to adopt the Standardised Approach for credit risk mitigation and the Basic Indicator Approach for operational risk mitigation with effect from March 31, 2008. The requirements for Tier I capital and total capital adequacy ratios are expected to increase with the proposed implementation of the Basel II standards.

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.

Requirement and Sources of Funds

Requirement of Funds	**Rs. In Million***
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	[•]
Issue expenses	[•]
Total	**[•]**

*To be incorporated after finalisation of Issue Price

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

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

Sources of Funds	**Rs. In Million***
Net proceeds of the Issue	[•]
Total	**[•]**

*To be incorporated after finalisation of Issue Price

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

Issue Expenses

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

Activity	**Expense (in Rs. Million)***	**% of total Issue expenses***	**% of Issue size***
Lead management, underwriting commission	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Registrars fee, legal fee, etc.	[•]	[•]	[•]
Others	[•]	[•]	[•]
Total estimated Issue expenses	**[•]**	**[•]**	**[•]**

*To be incorporated after finalisation of Issue Price

In addition to the above, listing fees will be paid by the Bank out of the net proceeds of the Issue.

In terms of Section 13 of the Banking Regulation Act, a banking company is prohibited from paying out, directly or indirectly, by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate 2.5% of the paid up value of the shares. The Bank has made an application dated October 7, 2006 to the Department of Economic Affairs (Banking Division), MoF, GoI seeking an exemption from the applicability of Section 13. In terms of the approval of the GoI dated November 28, 2006, the Bank's request for exemption from applicability of Sections 13 and 15 of the Banking Regulation Act has been approved, subject to a formal notification upon compliance with the provisions of Section 53 of the Banking Regulation Act. This exemption, once formally notified, will permit the Bank to pay commission, brokerage, discount or remuneration in any form in respect of any shares issued by it for any amount exceeding an aggregate of 2.5% of the paid up value of the shares and pay dividends, if any, to the shareholders in the Issue without writing off all its capitalized expenses.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Bank in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares through the Book Building Process. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [·] times the face value at the lower end of the Price Band and [·] times the face value at the higher end of the Price Band. Investors should also refer to the sections “Risk Factors” and “Financial Statements” on pages xi and 128, respectively, of this Red Herring Prospectus to get a more informed view before making the investment decision.

Qualitative Factors

1. We are a public sector banking institution in India and service approximately 18.1 million customers across India.
2. As at September 30, 2006, we had 1,408 branches in India spread over 26 states and 3 union territories and two overseas branches.
3. Our advances increased by 29.81% to Rs. 261,925 million as at September 30, 2006 from Rs. 201,768.40 million as at September 30, 2005. As at September 30, 2006, retail loans constituted 24.86% of our total outstanding credit.
4. Our total deposits increased by 17.23% from Rs. 348,084.4 million as of March 31, 2005, to Rs. 408,055.2 million as at March 31, 2006.
5. Our net NPAs to net advances ratio declined from 2.71% as at March 31, 2004, 1.35% as at March 31, 2005, 0.79% as at March 31, 2006 to 0.45% as at September 30, 2006.

Quantitative Factors

1. *Earnings Per Share (EPS)*

Period	**EPS (Rs.)**	**Weight**
Year ended March 31, 2006	14.24	3
Year ended March 31, 2005	9.27	2
Year ended March 31, 2004	13.71	1
Weighted Average	**12.50**	

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

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

   a. Based on the weighted average EPS of Rs. 12.50, the P/E r atio is 6.16 at the lower end of the price band and 7.28 at the higher end of the price band

   b. Industry P/E#

      i) Highest: 16.2

      ii) Lowest: 4.3

      iii) Average: 10.4

\# Source: “Capital Market” Volume XXI/22 dated January 01, 2007 to January 14, 2007 for the Category titled ‘Banks-Public Sector’.

3. *Return on Net Worth*

Period	**Return on Net Worth (%)**	**Weight**
Year ended March 31, 2006	23.52	3
Year ended March 31, 2005	18.86	2
Year ended March 31, 2004	39.46	1
Weighted Average	**25.56**	

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

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

   The minimum return on increased net worth required to maintain pre-Issue EPS of Rs. 14.24 is 20.89 % at the lower end of the price band and 20.07% at the higher end of the price band.

5. Book value per Equity Share

   As of September 30, 2006: Rs. 64.03

   After the Issue: 66.63 at the lower end of the price band and 69.43 at the higher end of the price band

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

6. Comparison of Accounting Ratios as of March 31, 2006

	EPS (Rs.)	**P/E**	**Return On Average Net Worth (%)**	**Book Value Per Share (Rs.)**
Indian Bank	14.24	[●]	23.52	54.32
Peer Group				
Allahabad Bank	15.00	5.60	29.60	68.30
Andhra Bank	9.50	7.90	20.50	59.70
Corporation Bank	30.00	9.60	13.80	235.30
Peer Group (Simple) Average	18.17	7.70	21.30	121.10

Source: "Capital Market" Volume XXI/22 dated January 01, 2007 to January 14, 2007 for the Category titled 'Banks-Public Sector'..

The peer group above has been determined on the basis of listed public-sector banks comparable in size with our Bank whose business portfolio is directly comparable with that of our business.

The Issue Price of Rs. [•] is determined by the Bank, in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. See the section titled "Risk Factors", "Our Business" and "Financial Statements" on pages xi, 42 and 128 of this Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Bank and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling conditions, as may be necessary, and is based on business imperatives the Bank faces in the future. It may be also kept in mind that the Bank may or may not choose to fully utilize the benefits. It may be also noted that the benefits discussed below are not exhaustive and this statement is only intended to provide general information to the investors and is neither designed nor intended to be substitute for professional tax advice.

I) INCOME TAX

a) To the Bank

1. As per provisions of Section 10(15)(i) of the Income Tax Act, 1961 (hereinafter called "the Act"), income by way of interest, premium on redemption or other payment on securities, bonds, deposits etc. notified by the Central Government is exempt from tax, subject to such conditions and limits as may be specified by Central Government in this behalf.

2. Under Section 10(34) of the Act, income earned by way of dividend from another domestic company is exempt from tax in the hands of the Bank.

3. Under Section 10(35) of the Act, income received in respect of units of a mutual fund specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and / or specified company [as defined under Unit Trust of India (Transfer of Undertaking and Repeal Act, 2002)], are exempt from tax in the hands of the Bank.

4. Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale, on which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to a concessional rate of tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit is payable under Section 115JB on such long term capital gains if 10% of book profit computed as per provision of Section 115JB is higher than the total income as per normal provision of the Act. If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits, rebate can be claimed from the income tax payable by the Bank in accordance with provisions of Section 88E of the Act towards such securities transaction tax.

5. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains, or, confessional rate of tax under Section 111A of the Act on short-term capital gains will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the confessional rate of 20% (plus applicable surcharge and education cess), after considering indexation benefits, or at 10% (plus applicable surcharge and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Act. Under Section 48 of the Act, the long-term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

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

7. Under Section 36(1)(viia) of the Act, in respect of any provision made for bad and doubtful debts, the Bank is entitled to deduction;

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

   (ii) Upto 10% of the aggregate average advances made by the rural branches, if any, of the Bank computed in the prescribed manner; and

   (iii) Further, with effect from April 1, 2004, the Bank, at its option, can claim further deduction in excess of the limits specified in the foregoing provisions for an amount not exceeding the income derived from redemption of securities in accordance with a scheme framed by the Central Government provided that such income is disclosed in the return of income of the Bank under the head "Profits & Gains of Business or Profession"

8. Under Section 36(1)(vii) of the Act, any bad debts, or part thereof, written off as irrecoverable, would be allowed as a deduction from the total income in accordance with and subject to the provisions contained therein.

9. As per provisions of clause (d) of proviso to Section 43(5) of the Act, an eligible transaction in respect of trading in derivatives referred to in clause (aa) of section 2 of Securities Contracts (Regulation) Act, 1956, carried out in a recognized stock exchange is not deemed to be a speculative transaction. An eligible transaction is defined to mean any transaction carried out electronically on screen-based systems by banks or mutual funds or through a SEBI registered stock broker or sub-broker, or such other intermediary, and which is supported by a time stamped contract note issued by such stock broker or sub-broker or intermediary to the client indicating unique client identity number and permanent account number. This has the benefit of set off of losses in respect of such transactions with other income of the Bank.

10. As per the provisions of Section 43D of the Act, interest income on certain categories of bad or doubtful debts as specified in Rule 6EA of the Income Tax Rules 1962 shall be chargeable to tax only in the year in which it is credited to the Profit and Loss account or actually received, whichever is earlier.

11. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that the Bank has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC of the Act. If only a portion of the capital gains is so invested, then the exemption would be available proportionately.

12. As per the provisions of section 72AA of the Act, where there has been an amalgamation of a banking company with the Bank under a scheme sanctioned and brought into force by the Central Government under sub-section (7) of section 45 of the Banking Regulation Act, 1949, the accumulated loss and the unabsorbed depreciation of such banking company shall be deemed to be the loss or, as the case may be, allowance for depreciation of the Bank for the previous year in which the scheme of amalgamation was brought into force and other provisions of the Act relating to set-off and carry forward of loss and allowance for depreciation shall apply accordingly.

13. As per the provisions of Section 80LA of the Act as amended by SEZ Act, 2005 with effect from 10.02.2006, where the bank's gross total income, in any previous year, includes income from an Offshore Banking Unit (OBU) in a special economic zone or income from banking business (as defined in Banking Regulations Act, 1949 with an undertaking located in a special economic zone, or any other undertaking which develops, or develops and operates, or operates and maintains a special economic zone, shall, subject to the fulfillment of the conditions specified in Section 80LA of the Act, be entitled to 100% deduction of such income for five consecutive assessment years, beginning with the assessment year relevant to the previous year in which the RBI's permission to open the offshore unit shall have been obtained, and after those three years, 50% deduction of such income for the next five consecutive assessment years.

b) To the resident shareholders of the Bank

1. As per section 10(34) of the Act, dividends declared, distributed or paid by the Bank are exempt from income tax in the hands of the recipient shareholders.

2. Section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

3. As per Section 54EC of the Act, subject to the conditions specified therein, capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Bank) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

4. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Bank, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Bank. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

5. Long-term capital gains would accrue to resident shareholders, where the Equity Shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of the consideration:

(i) Cost of acquisition/improvement of the shares, as adjusted by the Cost Inflation Index notified by the Central Government; and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.

6. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal to provisions of the Act. If the shares on which securities transaction tax has been paid are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the Act towards such securities transaction tax.

7. The benefit of exemption from tax under Section 10(38) of the Act, on long-term capital gains or, concessional rate of tax under Section 111A of the Act, on short-term capital gains, will not be available, where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, in accordance with and subject to the provision of Section 48 of the Act. In respect of capital gains not chargeable under section 111A, the short term capital gains in respect of shares held for a period less than 12 months, is added to the total income. Total income, including short-term capital gains, is chargeable to tax as per the relevant rate applicable to the assessee, plus applicable surcharge and education cess.

c) To the Non-resident Shareholders, including NRIs, OCBs and FIIs.

1. As per section 10(34) of the Act, dividends declared, distributed or paid by the Bank are exempt from income tax in the hands of the recipient shareholders.

2. Section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date, will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

3. As per Section 54EC of the Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (including Equity Shares of the Bank) is exempt from tax, provided that the shareholder has, at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC. If only a portion of capital gains is so invested, then the exemption is available proportionately.

4. As per the provisions of Section 54F of the Act, subject to the conditions specified therein, long-term capital gains accruing to a shareholder, not owning more than one house, being an individual or a Hindu undivided family, on transfer of shares of the Bank, shall be exempt from tax, provided the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer of such shares, or in the construction of a residential house within a period of three years from the date of transfer of such shares of the Bank. If only a portion of the net consideration is so invested, then the exemption is available proportionately. The exemption is subject to other conditions specified in Section 54F of the Act.

5. Long-term capital gains would accrue to non-resident shareholders, where the equity shares are held for a period of more than 12 months prior to the date of their transfer. In accordance with and subject to the provisions of Section 48 of the Act, in order to arrive at the quantum of capital gains, the following amounts would be deductible from the full value of consideration:

(i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and

(ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares As per the provisions of the first proviso to Section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents 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 the full value of the consideration received or accruing into the same foreign currency, as was initially utilised in the purchase of equity shares, and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such cases.

6. Capital gains arising on transfer of long-term capital assets, being equity shares in a company, on sale of which securities transaction tax is paid, are exempt under Section 10(38) of the Act, whereas short-term capital gains are subject to tax under Section 111A of the Act at the rate of 10% (plus applicable surcharge and education cess). However, shareholders

being companies are required to pay minimum alternate tax of 10% (plus applicable surcharge and education cess) of book profit under Section 115JB on such long term capital gains if 10% of their book profit computed as per provisions of Section 115JB is higher than the total income as per normal to provisions of the Act. Where securities transaction tax has been paid on shares, which are treated as stock-in-trade, liable to tax as business profits at the maximum marginal rate, rebate can be claimed in respect of such securities transaction tax in accordance with provisions of Section 88E of the Act.

7. The benefit of exemption from tax under Section 10(38) of the Act on long-term capital gains or, concessional rate of tax under Section 111A of the Act on short-term capital gains, will not be available where no securities transactions tax is applicable. In such cases, under the provisions of Section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units would be charged to tax at the concessional rate of 10% (plus applicable surcharge and education cess).

8. As per the provisions of Section 115-I of the Act, Non-Resident Indians have an option to be governed by Chapter XII-A of the Act, according to which:-

   i) Under section 115E of the Act, capital gains arising to a Non-Resident on transfer of shares in a Company, subscribed to in convertible foreign exchange and held for a period exceeding 12 months (not covered under Sections 10(38) of the Act) would be taxed at a concessional rate of 10% (without indexation benefit plus surcharge and education cess as applicable).

   ii) Under section 115F of the Act, long-term capital gains accruing to a Non-Resident on transfer of shares in a company, subscribed to in convertible foreign exchange (not covered under Sections 10(38) of the Act) would be exempt from income tax, if the net consideration is invested in specified assets as defined in Section 115C(f), or in any saving certificates specified under Section 10(4B), within six months of the date of transfer. If only part of the consideration is so invested, the exemption would be proportionately reduced. The amount so exempted would be chargeable to tax, if the specified assets are transferred or converted within three years from the date of their acquisition.

   iii) The aforesaid benefits will apply only in case of transfer of shares of the Bank, which is not subject to STT, and hence not exempt from tax under section 10(38).

   iv) As per the provisions of Section 115G of the Act, a non-resident Indian is not required to furnish a return of income under Section 139(1) of the Act, if his total income consists only of investment income and / or long term capital gains, arising from investment in shares subscribed to or purchased in convertible foreign exchange and tax has been deducted at source from such income.

   v) As per the provisions of Section 115H of the Act, where a non-resident Indian becomes assessable as a resident in India in any previous year, he may furnish a declaration in writing to the Assessing Officer along with his return of income under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to income derived for that year and for subsequent years from the shares of the Bank acquired with convertible foreign exchange, until such assets are converted into money.

   vi) As per the provisions of Section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

9. Capital gains arising to Foreign Institutions Investors (FIIs) on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the Act. As per Section 115AD of the Act, long-term capital gains arising on transfer of shares purchased by FIIs, are taxable at the rate of 10% (plus applicable surcharge and education cess). Short-term capital gains are, however, taxable at the rate of 30% (plus applicable surcharge and education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the Act, as stated in para 5 above, will not apply.

10. Where any Double Taxation Avoidance Agreement (DTAA) entered into by India with any other country or agreement enter into by specified association in India with any specified association in the specified territory outside India which is notified by the Central Government under Section 90 and 90A provides for a concessional tax rate or exemption in respect of income from the investment in the Company's shares, those beneficial provisions shall prevail over the provisions of the Act in that regard.

d) Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income from investments in the shares of the Bank, or income by way of short term or long term capital gains arising from transfer of such shares, earned by mutual funds registered under the Securities and Exchange Board of India Act, 1992, or Regulations made thereunder, or mutual funds set up by Public

Sector Banks or Public Financial Institutions and Mutual Funds authorised 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.

II) WEALTH TAX

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957. Hence wealth tax will not be applicable on shares of the Bank in the hands of shareholders.

III) GIFT TAX

The Gift Tax Act, 1958, ceased to apply to gifts made on or after October 1, 1998. Gifts of shares of the Bank would, therefore, be exempt from gift-tax.

INDIAN BANKING SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the GoI and its various ministries, the RBI and the Indian Banks' Association and has not been prepared or independently verified by us or any of our advisors. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report, 2005-2006, Trend and Progress of Banking in India 2004-05 and 2005-06, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks as on June 2006, the RBI's Annual Policy Statements 2006-2007 and the Mid-Term Review of the RBI's Annual Policy Statement for 2006-2007. Wherever we have relied on figures published by the Indian Banks' Association, unless stated otherwise, we have relied on Performance Highlights of Public Sector Banks 2005-06 and Indian Banking at a Glance 2006. References herein to periods such as "2005-06" refers to the year ended March 31, 2006, unless stated or implied otherwise.

History

The East India Company set up Bank of Bombay in 1720 with the objective of increasing trade. In 1786, the General Bank of India was floated, which claimed limited liability on the shareholders. Subsequently, other banks, viz., the Carnatic Bank (1788), the Madras Bank (1795), the British Bank (1795) and the Asiatic Bank (1804) were established as private institutions. The evolution of the modern commercial banking industry in India can be traced to 1806 with the establishment of the Bank of Calcutta, later renamed to Bank of Bengal in 1809. Three presidency banks were set up in Calcutta, Bombay and Madras. In 1860, the limited liability concept was introduced in banking, resulting in the establishment of joint stock banks. In 1921, the three presidency banks were amalgamated to form the Imperial Bank of India, which took on the role of a commercial bank, a bankers' bank and a banker to the Government. The establishment of the RBI as the central bank of the country in 1935 ended the quasi-central banking role of the Imperial Bank of India. In order to serve the economy in general and the rural sector in particular, the All India Rural Credit Survey Committee recommended the creation of a state-partnered and state sponsored bank taking over the Imperial Bank of India and integrating with it, the former state-owned and state-associate banks. Accordingly, the State Bank of India ("**SBI**") was constituted in 1955. Subsequently in 1959, the State Bank of India (Subsidiary Bank) Act was passed, enabling the SBI to take over eight former state-associate banks as its subsidiaries. In 1969, 14 private banks were nationalised followed by six private banks in 1980.

Until the 1980s, 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. Bank profitability was low, non-performing assets were comparatively high, capital adequacy was diminished, and operational flexibility was hindered.

The Government'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, i.e., the Narasimham Committee I. This was followed by reports submitted in 1998 by other Committees, such as the second Committee on Banking Sector Reform, i.e., the Narasimham Committee II and the Tarapore Committee on Capital Account Convertibility, and the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market, and the entry of new private sector banks have progressively intensified the competition among banks.

Constituents of the Indian Banking Sector

The RBI is the central regulatory and supervisory authority for the Indian banking sector. The Indian banking sector is comprised of 84 scheduled commercial banks of which 28 are public sector banks, 19 old private banks, eight new private banks, 29 foreign banks as on June 30, 2006. In addition, there are 109 regional rural banks and 1,864 urban cooperative banks.

The discussion below presents an overview of the role and activities of the RBI and of participants in the Indian banking sector, with a focus on commercial banks.

Reserve Bank of India

The RBI is the central banking and monitoring agency**.** It manages the country's money supply and foreign exchange and also serves as a bank for the Government and for the country's commercial banks. In addition to these traditional central banking roles, the RBI undertakes certain developmental and promotional activities.

As a regulator, the RBI issues guidelines, notifications and circulars in various areas, including exposure norms, income recognition, asset classification, provisioning for non-performing assets, investment valuation and capital adequacy standards for commercial banks.

Commercial Banks

Commercial banks in India have traditionally focused on meeting the short-term financial needs of industry, trade and agriculture. They may be categorised as Scheduled Commercial Banks ("**SCBs**") and non-scheduled commercial banks.

SCBs are banks that are listed in the second schedule to the RBI Act, and may further be classified as public sector banks, private sector banks and foreign banks. SCBs have a presence throughout India, with nearly 66.5 per cent of the bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

As on June 30, 2006 there were 109 regional rural banks, 28 public sector banks, 27 private banks, 29 foreign banks and four non-scheduled commercial banks in the country, with a total network of 69,104 branches.

Public Sector Banks

Public sector banks make up the largest category of banks in the Indian banking system. There are 28 public sector banks in India. They include the SBI and its seven associate banks and 19 nationalised banks and one other public sector. Nationalised banks are governed by the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980. The banks nationalised under the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 are referred to as "corresponding new banks".

As on June 30, 2006, public sector banks had 47,950 branches and accounted for 71.4 per cent of the aggregate deposits and 70.2 per cent of the gross bank credit outstanding of the SCBs in India.

Regional Rural Banks

Regional Rural Banks ("**RRBs**") were established by the GoI, state governments and sponsoring commercial banks with a view to develop the rural economy. RRBs mainly provide credit to small farmers, artisans, small entrepreneurs and agricultural labourers. There were 109 RRBs as on June 30, 2006, with 14,369 branches and they accounted for 3.20 per cent of aggregate deposits and 2.6 per cent of the gross bank credit outstanding of the SCBs in India.

Private Sector Banks

After bank nationalisation was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the emergence of nine private sector banks. These banks are collectively known as the "New Private Sector Banks". There are eight New Private Sector Banks operating as on June 30, 2006. In addition, 19 private sector banks existing prior to July 1993 were operating as on June 30, 2006. These are collectively known as the "Old Private Sector Banks". With 6,543 branches, as on June 30, 2006, these banks accounted for 20.0 per cent of aggregate deposits and 20.3 per cent of the gross bank credit outstanding of the SCBs in India.

Foreign Banks

As on June 30, 2006, there were 29 foreign banks with 242 branches operating in India and these banks accounted for 5.4 per cent of aggregate deposits and 6.90 per cent of the gross bank credit outstanding of the SCBs in India.

The GoI permits foreign banks to operate through (i) branches; (ii) a wholly owned subsidiary; or (iii) a subsidiary with aggregate foreign investment of up to 74 per cent in a private bank. The foreign direct investment limit in private sector banks is 74 per cent under the automatic route, including investment by FIIs.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect from September 24, 2004, specifies that all multi-state co-operative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban co-operative societies, the National Bank for Agriculture and Rural Development ("**NABARD**"), state co-operative banks and district central co-operative banks.

Banking Sector Trends

Sustained demand for bank credit has characterised the Indian banking system in the past four years in consonance with the upturn in economic activity. Non-food credit extended by SCBs recorded an average annual growth of 26.1 per cent between 2002-03 and 2005-06, higher than that of 14.5 per cent recorded during the preceding four-year period (1998-99 to 2001-02).

The total advances of SCBs as on March 31, 2006 were Rs.15,156,680 million, which translates into a growth of 31.98 per cent over the previous year.

The sharp expansion in credit in recent years also reflects, in part, policy initiatives to improve flow of credit to sectors like agriculture. The agricultural credit provided by co-operative banks, commercial banks and RRBs increased by 44 per cent and reached Rs.1,253,090 million during 2004-05, compared to Rs.869,810 million during 2003-04. The ground level credit flow to agriculture and allied activities reached Rs.1,574,800 million during 2005-06. Similarly, demand for credit by industry has shown a recovery in the current cyclical upturn. Growth of credit to the industrial sector accelerated from 15.6 per cent during the 1990s to 18.5 per cent between 2002-03 and 2004-05**.**

Retail loans, which witnessed a growth of over 40.0 per cent in 2004-05 and again in 2005-06, have been the prime driver of the credit growth in recent years. Retail loans as a percentage of gross advances increased from 22.0 per cent in March 2004 to 25.5 per cent in March 2006. Of the components of retail credit, the growth in housing loans was 50.0 per cent in 2004-05 and 34.0 per cent in 2005-06. Banks direct exposure to commercial real estate also more than doubled in the last financial year.

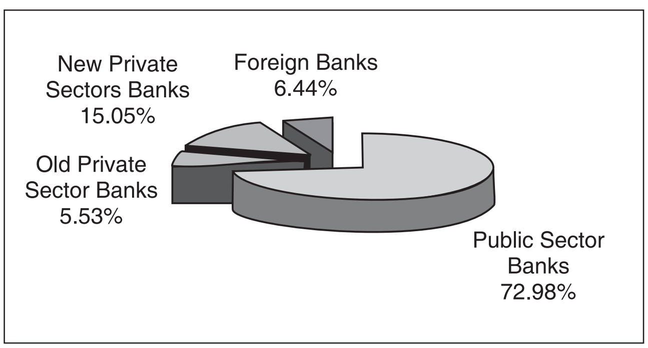
The program of linking self-help groups ("**SHGs**") with the banking system is an important component of the micro-finance programme in the country. As on March 31, 2006, as many as 1,996,488 (provisional) SHGs were linked to banks and the total credit to SHGs was Rs.94,950 million. The Union Budget, 2006-07 (the "**Budget**") has proposed to enhance the annual target of credit linkage to 385,000 SHGs during the year. The Budget also announced a scheme providing short-term credit to farmers at 7 per cent per annum. The Government shall provide a subsidy of 2 per cent on all crop loans extended by banks.

Banks are permitted to use the services of SHGs, non-governmental s ("**NGOs**"), micro-finance institutions ("**MFIs**") and other civil society s ("**CSOs**") and post offices as intermediaries in providing financial and banking services.

The share of total retail credit in bank credit has increased from 6.4 per cent to 22.5 per cent between 1990 and 2006. The share of agriculture in total credit, which had declined from 15.9 per cent as on March 31, 1990 to 9.6 per cent as on March 31, 2001, has since recovered to 10.8 per cent as on March 31, 2005. The share of industry in total credit has continued to decline, falling to 38.8 per cent as on March 31, 2005 from a peak of 49.1 per cent as on March 31, 1999.

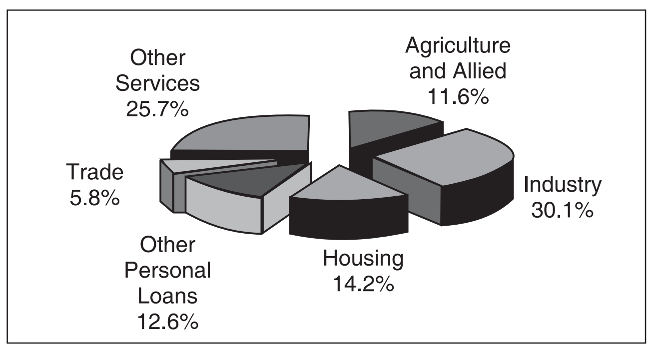
The following charts provide the share of advances among banks in 2005-06 and the incremental bank credit available to various sectors in 2005-06.

Share of advances among banks in 2005-06



Source: IBA, Indian Banking at a Glance 2006

Incremental Bank Credit during 2005-06

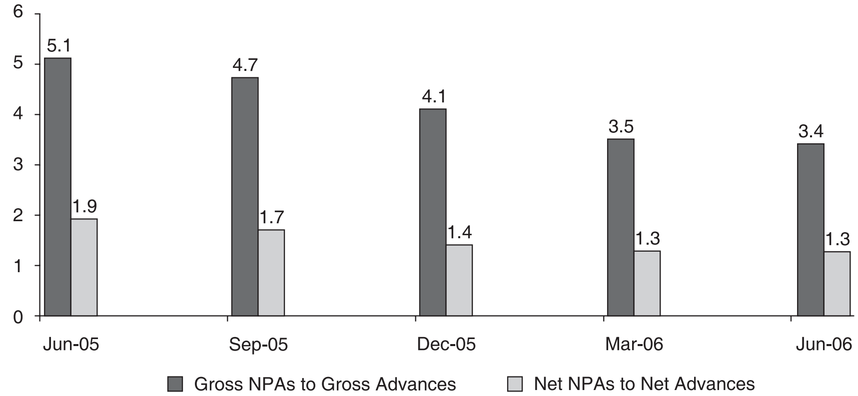


Source: Reserve Bank Of India Annual Report 2005-06

Asset Quality

The asset quality of SCBs improved during 2005-06, with gross and net NPA ratios reaching historical low levels of 3.5 per cent and 1.3 per cent, respectively, as on March 31, 2006. Robust economic activity and a better recovery climate have facilitated reduction in NPAs in recent years. The following chart shows the NPA ratios for SCBs for each quarter from the quarter ended June 30, 2005 to the quarter ended June 30, 2006.

NPA Ratios for SCBs



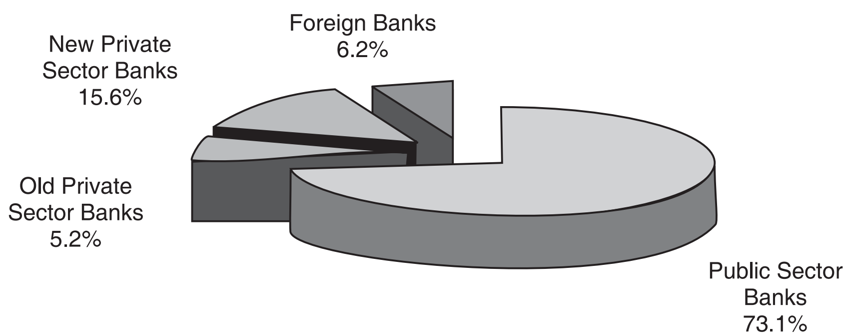
Source: Reserve Bank Of India Annual Report 2005-06

Investments

Investments by banks comprise two broad categories, namely, Government and other approved securities (SLR investments), and commercial paper, shares, bonds and debentures issued by the corporate sector and public sector undertakings (non-SLR investments). During 2005-06, investment of SCBs decreased by 0.2 per cent as against the increase of 8.1 per cent in the previous year.

The following chart shows investments by each category of banks in 2005-06.

Banks' Investments in 2005-06



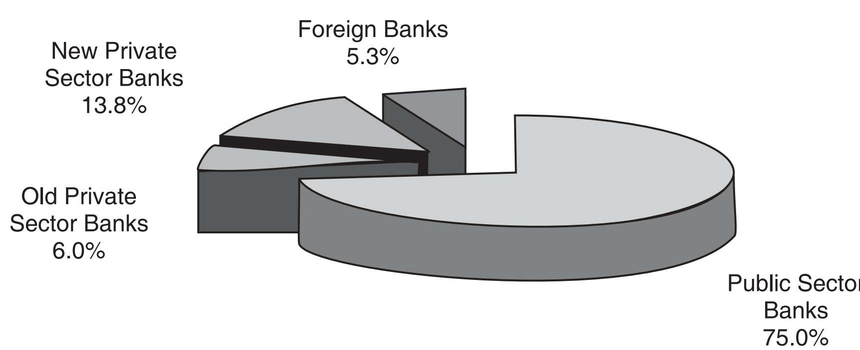
Source: The RBI, Report on Trend and Progress of Banking in India 2005-06

Deposits

Deposits of SCBs as on March 31, 2006 were Rs.21,624,740 million, growing at a rate of 17.96 per cent in 2005-06 over 2004-05, compared to a growth of 17.45 per cent in 2004-05 over 2003-04.

The following chart shows the share of deposits by category of banks in 2005-06.

Share of Deposits in 2005-06



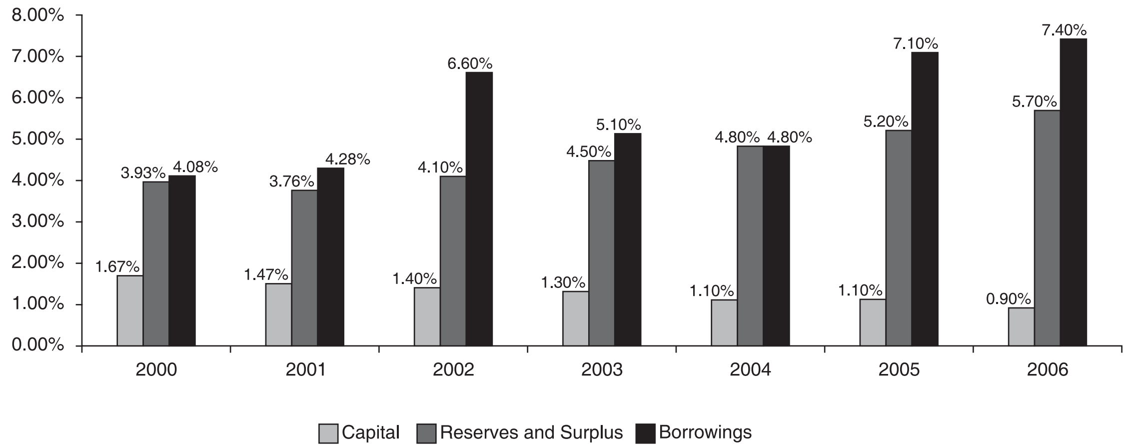
Source: The RBI, Report on Trend and Progress of Banking in India 2005-06

Non Deposit Resources

Banks have traditionally funded their lending operations with deposits. While deposits continue to be the main source of funding, the relative significance of non-deposit resources like borrowings, retained earnings and capital has increased.

The following chart shows the non-deposit resources of SCBs from 2000 to 2006.

Non-Deposit Resources of SCBs - Changing Patterns



(as a percentage of total resources)

Source: The RBI, Report on Trend and Progress of Banking in India 2004-05 and 2005-06

Income and profitability

The total income of SCBs declined from 8.21 per cent of their assets in 2004-05 to 8.03 per cent in 2005-06, as both interest and non-interest income moderated during the year. Total expenditure (as a percentage of total assets), on the other hand, was unchanged from the previous year. As a result, earnings before provisions and taxes (as a percentage of total assets), during 2005-06 were lower than the previous year. However, in view of lower provisions, profits after tax, (as a percentage of total assets), at 0.88 per cent during 2005-06 was almost the same as during 2004-05 (0.89 per cent).

Interest income, which is the major source of income, rose sharply by 18.59 per cent during 2005-06 compared to 9.8 per cent (including conversion impact) in 2004-05.

Capital Adequacy

The overall CRAR of SCBs at 12.4 per cent as on March 31, 2006 was less than the previous year's level (12.8 per cent). The decline in CRAR during 2005-06 could be attributed to the higher rate of increase in total risk weighted assets compared to the expansion in capital during the year.

Technology

Technology is emerging as a key-driver of business in the banking and financial services industry. Banks are developing alternative channels of delivery such as ATMs, telebanking, remote access and Internet banking. Indian banks have been making significant investments in technology. In addition to the computerisation of their front-office operations, the banks have moved towards back-office centralisation. Banks are also implementing "Core Banking" or "Centralised Banking", which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. A number of banks have joined together in small clusters to share their ATM networks. There are currently five such ATM network clusters functioning in India. The total number of ATMs installed by the SCBs was 17,642 as on March 31, 2005.

As on October 23, 2006 RTGS connectivity was available in 24,425 branches against a target of 20,000 branches set for June 30, 2006. The number of monthly transactions settled under RTGS has exceeded 300,000.

The National Electronic Funds Transfer ("NEFT") system for electronic transfer of funds, which was operationalised on November 1, 2005, is now available at 9,096 branches.

Recovery/Rehabilitation of Debts

Debt Recovery Tribunals (DRTs)

DRTs have been established under the Recovery of Debts due to Banks and Financial Institutions Act, 1993 for expeditious adjudication and recovery of debts that are owed to banks and financial institutions. Out of 71,399 cases for claims in a an amount of Rs.1,112,930 million filed with DRTs by the banks, 36,803 cases for claims in a an amount of Rs.427,920 million have been adjudicated as on March 31, 2006. The amount recovered as on March 31, 2006 through the adjudicated cases was Rs.149,920 million.

SARFAESI Act

The SARFAESI Act passed in Parliament in 2002 gives powers of "seize and desist" to banks. Banks can give a notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan and exercise management rights in relation thereto. The SARFAESI Act also provides for the establishment of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The constitutionality of the SARFAESI Act was challenged in Mardia Chemicals Limited v. Union of India, AIR 2004 SC 2371. The Supreme Court upheld the validity of the SARFAESI Act, except Section 17(2), which it struck down on the ground that the requirement of making a deposit of 75 per cent of the amount claimed at the time of making a petition or an appeal to the DRT in order to challenge the measures taken by the creditor was unreasonable. In addition to the SARFAESI Act several states also have revenue recovery acts and lok adalats.

Corporate Debt Restructuring ("CDR")

In order to put in place an institutional mechanism for the restructuring of corporate debt, the RBI has devised a CDR system. The CDR system is a non-statutory, voluntary mechanism based on debtor-creditor and inter-creditor agreements. Any lender having a minimum 20 per cent exposure in term loans or working capital may make a reference to the CDR Forum.

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

Consolidation

So far, consolidation has been limited to mergers of a few private banks or financially distressed banks. The Government has provided tax breaks aimed at promoting mergers and acquisitions. For instance, Section 72A and Section 72AA of the I.T. Act enable the acquiring entity, which could be a company, a corresponding new bank, a banking company or a specified bank to "carry forward and set-off accumulated losses and unabsorbed depreciation" of the acquired entity, subject to specified conditions being fulfilled.

Public sector banks are also forming certain alliances for cooperation in various areas e.g. sharing of ATMs, cross-selling products etc.

Performance Highlights of Public Sector Banks

Salient features of the operations of public sector banks based on a few important parameters are given below:

Total Assets – The total assets of the public sector banks increased from Rs.17,739,810 million as on March 31, 2005 to Rs.20,148,980 million as on March 31, 2006, a growth of 13.6 per cent which was lower than the growth of 20.5 per cent recorded in the previous year.

Deposits – The total deposits mobilized by public sector banks increased from Rs.14,365,410 million as on March 31, 2005 to Rs.16,224,810 million as on March 31, 2006, a growth of 12.9 per cent, which was lower than the previous year's growth of 16.8 percent.

Investments – Investments of public sector banks decreased in 2006. In absolute terms, total investments declined from Rs.6,862,130 million as on March 31, 2005 to Rs,6,337,410 million as on March 31, 2006, a decline of 7.6 per cent compared to a growth of 9.6 per cent in the previous year.

Advances - The total advances of the public sector banks increased from Rs.8,542,150 million as on March 31, 2005 to Rs.11,061,280 million as on March 31, 2006, a growth of 29.5 per cent which was lower than a growth of 34.9 per cent in the previous year.

NPAs - During the year, both gross and net NPA were lower than that of the previous year. Gross NPA declined from Rs.484,060 million as on March 31, 2005 to Rs.421,060 million as on March 31, 2006, a decline of 13.0 per cent compared to the previous year's decline of 8.1 per cent.

Income - The total interest income of public sector banks increased from Rs.1,203,650 million during 2004-05 to Rs.1,376,140 million in 2005-06, a growth of 14.3 per cent compared to the previous year's growth of 9.9 percent.

Expenditure – The total expenditure (excluding provisions and contingencies) increased from Rs.1,058,060 million to Rs.1,218,040 million, a growth of 15.1 per cent compared to 7.6 per cent in the previous year. Interest expenditure increased from Rs.687,640 million during 2004-05 to Rs.802,720 million during 2005-06, a growth of 16.7 per cent which was higher than the previous year's growth of 4.6 per cent.

Profit – In absolute terms the total operating profit increased from Rs.385,150 million during 2004-05 to Rs.388,960 million during 2005-06. Growth in operating profit of the banks increased marginally from a decline of 1.9 per cent during 2004-05 to a growth of 0.99 per cent during 2005-06.

(Rs. million)

	Year ended March 31,	
	2005	**2006**
Deposits	14,365,405.00	16,224,810.90
Investments	6,862,127.30	6,337,405.40
Advances	8,542,146.70	11,061,283.20
Total Assets	17,739,811.60	20,148,983.60
Gross NPA	484,061.00	421,061.10
Net NPA	169,035.40	145,595.90
Interest Income	1,203,650.50	1,376,140.90
Other Income	242,018.50	233,320.00
Total Income	1,445,669.20	1,609,460.80
Expenditure (Excluding provisions and contingencies)	1,058,060	1,218,040
Operating Profit	385,150	388,960
Provisions &Contingencies	230,730	223,575
Net Profit	154,420	165,390
Credit Deposit Ratio	59.46	68.18
Investment Deposit Ratio	47.77	39.06
Spread as per cent of Assets	2.91	2.85
Opr Exp as per cent of Total Expenses	35.01	34.1
Net Profit as per cent of Assets	0.87	0.82

Source: The Indian Banks' Association

Competitive position of Public Sector Banks in India

	Total Income	**Net Profit/Loss**	**Spread as % to Assets**	**Net NPAs to Net Advances**
	2005-06	**2005-06**	**2005-06**	**2005-06**
Allahabad Bank	43739.30	7061.30	2.85	0.84
Andhra Bank	31324.40	4855.00	2.87	0.24
Bank of Baroda	82916.90	8269.60	2.84	0.87
Bank of India	82130.80	7014.40	2.34	1.49
Bank of Maharashtra	25266.90	507.90	2.71	2.03
Canara Bank	100890.30	13432.20	2.70	1.12
Central Bank of India	59164.00	2574.20	3.19	2.59
Corporation Bank	31979.30	4444.60	3.03	0.64
Dena Bank	22191.20	729.90	2.72	3.04
Indian Bank	38959.90	5044.80	3.17	0.79
Indian Overseas Bank	51344.90	7833.40	3.48	0.65
Oriental Bank of Commerce	46716.90	5571.60	2.72	0.49
Punjab & Sind Bank	14505.50	1083.30	3.31	2.43
Punjab National Bank	108153.10	14393.10	3.21	0.29
Syndicate Bank	46419.90	5364.90	3.08	0.86

	Total Income	Net Profit/Loss	Spread as % to Assets	Net NPAs to Net Advances
UCO Bank	48183.10	1966.50	2.53	2.10
Union Bank of India	64888.10	6751.80	2.66	1.56
United Bank of India	28169.90	2045.70	3.07	1.95
Vijaya Bank	26807.90	1268.80	3.08	0.85
State Bank of India (SBI)	431836.10	44066.70	3.17	1.87
State Bank of Bikaner & Jaipur	23250.40	1450.30	3.61	1.18
State Bank of Hyderabad	33387.50	4270.40	2.69	0.36
State Bank of Indore	15984.10	1391.10	2.61	1.83
State Bank of Mysore	16933.20	2167.20	3.16	0.74
State Bank of Patiala	28085.80	3031.10	2.41	0.99
State Bank of Saurashtra	13122.70	601.20	2.90	1.16
State Bank of Travancore	26497.00	2586.80	3.00	1.47
IDBI Ltd.	66611.70	5608.90	0.43	1.01

Source: The Indian Banks' Association

Recent Policy Developments

In its Annual Policy Statement 2006-07 and its Mid Term Review of the Annual Policy Statement 2006-07, the RBI introduced the following key measures:

- The fixed repo rate under the Liquidity Adjustment Facility was increased by 25 basis points from 7.0 per cent to 7.25 per cent.
- The ceiling interest rate on Foreign Currency Non Resident (B) deposits was increased by 25 basis points to London Inter Bank Offer Rate ("LIBOR")/SWAP rates for respective currencies/maturities with effect from close of business in India on March 28, 2006.
- The ceiling on interest rates on non-resident (external) rupee deposits of one to three years, maturity was increased by 25 basis points to 100 basis points above LIBOR/SWAP rates for US dollar deposits of corresponding maturity.
- The ceiling on interest rate on export credit in foreign currency was increased by 25 basis points to LIBOR plus 100 basis points.
- Authorized dealer banks were permitted to borrow funds from their overseas branches and correspondent banks up to a limit of 50 per cent of their unimpaired Tier I capital or US$ 10 million, whichever is higher, against the earlier overall limit of 25 per cent.
- Several initiatives were taken to liberalise the conduct of foreign exchange business.
- The prudential limit on credit and non-credit facilities extended by banks to Indian joint ventures /wholly owned subsidiaries incorporate outside India was enhanced from 10 per cent to 20 per cent of unimpaired capital funds (Tier I and Tier II capital) of the bank.
- Structural and developmental measures for deepening and widening the government securities market were adopted.
- The amalgamation of 134 RRBs into 42 new RRBs sponsored by 18 banks in 16 States was implemented. Consequently, the total number of RRBs reduced from 196 to 104 by end-August, 2006.
- In January 2006 the RBI issued guidelines to banks for raising capital funds through the issue of innovative perpetual debt instruments (IPDI) (Tier I capital) and debt capital instruments (upper Tier II capital) to meet business needs as well as the Basel II requirements. Under these guidelines, IPDI shall not exceed 15 per cent of total Tier I capital of the issuing bank and debt capital instruments shall not exceed 100 per cent of Tier I capital along with other components of Tier II capital.
- The RBI proposed legal amendments to enable all banks in India to avail of the option of raising capital through the issue of preference shares.
- Foreign banks operating in India and Indian banks having presence outside India are to migrate to the standardised approach for credit risk management and the basic indicator approach for operational risk management under Basel

II with effect from March 31, 2008. All other SCBs are encouraged to migrate to these approaches under Basel II simultaneously, but in any case not later than March 31, 2009.

- The general provisioning requirement on standard advances in specific sectors, i.e., personal loans, loans and advances qualifying as capital market exposures, residential housing loans beyond Rs.200,000 and commercial real estate loans was increased from 0.40 per cent to 1.0 per cent.
- The risk weight on exposures to commercial real estate was increased to 150 per cent.
- A bank's total exposure to venture capital funds will form a part of its capital market exposure and banks, henceforth, have to assign a higher risk weight of 150 per cent to such exposure.
- The pilot project for cheque truncation, which aims at enhancing efficiency in the retail cheque clearing sector, is expected to be implemented in New Delhi by end-December 2006.
- The proposed National Settlement System ("NSS") which aims at settling clearing positions of various clearing houses centrally, is expected to be introduced by end-December 2006. The RBI proposes to extend this service to three [additional] metropolitan cities, Mumbai, Kolkata and Chennai.
- As part of financial inclusion, the State Level/Union Territory Bankers' Committee (SLBC/ UTLBC) of convenor banks in all States/Union Territories were advised to identify at least one suitable district in each State/ Union Territory for achieving 100 per cent financial inclusion by providing "no frills" accounts and general purpose credit cards .
- The RBI waived processing fees on banks for both electronic clearing services ("ECS") and electronic fund transfers ("EFT") transactions up to March 31, 2006 to promote electronic transactions. Furthermore, no processing fees are levied by the RBI for RTGS and NEFT transactions. Waiver of processing fees for RTGS transactions will continue up to March 31, 2007.

OUR BUSINESS

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

Overview

We are a public sector banking institution with a network of branches in the state of Tamil Nadu. As at September 30, 2006, we had 1,408 branches in India spread over 26 states and 3 union territories. We also have a branch in Singapore and a branch and foreign currency banking unit in Colombo, Sri Lanka. As at December 31, 2006, we had an additional 506 delivery channels, including extension counters, ATMs and satellite offices. As at December 31, 2006, we had a workforce of over 21,000 people serving over 18.1 million customers.

In Fiscal 2006, we made a net profit of Rs. 4,894.00 million and had assets of Rs. 474,115.55 million and net worth of Rs. 22,676.80 million. As at September 30, 2006, we had assets of Rs. 508,129.70 million and our net worth was Rs. 26,016.80 million. We have experienced consistent growth in deposits and advances, with deposits growing at a compounded annual rate of 13.47% during the last five fiscal years and net advances growing at a compounded annual rate of 18.97% during the same period.

The Indian Bank Limited, the predecessor of Indian Bank, was founded due to the efforts of Sri V. Krishnaswami Iyer and others. We were incorporated on March 5, 1907, commenced operations on August 15, 1907 and are currently celebrating our centenary. We were nationalised in 1969 along with 13 other major commercial banks in India and are currently wholly-owned by the Government of India. After this Issue, the Government of India's shareholding in the Bank will be reduced to 80%.

Our mission statement is to be the "common man's bank", as unveiled by the President of India on September 4, 2006. We seek to provide a range of financial products and services to all our customers under one roof. Our business is divided into four main areas: retail, agriculture, corporate and commercial financial services and SMEs.

Our retail banking business provides financial products and services to our retail customers. We provide housing, retail trade, automobile, consumer, education and other personal loans and deposit services, such as demand, savings and fixed deposits for our customers. In addition, we distribute products, such as global debit and credit cards. We also distribute third party products such as mutual fund products, life and non-life insurance policies, as well as mediclaim policies.

We have maintained our focus on addressing the needs of agricultural customers and offer specialised products and services that cater to the agricultural and rural sectors. We offer direct financing to farmers for production and investment, as well as indirect financing for infrastructure development and credit to suppliers of agricultural inputs. We have also established rural Internet Kiosk Centers in 12 locations to facilitate banking information in rural areas.

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

Our corporate banking products are intended to facilitate the establishment, expansion and modernisation of businesses, including the acquisition of fixed assets, plant and machinery and meeting working capital needs. We provide flexible security requirements to such borrowers to help make credit more accessible to them.

We have recently set up a fourth business segment for SMEs through which we provide financial services to medium enterprises and "SSIs". Our products for this sector are intended to facilitate the establishment, expansion and modernisation of businesses, including acquisition of fixed assets, plant and machinery and meeting working capital needs.

We are committed to social banking and facilitating community development. The Bank has played an active role in provide microfinance through Self Help Groups ("**SHGs**"). We are one of the pioneers in the SHG movement, which is a bank linkage program. We had loaned a total of Rs. 10,832.7 million to 174,162 SHGs as on September 30, 2006.

We have a network of branches across India, which increases our accessibility and enables us to offer retail customers convenient and accessible banking services. Of our domestic network of 1,408 branches, 640 are located in Tamil Nadu, which has a strong agricultural base and developing industrial base.

We deliver our products and services through our branches, extension counters and ATMs. As at September 30, 2006, our domestic branch network comprised of 468 rural, 357 semi-urban, 337 urban and 246 metropolitan branches. This network includes a number of specialised branches that focus on the needs of specific sectors. We have segmented our branches into corporate, credit intensive, commercial, personal and rural banking branches. In addition, the Bank has asset recovery management branches, service branches, two overseas business branches, an SSI branch, an NRI branch and a microsate branch for SHGs.

All our 1,408 domestic branches are computerised. The Core Banking Solution has been implemented in 800 branches and 80 extension counters as at December 31, 2006, covering approximately 84% of our business, to provide our customers "Any time, Any where" banking through multiple delivery channels.

The following table gives the geographic breakup of domestic deposits, advances and branch network as at the end of fiscal 2005 and fiscal 2006 and as at September 30, 2006:

	As at March 31, 2005			As at March 31, 2006			As at September 30, 2006		
Geographic Distribution	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**	**Number of branches**	**Deposits (Rs. in million)**	**Advances (Rs. in million)**
Northern India	**88**	53,221.50	22,878.61	**95**	59,094.37	31,949.61	**100**	69,961.41	32,862.39
Eastern India	**149**	31,686.52	8,418.43	**150**	33,235.59	11,150.43	**152**	34,989.95	13,254.45
Central India	**46**	9,550.23	2,081.21	**47**	10,910.25	2,923.38	**47**	11,822.87	3,355.20
Western India	**115**	56,068.20	38,126.67	**118**	72,155.20	44,691.03	**117**	75,154.48	52,887.86
Southern India	**982**	190,283.78	102,219.82	**990**	224,014.98	122,733.66	**992**	240,626.22	147,713.91
Total	**1,380**	340,810.23	173,724.70	**1,400**	399,410.38	213,448.10	**1,408**	432,554.92	250,073.81

MISSION STATEMENT

Our mission statement is to be the "common man's bank", as unveiled by the President of India on September 4, 2006. We seek to provide financial products and services to all our customers:

- Under one roof;
- At an affordable cost; and
- In a fair and transparent manner.

BUSINESS STRATEGIES

We strive to become the bank of first choice for the common man. We plan to achieve this vision by building lasting relationships with our customers and by continuously striving to enhance our offerings and operations to meet the changing needs of our customers. The main elements of our strategy are set forth below:

Continue to develop our technological capabilities

The development of efficient means of reaching customers and processing transactions is a key element of our goal to expand our profitability and to capitalize on opportunities for organic growth. We have revised our IT strategy and taken initiatives including the implementation of the Core Banking Solutions through our wide area network, increasing the number of ATMs and introducing alternate delivery channels (*e.g.*, internet banking, mobile banking and telebanking). We seek to improve our services by using technology for better credit management, extending our rural reach and increasing data storage capabilities. We are also evaluating opportunities to implement certain technological advancements such as e-enabled smart card technology and participating in e-governance. We believe that technology offers unparalleled opportunities to reach out to our customers in a cost-efficient manner.

Maintain and enhance our franchise in the agriculture and SME sectors

We intend to maintain and enhance our position as one of the banks involved in agricultural lending in India. We have introduced products such as our Kisan credit cards, which provide farmers with convenient and assured financing for their production, investment and consumption activities. We have a presence in the agriculture sector, particularly in southern India. We also intend to further expand our agricultural sector lending activities to other areas. Another aspect of our strategy is to further strengthen our ties with the agricultural community by providing training and social support programs for the rural populace. We intend to focus on giving loans to small and medium enterprises to facilitate their establishment, expansion and modernization of businesses. We have recently identified and created a separate business segment for SMEs and introduced centralised processing of credit applications to quicken the credit decisions and improve lending to this particular segment.

Enhance our retail banking business and focus on small businesses

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

We place emphasis on financing and nurturing small entrepreneurial activities. Our focus is to provide loans to entrepreneurs for certain activities, such as the purchasing of commercial space and new or second hand shops.

Build upon and expand our rural area business

We have traditionally had a strong presence in the rural and semi urban areas. We believe there is substantial potential for expanding our business by increasing our focus and leveraging our strength in these areas, including rolling out new products and services and increasing the accessibility of our products. We have focused on playing an active role in providing microfinance through SHGs. We believe that financial inclusion would pave the way for marketing of our products and services to people who do not have access to banking services.

Strengthen and expand our corporate and commercial product and service offerings

We seek to strengthen our position in the corporate and commercial sector by expanding our product and service offerings to growth-oriented small, medium and large sized businesses. We seek to increase our customer base by offering products and servicing the needs of these customers through specialized branches. Additionally, we seek to cross-sell our fee-based products and services to our current customer base and thereby increase our income from these products and services.

Maintain high asset quality standards through comprehensive risk management

We have improved our loan and investment portfolios by carefully targeting our customer base and implementing a risk assessment process and other risk monitoring and remedial procedures. 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 remedial policies to recover non-performing loans. In addition, we intend to maintain internal policy guidelines concerning exposure to individual industries and concentration of loans.

Leveraging on strong brand equity and expansive branch network

We are currently celebrating our centenary and we believe that we enjoy a strong brand perception. We strive to further build our "Indian Bank" brand through a focused marketing approach and using our widespread network of branches and other delivery channels. We plan to use the brand equity enjoyed by the Bank to enhance our business. We have adopted a new symbol to commemorate our centenary celebrations.

Attract and retain skilled and experienced professionals

We believe the recruitment, training and retention of skilled and experienced professionals are essential to the success of our business. We intend to continue attracting the appropriate level of talent from across India through the right mix of recruitment and retention strategies.

Control our costs

We have made a concerted effort to achieve a low overall cost of funds. We strive to do this by seeking operating efficiencies, developing deposit products with lower costs and regularly reviewing our costs for areas where we can achieve cost controls while continuing to develop our business.

Pursue selective strategic alliances

We strive to deliver a range of financial products under one brand with a view to become a financial supermarket. We have signed a Memorandum of Understanding ("MoU") with Oriental Bank of Commerce and Corporation Bank to create a strategic alliance with a view to collectively face the challenges of consolidation, convergence and competition without sacrificing the legal identity of the Bank to harness the economies of scale.

Additionally, we have entered into alliances with mutual funds, life insurers and non-life insurers to distribute their products. We have also signed an MoU with the ministry of Railways to install and operate ATMs at select Railway Stations. Further, we have entered into a sub-agency agreement with UAE Exchange and Financial Services Limited (an agent of MoneyGram Payment Systems, Inc.) to provide money transfer services at certain of our locations. We will continue to seek to enter into strategic alliances with other banks and financial institutions where management believes such alliances will provide advantages to our core business.

LENDING OPERATIONS

We had a total net outstanding loans amounting to Rs. 261,925 million as at September 30, 2006. Our Domestic loans accounted for 95.48% of the total net outstanding loans while International loans accounted for 4.52% of the total net outstanding loans as at September 30, 2006.

(Rs. millions)

	As at March 31, 2004		As at March 31, 2005		As at March 31, 2006		As at September 30, 2006	
Sector	**Loans**	**% of Total**	**Loans**	**% of Total**	**Loans**	**% of Total**	**Loans**	**% of Total**
Domestic	130,418	92.32%	173,725	94.52%	213,448	94.93%	250,074	95.48%
Corporate and Commercial	76,587	54.22%	95,601	52.01%	113,434	50.45%	136,010*	51.93%
Housing and Retail	33,179	23.49%	47,179	25.67%	58,499	26.02%	65,118*	24.86%
Agriculture	20,652	14.62%	30,945	16.84%	41,515	18.46%	48,946	18.69%
International	10,842	7.68%	10,076	5.48%	11,398	5.07%	11,851	4.52%
Total outstanding loans	141,260	100.00%	183,801	100.00%	224,846	100.00%	261,925	100.00%

* The 'Corporate and Commercial' and 'Housing and Retail' portfolio includes an amount of Rs. 50,389.40 million outstanding to the SMEs as at September 30, 2006.

RETAIL BANKING

Retail banking is one of our core businesses. Our retail banking strategy is to provide a range of personalized services to retail customers through increased automation and improved customer service, as well as a streamlined branch network focused on sales. Our retail banking services include:

- Retail advances, such as mortgage, education and consumer lending;
- Electronic banking, such as internet banking, phone banking and mobile banking;
- Global ATM-cum-Debit card; and
- International credit card.

Loans

Our total outstanding retail loans and advances were Rs. 65,118.00 million as at September 30, 2006, representing 24.86% of our total outstanding gross advances. The following table classifies our outstanding retail advances by category of loans as at March 31, 2005, March 31, 2006 and September 30, 2006.

Scheme	**As at March 31, 2005**		**As at March 31, 2006**		**As at September 30, 2006**	
	Amt. outstanding	**% of total outstanding to retail**	**Amt. outstanding**	**% of total outstanding to retail**	**Amt. outstanding**	**% of total outstanding to retail**
Home Loan	26,521.18	56.21	31,700.33	54.19	33,214.91	51.01
NRI Home Loan	922.36	1.96	1,157.98	1.98	1,256.91	1.93
Vehicle Loan	1,079.10	2.29	1,067.72	1.83	1,185.78	1.82
Salary Loan	4,670.10	9.90	4,951.35	8.46	5,155.17	7.92
Pension Loan	960.45	2.04	1,157.85	1.98	1,298.30	1.99
NSC Loan	1,173.54	2.49	1,571.30	2.69	1,606.94	2.47
Trade Fin.	5,577.52	11.82	7,211.13	12.33	7,414.99	11.39
Education Loan	1,609.01	3.41	3,749.65	6.41	5,422.46	8.33
Jewel NP	2,412.48	5.11	2,738.50	4.68	3,295.09	5.06
Others	2,252.81	4.78	3,193.59	5.46	5,267.45	8.09
Total	**47,178.55**	**100.00**	**58,499.40**	**100.00**	**65,118.00***	**100.00**

* The total retail portfolio includes an amount of Rs. 8,448.51 million outstanding to the SMEs as at September 30, 2006.

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

Housing Finance

Our housing finance business involves advancing long-term loans to customers to finance the purchase, construction, repair and renovation of homes and the purchase of home sites. We offer flexible repayment options with a maximum repayment period of 20 years for construction or purchase and up to 10 years for repairs and renovation. We offer both fixed and floating rates of interest for individual home purchases.

Education Loans

We offer retail customers financial support for studies both in India and abroad. The scheme aims to provide financial assistance on reasonable terms to needy and meritorious students for higher professional/technical and other courses. Finance is also available to pursue job oriented professional/technical graduate and postgraduate courses offered by reputed universities.

Vehicle Loans

We provide loans to finance the purchase of both two wheelers and four wheelers, including second-hand vehicles. Such loans are secured by a charge on the purchased vehicle.

Consumer Durables Loan Scheme

We provide loans for the purchase of consumer durables and white goods, such as TVs, air-conditioners, refrigerators and personal computers. We offer loans under the "IB Swarna Abharana" Scheme for housewives, working women and self-employed women.

Personal Loans

We offer loans designed particularly for the salaried classes of up to five times their gross monthly salary (for non-sponsored individuals) and seven times their gross salary (for sponsored individuals). We also offer special loan schemes targeted towards civil servants, LIC agents and pensioners.

Professional Loans

We provide loans to qualified professionals, such as chartered accountants, architects, interior decorators, qualified caterers and other such individuals with more than three years of experience in their field and who practice in a metropolitan, urban or semi-urban area. These loans can be used for business purposes, including the purchase of necessary tools and equipment, the purchase of vehicles, the upgrading of existing equipment or the renovation of office buildings or work premises.

For doctors, loans are offered under the "Doctor Plus" scheme.

Mortgage and Improvement Loans

We offer a variety of mortgage loans, where we provide financing against immovable property up to Rs. 1 million. The loan is available in the form of a term loan or a secured overdraft with the option of fixed or floating rates.

We offer loans to provide existing home loan borrowers with supplementary finance for household furniture, durable consumer goods and home improvement purchases such as air conditioners and water pumps.

Trade Finance

Under the "Trade Well" scheme, retail and wholesale traders, such as supermarkets, shopping malls, department stores, grocers, dealers in consumer durables and co-operative stores, and services traders, such as restaurants and entertainment providers, that maintain stock or book debts adequate to provide the required security are eligible to obtain working capital facilities or term loan facilities.

Loans to Educational Institutions

We offer a loan product, the "IB Vidhya Mandhir" loan scheme, that has been developed especially for schools and other reputed educational institutions to construct or upgrade buildings. We also offer loans to schools and colleges to purchase vehicles.

IPO and ESOP Loans

We offer loans to individuals or small groups of individuals that intend to purchase shares in selected IPOs. We also offer loans to employees and officials of issuers to purchase shares in selected IPOs and under ESOP schemes.

Other Loan Schemes

We also offer loans secured by shares, debentures, bonds, loans secured against rent receivables and loans secured against life insurance polices and against pledge of jewels. In addition, we offer the "Jala Nidhi Loan" Scheme to customers who wish to establish rainwater harvesting structures.

CORPORATE BANKING

Our products for corporate customers include term loans and advances for the creation or improvement of assets and also working capital funding. We also offer fee-based services, such as cash management and remittance services. As at September 30, 2006, advances to corporate and commercial customers constituted 51.93% of our total outstanding domestic loans.

As of the last reporting Friday of September 2006, advances to SSIs constituted 7.26% of our total outstanding domestic loans. As at September 30, 2006, advances to SMEs constituted 19.76% of our total outstanding domestic loans.

Loans and advances

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

Term Loans

Our term loans primarily finance the creation and improvement of assets, including project finance. These loans are typically secured by the project assets and personal property financed, as well as by other assets of the borrower wherever required. Repayment is made in installments over the loan period.

Cash Credit and Other Working Capital Facilities

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

Letters of Credit

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

Guarantees

We issue guarantees on behalf of our customers to guarantee their 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.

Loans against Future Rent Receivables

We offer loans against future rent receivable under the “IB Rent Encash” scheme. This product has been developed in response to the growth in the real estate market in metropolitan and urban centres where many commercial properties and shopping malls have been developed.

Loans against Shares and Securities

We extend loans and advances against shares, debentures, public sector undertaking bonds and Units of UTI to individuals, brokers and market makers, subject to RBI and SEBI regulations and in accordance with our own lending policy. We also provide advances to corporate borrowers to finance promoters’ contributions in the infrastructure sector.

Other Corporate Products and Services

Foreign Currency Loans

We provide loan facilities in foreign currencies to our customers. Foreign currency-denominated loans in India are granted out of the Bank’s FCNR (B) funds, pursuant to RBI guidelines. Currently, corporate customers can raise funds in foreign currency as set forth in the external commercial borrowing policy of the GoI and the RBI.

Export Credit

We offer both pre and post-shipment credit to Indian exporters through Rupee denominated loans as well as foreign currency loans in India. Foreign currency loans are extended out of our FCNR (B) funds and funds borrowed from abroad pursuant to RBI guidelines. We have access to US dollar denominated funds through syndicated loans and other foreign currency loans.

Import Finance

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

Exchange Houses

We have also entered into arrangements with five exchange houses based in the United Arab Emirates, Bahrain, Qatar, Oman and Kuwait for the handling of inward remittances.

Initiatives taken for growth of corporate credit

- Segmentation of branches – In order to give focused attention to the business needs of various corporate and manufacturing customers in a competitive environment, we have segmented our branches into Corporate and Credit Intensive branches. Corporate branches handle the business needs of high value corporates with facilities of Rs. 20 million and above while Credit Intensive branches handle the business requirements in the range of Rs. 10 million to 250 million of other corporates/ high value customers.
- Joint Appraisal – In order to address the credit requirement of corporations in the shortest possible time, we have implemented a Joint Appraisal system of credit proposals since December 2005. Under the system, executives from the Head Office functional departments visit the Circle Offices to process credit proposals along with the relevant branch and circle office and then place the proposal with the decision making authority at Head Office for sanction/consideration. This has resulted in faster clearance of proposals.
- We have signed a memorandum of understanding with India Infrastructure Finance Company Limited ("**IIFCL**") to provide a general framework under which we would work and cooperate with IIFCL to seek opportunities to complement each other's capabilities for syndication, joint financing and development of infrastructure projects in India.
- We have financed many textile businesses under the Technology Upgradation Fund Scheme ("**TUFS**"). We have been inducted as a Nodal Bank under the TUFS with effect from November 17, 2005.
- We have sanctioned Term Loans under the Pooled Municipal Debt Obligation facility ("**PMDO**") with participations from IDBI Bank, IIFCL, Canara Bank, IL & FS Ltd. and Commercial Banks for long term funding of Municipal Corporations, Urban Local Bodies, Local Authorities, etc.

AGRICULTURAL AND PRIORITY SECTOR FINANCIAL SERVICES

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.

(In Rs. Million, except for percentages)

	March 2005		March 2006		September 2006	
	Amount	% of Net Bank Credit	Amount	% of Net Bank Credit	Amount	% of Net Bank Credit
Agriculture credit	31,916.98	19.08	42,486.89	20.23	49,195.80	20.16
SSI credit	11,437.80	6.84	15,205.50	7.24	17,709.90	7.26
Other Priority Sector credit[(1)]	37,699.30	22.54	49,062.50	23.36	56,217.70	23.03
Priority Sector Credit total	81,054.08	48.46	106,754.89	50.83	123,123.40	50.45
Net bank credit	167,261.10		210,003.70		244,072.90	

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

We offer a wide variety of products and schemes under agricultural financial services. Our agricultural loans constituted 19.08% and 20.23% of our net bank credit as at the last reporting Friday of March 2005 and the last reporting Friday of March 2006, respectively. Agricultural loans constituted 20.16% of our net bank credit as on the last reporting Friday of September 2006.

The table below sets out the geographic distribution of our agricultural credit portfolio across India as at the last reporting Friday of the respective months indicated.

Geographic Distribution of agricultural borrowal Accounts	March 2005			March 2006			September 2006		
	Number of Accounts	Amount Outstanding (Rs. in Million)	% to outstanding agricultural loans	Number of Accounts	Amount Outstanding (Rs. in Million)	% to outstanding agricultural loans	Number of Accounts	Amount Outstanding (Rs. in Million)	% to outstanding agricultural loans
Northern India	5,414	933.20	2.92	6,302	4,169.60	9.81	6,513	5,179.80	10.53
North Eastern India	1,545	133.00	0.42	1,492	211.70	0.50	1,940	311.80	0.64
Eastern India	25,309	780.40	2.45	27,508	861.30	2.03	27,263	1,074.30	2.18
Central India	8599	380.00	1.19	9,344	490.80	1.16	10,479	629.40	1.28
Western India	10,246	605.80	1.90	10,734	720.00	1.69	11,429	2,584.70	5.25
Southern India	1,082,358	29,084.58	91.12	1,265,771	36,033.49	84.81	1,303,167	39,415.80	80.12
Total Agriculture portfolio	**1,133,471**	**31,916.98**	**100.00**	**1,321,151**	**42,486.89**	**100.00**	**1,360,791**	**49,195.80**	**100.00**

We set forth below details of certain of our products aimed at our agricultural customers.

Kisan Credit Card (KCC)

Short term production credit is extended to farmers under the Kisan Credit Card scheme in the form of cash credit for providing hassle-free credit to agriculturists in adequate quantity. This scheme also has built-in provision towards consumption needs, post-harvest expenditure and maintenance of agricultural implements. The purpose is to meet the short term credit requirements for cultivation of seasonal, annual and perennial crops.

Sugar Premium Loan

The Sugar Premium scheme has been introduced to enhance the flow of credit to registered cane growers to meet their investment credit requirements related to farm activities. Farmers who have been supplying their cane to reputed sugar mills for the prior three years are eligible. The term loan is permitted for taking up various developmental activities, such as deepening of wells and borewells, replacing old pumpsets, installing Drip system, land development and other farm development activities.

Golden Harvest Scheme

In order to finance sugarcane and paddy crops, our Bank introduced the Golden Harvest Scheme. In respect of sugarcane, our branches are authorised to adopt a scale of finance at 60% of the value of the estimated yield or Rs.20,000 per acre of registered cane, whichever is lower. For paddy crops, the scale of finance is fixed at 50%-60% of the value of the estimated yield or Rs.10,000 per acre, whichever is lower.

Produce Marketing Loan

With the objective of checking distress sales of agricultural produce by the farmers and also to enable farmers to get a remunerative price, the produce marketing loan is sanctioned to farmers, irrespective of whether they have taken a crop loan, but have stored their agricultural produce in Central Warehousing Corporation (CWC), State Warehousing Corporations (SWC), or private godowns approved/licensed by the appropriate authorities.

Financing for setting up of Agriclinics and Agribusiness centres

This scheme is designed to provide supplementary sources of input supply and services to needy farmers and to provide gainful employment to graduates in agricultural subjects. The outer ceiling for the cost of the project by an individual is fixed at Rs. 1 million and by a group at Rs. 5 million.

In addition to the above, our Bank offers the *Indian Bank Kisan Bike Scheme* and *Indian Bank Agri Vendors Bike Scheme*. These schemes offer loans to farmers and small vendors for the purchase of motorized two wheelers. In addition, the Bank also offers the *Scheme for Rehabilitation of Overdue Loans of Borrowers/Farmers* who are not able to repay the loan due to genuine reasons.

Farm Mechanisation

Loans for purchase of farm machinery are an integral part of investment credit under the direct agricultural portfolio of our Bank. To encourage mechanized farming, the Bank has entered into a Memorandum of Understanding with nine major tractor manufacturing companies for retail financing of tractors and accessories. We are a preferred banker for financing farmers on flexible lending norms and terms and conditions.

Rural Internet Kiosk

To take the digital technology to villages, the Bank, in association with EID Parry Sugar factory in Nellikuppam, Cuddalore district, Tamil Nadu, is implementing 12 Internet kiosks for the benefit of sugarcane farmers of the area. Through the Internet kiosk in interior villages in the command area of the sugar mill, farmers are provided with farm information at their doorsteps, movement of their cane proceeds, information on various Bank schemes, weather reports, market prices of various commodities and consultancy services with the agricultural and veterinary universities. The operator of the kiosks helps the farmers in soliciting requisite information in addition to the initial processing of their loan requirements and acts as a bridge between the sugar mill and the Bank branch.

Small and Medium Sized Enterprises (SMEs)

We have recently identified and created a separate business segment for SMEs. SMEs have been defined as manufacturing, processing and servicing businesses with between Rs. 10 million and Rs. 100 million invested in plant and machinery. Our products for the SME sector are intended to facilitate the establishment, expansion and modernization of businesses, including acquisition of fixed assets, plant and machinery and meeting working capital needs. As on September 30, 2006, we had an outstanding loan portfolio of Rs. 50,389.00 million in this segment, compared with Rs. 35,618.00 million as on September 30, 2005, representing year-on-year growth of 41.47%.

Along with the standard corporate services described above, we offer the following specialised products to our SME customers:

- "My Own Shop" Loan – for customers wishing to purchase commercial space and new or second hand shops necessary for running their business.
- "IB-Aayushmaan" Loan – loans for the construction, renovation or upgrade of gyms or fitness centres and the purchase of fitness equipment.
- "IB-Shanti Niketan" Loan – loans for the extension or renovation of hostels for working women, men or students.
- "Annapoorna and Aroghya" Loan – loans for the establishment, expansion or renovation of small to mid-size hotels, restaurants, bakeries and other service oriented enterprises.
- "IB BPO" Finance – for customers wishing to establish, renovate or upgrade BPO centres.

Through this business segment, we also lend to SSIs, which are defined as manufacturing, processing and servicing businesses with up to Rs. 10 million invested in plant and machinery. This limit is increased to Rs. 50 million for certain specified industries. As on the last reporting Friday of September 2006, SSI loans constituted 7.26% of our net bank credit. As on the last reporting Friday of September 2006, we had an outstanding loan portfolio of Rs. 17,710 million in this segment, compared with Rs. 13,812 million as on the last reporting Friday of September 2005, representing year-on-year growth of 28.22%.

BANK'S PERFORMANCE UNDER PRIORITY SECTOR CREDIT

The priority sector loans are reported as of the last reporting Friday of each quarter. As of the last reporting Friday of September 2006, our priority sector loans were Rs. 123,123.40 million, constituting 50.45% of our net bank credit against the requirement of 40.00% as stipulated by the RBI guidelines. The agriculture credit stood at Rs. 49,195.80 million as at September 29, 2006, constituting 20.16% of our net bank credit against the requirement of 18.00%. The SSI sector credit stood at Rs. 17,709.90 million, which constituted 7.26% of our net bank credit as at September 29, 2006.

Microfinance and Self Help Group Projects

We have made pioneering efforts to organize SHGs in rural areas in Tamil Nadu. Participating as a sole banker for the International Funds for Agricultural Development (IFAD) assisted Women Development Project, we first implemented the project in Dharmapuri district in 1989. Encouraged by the success of the project in Dharmapuri district, it was extended to seven other districts of Tamil Nadu by the state government.Seeing the success of this project, similar projects were launched in Maharashtra, which later paved the way for the formal launch of the SHG-Bank Linkage program. We intensified the efforts to credit link SHGs in all parts of India.

The Bank was awarded by NABARD with the shield for its excellent performance in SHG financing during fiscal 2002, 2003 and 2004 in Tamil Nadu.

Some of the other schemes offered by our Bank are as follows:

Vidhya Shobha Scheme

This is an educational loan scheme designed exclusively for the wards of the SHG members to enable them to meet educational expenses of their children. SHGs who have a good track record of repayment, are in existence for more than two years and have members who wish to take advantage of the loan may join the scheme and start saving through a recurring deposit or a savings bank account in the name of the SHG for a period of six months.

Gramin Mahila Sowbhagya Scheme

We introduced a loan scheme named "Gramin Mahila Sowbhagya Scheme" during the year of "Empowerment of Women" (2001) exclusively for rural women for the purchase of consumer durables, such as grinders, mixers, televisions, refrigerators and washing machines.

Grihalakshmi

This is a rural housing loan scheme by which credit assistance is provided to individual SHG members for the construction/ renovation/purchase of a house, including sheds and godowns, to carry out related economic activities for housing in rural, semi urban, urban and metropolitan areas.

Janashree Bima Yojana

A micro insurance product for SHG members to provide life insurance cover to the members of SHG in association with LIC of India was launched on May 29, 2006. Members of the SHG who are in the age group of 18-59 years and whose income is below poverty line are eligible for coverage under the scheme.

Universal Health Care Policy for below Poverty Line Families

We have introduced a health care insurance scheme in association with United India Insurance Co. Ltd. The policy provides health care cover, includes hospitalization expenses, disability/personal accident cover and temporary disability cover, for the below poverty line families.

Financial Inclusion

We launched the financial inclusion project in December 2005 in Union Territory of Puducherry with a view to provide banking facilities and other financial services to all the people in a fair, transparent and equitable manner and at an affordable cost. The basic objectives are to bring people into the institutional framework and provide a means to emerge from poverty. Besides UT of Puducherry, we have implemented the project in 13 lead districts of Tamil Nadu, Andhra Pradesh, Kerala, Mumbai (Dharavi) and also in select villages in other states.

Lead Bank Responsibility

Besides the state level lead bank responsibility in the Union territory of Puducherry, the Bank has lead responsibility in 13 districts (ten in Tamil Nadu, one in Kerala and two in Andhra Pradesh).

DEPOSITS

Our deposits are broadly classified into demand deposits, savings deposits and time (or term) deposits as follows:

- Demand deposits, which are non-interest bearing;
- Savings deposits, which are deposits that accrue interest at a fixed rate set by the RBI (currently 3.5%) and upon which cheques can be drawn; and
- Term deposits, which are deposits on which interest is paid, either on maturity or at stipulated intervals depending upon the deposit scheme under which the money is placed. Term deposits include:
  - o Fixed deposits on which a fixed rate of interest is paid at fixed, regular intervals;
  - o Re-investment deposits, under which the interest is compounded quarterly and paid on maturity, along with the principal amount of the deposit; and
  - o Recurring deposits, under which a fixed amount is deposited at regular intervals for a fixed term and the repayment of principal and interest is made at the end of the term.

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

(Rs. million)

Type of Deposits	March 31, 2004		March 31, 2005		March 31, 2006		September 30, 2006	
	Balance outstanding	% of Total	Balance outstanding	% of Total	Balance outstanding	% of Total	Balance outstanding	% of Total
Demand Deposits	23,409	7.69	28,583	8.21	32,040	7.85	33,544	7.60
From Banks	679	0.22	354	0.10	387	0.09	298	0.07
From Others	22,730	7.47	28,229	8.11	31,653	7.76	33,246	7.53
Savings Deposits	78,684	25.85	92,757	26.65	110,027	26.97	121,338	27.50
Term Deposits	202,351	66.46	226,745	65.14	265,988	65.18	286,355	64.90
From Banks	4,972	1.63	4,206	1.21	6,908	1.69	1,760	0.40
From Others	197,379	64.83	222,538	63.93	259,080	63.49	284,595	64.50
Total Deposits	304,444	100.00	348,084	100.00	408,055	100.00	441,237	100.00

Deposit Products

Fixed Deposits

Fixed deposits are accepted for a minimum amount of Rs. 100 for a minimum period of 15 days and a maximum period of 120 months. Interest is paid every quarter. Facilities for loan, foreclosure and nomination are available. Automatic renewal of the facility is available.

Facility Deposit

Our "user friendly" facility deposit combines the advantage of fixed deposit with the flexibility of an overdraft against the deposit. A fixed deposit or re-investment deposit, with a minimum of Rs.10,000, and in multiples of Rs. 1,000 thereof, can be made for a minimum period of one year and a maximum period of three years.

Reinvestment Plan Deposits

Reinvestment Plan Deposits (RIP) are accepted for a minimum amount of Rs.100 and in multiples of Rs.100 for a minimum period of six months and a maximum period of 120 months. Savings grow faster under an RIP as the interest is compounded quarterly. Facilities for loan, foreclosure and nomination are available. Automatic renewal of the facility is available. On due dates, the deposit will be renewed for an additional equal period subject to a maximum of one year in the absence of prior instructions from the depositor.

Ind Double – Centenary Certificate Scheme and Centenary Tax Saving Certificate

To celebrate our centenary, we have introduced the "Ind Double Centenary Certificate", with a term of 100 months. The minimum investment is Rs. 1,000/-. The amount invested doubles in 100 months. No foreclosure is allowed. Loans are available against this deposit. The scheme is available until December 31, 2006.

In addition, we have launched the Ind Double Centenary Tax Saving Certificate under which an investment of up to Rs. 0.1 million made in a year, by individuals or HUFs (Hindu Undivided Families), are eligible for deduction from income under section 80C of the Income Tax Act.

Recurring Deposit

Recurring deposit is a scheme designed specially to suit the needs of individuals, particularly the salaried class and small traders, to plan their savings to meet specific demands. In addition, we offer a *Variable Recurring Deposit* where the customer can vary the monthly installments according to convenience.

Special Recurring Deposit

Under the special recurring deposit scheme, deposits are accepted from institutions, societies, Government undertakings and corporate investors to meet their specific needs, such as the creation of a sinking fund or an amortisation fund.

Savings Bank

Savings bank account can be opened in the name of individuals, singly or jointly, minors of at least 14 years of age and HUFs. These accounts offer liquidity and also earn interest at the rate of 3.5% p.a. Local as well as outstation cheques, dividend warrants, interest warrants and pension payable to the account-holder will be collected.

A smaller minimum balance is prescribed for pensioners. Nomination facilities are available. ATM cards are provided free of cost if the depositor maintains the prescribed minimum balance. No TDS is deducted on interest earned in the savings bank account. Transferring the account from one branch to another branch is free of charge.

Vikas Savings Khata

The Bank has launched Vikas Savings Khata, a no frills savings bank account. The account can be opened with no initial / minimum balance and with relaxed Know Your Customer norms. Ten transactions (total debit and credits) are permitted in a month free of charges.

Current Account

Current accounts can be opened in the names of individuals (singly or jointly), proprietary concerns, partnerships and companies. There is a prescribed minimum balance on this type of account and the account is operated by cheque. Though no interest is payable on this type of account, there is no restriction on the number of transactions.

We undertake collection of bills, cheques, hundies and pension bills, as per instructions of the customers, subject to levy of a nominal service charge. Standing orders from the customer are also accepted.

Capital Gains Scheme 1988

Those eligible under sections 54, 54B, 54D, 54F and 54G of the Income Tax Act can open the account. All our branches except rural branches can accept deposits for this account. The minimum period for the deposit is 15 days and the maximum period is three years to be eligible for exemption under the Income Tax Act.

Power Account

Power account holders benefit from facilities like free-of-charge remittances, instant credit of outstation cheques, sanction within 24 hours of a clean loan facility and personalized cheques books.

Special Deposit Scheme for Senior Citizens

Senior citizens (i.e., individuals over the age of 60 years) can take advantage of Short Term Deposit, Fixed Deposit and Reinvestment Plans with a minimum balance of Rs. 1,000. The period of deposit is from 15 days to 120 months.

Sweep Facility under Current Account and Savings Account

Premium Current Account: A new product named the "Premium" current account has been launched with a built-in sweep facility and value additions, such as Internet Banking, Mobile Banking and Phone Banking and ATM-cum- Global Debit cards.

SB Platinum: A new product named the "SB Platinum" account has been launched with a built-in sweep facility and value additions, such as Internet Banking, Mobile Banking and Phone Banking and ATM-cum- Global Debit cards.

TREASURY OPERATIONS

Through our treasury operations, we manage our funds, invest in debt and equity products and maintain required regulatory reserves. We also run a proprietary trading book in debt and foreign exchange within the framework of our treasury policy. Our treasury operations also include a range of products and services for corporate and commercial customers, such as forward contracts, interest rate and currency swaps and foreign exchange products and services.

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 GOI securities, state government securities and other approved securities. As at September 30, 2006, 27.33% of our net demand and time liabilities consisted of Government and other approved securities. Under the RBI's cash reserve ratio requirements, we are required to maintain a minimum of 5.50% of our net demand and time liabilities in a current account with the RBI. As at September 30, 2006, 5.83% of our net demand and time liabilities were maintained in current accounts with the RBI. The RBI does not pay any interest on these cash reserves. For further discussion of these regulatory requirements, see the section titled "Regulations and Policies–Legal Reserve Requirements" on page 94 of this Red Herring Prospectus.

Our treasury is the focal point for management of market risk. It undertakes liquidity management by seeking to maintain an optimum level of liquidity while complying with the cash reserve and SLR requirements.

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

	March 31, 2004		**March 31, 2005**		**March 31, 2006**		**September 30, 2006**	
Securities	**In Rs. million**	**%**	**In Rs. Million**	**%**	**In Rs. million**	**%**	**In Rs. million**	**%**
SLR								
Government Securities	92,612.40	55.29%	106,264.0	59.39%	112,286.3	59.09%	113,821.6	56.82%
Approved Securities	5841.20	3.71%	5,628.4	3.15%	5,457.9	2.87%	5426.6	2.71%
Sub total	98,453.60	59.00%	111,892.4	62.54%	117,744.2	61.96%	119,248.2	59.53%
Non-SLR	0.0							
Subsidiaries and Joint Ventures	1,292.30	0.82%	1,292.3	0.72%	1,363.5	0.72%	1,363.5	0.68%
Recap Bonds	45,649.60	29.04%	45,649.6	25.51%	45,649.6	24.03%	45,649.6	22.79%
Bonds and Debentures	16,358.30	9.48%	18,367.8	10.27%	18,293.6	9.63%	15,477.6	7.73%
Shares	556.80	0.50%	849.7	0.47%	1,415.1	0.74%	2,348.7	1.17%
Commercial Paper, Mutual Fund Units and Others	4,461.90	1.16%	867.8	0.49%	5,542.5	2.92%	16,223.1	8.10%
Sub total	68,318.90	41.00%	67,027.2	37.46%	72,264.3	38.04%	81,062.5	40.47%
Total	166,772.50	100.00%	178,919.6	100.00%	190,008.5	100.00%	200,310.7	100.00%

FOREIGN EXCHANGE OPERATIONS

We undertake foreign exchange transactions for our customers. The foreign exchange contracts arise out of spot and forward foreign exchange transactions entered into with corporate and non-corporate customers and counter-party banks for the purpose of hedging and trading. We derive exchange income from the Spread between buying and selling rates.

We have 86 branches that are authorised to conduct foreign exchange operations across India. We maintain 30 nostro accounts in various foreign currencies with different correspondent banks to facilitate the foreign exchange business.

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

(Rs. in million)

	Year Ended				Six Months Ended	
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	September 30, 2005	September 30, 2006
Merchant Turnover	111,290	97,151.5	119,896.5	124,270.00	63,988.50	66,269.60
Interbank Turnover	872,745	703,322.90	924,469.4	1,230,613.10	570,535.00	378,566.80
Total	984,035	800,474.40	1,044,365.90	1,354,883.10	634,523.50	444,836.40

GENERAL BANKING SERVICES

We offer a wide range of general banking services to our retail, corporate and rural customers including:

Credit and Debit Cards

We offer an international credit card under an arrangement with VISA International. The IB Card is available in Classic and Gold varieties, with varying levels of credit limits and benefits. The IB Card is accepted worldwide. A new variant called the Bharat card has been launched for the common man.

We earn revenues from our credit card operations through:

- Admission fees and annual subscription fees;
- Interchange fees;
- Interest charges on credit card balance and advances;
- Handling charges on cash advances through ATMs; and
- Interest on advances to cover future payments owed to merchant establishments that accept VISA credit and debit cards.

We have introduced Maestro Debit Cards in association with MasterCard International. These debit cards can be used globally to withdraw cash from our Bank's ATMs and ATMs available under sharing arrangements with other banks. The Maestro Debit Cards can be used for purchase of merchandise and services from commercial establishments and service organizations.

Cash Management and Remittances

We have introduced CMS Plus, which is an integrated collection and payment system solution for corporate customers. Customers can have a centralized collection account into which all cheques and cash collections are pooled and transferred to the operative accounts.

We have also introduced the Indjet Remit Scheme, which enables our customers to make remittance to any account of any RTGS-enabled bank on the same day within two hours. National Electronic Funds Transfer (NEFT) is also enabled in our Bank.

Collection Services

All our branches have the facility to collect financial instruments, including cheques, drafts, warrants, refund orders and bills from customers. We have instituted our Expressway scheme in 20 centres. The Expressway scheme is a scheme for speedy collection of outstation cheques among the designated centres.

Depository Services

We earn fees for maintaining the accounts as a depository participant of NSDL, as well as for related services. We are registered as a participant with the NSDL. Through our depository service scheme, our customers at 119 of our branches are able to hold securities in dematerialised (or "demat") form.

Government Business

The Bank has identified Government business as an area of focus for future growth. We offer the following services:

Collection of Taxes

407 of our branches are authorized to collect direct taxes, including income tax, corporation tax, wealth tax, banking cash transaction tax and fringe benefits tax. All of these branches participate in the RBI's On-Line Tax Accounting System. In addition, 297 of our branches are authorized to collect central excise, service tax and customs duty in various states, including Tamil Nadu, Andhra Pradesh, Kerala and Karnataka. Customs duties are collected under the Electronic Data

Interchange system in Chennai and Hyderabad. For Internet banking customers, we also offer on-line payment of central excise and service tax. We are also authorized to collect state sales tax or VAT in the states of Maharashtra, West Bengal and New Delhi.

Distribution of deposit products of the Government of India

We are authorized to distribute RBI Bonds, handle public provident fund accounts and Senior Citizens Savings Schemes Accounts of the GoI through authorized branches across the country.

Ministerial Accounts

We are accredited to handle the accounts of the Election Commission, New Delhi. We collect the revenue of certain railway stations in Tamil Nadu, West Bengal and New Delhi.

Payment of Pension

We are authorized to make pension payments to Central Civil Pensioners, Railway, Defence and Telecom pensioners and pensioners of various state governments. We make pension payments to 118,288 Government pensioners and over 160,513 EPF pensioners across the country.

Non-Resident Indian Financial Services

We actively seek banking business from Non-Resident Indians (NRIs) by offering different type of accounts and various services to NRIs, including:

- Non resident ordinary account;
- Non resident (external) Rupee account;
- Foreign currency non resident account in various currencies; and
- Resident foreign currency account, which can be opened by a NRI on return to India for permanent settlement.

We also offer various products for facilitating remittances from NRIs to India. Our branch in Singapore has recently introduced its "Speed Remit" service. This online service allows customers to send Rupee remittances to India from Singapore, which are credited directly to customers' accounts maintained with 800 branches under our Core Banking Solution network in India.

NRIs have two more remittance channels available, namely "X-Press Money Remittance" and "Ind-Remit Scheme", which are online money transfer schemes. In addition, we offer NRI investment and forex advisory services. Our NRI branches, foreign exchange authorised branches and overseas branches offer NRI clients advisory services on matters relating to interest rates and exchange rate movement of various currencies and choice of investment under various deposit schemes available with particular reference to the suitability to the depositor concerned.

IB Swarna Mudra Scheme

We sell 24 carat gold coins and bars under this scheme. These gold products are produced by PAMP S.A. Switzerland. Presently 403 branches are selling these products.

Merchant Banking Services

Indbank Merchant Banking Services Limited ("**IBMBS**"), one of our subsidiaries, is a SEBI-registered Category I Merchant Banker, member of Madras Stock Exchange, the NSE, Over The Counter Exchange of India ("**OTCEI**") and a SEBI registered Depository Participant.

IBMBS undertakes fee-based activities, such as issue management, loan syndication, securities operations including on the NSE, the Madras Stock Exchange Limited, OTCEI and depositary participant activities and allied activities.

DISTRIBUTION OF THIRD PARTY PRODUCTS

As part of our strategy to increase our fee-based revenue and leverage our branch network, we have a large number of AMFI and IRDA-certified officers to distribute mutual fund and insurance products, respectively, in accordance with SEBI guidelines.

Insurance

We distribute life insurance products of HDFC Standard Life Insurance Co. (HDFC SLIC) to our deposit and loan account customers, corporate and other business customers, as well as employees of the Bank. We have marketed over 9,000 policies to its clients and collected premiums in excess of Rs. 550 million. The HDFC SLIC life insurance products are marketed through all our branches with the help of IRDA-certified marketing officers. In addition, HDFC SLIC has developed a customised product for our Bank's customers through which we can reach our customer base.

We also market the non-life insurance products of United India Insurance Co. Ltd., including insurance against fire, burglary and other risks to assets, such as plant and machinery, stock-in-trade and fixed assets, motor vehicle insurance, household insurance and personal accident insurance.

We have also entered an agreement with ECGC to distribute credit insurance packages for exporters.

Mutual Funds

We have entered into agreements with UTI Mutual Fund for the distribution and sale of their mutual fund products. We also have a tie-up with PNB Principal Financial Planners Pvt. Ltd. to market the mutual fund products of several asset management companies. We earn fees for the distribution and sale of these funds.

STRATEGIC ALLIANCE

The OIC Alliance

We have entered into an alliance with Oriental Bank of Commerce and Corporation Bank. We have executed a Memorandum of Understanding dated November 17, 2006 ("**MoU**") for a strategic alliance to face challenges of consolidation, convergence and competition without sacrificing the legal identity of the banks (the "**OIC Alliance**"). This MoU is valid for an initial period of three years, renewable by mutual consent of the parties.

The broad objectives of the OIC Alliance are to:

- Enhance the competitive strength of all the three participating banks;
- Enhance value creation to all stakeholders, including customers and employees through collective collaboration;
- Leverage on each participating bank's franchise value;
- Create new competencies, new products and enhance the existing products; and
- Accelerate business growth of the three participating banks.

Some areas of cooperation that have been agreed upon are sharing IT resources and treasury resources, building e-payment systems, bancassurance, forming business syndicates, sharing training resources, accessing the capital markets and other financial ventures.

The OIC Alliance has already made progress, including coordinating gold sales, finalising remittance arrangements, sharing of ATMs and joint participation in infrastructure financing. Three credit syndication hubs have been set up in Mumbai, New Delhi and Chennai for syndicating finance.

The MoU provides for the setting up of an advisory council, an executive committee and a co-ordination committee to identify new areas of cooperation and to oversee and review implementation.

The MoU states that each entity shall maintain its separate legal identity and any failure or omission by either party to carry out or observe the terms and conditions of the MoU shall not give to any claims by the other parties.

The MoneyGram Sub-Agency

We have entered into a sub-agency agreement dated October 7, 2006 (the "**Sub-Agency Agreement**") with UAE Exchange and Financial Services Limited (an agent of MoneyGram Payment Systems, Inc. ("**MoneyGram**")) to provide money transfer services. In terms of the Sub-Agency Agreement, we will make to recepients at certain of our locations, payments that have been initiated at another MoneyGram agent location. As consideration for the provision of these money transfer services, we will be entitled to 70% of the commission and exchange income received by MoneyGram for every remittance settled on or before the third banking day. We are yet to commence the provision of services in terms of the Sub-Agency Agreement.

The Sub-Agency Agreement will remain valid unless it is otherwise terminated. In terms of the Sub-Agency Agreement, the money transfer services may be terminated by UAE Exchange and Financial Services Limited or MoneyGram at any time without liability.

In terms of the Sub-Agency Agreement, we are required to indemnify UAE Exchange and Financial Services Limited and MoneyGram in respect of any liability that may be incurred by UAE Exchange and Financial Services Limited or MoneyGram as a result of act or omission by us or or our employees or agents.

DELIVERY CHANNELS AND ACCESSIBILITY

Our customers in metropolitan and rural areas can access a range of delivery methods to take advantage of our products and services. These include access to physical branches, extension counters and satellite offices. Round the clock access to select banking services are offered through ATMs, internet banking, mobile banking and telebanking.

ATMs

As at December 31, 2006, we had 365 ATMs and 1.12 million of our customers held ATM or Maestro debit cards, allowing them to access funds through ATMs. We have ATM sharing arrangements with the following consortia / banks, which allow our customers to access more than 14,500 ATMs in India at reduced fees or no cost.

- MITR consortium comprising Indian Bank, Punjab National Bank, Karur Vysya Bank Limited and Oriental Bank of Commerce.
- CashTree consortium comprising Indian Bank, Indian Overseas Bank, United Bank of India, Union Bank of India, Syndicate Bank, Karnataka Bank Limited, Bank of Maharashtra, Bank of India, Dena Bank and Bank of Rajasthan Limited.
- We have also joined NFS (National Financial Switch) of IDRBT.
- We have bi-lateral arrangements with State Bank of India and its associate banks and Andhra Bank for sharing of ATMs.

We have signed a MoU with the Ministry of Railways to install and operate ATMs at select Railway Stations.

We are among the first few banks to have commenced the usage of Base 24 Switch and TANDEM system for ATM transactions. We have upgraded the system and also set up a disaster recovery system for ATM operations.

Internet, Telephone and Mobile Banking

We have introduced internet, mobile and telebanking facilities to customers of CBS branches. By providing customers with a choice for accessing their account, these amenities facilitate greater and more convenient access to account related information. Through internet banking, we have also enabled e-Payment facility for payment of excise duty, service tax and other utility payments. We have obtained an Internet secured server certificate from the Institute for Development and Research in Banking Technology promoted by the RBI. Event-based SMS alerts are sent to mobile phone customers.

TECHNOLOGY

We have recognized the need to use technology to provide products with a customer centric focus that meet the constantly changing customer demands. Towards this objective, we have taken various initiatives. We have identified M/s Tata Consultancy Services Limited as the Core Banking Solution deployer. The Core Banking Solution is a suite of software applications, including Retail Banking from FNS Australia, Trade Finance (Eximbills) from China Systems, Customer Relationship Management (CRM from M/s Peoplesoft), e-Credit (credit appraisal workflow automation) and a Document Management System, which facilitates centralised operations through a central data base. This is a scalable and robust application using the Oracle RDBMS that has the capability to provide services through multiple delivery channels. Anti Money Laundering (AML) modules and Bilingual facility (English and Hindi) in CBS are being implemented as at September 30, 2006.

We have set up a dedicated primary data centre in Chennai and secondary (disaster recovery) centre at Hyderabad where we have installed the latest IBM systems. The implementation of the dedicated private network had been taken up so that the branches would be ready with connectivity in tune with CBS implementation. The system integration, coordination and implementation at our branches were carried out through in-house expertise.

By utilising various features of the software, we have introduced facilities, such as Express Counters, Multicity and Intracity Banking and Cash Management Services. All the CBS branches have been enabled for effecting funds transfer facility through RTGS and for effecting NEFT.

We have implemented or are in the process of implementing several other RBI-led technology projects designed to facilitate greater inter-bank connectivity and speedier clearing and settlement. Structured Financial Messaging System (SFMS), an RBI-led project has also been implemented.

We have been identified as one of the five banks for implementation of the e-Governance initiative of the Ministry of Company Affairs (MCA-21). This facilitates remittance of fees payable to the Registrar of Companies by corporates through select branches of identified banks. We are in the process of implementing an Integrated Treasury application. A retail loan application appraisal software has been implemented in our central processing centre for structured loan products in Chennai and the same is being extended to other centres. Corporate intranet facility for internal use has been provided for dissemination of important information, circulars, procedures, guidelines on various products and services, for the benefit of branches and staff members for effective customer service and knowledge enhancement.

Connectivity Infrastructure

We have set up a Wide Area Network (WAN) exclusively for the Bank with a three tier structure comprising branches, circle offices and a CBS Data Centre for interconnectivity. We have connected all circle offices to the data centre through BSNL's MPLS VPN (Multi Protocol Label Switching) network with ISDN Backup. Our network is monitored and managed on 24/7 basis by M/s HCL Comnet Ltd, our network implementer and integrator.

All administrative offices, including circle offices, inspection centers, training centers, DP services centre, credit card centre, are also connected to the WAN. Over 925 locations have been connected through the WAN. A WAN expansion project for networking additional 245 branches and extension counters through leased line is under implementation. The Bank has also been using VSATs for connectivity and so far has installed 160 VSATs. We are also utilizing extended C/KU band VSATs for connectivity in implementing CBS in branches and extension counters.

System Controls

We have initiated suitable control measures to protect the IT assets of the Bank. We have formed a separate "Information System Security Cell (ISSC)" to formulate the policies, guidelines and control measures for putting in place and ensuring effective information and system security. Suitable measures have also been taken for business continuity.

We have formulated the Information Systems Security Policy, in consultation with M/s Price Waterhouse Coopers P Ltd., the Internet Banking Policy and the Disaster Recovery Policy. These policies are under implementation. To ensure availability of services during disaster, the Bank has successfully conducted disaster recovery drills.

CERT-In, certified external auditors, conducted an IS Audit of Core Banking Solution, Internet Banking (penetration testing and ethical hacking), Network Architecture and Disaster Recovery Site. With the above initiatives, customers are provided with a secured IT environment for performing their account activities.

NPA MANAGEMENT

We are recovering impaired assets by adopting innovative recovery measures and utilizing our in-house expertise. Our gross NPAs have fallen to Rs. 6,250 million as on September 30, 2006 from Rs. 21,753.5 million as at March 31, 2002. Our net NPAs have fallen to Rs. 1,183.30 million as on September 30, 2006 from Rs. 9,035.8 million as on March 31, 2002. The gross NPA level in priority sector was at 4.20%.

Six specialized Asset Recovery Management Branches are focused exclusively on recovery of NPAs. The total number of NPA accounts has been substantially reduced from 192,753 in March 2002 to 105,696 accounts in March 2006. In addition we make efforts to recover from written off accounts and have recovered a total sum of Rs. 4,888.30 million from such written off accounts from April 1, 2002 to September 30, 2006.

We have progressively made higher recoveries of NPAs since 2000 as indicated by the data tabulated hereunder. The recovery of Rs. 4,182 million registered during Fiscal 2006 is the highest such amount recorded by the Bank since Fiscal 2002.

(Rs. in million)

Year	**2001-02**	**2002- 03**	**2003-04**	**2004-05**	**2005-06**	**Apr-Sep 06**
Total NPARecovery	2,840.20	2,805.90	3,202.20	3,115.80	4,182.00	2,290.50

Key Recovery Measures

- We initially address NPAs in economically viable and technically feasible accounts by rephasing, restructuring and rehabilitating them. From April 1, 2001 to September 30, 2006, NPAs aggregating Rs. 1,543.10 million have been upgraded after recovering the overdues.
- We have recovered an aggregate sum of Rs. 18,436.60 million from April 1, 2001 to September 30, 2006 by implementing various OTS schemes designed exclusively to address different segments, such as small and marginal farmers, small loan borrowers and SME entrepreneurs.
- We have referred 74,306 cases involving a sum of Rs. 2,912.72 million to Lok Adalats, of which 23,874 cases have been settled with a credit outlay of Rs. 659.93 million. An aggregate amount of Rs. 273.11 million has been recovered in 15,170 accounts through June 2006, out of the cases decided by Lok Adalat.
- We have recovered Rs. 311.10 million and closed 52,496 small loan NPA accounts as at September 30, 2006 under the OTS scheme for small loans.
- We have issued 4,702 notices and taken possession of the properties in 2,544 accounts under the SARFAESI Act. Out of the 1,460 sale notices issued, properties have been auctioned in 1,305 accounts. Measures undertaken under the SARFAESI Act have fetched a total recovery of Rs. 3,836.00 million.

RISK MANAGEMENT

Our comprehensive risk management system comprises policies, procedures, al structures and control systems for the identification, measurement, monitoring and control of various risks. We have an integrated approach to risk and our risk management policy documents are reviewed in accordance with our business requirements and as per RBI guidelines and have evolved over time to meet the changing needs of our business.

Our Board of Directors has the overall responsibility of establishing the Bank's strategic risk philosophy and a management structure capable of implementing our integrated risk management framework. We have established a Board-level Risk Management Committee that devises our integrated risk management policies and strategies, which contain our various risk exposure levels, and monitors our overall risk management. The Board approves and regularly reviews our risk management policies and sets limits by assessing our risk appetite and our risk-bearing capacity.

The three main risk exposures we face are credit risk, market risk and operational risk. We have constituted separate sub-committees, the Credit Risk Management Committee, the Asset and Liability Management Committee (ALCO) and the Operational Risk Management Committee, all of which are comprised of senior management and are tasked with overseeing the risk management functions relating to risks in a focused manner.

The Credit Risk Management Department, the Market Risk Management Department and the Operational Risk Management Department (collectively, the "Risk Management Departments") provide support functions to the risk management committees mentioned above through analysis of risks, reporting of risk positions and making recommendations as to the level and degree of risks to be assumed. The Risk Management Departments are supervised by a General Manager, who also acts as Chief Risk Officer. The Risk Management Departments have the responsibility of identifying, measuring and monitoring the various risks faced by us, assisting in developing policies and verifying the models that are used for risk measurement and reviewing developments in risk management techniques from time to time.

Credit Risk

Managing credit risk is at the core of all banking activity. Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties, which may be caused by the inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions. Credit risk emanates from a bank's dealings with its customers, including individuals, corporations, other banks, financial institutions and sovereigns.

The main objectives of our Credit Risk Policy are to (i) ensure that our operations are in line with the expectations of management and the risk management strategies are translated into meaningful directions to the operating level, (ii) ensure compliance with regulatory requirements, and (iii) define the process so that the credit risk can be identified, measured and managed.

Credit risk related to lending is addressed by our Credit Risk Policy, Loan Policy and Recovery Policy while credit risk related to trading, hedging and settlement are addressed through our Investment Policy.

Credit Risk in Lending

Our philosophy on credit risk in lending is articulated in our various policies on credit risk management, including the Credit Risk Policy, Loan Policy, Long Range Loan Policy, Country Risk Management Policy, Recovery/Compromise Policy, Loan and Investment Policy for Foreign Branches and Policy on Restructuring of Accounts & Rehabilitation of sick units, all of which detail the guidelines for all instruments of credit risk management and required procedures and processes for managing problem loans. Our policies are reviewed periodically.

Credit Approval Process

The process of risk identification begins at the time of accepting the credit proposal. We have documented a comprehensive risk assessment process for the approval of loans in each segment of our business in our Credit Risk Policy and Loan Policy.

The risk assessment process involves the fixing of benchmarks for various financial ratios in order to evaluate and set appropriate credit limits for borrowers. For existing loan accounts, Special Mention Accounts (SMA), Loan Review Mechanism (LRM) and Credit Audit are used to monitor and evaluate the performance of existing loans.

Risk Rating

Our Credit Rating Framework serves as a single-point indicator of diverse risk factors of counterparty and for making credit decisions in a scientific manner.

Taking into account the RBI's guidelines on credit risk management, we have established seven internal rating models for different segments and use the Moody's Rating model for borrowal accounts with credit limits of Rs. 10 million and above in the manufacturing segment. We have adopted credit risk ratings in 9-point scale in our internal models and 7 grades of rating under the Moody's risk rating model. Standard borrowal accounts with exposure of Rs. 200,000 and above are brought under the purview of rating exercise. Exposures below Rs. 200,000 and specific segments, such as Loan on Deposits, Jewel Loan and Agriculture credit are rated under portfolio approach.

Variations in the rating of borrowers over time indicate changes in credit quality. We have put in place a process for capturing changes in the borrowers' credit ratings and are in the process for measuring the probability of default. In addition, we intend to introduce a process for capturing the recovery rate and loss given default in due course.

Risk Pricing

Risk return pricing is a fundamental tenet of risk management. In accordance with the RBI directive, in Fiscal 2004 we introduced the concept of a single Benchmark Prime Lending Rate ("BPLR"). All advances, except certain specified categories, are now linked to BPLR. In respect of loans repayable in installments beyond three years, a term premia is added. The pricing for an advance, other than for a fixed interest-bearing loan, is done on the basis of the credit rating given to the borrower using our credit rating system.

In accordance with the RBI's guidelines, we are required to migrate to a scientific system of pricing credit, with a bearing on the expected probability of default. However, the probability of default can be derived only from the past behaviour of the loan portfolio for at least five to seven years. We currently have approximately four years of data on our loan portfolio quality and provisioning.

Mitigating Strategies

We have a system for monitoring the overall composition and quality of its various loan portfolios. Our Credit Risk Policy covers the risk mitigating strategies, such as loan participation, credit exposure ceilings, escrow mechanisms, forward cover, higher margin, loan covenants, collateral, personal or corporate guarantees and insurance cover.

Credit Exposure Ceilings

Credit exposure ceilings are a prudential measure mandated by the RBI aimed at improving risk management and avoiding concentration of credit risks. We have set our own credit exposure ceilings based on the guidelines for substantial exposure limits set by the RBI. As per the RBI's guidelines, the credit exposure ceiling is fixed in relation to our capital funds under capital adequacy standards (Tier I and Tier II capital).

Single and Group Borrowers

Borrowers	**Normal Circumstances (% of Capital funds of the Bank)**	**Exceptional Circumstances*(% of Capital funds of the Bank)**
Single Borrower	15%	20%
Single Borrower for Infrastructure	20%	25%
Group Borrower	40%	45%
Group Borrower for Infrastructure	50%	55%

**Exceptional exposures may be considered with the approval of the Board subject to making appropriate disclosures in the notes to accounts of our financial statements, with prior written consent from the borrower*

The exposure limits described above are not applicable to existing or additional facilities granted to sick or weak industrial units under a rehabilitation package nor are they applicable to borrowers to whom limits are sanctioned by the RBI directly with respect to food credit.

Exposure to Individual Industries and Sectors

Our policy is to limit our maximum exposure to an industry to 10% of our total bank credit, except as noted in the table below:

Industry/Sector	**Cap (in Rs. or as a percentage of total bank credit)**
Power	40,000 million
Real Estate Segment*	
- Home Loan and Other Structured Loan Products related to property	- 25% of total advances (global credit) outstanding as on March 31 of the previous year
- Others, including investments in mortgage backed securities	- 10% of total advances as on March 31 of the previous year

* *Subsequent to the RBI guideline, housing loans and other mortgage backed structured loans are to be considered as part of real estate exposure. Consequently, we have changed the cap on exposure to the real estate sector to 35%, including the home loan portfolio.*

Substantial Exposure Cap

In its guidelines on risk management systems, the RBI advised banks that the substantial exposure limit (*i.e.*, the sum total of exposures assumed in respect of those single borrowers enjoying credit facilities in excess of either 10% or 15% of capital funds) may be fixed at 600% to 800% of capital funds depending upon the degree of concentration risk to which the Bank is exposed. The aggregate substantial exposure limit is set at 400% of our capital funds as set forth in the previous year's balance sheet. For the purposes of calculating our substantial exposure limits, we include all single borrowers with an exposure of 10% or more of capital funds.

Unsecured Exposure

Our policy is to limit our total unsecured advances, excluding certain exempted categories (namely, low risk-weighted advances to Central/State Governments, banks, financial institutions, which are guaranteed by them, and high-rated advances), to 15% or less of total outstanding advances as of the previous year and our unsecured guarantees to 60% of total guarantees outstanding.

Unsecured exposure on other off-balance sheet business, such as letters of credit, acceptances / endorsements / other obligations, commitments and outstanding forward exchange contracts, cannot exceed 75% of global advances.

Country Exposure

We have implemented a Country Risk Management Policy for the domestic branches based on the RBI guidelines. We have adopted the country risk classification of the Export Credit Guarantee Corporation and have set limits on the level of exposure that can be assumed in respect of different countries. Country risks are factored while setting counterparty limits.

Portfolio Management

We have a system in place for the identification of credit weaknesses. We have established guidelines for tracking early warning signals of credit weaknesses and for the surveillance and monitoring approach to be adopted at various stages of our lending operations.

We evaluate our loan portfolio quality by tracking the migration of borrowers from one rating scale to another in various industries and business segments.

Loan Review Mechanism

The Loan Review Mechanism (LRM) is an important tool for evaluating the performance of the borrowal accounts vis-à-vis projections and indicating the direction of the risk migration. The main objectives of the review under LRM are to detect early warning signals and suggest remedial measures and to provide our senior management with information on credit administration, including credit sanction process, risk evaluation and post sanction follow up.

We have adopted a committee approach for review under the LRM at the head office and circle office levels.

Recovery Policy

A large number of our loans are secured by collateral or supported by guarantees. Our trade and commercial loans are secured by a charge over inventory or receivables. Longer-term loans are usually secured by a charge over fixed assets. Our larger retail loans are secured by collaterals or guarantees. Our retail loans are generally secured, made against delivery of post-dated cheques or debited to an account maintained with us in which the debtor's employer directly deposits their salary. In India, the bouncing of cheques is a criminal offence. Although we take collateral, we may sometimes not be able to realise its full value in a default situation.

We have a comprehensive Recovery Policy and Policy on Restructuring of Accounts & Rehabilitation of Sick units, which cover the restructuring and rescheduling of loans, OTS, CDR mechanism, seizure and disposal of assets under the SARFAESI Act, and the filing of suits and enforcement of decrees.

Credit Risk in Investments

In addition to market risks, there is also a significant magnitude of credit risk in investments in non-SLR securities. Proposals for such investments are subject to the same degree of credit risk analysis as any loan proposal.

Market Risk

Market risk is the possibility of loss caused by changes in market variables such as interest rates, foreign exchange rates, equity prices and commodity prices. The primary risk that arises for us as a financial intermediary is interest rate risk resulting from our asset-liability management activities.

In order to deal with the above risk issues, we have put in place four policies relating to market risk – Asset Liability Management Policy, ALM Policy for Foreign Branches and Foreign Currency Assets & Liabilities, Policy on Foreign Currency Borrowings / Investments in Overseas Market and Risk Management Policy for "A" Category branches in India.

Our ALCO, which is chaired by our Chairman and Managing Director and includes 12 other senior executives, is responsible for the implementation of and adherence to the market risk policies and strategies approved by the Board.

ALCO, which is assisted by the Market Risk Management Department, carries out asset-liability management as an independent function separated from its business unit functions. ALCO responsibilities broadly include the following:

- Reviewing the ALM Policy and defining the asset-liability functions in the Bank;
- Recommending prudential internal limits on the various market parameters;
- Determining desired maturity profile and mix of assets and liabilities; and
- Articulating our view on current interest rates.

Our market risks are essentially managed by our Treasury Department. The Treasury Department has clear-cut demarcations between its front office functions, mid office functions and back office functions. The mid office monitors treasury transactions independently as per the policies in place and reports to the head of the Risk Management Department.

Interest Rate Risk

Interest rate risk refers to the potential impact on our net interest income and net interest margin caused by unexpected changes in market interest rates. Our approach towards management of interest rate risk varies with the segmentation of the balance sheet, depending on whether the interest rate risk is in the trading book or banking book. The management of interest rate risk in our trading book is covered in our Investment Policy, while interest rate risk in our banking book is covered in our Asset Liability Management Policy. Both the policies spell out in detail the tools for interest rate risk measurement, prudential limit setting and the monitoring thereof.

Interest Rate Risk in the Banking Book

The earnings or economic value changes are the main focus of the banking book. We currently have in place measurement systems to assess the effect of rate changes on both earnings and economic value such as gap analysis for addressing changes in net interest income and duration gap analysis for addressing changes in economic value.

Liquidity Risk

Liquidity is the ability to efficiently accommodate deposit and other liability decreases, as well as, fund asset portfolio growth and the possible funding of off-balance sheet items. The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalise on opportunities for business expansion.

Our liquidity risk management system includes:

- Analysis of liquidity by tracking cash flow mismatches.
- Establishment of limits for mismatches and cumulative gaps for all other time buckets, limits for prudential liquidity ratios and monitoring the same on a fortnightly basis as per RBI requirements.
- Measuring and managing our net funding requirements by the use of a maturity ladder and the calculation of cumulative surplus or deficit of funds at different maturity dates, as recommended by RBI.
- Estimating the liquidity profile on a dynamic basis by giving due recognition to seasonal patterns of deposits and loans and the potential liquidity needs for meeting loan commitments.
- Undertaking variance analysis at periodical intervals to validate the assumptions and fine tune the same.

Foreign Exchange Risk

Foreign exchange rate risk is the risk that we may suffer losses as a result of adverse foreign exchange movements during a period in which we have an open position, either spot or forward or a combination of both in an individual currency. Foreign exchange rate risk can arise out of changes on foreign exchange spot and forward rates. Foreign exchange open positions are managed through limits fixed at the individual currency level as well as aggregate currencies as follows: (i) Intra-day limit; (ii) overnight limit; and (iii) stop loss limits for our trading book.

Maximum deal size limits for proprietary transactions have been fixed with respect to spot deals and swap deals.

Foreign exchange forward rate risk caused due to gaps or mismatches in the merchant trading transactions and the corresponding cover operations in respect of maturities and quantum is managed by individual gap limits, aggregate gap limits and by assessing the value at risk on a daily basis. Foreign exchange sensitive gaps are measured using the value at risk model developed by Foreign Exchange Dealers' Association of India (FEDAI) and is monitored on a daily basis. Besides setting appropriate limits for both open positions and gaps, we monitor our foreign risk exposures through maturity pattern statements and interest rate sensitivity statements introduced by the RBI.

Price Risk

Equity price risk is the risk that we may suffer losses as a result of adverse equity price movements. We have adopted the exposure norms as prescribed by the RBI. The assets in our trading book are held primarily for generating profit on short-term differences between prices and yields. As such, price risk is our prime concern with respect to the trading book.

Dealings per broker are subject to 5% ceiling of our annual turnover set by the RBI.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk, but excludes strategic and reputational risk.

Recognising the importance attached to the management of operational risk, we have institutionalised a comprehensive operational risk management framework with policies, strategies, structures and processes. A framework for Operational Risk Management has been put in place consisting of policies and procedures for identification, measurement, monitoring, reporting control and mitigation of operational risk. We manage our operational risk by integrating the operational risk management systems into day-to-day management processes and adopting various risk mitigating strategies.

The Operational Risk Management Committee (ORMC) oversees and guides the operational risk management functions.

Operational loss events are identified and monitored by analysing each occurrence and the nature and cause of such loss. We have identified risk indicators that provide early warning signals. Functional departments evolve action plans to address issues and adopt suitable risk mitigation actions. We have in place 13 policies relating to operational risk management. Policies on Information Security Systems, Business Continuity Planning Policy and Disaster Recovery Management Policy have been put in place for the mitigation of operational risk.

We have a comprehensive internal control system in place covering the following major components:

- Defined control activities at every business level;
- Appropriate segregation of duties among personnel;
- Adequate and comprehensive internal financial, operational and compliance data;
- Reliable information systems covering all significant activities of the Bank; and
- Effective channels of communication.

Internal Inspections and Audits

We supplement our internal controls with an effective internal audit function that independently evaluates the control systems within the organization. Internal audit is a part of the ongoing monitoring of our system of internal controls, which provides an independent assessment of the adequacy of, and compliance with, our established policies and procedures.

During fiscal 2006, regular inspections were conducted at 1,084 branches. A concurrent external audit was conducted at 264 branches, covering 62% of our business against the RBI stipulation of 50% of the business.

During fiscal 2006, in addition to the regular inspections, we carried out a risk assessment of 1,063 branches under a risk-based internal audit. Of these branches, 202 were deemed low risk, 434 were categorised as medium risk, 325 were identified as high risk, 96 were assigned with a very high risk rating and six branches were considered as extremely high risk.

Our treasury operations are subject to monthly concurrent audits.

Legal Risk

Legal risk arises when there is a possibility that we will be unable to enforce a contract or our legal rights are adversely affected. We seek to manage legal risk through:

- Usage of standardised loan documentation, which is prepared with the help of solicitors;
- Usage of various forms, formats and stationery that are clear as to the rights and obligations between the parties concerned;
- Standardisation of the list of documents to be obtained for various transactions;
- Registration of our legal rights and charges within prescribed time with the relevant authorities;
- Prompt attendance, and, where appropriate, settlement of all legal matters pertaining to us; and
- Compliance with customer confidentiality rules.

Basel-II Requirements

The requirements of Basel II are the international capital adequacy framework for banks. These requirements affect the management of all the three principal categories of risk. In particular, Basel II provides for minimum capital requirements for credit risk and operational risk in addition to the previous requirement of minimum capital only for market risk. The RBI has also initiated the phased implementation of Basel II norms.

We have performed a comprehensive self-assessment exercise spanning all the risk areas and have developed a road map to move towards implementation of Basel II, as per RBI guidelines. The Board reviews our roadmap and the progress toward implementation of Basel II on a semi-annual basis. Based on the draft guidelines of the RBI on the new capital adequacy framework and our policy on Internal Capital Adequacy Assessment Process (ICAAP), the capital requirements have been calculated as on June 30, 2006 on a parallel basis.

Our CRAR position as on June 30, 2006 under the different approaches is given below:

(Rs. in million)

Particulars	**Risk Weighted Assets**		
	Basel I (Existing)	**Basel II (New framework)**	**ICAAP**
Credit Risk	218,656.10	199,086.00	182,311.60
Market Risk	31,842.20	30,605.60	30,605.60
Operational Risk	0.00	30,200.70	30,200.70
Interest Rate Risk in Banking Book	0.00	0.00	10,922.20
Grand Total	250,498.30	259,892.30	254,040.10
Total Capital	29,587.70	29,587.70	29,587.70
CRAR	11.80%	11.38%	11.65%

Minimum capital allocation (9%) is given below:

(Rs. in million)

Minimum Capital Required (9%)	**Basel I (Existing)**	**Basel II (New framework)**	**ICAAP**
Credit Risk	19,679.10	17,917.70	16,408.00
Market Risk	2,865.80	2,754.50	2,754.50
Operational Risk	0.00	2,718.10	2,718.10
Total	22,544.90	23,390.30	21,880.60
Under Pillar II	0.00	0.00	983.00
Grand Total	22,544.90	23,390.30	22,863.60

We are also in the process of procuring a software solution for enterprise wide Risk Management, which includes a comprehensive capital charge calculator. We are confident of implementing the Basel II recommendations of the regulator with the above initiatives.

CUSTOMER CARE AND RELATIONSHIP MANAGEMENT

We have introduced a number of marketing and customer service initiatives in order to maintain a high standard of customer service for our clients:

Customer Complaints

We have a customer complaint management system in place that allows us to log complaints and to address them promptly and efficiently. During fiscal 2006 we received 1,017 complaints, with no complaints pertaining to this period remaining outstanding as at September 30, 2006.

Citizens' Charter

We have a citizens' charter in place that outlines our code of conduct in relation to our customers. This document is available to customers at our branches and on our website.

Customer Education Material

We have created a range of materials in booklet and brochure format that outline the salient features of our products and delivery channels available to our customers.

Grievance Redressal

The Bank has transparent and effective procedures for redressal of customer grievances. We attempt to redress customer grievances at the point at which they arise, primarily at the branch level. If the complaint has not been redressed /attended to the satisfaction within one week by the branch manager, the complainant can forward his complaint to the circle head of the jurisdiction, subsequent to which the complainant can forward the complaint to the nodal officer at the head office. After examining the matter, the customer service cell at the head office, will send the response within 30 days from the date of complaint at the head office. In case the issue is not resolved, an interim reply will be sent to the customers.

As directed by the RBI, our Bank has constituted a Standing Committee on Customer Service, chaired by the Chairman and Managing Director of the Bank

Fair Practice Code

We have adopted the comprehensive Fair Practice Code drafted by the IBA and intended to be followed by the entire banking system in dealing with individual customers. Important characteristics of the code include standards for fair banking practices.

CORPORATE AND SOCIAL RESPONSIBILITY

We have taken several community service measures such as:

- We have, in association with Indian Overseas Bank and NABARD, established a Rural Development Training Center in July 2005 at Karaikudi, Sivaganga District in Tamil Nadu with the objective of educating and disseminating technical know how on agriculture/non farm sector activities to farmers, SHGs and rural artisans.
- We have organized over 336 blood donation camps since 1980. We have also been the mobilisers for a number of emergency blood donors among all institutions in the state of Tamil Nadu. We have adopted thalassaemic children who require blood at frequent intervals. We have also donated Rs. 15 million to Adayar Cancer Hospital.
- We have initiated activities such as health camp, preseason campaign, eye camp, bird flu awareness campaign and animal health camp, which are being conducted in villages by branches in association with various state governments, insurance companies and NGOs, among others.
- We have been awarding cash incentives to 10 plus 2 rank holders in all the 13 lead districts in Tamil Nadu/Andhra Pradesh and in the Union Territory of Puducherry.

RECOGNITIONS AND AWARDS

We have received several awards and certifications for our efforts:

- First to win the IBA trophy for Excellence in lending to agriculture and first to win the award for two consecutive years.
- Received the GoI award for excellence in Agri Lending (2003-04).
- Winner of the 5th Madras Management Association award for Managerial Excellence in the services sector (2005-2006).
- Awarded by NABARD with the shield for its excellent performance under SHG financing in Tamil Nadu and Andhra Pradesh (2003-2004).
- We were awarded the FICCI Award during 1993-94 for the initiatives taken by the Bank in rural development.

HUMAN RESOURCES

As at December, 2006, we had 21,923 employees. The following table sets forth the total number of our employees as at the dates indicated:

	March 31, 2004	March 31, 2005	March 31, 2006	December 31, 2006
Officers	7,583	7,535	8,331	8,155
Other employees	14,223	14,032	12,971	12,792
Permanent part-time employees	1,113	1,047	1,018	976
Total	22,919	22,614	22,320	21,923

Training and Employee Development

Our Human Resources policy focuses on improving the skill level of employees in different functional areas. As part of the plan to improve management skills and leadership quality, we nominate officers at the senior management level for management development programmes designed by reputed institutes, such as IIM Ahmedabad, ISB, Hyderabad, and Management Development Institute, Gurgaon. To develop the functional competency of officers, we conduct various programmes in credit and treasury management in coordination with IIM Kolkata, Madras School of Economics, among others. We depute our officers for various programmes conducted at banking institutes, such as NIBM, BTC, CAB and NIRD. We also nominate officers and executives to attend overseas programmes in the area of management development and specific functional areas.

Our apex training college, named Indian Bank Management Academy for Growth and Excellence (IMAGE) at Chennai, is a full fledged and state of the art ISO-certified training centre. In addition to this, we have eight staff training centres and 16 computer labs at various locations in India. The computer labs facilitate the conduct of IT and CBS-related training. Various manuals and guidebooks have been released for the benefit of the staff. We have hosted a CBS Helpdesk on our intranet site, which can be viewed by all CBS branches.

Recruitment

The recruitment plan to meet our long term manpower requirements is aimed at attracting the best available talent. Besides general recruitment of banking officers, our recruitment strategy includes lateral recruitment of specialist officers and campus recruitment at reputed business schools. Our current recruitment plan is to add around 200 officers in different disciplines and fields of expertise.

Staff Welfare

The salaries and benefits payable to our employees are in terms of the industry level bi-partite settlement between the employee/workmen unions and the IBA. The present industry wage and salary settlement covering employees in public sector banks was signed on June 2, 2005 covering the period from November 2002 to November 2007. Bonus is paid in accordance with the Payment of Bonus Act, 1965, as amended.

We provide welfare benefits for our employees, including canteen facilities, scholarships, free eye check-up / providing spectacles, group personal accident insurance policy for all staff, reservation of beds in various hospitals for staff, cost of accessories for physically-challenged employees, provision of newspapers and reimbursement of medical expenses, including hospitalization and holiday homes.

HR Initiatives

In order to give recognition and increase motivational levels amongst our employees, we have introduced a performance-linked incentive scheme. The scheme provides for cash incentives at the branch level to reward employees of top performing branches in pre-selected parameters.

We have taken various skill enhancement initiatives, such as reimbursement of fees for staff for passing various diplomas, such as CISA / CISSP, Oracle, NCFM course on Depositary Services and IIBF courses on KYC & Anti-Money Laundering. We have also identified a group of enthusiastic and committed employees who will form the core support group.

Implementation of SAP – HRMS

We have implemented an advanced integrated HR software package of SAP-ERP, through WIPRO, to computerize major HR functional operations. The new robust software was introduced with the object of improving the operational efficiency in HR systems and streamlining the internal processes.

COMPETITION

We face intense competition in all our main business areas. Our primary competitors are other large public sector banks, new private sector banks, cooperative banks and foreign banks.

Corporate and Commercial Banking

Our principal competitors in wholesale banking are public and new private sector banks as well as foreign banks. In commercial banking, the large public sector banks have traditionally been the market leaders, with the focus of foreign banks being multinational companies and Indian corporations with cross-border financing requirements including trade, transactional and foreign exchange services. In contrast, large public sector banks have established extensive branch networks and large local currency funding capabilities.

Retail Banking

In retail banking, our principal competitors are the public sector banks, as well as existing and new private sector banks, foreign banks and cooperative banks that offer retail loan products. Other public sector banks like us have large deposit bases and extensive branch networks, including the State Bank of India Group, which has over 13,500 branches. Although foreign banks have a small market penetration, they have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans and credit cards. Private sector and foreign banks compete through a wider product range offering and greater technological sophistication. Cooperative banks compete on the basis of their regional strengths and proximity to the customer.

In particular, we face significant competition primarily from private sector banks and, to a lesser degree, from other public sector banks in the housing, auto and personal loan segments.

Agriculture and Priority Segments

In the agriculture and priority segments, our principal competitors are the large public sector banks, RRBs and cooperative banks. This is due to the extensive physical presence of public sector banks and RRBs, throughout India via their large branch networks and the focus on agriculture and priority sectors.

Treasury

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

SYSTEMS AND PROCEDURES

We have adopted certain policies and procedures for our day-to-day functioning. The corporate directives are periodically brought to the notice of the branches and staff through circulars. These circulars are also posted on our intranet for ready reference. A quarterly compendium of the circulars issued is brought out as a journal called as 'Recollect' is supplied to each staff member.

We prepare manuals on various subjects such as deposits, agriculture, collection and remittance, among others, as reference material for branch-level employees. These manuals define the jobs to be carried out for the various activities described therein. The prescribed systems and procedures are subject to audit checks during inspection.

We have appointed Ernst & Young Private Limited to study our existing operating practices and, keeping in view the capability of the CBS software, suggest changes in processes, procedures and work flows that would help us to attain our objectives of enhanced operational efficiency, timely service delivery and thereby, improved customer satisfaction.

SECURITY

We have a security mechanism synergized with our operational risk management. We have instituted modern security systems to protect our assets, confidential information and property. Training and motivation of human resources for improved security awareness is undertaken on a regular basis.

PROPERTIES

Our Head Office is located at 66, Rajaji Salai, Chennai – 600 001. The building where our head office is located is constructed on land owned by us. Our Circle Offices are located at 28 locations, of which seven are owned and 21 are leased by us. As at December 31, 2006, a total of 1,455 of our branches and offices are located on leased premises. We own 61 residential properties, 76 commercial properties and two vacant sites. For details pertaining to deficiencies in title in relation to our leased/owned immovable properties, see the section titled "Risk Factors" on page xi of this Red Herring Prospectus.

INSURANCE

We maintain various insurance policies. We believe our insurance coverage is appropriate to protect us from material loss in light of the activities we conduct.

REGULATIONS AND POLICIES

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

The Bank, as a corresponding new bank, is governed primarily by the provisions of the Bank Acquisition Act 1970. The Nationalised Bank Scheme and the Bank Regulations also govern our operations.

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

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

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

Comparative Table of Rights of Shareholders under Companies Act, 1956 and under Bank Regulations, Banking Regulation Act, Bank Acquisition Act and Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, as applicable to Corresponding New Banks

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
38	Not to be bound by an alteration made in the memorandum of association/articles of association after the date of becoming a member, so far as the alteration requires him to subscribe for more shares, or increases his liability to contribute to the share capital, or otherwise to pay money to the company.	No corresponding provision.	
39	To require a company to send within seven days of the requisition, a copy of each of the following documents as in force for the time being: (a) the Memorandum of Association; (b) the Articles of Association; and (c) every agreement and every resolution referred to in section 192, if in so far as they have not been embodied in the memorandum or articles.	No corresponding provision.	
49	To inspect the register of investments and to petition the Central Government if the inspection is refused.	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
53	To be served with a document by the company.	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.
62	To sue directors, promoters or persons who have authorised the issue of the prospectus for loss or damage suffered by reason of any untrue statement included in the prospectus.	No corresponding provision.	
71	To avoid irregular allotment of shares/ debentures.	No corresponding provision.	
73	To obtain repayment of the application money/excess application money.	No corresponding provision.	
81	Rights in relation to rights issue and preferential allotment.	No corresponding provision.	
84	To receive a share certificate and obtain a duplicate if the original lost or damaged.	Regulations 14 and 15	Issue of share certificates andissue procedure of duplicate share certificates detailed.
87	Voting rights on a poll in proportion to the share of the paid-up equity capital of the company.	Regulation 53 and 60 Sections 3(2BBA)(a) and 3(2E)	Regulation 53: Voting at general meetings (i) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands. (ii) Save as otherwise provided in the Act every matter submitted to a general meeting shall be decided by a majority of votes. (iii) Unless a poll is demanded uner sub-regulation (i), a declaration by the Chairman of the metting that a resolution on show on hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings, shall be conclusive evidence of the fact without proof of the number or proporation of the votes cast in favour of, or against, such resolution.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(iv) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in Indian Bank which confer a power to vote on the resolution not being less than one fifith of the total voting power in respect of the reosltuion. (v) The demand for a poll may be withdrawn at any tie by the person or persons who have made the demand (vi) A poll demanded on a question of adjournment or election of chairman of the metting shall be taken forthwith. (vii) A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when such demand was made as the chairman of the meeting may direct. (viii) The decision of the chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final. Regulation 60: Determination of Voting Rights. Subject to the provisions contained in Section 3(2E) of the Act, each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a general meeting shall, at such meeting, have one vote on show of hands and in case of a poll, shall have one vote for each share held by him.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(i) Subject to the provisions contained in Section 3(2E) of the Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in subregulation (i) (ii) 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 him been raised by public issue or preferential allotment or private placement under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way. 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.Provided that the shareholder holding any

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference sharesProvided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent of the total voting rights of all the shareholders holding preference share capital only
91	To have calls on shares on a uniform basis on all the shares falling under the same class.	Regulation 22	Regulation 22: Calls on shares 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 made payable by instalments.
94	To consolidate all or any of its share capital into shares of larger amount and to subdivide its shares into shares of smaller amount.	Regulation 16	Regulation 16: Consolidation and sub-division of shares 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.
99	Right to determine that uncalled share capital shall be capable of being called only upon winding up.	No corresponding provision.	
106	To consent to the variation of rights attached to the shares.	No corresponding provision.	
107	To apply to the National Company Law Tribunal to have the variation of rights cancelled if no consent is given.	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
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 under these regulations. 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 exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the central Government by notification in the Official Gazette.
110	To apply for the registration of transfer of shares.	Regulations 18 and 19	Regulation 18: Power to suspend transfers 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 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

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			interest;c. the transfer of shares is prohibited by an order of court, tribunal or any other authority under any law for the time being in force; d. an individual or a company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, will on the transfer being allowed, hold or acquire as a result thereof, shares of the bank and such investment in the aggregate will exceed the percentage being more than 20% of the paid up capital or as may be prescribed by the central government by notification in the official gazette. (ii) The board or the committee shall, after the instrument of transfer of shares of the bank is lodged with it for the purpose of registration of such transfer, form its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to in sub-regulation (i): a. if it has formed the opinion that such registration ought not to be so refused, effect such registration; andb. if it has formed the opinion that such registration ought to be refused on any of the grounds mentioned above intimate the same to the transferor and the transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of the transfer form or within such period as may be laid down in the listing agreement with the concerned stock exchange.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
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.	
113	To have the share certificate delivered within the time limit stipulated.	Regulation 17	Regulation 17 Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days of the date of lodging the instrument of transfer.
113	To serve on the company a notice, requiring it to make good any default in delivering share/ debenture/ stock certificates.	No corresponding provision.	
113	To apply to the Central Government in the event of the company's failure to make good any default as above.	No corresponding provision.	
117A	To inspect debenture trust deed and obtain a copy thereof.	No corresponding provision.	
118	To request the company to forward a copy of a debenture trust deed.	No corresponding provision.	
118	To apply to the Central Government to direct the company to forward a copy of the debenture trust deed forthwith.	No corresponding provision.	
134	To file with the Registrar of Companies the particulars of a charge created by the company, as a person interested therein.	No corresponding provision.	
141	To apply to the Central Government for the rectification of the register of charges as an interested party.	No corresponding provision.	
144	To inspect the copies of instruments creating charge.	No corresponding provision.	
144	To apply to the Central Government for compelling inspection of the copies and the register aforesaid, in case of refusal by the company.	No corresponding provision.	
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 5 Section 3 (2F)	Share register maintained under Regulation 5 and Section 3(2F) Regulation 11: Inspection of Register (i) The register shall, except when closed under Regulation 12, be open to inspection, free of charge, at the place where it is maintained during

Section of Companies	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			business hours, subject to such reasonable restrictions as the board may impose, but that not less than two hours in each working day be allowed for inspection (iii) Notwithstanding anything contained in sub-regulation (ii), any duly authorised officer of the Government shall have the right to make a copy of any entry in the register or be furnished a copy of the register or any part thereof.
163	To apply to the central Government for compelling inspection of the registers of shareholders and debenture-holders and annual returns.	No corresponding provision.	
165	To receive a copy of the statutory report and to attend the statutory meeting.	No corresponding provision.	
165	To discuss at the statutory meeting, any matter relating to the formation of the company or arising out of the statutory report, without giving a previous notice therefore.	No corresponding provision.	
165	To have accessible, a list of members with details, during the continuation of the statutory meeting.	No corresponding provision.	
166, 169	To attend the annual general meeting and extra-ordinary general meeting.	Regulation 52	Regulation 52: Persons entitled to attend general meetings (i) All directors and all shareholders of Indian Bank shall, subject to the provisions of sub-regulation (ii), be entitled to attend a general meeting. (i) 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 numbers of his shares;

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorised representative.
169	To requisition an extra-ordinary general meeting.	Regulation 49	Regulation 49: Extraordinary General Meeting (i) The chairman and managing director or in his absence the executive director of the bank or in his absence the executive director of the bank or in his absence any one of the directors of the bank may convene an extra-ordinary general meeting 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. (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.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(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 49	
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 48	Regulation 48: Notice convening an Annual General Meeting (i) A notice convening an annual general meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary of Indian 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 state the time and date of such meeting, and also the business that shall be transacted at that meeting.

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			(iii) The time and date of such meeting shall be as specified by the Board. The meeting shall be held at the place of head office of Indian Bank.
173	To have the notice of a general meeting annexed with an explanatory statement.	No corresponding provision.	
174	To be counted for the purpose of constituting a quorum at a general meeting.	Regulation 50	Regulation 50 : 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 60	Shareholders can attend and vote personally and through proxy.
176	To inspect the proxies lodged with the company in the manner specified.	No corresponding provision.	
179	To demand a poll and to withdraw the demand in the manner laid down in this section at a general meeting of the company.	Regulation 53(i)	Regulation 53 (i): 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 53A	Regulation 53A: Scrutineers at a Poll Of the two scrutineers appointed under this regulation one shall always be a shareholder (not being an officer or employee of the bank) present at the meeting; provided that such a shareholder is available and willing to be appointed.
186	To apply to the National Company Law Tribunal to order a general meeting other than annual general meeting, to be called.	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
187	To be represented at a general meeting of a company (if the member to be represented, is a company).	Regulation 61(i)	Regulation 61(i): Voting by duly authorised representative – A shareholder, being the central Government or a company, may by a resolution authorise any of its officials or any other person to act as its representative at any general meeting of the shareholders and the person so authorised shall be entitiled to exercise th same powers on behalf of the Central Government or company which he represents, as if he were an individual shareholder of the Indian Bank. The authorisation so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as the duly authorised representative of the central Government / company.
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 61(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 54	Regulation 54: 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.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
203	To apply to the Court/ National Company Law Tribunal to restrain fraudulent persons from managing companies.	No corresponding provision.	
205A, 205B	To claim any dividend which remains unpaid or unclaimed.	Section 10B	Section 10B: Transfer of unpaid or unclimaed dividend to Unpaid Dividend Account: (1) Where after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within theirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special accout to be called "Unpaid Dividend Account" (2) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains unpaid or unclaimed for a period of sevan years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act 1956.
206	To receive dividend declared.	No corresponding provision.	
206A	To have the dividend transferred to the special account where the transfer of shares has not been registered by the company.	No corresponding provision.	
206A	To have any rights shares or bonus shares kept in abeyance in relation to the shares, the registration of transfer of which has not been registered by the company.	No corresponding provision .	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
210	To require the balance sheet and profit and loss account to be laid before the company at every annual general meeting.	Section 10A(2)	Section 10A(2): Annual general meeting The shareholders present at an annual general meeting shall be entitled to discuss, approve and adopt the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the board of directors on the working and activities of the corresponding new bank for the period covered by the accounts and the auditor's report on the balance-sheet and accounts.
219	To receive 21 days before the date of the annual general meeting, copies of the balance sheet, profit and loss account, directors' report, auditor's report and other documents.	No corresponding provision.	
219	To require a company to furnish the full accounts where the company has sent abridged accounts.	No corresponding provision.	
224	To nominate a person for the appointment as auditor of the company if the first auditors are removed at a general meeting.	No corresponding provision.	
225	To give a special notice for a resolution appointing as auditor, person other that the retiring auditor or providing expressly that a retiring auditor shall not be re-appointed.	No corresponding provision.	
227	To be reported upon the accounts, balance sheet, profit and loss account, etc by the auditors of the company.	Section 30(2), Banking Regulation Act, 1949.	The auditor shall discharge the duties and be subject to the liabilities imposed on auditors of companies by Section 227 of the Companies Act, 1956.This provision is applicable to corresponding new banks by virtue of the provisions of Section 51 of the Banking Regulation Act.
230	To inspect the auditors' report at the general meeting where it is laid.	Section 10 A	
250	To apply to the National Company Law Tribunal to impose restrictions on shares, debentures or to prohibit transfer thereof in certain cases.	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
257	To stand for election for directorship at a general meeting.	Section 9(3) Regulation 55	Regulation 55: Directors to be elected at general meeting - (i) A director under clause (i) of sub-section (3) of Section 9 of the Act shall be elected by the shareholders on the register, other than the central Government, from amongst themselves in the general meeting of the bank.
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 57	Regulation 57: Nomination of candidates for election (i) No nomination of a candidate for election as a director shall be valid unless, a. he is a shareholder holding not less than 100 (one hundred) shares in the bank; b. he is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme; c. he has paid all calls in respect of the shares of the bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call; d. nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a shareholder who is a copany may be made by a resolution of the directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be despatched to the head office of Indian Bank and such copy shall be deemed to be a nomination on behalf of the company.(ii) No nomination shall be valid unless it is received

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
			with all the connected documents complete in all respects and received, at the Head Office of the bank on a working day not less than fourteen days before the date fixed for the meeting.
257	To be informed of the candidature for directorship or the intention of a member to propose such person for directorship.	No corresponding provision.	
265	To vote for appointing a director by the proportional representation system.	No corresponding provision.	
284	To give a special notice to the company proposing a resolution at a general meeting for removal of a director and appointment of a person as director in place of the removed director.	Clause 11A	Clause 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.	
307	To inspect at the registered office, the register of directors' shareholdings.	No corresponding provision.	
307	To apply to the Central Government/ National Company Law Tribunal for compelling inspection of the aforesaid register, if refused by the company.	No corresponding provision.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
391	To apply to the National Company Law Tribunal to call a meeting of the creditors or of the members in case compromise or arrangement is proposed with its creditors or members.	No corresponding provision.	
391	To agree to any compromise or arrangement at a special meeting called for that purpose.	No corresponding provision.	
391	To have disclosed in the notice of the special meeting referred to above, the particulars notified in sub-s (1) of this Section.	No corresponding provision.	
393	To be furnished by the company, with a copy of the statement setting forth the terms of the compromise or arrangement proposed and explaining its effect where the notice of the meeting is given by an advertisement.	No corresponding provision.	
393	To be offered the same terms as offered to all holders of shares of that class, whose transfer is involved if the member is a dissenting member.	No corresponding provision.	
395	Of dissenting shareholders, where a scheme or contract involving the transfer of shares to another company has been approved by at least nine-tenths in value of the shares whose transfer is involved, to receive a notice within two months of such approval of the transferee's desire to acquire shares of the dissenting shareholders.	No corresponding provision.	
395	To require the transferee company to acquire the shares in question within three months of giving the notice.	No corresponding provision.	
395	To have a copy of the notice transmitted to the transferor company together with an instrument of transfer and within one month of the date of registration be informed of the fact of registration, and of the receipt of amount or other consideration.	No corresponding provision.	
396	To have as nearly as may be, the same interests in or rights against the company resulting from the amalgamation, as he had in the company in which he was originally a member, 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.	

Section of Companies Act	Rights available to shareholders of a company	Corresponding Provision*	Rights available to shareholders of a Corresponding New Bank
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, by a special resolution that the company be wound-up by the National Company Law Tribunal.	No corresponding provision.	
439	To petition the National Company Law Tribunal for winding-up the company.	No corresponding provision.	
440	To present winding-up petition where company is being wound-up voluntarily or subject to court's supervision.	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, 1970, except where otherwise specified.
2. All references to **Regulations** are references to provisions of Indian Bank (Shares and Meetings) Regulations, 1999.

3. All references to **Clauses** are references to provisions of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970.

4. The above rights are in addition to the rights that may be available to the shareholders, present as well as prospective, under the listing agreements that we have entered into with the Stock Exchanges.

Licensing of Corresponding New Banks

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

Regulations relating to the Opening of Branches

Banks are required to obtain licences from the RBI to open new branches. Permission is granted based on factors such as overall financial position of the bank, the history of the banking company, the general character of its management, the adequacy of its capital structure profitability and public interest. The RBI may cancel the licence for violations of the conditions under which it was granted. It is left to the judgment of the individual banks to assess the needs for opening additional branches.

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of the RBI, which are based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1988. With a view to adopting the Basel Committee framework on capital adequacy norms which takes into account the elements of risk in various types of assets in the balance sheet as well as off-balance sheet business and also to strengthen the capital base of banks, RBI decided in April 1992 to introduce a risk asset ratio system for banks (including foreign banks) in India as a capital adequacy measure. This requires us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, i.e. the core capital (ordinary shares), provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital, Innovative Perpetual Debt Instruments (IPDI) eligible for inclusion as Tier I Capital, perpetual non-cumulative prefence shares eligible for inclusion as Tier I and reserves consisting of any statutory reserves, disclosed free reserves and capital reserves as reduced by equity investments in subsidiaries, intangible assets, and losses in the current period and those brought forward from the previous period. A bank's deferred tax asset is to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital comprises the 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. Tier II capital cannot exceed Tier I capital.

With a view to enable the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, the RBI has advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years from fiscal 2001. This reserve has to be computed with respect to investments in Held for Trading and Available for Sale categories. Investment fluctuation reserve is included in Tier II capital. Though investment fluctuation reserve is also considered in the general provision for Tier II, the same is not subjected to the ceiling of 1.25% of risk-weighted assets. In terms of RBI Mid-Term Review of Annual Policy for the year 2005-06, banks are permitted to treat Investment Fluctuation Reserve (IFR) as part of Tier-I capital, if they maintain capital of atleast 9% in respect of investment under 'Held for Trading' and 'Available for sale'.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the weighted aggregate of funded and non-funded exposures. Degrees of credit risk expressed as percentage weights are assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. All foreign exchange and gold open position limits carry a 100.0% risk weight. Capital as per the RBI circular dated June 24, 2004 to cover market risk, has to be calculated in respect of the entire investments portfolio over and above the risk weight for credit risk.

As per regulatory requirements, banks have to maintain a capital to risk asset ratio of 9.0%. However, as per RBI guidelines issued in September 2002, in addition to other conditions to be complied with for declaration of dividend without approval of RBI, capital to risk asset ratio must also be maintained at 9.0%.

Asset Classification and Provisioning

In April 1992, the RBI issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, applicable from the financial year 1992-93, which are revised from time to time.

As per these guidelines, the basis of treating various credit facilities as non-performing are set forth below.

Non-Performing Assets

An advance is a non-performing asset where:

- interest and/or installment of principal remained overdue for a period of more than 90 days in respect of a term loan;
- the account remained "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit (if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power or there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, then such accounts are treated as "out of order");
- the bill remained overdue for a period of more than 90 days in case of bills purchased and discounted;
- 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. 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 unrealised 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:

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

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

The RBI had issued separate guidelines for restructured assets under the corporate debt restructuring mechanism and under other mechanisms. A fully secured standard asset can be restructured by reschedulement of principal repayments and/ or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets, and to doubtful assets, in the case of restructuring of assets under the corporate debt restructuring mechanism. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal 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:

- <u>Standard Assets</u>:. A general provision for standard assets at the following revised rates is made for the outstanding loan portfolio:

  (a) <u>direct advances to agricultural and SME sectors at 0.25%;</u>

  (b) advances to specific sectors, namely, personal loans, loans and advances qualifying as capital markets exposures, residential housing loans beyond Rs. 2 million and commercial real estate loans at 1.00%;

(c) all other standard advances not included in (a) and (b) at 0.40%

In order to ensure that the above additional general provisioning on standard advances in specific sectors as per (b) above are made in a smooth and non-disruptive, the RBI has permitted Banks to phase in the additional provisioning requirement over fiscal 2007 as under:

i) 0.70% for the half year ending September 30, 2006;

ii) 0.85% for the quarter ending December 31, 2006;

iii) 1.00% for the year ending March 31, 2007.

- Sub-Standard Assets: A general provision of 10.0% on total outstanding should be made. The unsecured exposures which are identified as sub-standard would attract additional provision of 10%, i.e. a total of 20% on the outstanding balance.

- Doubtful Assets: A 100.0% provision/write-off of the unsecured portion of advances, which are not covered by realizable value of the security. In cases where there is a secured portion of the asset, depending upon the period for which the asset remains doubtful, a 20.0% to 100.0% provision is required to be made against the secured asset as follows:

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

  1. In respect of outstanding stock of non-performing assets as on March 31, 2004: 50.0% provision, which has become 60 % with effect from March 31, 2005 and will become 75 % with effect from March 31, 2006 and 100 per cent with effect from March 31, 2007.
  2. In respect of assets, which have been doubtful for over three years on or after April 1, 2004, provision has been raised to 100% with effect from March 31, 2005.

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

While the provisions indicated above are mandatory, banks are encouraged to make higher provisions over and above the mandatory level.

Regulations relating to Making Loans

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

- The RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.

- The banks should charge interest on loans/advances/cash credits/overdrafts or any other financial accommodation granted/ provided/renewed by them or discount usance bills in accordance with the directives on interest rates on advances issued by RBI from time to time. Banks are free to determine their own lending rates but each bank must declare its benchmark prime lending rate as approved by its board of directors. Benchmark prime lending rate is determined on the basis of various parameters, which inter alia, include actual cost of funds, operating expenses, a minimum margin to cover the regulatory requirement of provisioning, capital charge and profit margin. Each bank should also indicate the maximum spread over the benchmark prime lending rate for all credit exposures other than retail loans over Rs. 200,000. The interest charged by banks on advances up to Rs. 200,000 to any one entity (other than most retail loans) must not exceed the benchmark prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exporters on the basis of a transparent and objective policy approved by their boards. Interest rates for certain categories of advances are regulated by the RBI. Banks are also free to stipulate lending rates without reference to their own benchmark prime lending rates in respect of certain specified categories of loans.

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

Legislation introduced in the Indian Parliament to amend the Banking Regulation Act has proposed to prohibit lending to relatives of directors and to non-subsidiary companies that are under the same management as the banking company, joint ventures, associates or the holding company of the banking company.

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

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitisation Act provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The RBI has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. A bank may sell a standard asset only where the asset is under a consortium or multiple banking arrangements. Asset must be classified as NPAs in the books of other banks/FIs; At least 75% by value of the asset is classified as a non-performing asset in the books of other banks or FIs and at least 75% by value of the banks and FIs in the consortium or multiple banking arrangement must agree to the sale of the asset. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. Any loss on sale must be charged to the profit and loss account, but any gains must be used for meeting losses on sale of other financial assets. For computing capital adequacy, a credit risk weight of 100 % and a market risk weight of 2.5% is applied to instruments received by banks as consideration for sale of financial assets to asset reconstruction companies.

Directed Lending

Priority Sector Lending

The RBI requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (known as priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit, advances to weaker sections required to be 10.0% of net bank credit and 1.0% of the previous year's total advances is required to be lent under the Differential Rate of Interest scheme. Domestic scheduled commercial banks having shortfall in lending to agriculture sector are allocated amounts for contribution to the Rural Infrastructure Development Fund established by the National Bank for Agricultural and Rural Development. Any shortfall by foreign banks in the amount required to be lent to the priority sectors may be required to be deposited with the Small Industries Development Bank of India.

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

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

Export Credit

The RBI also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies.

Credit Exposure Limits

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

The limits set by the RBI are as follows:

- Credit exposure ceiling for a single borrower shall not exceed 15.0% of capital funds. Group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the single borrower exposure limit is extendable by another 5.0%, i.e. up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e. up to 50.0% of capital funds. Capital funds are the total capital as defined under capital adequacy standards (Tier I and Tier II capital).
- A bank may, in exceptional circumstances, with the approval of its board of directors, consider enhancement of the exposure over the above specified limits, up to a further 5% of capital funds. Such additional exposure can be taken, subject to the consent of the borrower to disclose their names in a bank's balance sheet.
- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and other similar commitments) as well as certain types of investments in companies. The sanctioned limits or outstandings, whichever are higher, are considered for arriving at the exposure limit. Non-fund exposures are to be reckoned at 100% of the limit or outstandings, whichever is higher.

Credit exposure is the aggregate of:

- all types of funded and non-funded credit limits; and
- facilities extended by way of equipment leasing, hire purchase finance and factoring services.

Investment exposure comprises the following elements:

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

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

Regulations relating to Investments and Capital Market Exposure Limits

There are no limits on the amount of investments by banks in non-convertible debt instruments. However, credit exposure limits specified by the RBI in respect of lending to individual borrowers and borrower groups also apply in respect of these investments.

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

The Bank's investment in the following instruments, which are issued by other banks and are eligible for capital status for the investee bank, should not exceed 10 per cent of the investing bank's capital funds (Tier I plus Tier II): (a) equity shares; (b) preference shares eligible for capital status; (c) subordinated debt instruments; (d) hybrid debt capital instruments; and (e) any other instrument approved as in the nature of capital.

In December 2003, the RBI issued guidelines on investments by banks in non-SLR 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-SLR 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-SLR securities may not exceed 10.0% of its total investment in non-SLR securities as at the end of the preceding fiscal year. With effect from January 1, 2005, only banks whose investments in unlisted non SLR securities are within the prudential limits prescribed in the above guidelines may make fresh investments in such securities and upto the prudential limits.

In February 2004, the RBI issued guidelines to regulate investments in non-SLR debt securities by RRBs in the primary and secondary markets. All non-SLR debt securities (other than commercial paper and certificate of deposits) invested by RRBs should be of original maturity of less than one year. RRBs are also prohibited from investing in unrated debt securities, unlisted securities and unlisted shares of All-India Financial Institutions. RRBs are further required to undertake due diligence in respect of investments in all such securities and subject all their investment proposals relating to non-SLR securities to credit appraisal on par with their credit proposals. Each RRB is required to fix a prudential limit for its total investment in non-SLR securities subject to existing limits prescribed by the RBI.

Consolidated Supervision Guidelines

In fiscal 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2002, and the principal features thereof are:

- Banks are required to prepare consolidated financial statements intended for public disclosure.
- Banks are required to submit to the RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:
  - Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
  - Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
  - Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
  - Consolidated capital market exposure limit of 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 received from the GoI, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalisation bonds, investment in subsidiaries and joint ventures and debentures.
- Profit on sale of investments in this category should be first taken to the profit and loss account and thereafter be appropriated to the capital reserve account. Loss on sale will be 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 with the approval of the Board / ALCO.
- Profit or loss on the sale of investments in both Held for Trading and Available for Sale categories is taken in the profit and loss account.
- Shifting of investments from or to held to maturity may be done with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from Available for Sale to Held for Trading may be done with the approval of the board of directors, the asset liability management committee or the investment committee; shifting from Held for Trading to Available for Sale is generally not permitted.

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

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

Securities classified as Available for Sale or Held for Trading are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the Available for Sale and Held for Trading categories is aggregated. Net appreciation in each basket, if any, that is not realised is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of the redemption value of the security receipts / pass-through certificates, and the net book value of the financial asset.

Restrictions on Investments in a Single Company

No bank may hold shares in any company, whether as owner or as pledgee or mortgagee, exceeding the lower of 30.0% of the paid up share capital of that company and 30.0% of its own paid up share capital and reserves, whichever is less, except as statutorily provided.

Limit on Transactions through Individual Brokers

Guidelines issued by the RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The RBI specifies that not more than 5.0% of the total transactions in securities through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the RBI has stipulated that the board of directors of the bank concerned should be informed on a half-yearly basis of such occurrences.

Restriction on Short-Selling

The RBI permits intra-day short selling of Government securities by banks provided the banks have adequate risk management systems and also provided that they have an internal policy in place. The Mid-Term Review of the Annual Policy Statement for the year 2006–07 proposes that SCBs will be allowed to cover their short positions within an extended period of five trading days. As this arrangement may result in carrying short positions across settlement cycles, the participants will be permitted to deliver a shorted security by borrowing it through the repo market.

Regulations Relating to Deposits

The RBI has permitted banks to independently determine rates of interest offered on term deposits. Banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, we are permitted by the RBI to pay an additional interest of 1.0% over the interest payable on deposits from the public.

Domestic time deposits have a minimum maturity of 15 days (seven days in respect of deposits over Rs. 1.5 million) and a maximum maturity of 10 years. Time deposits from NRIs denominated in foreign currency have a minimum maturity of one year and a maximum maturity of five years.

The RBI has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

- Time deposits are of Rs. 1.5 million and above; and
- Interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.
- The RBI has stipulated that from November 18, 2005, interest on NRE deposits should not exceed 75 basis points over LIBOR/swap rate of corresponding maturity.

Deposit Insurance

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

Regulations relating to Knowing the Customer and Anti-Money Laundering

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

The RBI requires banks to open accounts only after verifying the identity of customers as to their name, residence and other details to ensure that the customer is opening the account in his own name. To open an account, a prospective customer is required to be introduced by an existing customer who has had an 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 the prospective customer's identity card, passport or details of bank accounts with other banks. It must be made incumbent upon such prospective customer to provide sufficient proof of his antecedents before the account is allowed to be opened.

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

Legal Reserve Requirements

Cash Reserve Ratio

A banking company such as ours is required to maintain a specified percentage of its demand and time liabilities, excluding inter-bank deposits, by way of balance in current account with the RBI. The cash reserve ratio is 5.50% of the demand and time liabilities with effect from January 6, 2007.

Paid up capital, reserves, credit balance in the profit and loss account of the bank, amount availed of as refinance from the RBI, and apex financial institutions, provision for income tax in excess of the actual estimated liabilities, amounts received from the DICGC / ECGC / Court Receiver, amounts received from insurance companies on ad hoc settlement of claims pending judgment of the Court, liabilities arising on account of utilisation of limits under Bankers Acceptance Facility (BAF) and specified inter bank term deposits/term borrowing liabilities are excluded from the calculation of the cash reserve ratio:

The RBI pays no interest on the CRR balances maintained by scheduled commercial banks with effect from June 24, 2006.

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

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a banking company such as ours is required to maintain a specified minimum percentage of its net demand and time liabilities by way of liquid assets like cash, gold or unencumbered 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%.

Regulations on Asset Liability Management

At present, the RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date and behaviour studies that may be conducted by banks. These statements have to be submitted to the RBI on a monthly basis. The RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the RBI has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15–28 day time periods does not exceed 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. On the basis of RBI's direction, the Bank has fixed limits for mismatches as a percentage to outflows and cumulative mismatches for all the other time buckets and the Board of Directors have approved of these limits. In case of interest rate sensitivity, our Bank has set limits for cumulative mismatches upto one year to earning assets and individual bucket wise limits as a ratio of Rate Sensitive Liabilities

Foreign Currency Dealership

- The RBI has granted us a full-fledged authorised dealers' license to deal in foreign exchange through our designated branches.

Our foreign exchange operations are subject to the guidelines specified by the RBI under the Foreign Exchange (Management) Act, 1999. As an authorised dealer, we are required to enrol as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorised dealers, like us, are required to determine their limits on open positions and maturity gaps in accordance with the RBI's guidelines and these limits are approved by the RBI. Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, options, currency swaps and forward rate agreements, subject to certain conditions.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

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

Restriction on Transfer of Shares

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

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

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities. For further details, please see "History and Certain Corporate Matters – Main Objects of the Bank" on page 100 of this Red Herring Prospectus.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 20% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation. The GoI may, on the recommendation of the RBI, exempt a bank from the requirements relating to reserve fund.

Restrictions on Payment of Dividends

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

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

- Capital to risk asset ratio of at least 9% for the preceding two accounting years and for the accounting year for which it proposes to declare dividend.
- Net non-performing assets of less than 7%. In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 9% for the accounting year for which it proposes to declare a dividend, it would be eligible to declare a dividend provided its net NPA ratio is less than 5%.
- The dividend pay out ratio does not exceed 40%.
- The proposed dividend is payable out of the current year's profit.
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year.
- Compliance with restrictions as to payment of dividends and the setting up of a reserve fund as per Sections 15 and 17 of the Banking Regulation Act, 1949.

A bank failing to meet the above eligibility criteria cannot declare dividends.

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 or preferential allotment or private placement, of equity shares or preference shares in such manner as may be prescribed, so however that the central government's shareholding does not fall below 51% of the paid up capital of the bank.

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

Further, a preference share-holder may vote only on resolutions which directly affect rights attached to his preference shares.

Regulatory Reporting and Examination Procedures

The RBI is empowered under Section 27(2) of the Banking Regulation Act to inspect a bank. In 1995, RBI introduced a system of off-site monitoring and surveillance, with the primary objective of monitoring the financial condition of banks in between on-site examinations. The RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the RBI, banks are required to report to the RBI on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- risk weighting of these exposures, the capital base and the capital adequacy ratio;
- unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management;
- ownership, control and management;
- structural liquidity and interest rate sensitivity;
- subsidiaries, associates and joint ventures;
- consolidated accounts and related financial information;
- information on risk based supervision;
- analysis of balance sheet; and
- other prudential parameters.

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

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

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

Directors on the Board of Directors of our Bank are appointed by the Central Government in terms of Section 9 of the Bank Acquisition Act. The Chairman and Managing Director and Executive Director (wholetime directors) are appointed by the Central Government in consultation with the RBI. At present, a maximum of four whole time directors may be so appointed. The other Directors nominated/ appointed by the Central Government include one director possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks, an official of the GoI and one Director representing the non-workmen employees of the Bank. Further, a specified number of Directors are elected by the shareholders. The wholetime Directors appointed by the Central Government and the officials of the Central Government who serve as the nominee directors of the Central Government and RBI cannot be a director of any other corresponding new bank. Further, a person is ineligible for appointment as a director unless he has fit and proper status based on track record, integrity and other such criteria to be notified by the RBI. The RBI also has the power to appoint an additional director if it is of the opinion that it is necessary to do so in the interests of banking policy or of the bank concerned or its depositors or in the public interest.

For the text of Section 9 of the Bank Acquisition Act, see the section titled "Main Provisions of Constitutional Documents" on page 271 of this Red Herring Prospectus.

The remuneration paid to Directors is determined by the Central Government in consultation with the RBI.

Penalties

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

Assets to be Maintained in India

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

Subsidiaries and other investments

A bank requires the prior permission of RBI to incorporate a subsidiary. A bank is required to maintain an "arms' length" relationship in respect of its subsidiaries and in respect of mutual funds sponsored by it in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we ourselves are not able or are not permitted to do so.

Restriction on Creation of Floating Charge

Prior approval of the RBI is required for creating floating charge on our undertaking or our property.

Maintenance of Records

We are required to maintain our books, records and registers as per the Banking Companies (Period of Preservation of Records) Rules, 1985. These rules specify that banks shall preserve in good order, certain books, accounts and documents (such as cheque book registers) relating to a period of not less than five years immediately preceding the current calendar year; and certain other books, accounts and documents (such as stock and share registers) relating to period of not less than eight years immediately preceding the current calendar year.

Secrecy Obligations

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

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

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

We are required to comply with the above in furnishing any information to any parties. We are also required to disclose information if ordered to do so by a court. The RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, 1891 a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings. The RBI has directed banks to incorporate consent clauses in loan agreements to enable disclosure of borrower information to credit bureaus.

Regulations governing Offshore Banking Units

The Government and the RBI have permitted banks to set up offshore banking units in special economic zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. The key regulations applicable to offshore bank units include, but are not limited to, the following:

- Permission of the RBI is required for setting up offshore banking units.
- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$ 10 million to its offshore banking unit.
- Offshore banking units are exempt from CRR requirements.

- Banks are required to maintain the SLR. However, the RBI may exempt a bank's offshore banking unit from SLR requirements on specific application by the bank.
- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible under the existing exchange control regulations to invest/maintain foreign currency accounts abroad.
- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units. The offshore banking units are also required to follow the best international practice of 90 days' payment delinquency norm for income recognition, asset classification and provisioning.
- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals.
- Offshore banking units may operate and maintain balance sheets only in foreign currency and are not allowed to deal in Indian rupees except for having a special rupee account out of the convertible funds in order to meet their daily expenses. These branches are prohibited from participating in the domestic call, notice, term etc. money market and payment system.
- The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.
- Offshore banking units must follow the 'Know Your Customer' guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.
- A bank cannot borrow from its offshore banking unit.
- The exposures of an offshore banking unit in the domestic tariff area should not exceed 25% of its total liabilities as at the close of business of the previous working day, at any point of time.

Regulations and Guidelines of SEBI

SEBI was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We are subject to SEBI regulations for our equity and debt capital issuances, as well as our banker to the issue, custodial and depositary participant activities. These regulations provide for our registration with the SEBI for each of these activities, functions and responsibilities. We are required to adhere to a code of conduct applicable for these activities.

Foreign Ownership Restrictions

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

Special Status of Banks in India

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

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

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

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

Regulations Governing Insurance Companies

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

The IRDA has issued detailed guidelines for the licensing of entities to act as corporate agents or composite corporate agents for selling insurance products. The guidelines stipulate that soliciting or procuring insurance business as a corporate agent should be contained in the constitutional documents of the entity as one of its main objects. The guidelines further provide that the personnel of the entity should possess the prescribed qualifications and should not suffer from any disqualifications under the Insurance Act, 1938.

Regulations Governing International Businesses

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

The RRB Act, 1976

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

The RRB Act, 1976 stipulates the limit of the paid-up capital of an RRB and further stipulates that the shares shall always be fully paid up shares of one hundred rupees each. Of this, 50% shall be subscribed to by the GoI, 15% by the concerned state government and 35% by the sponsor bank. The issued capital can be changed by the board of directors of the RRB (with the prior approval of the GoI) after consultation with NABARD, the concerned state government and the sponsor bank.

The RRB Act, 1976 further requires that the board of directors shall consist of the following:

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

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

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

RRBs are not eligible to get tax benefits in terms of section 80P of the I.T. Act from the assessment year 2007-2008. Further, the GoI is empowered to give directions to the RRBs and the RRBs shall have to obey and follow such directions.

HISTORY AND CERTAIN CORPORATE MATTERS

The Bank was incorporated on March 5, 1907 under the Indian Companies Act, 1882 as "Indian Bank Limited" and commenced operations on August 15, 1907. The Head Office of the Bank was set up at Parry's Buildings, Parry's Corner in Chennai (then known as Madras) and was shifted to Bentincks Buildings on Rajaji Salai (then known as North Beach Road), Chennai in July 1910. Subsequently, in May 1970, the Head Office was shifted to its present location with its address as 31, Rajaji Salai, Chennai, in a building which stands on the same site as Bentinck's Building. On February 8, 2003 the Head Office was renumbered as 66, Rajaji Salai, Chennai 600 001, India.

Pre Nationalisation

The Bank commenced business as "Indian Bank Limited" at Madras. The Bank opened its first overseas branch in Colombo, Sri Lanka, in 1932. In 1962, the Bank acquired the businesses of Royalaseema Bank, the Bank of Alagapuri, Salem Bank, the Mannargudi Bank and the Trichy United Bank.

Post Nationalisation

The Bank was nationalised on July 19, 1969. After nationalisation, the Bank was renamed Indian Bank. The Bank of Thanjavur Limited (with 157 branches) was amalgamated with the Bank 1990. The first RRB, Sri Venkateswara Grameena Bank, was sponsored by the Bank in 1981.

Restructuring Plan

The Bank experienced some financial setbacks in the 1990's consequent upon the introduction of prudential norms by the RBI and other factors and incurred losses in 1994 and during the period from fiscal 1996 to fiscal 2001.

The Bank submitted a Restructuring Plan 2000-03 in June 2000 to the Government of India (the "**Plan**") seeking, *inter alia*, recapitalisation for improving the financial strength of the Bank, to reach the required capital adequacy ratio of 9% and to meet the gap created by application of the prudential income recognition norms.

The Plan was a comprehensive package of various initiatives such as structural, operational and business growth initiatives including:

1. Elimination of one tier in place of the four-tier structure;
2. Introduction of customer-centered products and service and delivery channels and segmentation of the business into corporate, credit intensive, commercial, personal and rural banking branches;
3. Rationalisation of branches;
4. Development of a more flexible and pragmatic compromise settlement policy;
5. Framing, revising Policies in all operational areas;
6. Increasing staff motivation and involvement;
7. Introduction of a voluntary retirement scheme; and
8. Upgrading of technology.

The Plan was operational with effect from September 30, 2000. Under the Plan, we were provided assistance of Rs. 3,250 million for implementation of a voluntary retirement scheme and Rs. 2,710 million for implementation of a technological upgradation plan, which are repayable (with a moratorium of three years) over a period of 66 months and 60 months, respectively.

Main Objects of the Bank

Section 3(5) of the Bank Acquisition Act states as follows:

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

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

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

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

"Form and business in which banking companies may engage

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

(a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;

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

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

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

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

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

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

(h) undertaking and executing trusts;

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

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

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

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

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

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

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

Section 3 (7) of Chapter II of the Bank Acquisition Act provides for the Bank to act as an Agent of the RBI.

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

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

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

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

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

Changes in Memorandum of Association

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

Key Milestones

1932	The Bank opened its Colombo branch.
1941	The Bank opened its Singapore branch
1962	The Bank acquired the Royalaseema Bank, the Bank of Alagapuri, the Salem Bank, the Mannargudi Bank and the Trichy United Bank
1969	The Bank was nationalized. It was appointed as the lead bank for nine districts in the States of Tamil Nadu, Andhra Pradesh and Kerala and the Union Territory of Pondicherry.
1970	The Head Office of the Bank was shifted to its own building
1981	The first regional rural bank sponsored by the Bank, Sri Venkateswara Grameena Bank, was founded
1989	Indbank Merchant Banking Services Ltd was incorporated as a subsidiary of the Bank
1990	Bank of Thanjavur Limited (with 157 branches) was amalgamated
1991	Ind Bank Housing Limited was incorporated as a subsidiary
1994	Indfund Management Limited was established to manage the operations of Indian Bank Mutual Fund
1995	The Bank's own training establishment, Indian Bank Management Academy for Growth & Excellence (IMAGE) established.
2002-03	The Bank received an award from NABARD for best performance under SHG in Tamil Nadu and Andhra Pradesh.
2004-05	The Bank entered into strategic alliance with Mahindra & Mahindra Limited and TAFE Limited for pushing up tractor usage among farmers
2004-05	Core Banking Solution was implemented by the Bank in 2 branches on December 22, 2004
2006-07	The Bank entered into a strategic alliance with Oriental Bank of Commerce and Corporation Bank

Awards and Recognition

Year	**Awards And Recognitions**
1999-2000, 2000-2001	Award by NABARD in recognition of second position under Self Help Group- Bank Linkage Programme in Tamil Nadu
2001-02, 2002-03	'Best Performance Award' from NABARD in recognition of achievement under Self Help Group Bank Linkage Programme in Andhra Pradesh
2001-2002, 2002-03	SHG Award in recognition of First position under Self Help Group- Bank Linkage Programme in Tamil Nadu
2003-04	The Bank received the GOI award for excellence in Agri Lending
2005-06	The Bank was adjudged as the best organisation for its 'MANAGERIAL EXCELLENCE' in Services Sector by the Madras Management Association and a trophy was awarded to the Bank

OUR MANAGEMENT

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

Board of Directors

Sl. No.	Name, Father's Name, Designation, Address, Occupation	Nationality	Age	Other Directorships
1.	Dr. K.C. Chakrabarty (S/o Shailesh Chandra Chakrabarty) *Chairman and Managing Director* New No.21 (Old No.3), Kothari Road, Nungambakkam, Chennai 600 034, India. *Professional banker* Term: Appointed for a period of five years from June 9, 2005 or until further orders from the GoI, whichever is earlier	Indian	54	1. Credit Guarantee Fund Trust for Small Industries; and 2. United India Insurance Company Limited
2.	M.S. Sundara Rajan (S/o M.V. Swaminathan) *Executive Director* 75, Oliver Road, Mylapore, Chennai 600 004, India. *Professional banker* Term: From April 1, 2006 up to March 31, 2010 (the date of his attaining the age of superannuation) or until further orders from the GoI, whichever is earlier	Indian	56	1. Ind Bank Housing Limited; 2. Indbank Merchant Banking Services Limited; and 3. Indfund Management Limited
3.	V.S. Senthil (S/o V. Shanmugam) *GoI Nominee Director* Department of Expenditure Ministry of Finance North Block, New Delhi 110 001, India *Joint Secretary, Department of Expenditure, Ministry of Finance, GoI* Term: From October 20, 2006 and until further orders from the GoI	Indian	49	Nil

Sl. No.	Name, Father's Name, Designation, Address, Occupation	Nationality	Age	Other Directorships
4.	S. Karuppasamy (S/o S. Singam) *RBI Nominee Director* *Independent Director* Reserve Bank Staff College Quarters 369/370, Anna Salai, Teynampet, Chennai 600 018, India *Chief General Manager,RBI* *Principal, RBI Staff College, Chennai* Term: From October 3, 2005 and until further orders from GoI	Indian	52	Nil
5.	A..X. George (S/o A.V. Xavier) *Officer Employee Director* *Independent Director* 7C, Harbour Point, Kuruspally Road, Ravipuram, Kochi 682 011, India *Bank Employee* Term: Appointed for a period of three years from October 20, 2004 and thereafter until his successor has been nominated or until he ceases to be an officer of the Bank or until further orders from the GoI, whichever is earlier.	Indian	55	Nil
6.	Ashok Gupta (S/o Dina Nath Bindlish) *Workmen Employee Director* *Independent Director* E-414, Greater Kailash Part II New Delhi 110 048, India *Bank employee* Term: Appointed for a period of three years with effect from December 9, 2004 and thereafter until his successor is nominated or until he ceases to be a workman employee of the Bank, whichever is earlier	Indian	53	Nil

Sl. No.	Name, Father's Name, Designation, Address, Occupation	Nationality	Age	Other Directorships
7.	G. Charath Chandran (S/o S. Govindasamy) *Part-time Non-official Director* *Independent Director* 18, South Saliya Street, Koranad, Mayiladuthurai 609 002, India Tamil Nadu *Businessman* Term: Appointed for a period of three years from February 1, 2006 or until his successor is nominated, whichever is earlier	Indian	51	1. Shri Shanmugam Transports; 2. Shri Shnamugam Therai Arangam; and 3. Shri Shanmugam Soft Tech Solutions
8.	Nafisa Ali Sodhi (D/o Ahmed Ali) *Part-time Non-official Director* *Independent Director* D-237, Defence Colony, New Delhi 110 024, India *Social worker* Term: Appointed for period of three years from April 4, 2006 or until her successor is nominated, or until further orders whichever is earlier	Indian	49	1. Children's Film Society, India; 2. Action India (Trust); and 3. Film and Television Institute of India
9.	Ponguleti Sudhakar Reddy (S/o P. Laxma Reddy) *Part-time Non-official Director* *Independent Director* H. No. 1-2-234/13/49/2 Arvind Nagar Colony, Domalaguda, Hyderabad 500 029, India *Agriculturist and social worker* Term: Appointed for period of three years from April 4, 2006 or thereafter until his successor is nominated, whichever is earlier	Indian	46	Nil

Sl. No.	Name, Father's Name, Designation, Address, Occupation	Nationality	Age	Other Directorships
10.	Dr. Gundmi Sudhakar Rao (S/o Balaya) *Part-time Non-official Director* *Under Chartered Accountant category* *Independent Director* "Sriniketan", 43/1, 5th Cross Jayanagar, Ist Block Bangalore 560 011, India *Practising Chartered Accountant* Term: Appointed for period of three years from October 13, 2006 or until further orders from the GoI, whichever is earlier	Indian	53	1. Proprietor, G.S. Rao and Company, Chartered Acountants

Brief biographies of our Directors

Dr. K.C. Chakrabarty, Chairman & Managing Director, aged 54 years, was appointed as the Chairman and Managing Director of the Bank on June 9, 2005. He has a master's degree in science and a doctorate in statistical techniques in demographic studies. After his educational career as a member of the faculty at Benares Hindu University, Dr. Chakrabarty joined Bank of Baroda in 1978, where he rose to the position of General Manager. He was appointed as the executive director of Punjab National Bank. He is experienced in all fields of banking and has had international exposure.

Dr. Chakrabarty is a director of United India Insurance Co. Limited and of Credit Guarantee Fund Trust for Small Industries.

M.S. Sundara Rajan, Executive Director, aged 56, was appointed as Executive Director of the Bank on April 1, 2006. He holds a master's degree in economics from Madras Univesrsity and has completed CAIIB. He is also an Associate of the Institute of Company Secretaries of India. He has over three decades of experience in the banking sector. He has been in charge of the Mumbai Metropolitan zone of Union Bank of India. He is a director of Ind Bank Housing Limited, Inbank Merchant Banking Services Limited, and Indfund Management Limited. He is also an associate member of the Institute of Company Secretaries of India.

V.S. Senthil, aged 49 years, was nominated by the GoI to our Board on October 20, 2006. He has master's degrees in Agricultural Economics and Business Administration. He is the Joint Secretary (Plan Finance - I), Department of Expenditure, Ministry of Finance, GoI. In addition, he has served as Collector, Kannur, Idukki and Kottayam districts and as Secretary, Revenue, and Secretary, Expenditure in the State of Kerala.

S. Karuppasamy, aged 52 years was appointed as the RBI nominee to our Board on October 3, 2005. He has a master's degree in arts from Bombay University and a post graduate diploma in business management from National Institute of Bank Management and has completed CAIIB. He has worked in various departments of the RBI and is presently Chief General Manager/Principal of Reserve Bank Staff College, Chennai.

A.X. George, aged 55 years, was appointed as the Officer Employee Director of the Bank by the GoI on October 20, 2004. He joined the Bank on March 28, 1973. He has a bachelor's degree in commerce and has completed CAIIB. He is the president of the Indian Bank Officers' Association (Kerala), vice president of the All-India Indian Bank Officers' Association, assistant secretary of the All-India Bank Officers' Confederation, Kerala and a member of the state committee and executive committee of the All-India Bank Officers' Confederation (Central Committee). He has experience in retail banking segment. Presently he is a Chief Manager of the circle office at Ernakulam.

Ashok Gupta, aged 53 years, was appointed as the Workmen Employee Director of the Bank by the GoI on December 9, 2004, and represents workmen employees of the Bank. He joined the Bank on May 7, 1975. He has a bachelor's degree in commerce from Delhi University. He has been the general secretary of Indian Bank Employees Union, Delhi unit since 1977. He is the President of Indian Bank Employees Union, Rajasthan unit; the secretary of Federation of Indian Bank Employees Union, Chennai and the vice-president of the Delhi State Bank Employees' Federation. He is also a member of the general council of the All India Bank Employees Association.

G. Charath Chandran, aged 51 years, was appointed as a part time non-official Director of the Bank on February 1, 2006. He has a bachelor's degree in science and a master's degree in arts from Annamalai University. He also holds a bachelor's degree in law from Annamalai University.

Nafisa Ali Sodhi, aged 49 years, was appointed as a part time non-official Director of the Bank on April 4, 2006. She holds a Senior Cambridge qualification. She is the chairperson of Children's Film Society India. She is also a board member of the Film and Television Institute of India. She is a social worker and is the chairperson of Action India (Trust).

Ponguleti Sudhakar Reddy, aged 46 years, was appointed as a part-time non-official Director of the Bank on April 4, 2006. He has a bachelor's degree in commerce and a master's degree in linguistics from Osmania University. He is an agriculturist and social worker. He has been the chairman of A.P. Tourism Development Corporation. He has been designated as an "ambassador for world peace" by the Interreligious and International Federation for World Peace.

Dr. Gundmi Sudhakar Rao, aged 53 years was appointed as a part time non-official Director of the Bank in the Chartered Accountant category on October 13, 2006. He has a bachelor's degree in commerce from Mysore University and a bachelor's degree in law from Bangalore University. He is a Fellow Member of the Institute of Chartered Accountants of India and has a doctorate in finance from the City University Los Angeles, U.S.A. He has been a member of the expert committee constituted by the Government of Karnataka to assess and advise on the policy of the government of Karnataka in respect of various revenue matters.

Remuneration of Directors

Dr. K.C. Chakrabarty, Chairman and Managing Director

Salary and dearness pay: Dr. Chakrabarty is entitled to a salary of Rs. 24,050 per month and dearness pay at the rate of 50% of the basic pay as remuneration during his term as Chairman and Managing Director of our Bank.

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

M.S. Sundara Rajan, Executive Director

M.S. Sundara Rajan has been appointed as the Executive Director of the Bank by the GoI in terms of notification dated March 29, 2006 issued by the GoI.

Salary and dearness pay:

M.S. Sundara Rajan is entitled to a salary of Rs. 22,050 per month and dearness pay at the rate of 50 per cent of the basic pay as remuneration during his term as Executive Director of the Bank

Other perquisites and benefits:

In addition to the above, M.S. Sundara Rajan is entitled to certain perquisites including entertainment allowance upto a ceiling of Rs. 6,000 per annum, increment every 12 months, residential accommodation, use of an official car, conveyance and travelling allowance for travel by air, leave and leave travel concession, provident fund, medical benefits and gratuity.

Sitting Fees

The sitting fees payable to directors is Rs. 5,000 per meeting for attending Board meetings and Rs. 2,500 per meeting for attending meetings of the Committees of the Board.

Payment or benefit to officers of our Bank

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

Corporate Governance

The Board has 10 Directors, of which two are executive Directors, two are whole-time workmen and officer directors, one is a nominee of the GoI and five are independent directors. The Chairman of the Board is an executive Director. The Bank has complied with the requirements of governance, as applicable, in respect of constituting committees of the Board as given below.

Committees of the Board

We have constituted the following committees of the Board of Directors:

1. Audit Committee;
2. Shareholders'/Investors' Grievance Committee;
3. Management Committee;

4. Customer Service Committee;
5. Risk Management Committee;
6. Technology Committee;
7. Vigilance Committee; and
8. Special Committee (Monitoring of Large Value Frauds).

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

Audit Committee

The Audit Committee, which was constituted on October 13, 1995. The terms of reference of the Audit Committee included the following:

- Providing direction as also overseeing the total audit function of the Bank which implies the organisation, operationalisation and quality control of internal audit and inspection with the Bank and follow-up on the statutory/external audit of the Bank and inspections of the RBI;
- As regards internal audit, the ACB should review the internal inspection/audit function in the Bank, with specific focus on the follow up on inter-branch adjustment accounts, unreconciled long outstanding entries in Inter-Bank accounts and nostro accounts, arrears in balancing of books at various branches, frauds and house-keeping;
- It should obtain and review half-yearly reports from the compliance officers appointed in the banks in terms of our instructions; and
- Regarding statutory audits, the ACB should follow up on all the issues raised in the Long Form Audit Report. It should interact with the external auditors before the finalisation of the annual/semi-annual financial accounts and reports.

In terms of the resolution of the Board of Directors dated November 23, 2006, the scope of reference of the Audit Committee was enhanced to include the following:

- Regular review of accounts, accounting policies, disclosures;
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit;
- Qualifications in the draft audit report;
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board;
- The Committee shall have post audit discussions with the auditors to ascertain any area of concern;
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems;
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors;
- To look into the matters pertaining to the director's responsibility statement with respect to compliance with accounting standards and accounting policies;
- Compliance with stock exchange legal requirements concerning financial statements, to the extent applicable;
- The Committee shall look into any related party transactions i.e., transactions of the Bank of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Bank at large; and
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

The Audit Committee follows up on all the issues/ concerns raised in the inspection reports of RBI. The Audit Committee met five times during the current fiscal. Its present members are Dr. G. Sudhakar Rao (chairman), M.S. Sundara Rajan (Executive Director), S. Karuppasamy, V.S. Senthil and Ponguleti Sudhakar Reddy. The Company Secretary is the secretary of the Audit Committee.

Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee was constituted on November 23, 2006 to look into the redressal of Shareholders' and Investors' complaints, including, transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend. The Shareholders'/ Investors' Grievance Committee comprises Dr. G. Sudhakar Rao (chairman), M.S. Sundara Rajan and G. Charath Chandran.

Management Committee

The Management Committee was constituted on September 8, 1990 and shall exercise such powers of the Board, including the powers with regard to credit proposals, as may be delegated to it by the Board with the approval of the Central Government and such approval shall be given by the Central Government after consultation with the RBI.

The Management Committee may exercise all the powers vested in the Board in respect of:

- Sanctioning of credit proposals (funded and non-funded);
- Loans compromise / write off proposals;
- Proposals for approval of capital and revenue expenditure;
- Proposals relating to acquisition and hiring of premises including deviation from norms for acquisition and hiring of premises;
- Filing of suits / appeals, defending them, etc.;
- Investments in Government and other approved securities, shares and debentures of companies including underwriting;
- Donations; and
- Any other matter referred to the Management Committee by the Board.

Its present members are Dr. K.C. Chakrabarty, M.S. Sundara Rajan, V.S. Senthil, S. Karuppasamy, Nafisa Ali Sodhi Dr. G. Sudhakar Rao and A.X. George.

The Management Committee met ten times during the current fiscal.

Customer Service Committee

The Customer Service Committee was constituted on August 24, 2004. The functions of the Customer Service Committee include the following.

- To look into the simplification of procedures and practices with a view to safeguarding the interests of common persons;
- To review the systems in place for providing service to the customers; and
- To review the regulations and procedures prescribed by RBI that impinge on customer service of banks.

The Customer Service Committee met twice during the current fiscal. Its present members are Dr. K C Chakrabarty, M S Sundara Rajan, V. S Senthil, S. Karuppasamy, Ashok Gupta and Nafisa Ali Sodhi.

Risk Management Committee

Risk Management Committee was constituted on January 18, 2003. The functions of the Risk Management Committee include the following:

- To devise the policy and strategy for integrated risk management containing various risk exposures of the Bank including the Credit Risk.
- The Risk Management Committee should effectively co-ordinate between the Credit Risk Management Committee (CRMC), the Asset Liability Management Committee (ALMC) and Operational Risk Management Committee (ORMC) and other risk committees of the Bank.
- The responsibility of the Committee with regard to market risk management aspects include:
  - ➢ Setting policies and guidelines for market risk measurement, management and reporting
  - ➢ Ensuring that market risk management processes (including people, systems, operations, limits and controls satisfy Bank's policy)
  - ➢ Reviewing and approving market risk limits, including triggers or stop-losses for traded and accrual portfolios
  - ➢ Appointment of qualified and competent staff; ensuring posting of qualified and competent staff and of independent market risk manager/s etc.

The Risk Management Committee met twice during the current fiscal. Its present members are Dr. K.C. Chakrabarty, M.S. Sundara Rajan, S. Karuppasamy, G. Charath Chandran and Dr. G. Sudhakar Rao.

Technology Committee

The Technology Committee was constituted on March 11, 2002.

The Technology Committee has been set up to look into the technological upgradation requirements of the Bank and recommend a strategic plan with clearly defined milestones. The Technology Committee met once during the current fiscal. Its present members are M.S. Sundara Rajan, S. Karuppasamy and G. Charat Chandran.

Vigilance Committee

The Vigilance Committee was constituted on January 12, 1991.

The Vigilance Committee meets once in a quarter to review any outstanding vigilance disciplinary cases and departmental enquiries. The observation of the Vigilance Committee will be put up to the Board in the half yearly review of Vigilance activities. The Vigilance Committee met thrice during the current fiscal. Its present members are Dr. K. C Chakrabarty, M.S. Sundara Rajan, V.S. Senthil and S. Karuppasamy.

Special Committee (Monitoring of Large Value Frauds)

The Special Committee was constituted in January 2004. The functions of the Committee include the following.

- To identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same;
- To dentify the reasons for delay in detection, if any, and reporting to the top management of the Bank and RBI;
- To monitor the progress of CBI or police Investigation, and recovery position;
- To ensure that staff accountability is examined at all levels in all the cases of frauds and action on the part of the staff, if required, is completed quickly without loss of time;
- To review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls; and
- To put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Its present members are Dr. K.C. Chakrabarty, M.S. Sundara Rajan, V.S. Senthil, Nafisa Ali Sodhi and Ponguleti Sudhakar Reddy.

Interests of Directors

All Directors of the Bank may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Constitutional Documents and notifications by RBI affixing their remuneration. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Bank. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated below, none of our Directors are interested in any advances or facilities that have been provided by us to their relatives or persons in which such relatives are interested:

Name of the Director	Name of the borrower	Nature of interest	Amount (in Rs. Million)
G. Charath Chandran	G. Ravindranathan	Brother	0.21
G. Charath Chandran	Geetharavi	Brother's wife	0.12

Borrowing Powers of Directors

Under our Constitutional Documents, the Directors do not have any borrowing powers and all borrowings by the Bank are typically approved by the Board of Directors.

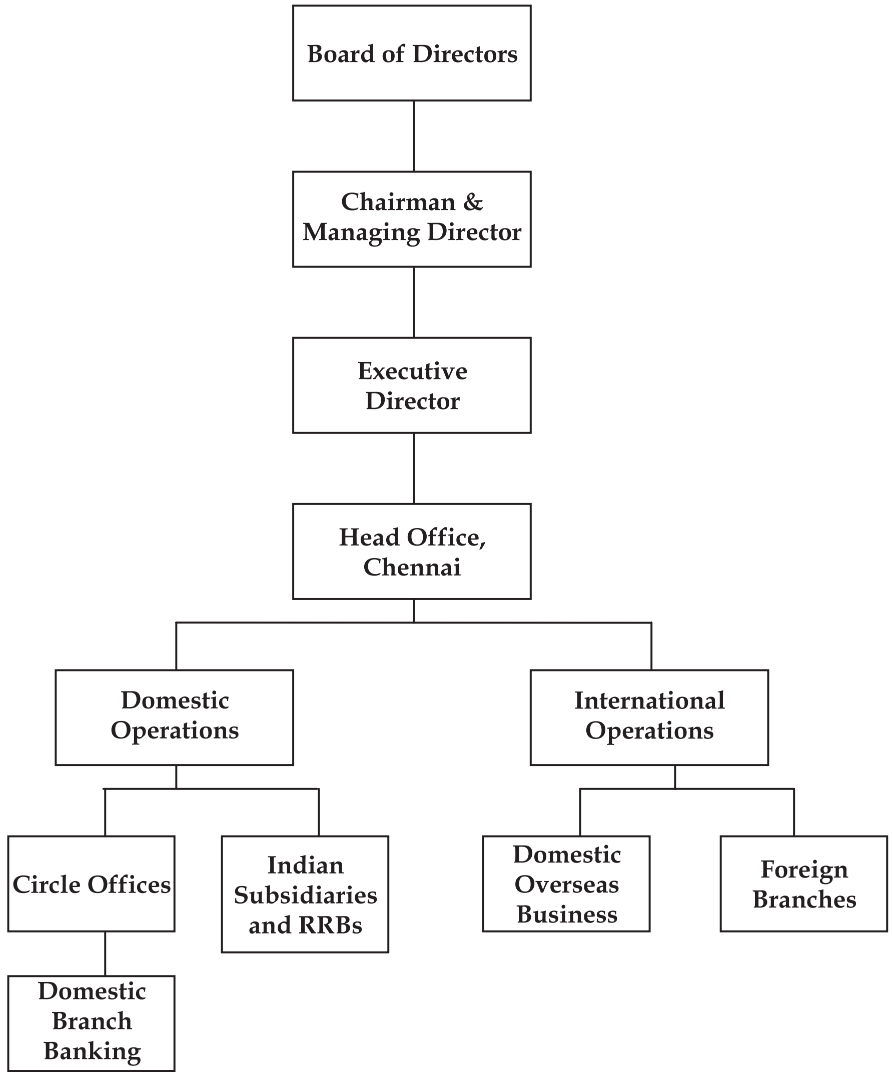
Changes in our Board of Directors during the Last Three Years

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

Name	Date of Appointment	Date of Cessation	Reason
M.B.N. Rao	December 4, 2003	June 8, 2005	Appointed as Chairman and Managing director of Canara Bank
S. Karuppasamy	April 30, 2001	January 11, 2004	Term completed
C.R. Muthukrishnan	March 27, 2001	March 27, 2004	Term completed
M.P. Radhakrishnan	March 27, 2001	March 27, 2004	Term completed
P.V. Maiya	March 27, 2001	March 27, 2004	Term completed
P.V. Indiresan	March 27, 2001	March 27, 2004	Term completed
M.D. Sharma	March 27, 2001	March 27, 2004	Term completed
S.N. Satpute	March 27, 2001	March 27, 2004	Term completed
A.X. George	October 20, 2004	-	Appointed as officer employee director
Ashok Gupta	December 9, 2004	-	Appointed as workmen employee director
Ashok Gupta*	May 10, 2002	May 10, 2005	Term completed
Dr. Rabi Mishra	January 12, 2004	October 3, 2005	Term completed
Dr. K.C. Chakrabarty	June 9, 2005	-	Appointed as Chairman and Managing Director
S. Karuppasamy	October 3, 2005	-	Appointed as RBI nominee Director
G. Charath Chandran	February 1, 2006	-	Appointed as part time non official Director
B. Sambamurthy	August 27, 2004	March 31, 2006	Appointed as Chairman and Managing Director of Corporation Bank
M.S. Sundara Rajan	April 1, 2006	-	Appointed as Executive Director
Nafisa Ali Sodhi	April 4, 2006	-	Appointed as part time non official Director
Ponguleti Sudhakar Reddy	April 4, 2006	-	Appointed as part time non official Director
Dr. Gundmi Sudhakar Rao	October 13, 2006	-	Appointed as part time non official Director (Chartered Accountant)
Ram Muivah	March 20, 2002	October 17, 2006	Term completed
V.S. Senthil	October 20, 2006	-	Appointed as GoI nominee Director

* He is a different individual from Ashok Gupta, our current Director.

Organization Chart of the Bank



Key Managerial Personnel of our Bank

Shivaswamy S.R., General Manager, aged 59 years, joined us on March 2, 1972. He has a bachelor's degree in agricultural science from the University of Agricultural Science, Bangalore. He has also held the position of General Manager, Priority Sector. Presently he is in charge of the Risk Management Department, where he is in charge of credit, market and operational risks, including integrated risk management. He has been assigned the responsibility for designing the road map for implementation of Basel II norms. Shivaswamy S.R. has served as a member of the RBI sub-committee to review the inventory and receivable norms for the fertilizer industry. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.44 million.

Srinivasan V., General Manager, aged 55 years, joined us on March 1, 1972. He has a bachelor's degree in mathematics from the Madras University. He has been the chief executive officer of the Colombo and Singapore Branches and served as the president of Indbank Merchant Banking Services Limited. He has held the position of General Manager, Technology Management Department. Presently he is in charge of Marketing, Customer Service and Corporate Communication. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.49 million.

Krishna Murthy Kota, General Manager, aged 59 years, joined us on April 6, 1970. He has a bachelor's degree in agricultural science from A.P. Agricultural University and has completed CAIIB – I. He has served as the chairman of Sri Venkateswara Grameena Bank, an erstwhile RRB sponsored by us. Presently he is in charge of the accounts and small and medium enterprises departments of our Bank. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.44 million.

Suryanarayanan S., General Manager, aged 58 years, joined us on April 27, 1970. He has a master's degree in science from the Madras University. He was in charge of international banking and treasury operations. Presently he is an officer on special duty at the head office. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.49 million.

Ramani C.S., General Manager, aged 59 years, joined us on April 5, 1968. He has a bachelor's degree in commerce from the Madras University and has completed CAIIB – I. He has been the chief executive officer of the Colombo branch. Presently he is in charge of corporate and commercial banking and heads the credit division of the Bank. He represents Indian Bank in the committee of general managers for credit in the OIC Alliance. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.48 million.

Viswanathan A., General Manager, aged 59 years, joined us on April 27, 1970. He has a bachelor's degree in engineering from the Annamalai University. He has been in charge on NPA management and has served as the managing director of Ind Bank Housing Limited. Presently he is in charge of recovery, revival, rehabilitation and legal services. He has served as the president of the Rotary Club of Pallava. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.43 million.

Jag Mohan Garg, General Manager, aged 56 years, joined us on May 2, 1973. He has a master's degree in Physics from the Punjab University and has completed CAIIB. He has experience in industrial credit, corporate finance, foreign exchange, product development, marketing, administration and human resource management, and restructuring and rehabilitation of industrial units. Presently he is the circle head of our New Delhi circle. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.44 million.

Ramachandran R., General Manager, aged 54 years, joined us on May 2, 1973. He has a master's degree in science and a post graduate diploma in financial management from the Madras University. He has worked in the international division of the Bank, overseeing the operations of foreign branches besides domestic foreign business emanating from forex authorised branches and overseas branches. Presently he is in charge of our Singapore branch He is a member of the management committee of FEDAI, member of the Association of Banks in Singapore and represents the Bank in the Singapore Institute of Management. The gross salary paid to him in fiscal 2006 was approximately S$ 44,460.

Nagendra Murthy K.B., General Manager, aged 56 years, joined us on June 1, 1973. He has a master's degree in commerce from Andhra University and has completed CAIIB. He has been the executive secretary to the Board and the circle head for the Coimbatore circle. Presently he is the circle head of our Chennai circle. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.45 million.

Gopinath K.M., General Manager, aged 58 years, joined us on April 1, 1968. He has a bachelor's degree in commerce from the Madras University and has completed CAIIB. He has been in charge of custodial services. He has also served as the managing director of Indfund Management Limited. Presently he is in charge of inspection and information security. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.43 million.

Gajapathirajan C., General Manager, aged 55 years, joined us on June 1, 1973. He has a bachelor's degree in agricultural science from the Annamalai University and has completed CAIIB. He has served as the circle head of Chennai (North). Presently he is in charge of core banking solutions implementation and additional charge of recovery, revival, rehabilitation and legal services. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.43 million.

Vijaya Rama Rao R., General Manager, aged 59 years, joined us on March 1, 1972. He has a master's degree in commerce from the Andhra University and has completed CAIIB – I. He has served as the chairman of Venkateswara Grameena Bank, an erstwhile RRB sponsored by us. Presently he is in charge of personal banking and ancillary financial services, including structured loan products and marketing of insurance and mutual fund products. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.45 million.

Sadanand Misra, General Manager, aged 58 years, joined us on May 2, 1973. He has a bachelor's degree in science from Allahabad University and a bachelor's degree in chemical engineering from Banaras Hindu University. Presently he is the circle head of the Mumbai circle of the Bank. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.40 million.

Shyamal Kumar Bandyopadhyay, General Manager, aged 55 years, joined us on April 2, 1973. He has a bachelor's degree in technology from the Indian Institute of Technology, Kharagpur and has completed CAIIB – I. He has served as the managing director and chief investment officer of the asset management of Indian Bank Mutual Fund. Presently he is in charge of treasury, international banking and new business development and the financial products division. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.42 million.

Prakash Vishnoo Joshi, General Manager, aged 59 years, joined us on April 3, 1972. He has a master's degree in science from the Shivaji University. He was deputed to IBU International Hong Kong Limited, an erstwhile deposit taking company promoted by the Bank, Bank of Baroda and Union Bank of India for a period of four years. He has also represented the Bank as an employee director on the board of directors of IBU International Hong Kong Limited. Presently he is in charge of the technology management department of the Bank. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.39 million.

Ashok Kumar Dhar, General Manager, aged 57 years, joined us on April 2, 1973. He has a master's degree in science from the Punjab University and a post graduate diploma in bank management from NIBM and has completed CAIIB – I. Presently he is in charge of the human resource management department. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.40 million.

Lakshmanan S., General Manager, aged 57 years, joined us on March 1, 1972. He has a master's degree in economics and a doctorate in business management from Karnataka University. He has specialised in planning and economic research. Presently he is in charge of the department of planning, resource mobilisation and development. He is the co-ordinating general manager of the Bank for the OIC Alliance. The gross salary paid to him in fiscal 2006 was approximately Rs. 0.38 million.

Selvam Veeraraghavan, General Manager, aged 54 years, joined us on April 15, 1974. He has a bachelor's degree in agricultural science from the University of Agricultural Science, Bangalore and has completed CAIIB. He has served as a director on the boards of directors of Adhiyaman Grama Bank, Sri Venkateswara Grameena Bank, Vallalar Grama Bank (three of the four RRBs initially sponsored by us) and Pondicherry Industrial Promotion Development Corporation. Presently he is in charge of the rural banking department of the Bank. He has been a member of the committee constituted by the Government of Pondicherry to study the working of public sector undertakings. The gross salary paid to him in fiscal 2006 was Rs. 0.40 million.

Jayanti Lal Jain, General Manager, aged 57 years, joined us on January 18, 1982. He has master's degrees in economics from the University of Udaipur and Wichita State University, U.S.A. He also an interdisciplinary doctorate in economics-Jainology from Madras University and a doctorate in economics from Okalahoma State University, U.S.A. He has headed the planning and research department of our Bank. Presently he is in charge of the management information system of our Bank. The gross salary paid to him in fiscal 2006 was 0.48 million.

All the key managerial personnel of the Bank as listed above are the permanent employees of the Bank as on the date of filing of this Red Herring Prospectus.

Changes in our key managerial personnel during the last three years

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

Name	Date of becoming key managerial personnel	Date of cessation	Reason for change
Jayanti Lal Jain	June 5, 1994	—	Promoted
Shivaswamy S.R.	May 1, 1998	—	Promoted
Srinivasan V.	May 1, 1998	—	Promoted
Krishna Murthy Kota	November 16, 1998	—	Promoted
Suryanarayanan S.	May 31, 2003	—	Promoted
Ramani C. S.	May 31, 2003	—	Promoted
Viswanathan A.	May 31, 2003	—	Promoted
Jag Mohan Garg	May 31, 2003	—	Promoted
Ramachandran R.	May 31, 2003	—	Promoted
Nagendra Murthy K.B.	May 31, 2003	—	Promoted
Nagappan A.R.	February 5, 1998	August 27, 2004	Appointed as executive director of Indian Overseas Bank
Sadanand Misra	March 30, 2005	—	Promoted
Gajapathirajan C.	March 30, 2005	—	Promoted
Gopinath K.M.	March 30, 2005	—	Promoted
Vijaya Rama Rao R.	March 30, 2005	—	Promoted
Shyamal Kumar Bandyopadhyay	June 1, 2005	—	Promoted
Valliappan T.	February 5, 1998	March 31, 2006	Appointed as executive director, Vijaya Bank

Name	Date of becoming key managerial personnel	Date of cessation	Reason for change
Santhanaraman V.	May 1, 1998	October 10, 2006	Appointed as executive director of Bank of Baroda
Prakash Vishnoo Joshi	August 14, 2006	—	Promoted
Ashok Kumar Dhar	August 14, 2006	—	Promoted
Lakshmanan S.	August 14, 2006	—	Promoted
Selvam Veeraraghavan	October 11, 2006	—	Promoted
S. Sarangaraj Kumar	June 5, 1994	May 31, 2003	Retired
S. Arunachalam	April 25, 1992	May 31, 2005	Cessation
S. K. Vermani	May 31, 2003	June 24, 2005	Retired under VRS
P. R. Balasubramaniam	March 30, 2005	April 30, 2006	Retired

Other than the above changes, there have been no changes to the Key Managerial Personnel of the Bank that are not in the normal course of employment.

Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel.

Interest of Directors or Key Managerial Personnel

The key managerial personnel of our Bank do not have any interest in our Bank other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. None of our key managerial personnel have been paid any consideration of any nature from the Bank, other than their remuneration. All our key managerial personnel may also be deemed to be interested to the extent of Equity Shares, if any, that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

None of our Directors or key managerial personnel holds any Equity Shares.

OUR PROMOTER, SUBSIDIARIES AND ASSOCIATES

Promoter

Our Promoter is the President of India, acting through the Department of Economic Affairs (Banking Division), MoF, GoI, which holds 100% of the pre-Issue paid up equity share capital of our Bank and will hold 80 % of the fully diluted post-Issue paid up equity share capital of our Bank.

Our Subsidiaries

Our Bank has the following Subsidiaries:

1. Ind Bank Housing Limited;
2. Indbank Merchant Banking Services Limited; and
3. Indfund Management Limited.

1. Ind Bank Housing Limited

Ind Bank Housing Limited was incorporated on January 28, 1991. The main business of Ind Bank Housing Limited is to provide housing finance to individuals for the purchase and construction of residential houses; for the upgrade and repair of residential flats and buildings; and to provide finance to builders. In 1997, Ind Bank Housing Limited amended its memorandum of association to add the objects of providing lease finance and hire purchase, but it has not commenced operations in these two areas of business.

The registered office of the company is at:
66, Rajaji Salai, Chennai 600 001, India

The directors of Ind Bank Housing Limited are:

1. M.S. Sundara Rajan, Indian Bank Nominee;
2. S.K. Bandyopadhyay, Indian Bank Nominee;
3. S. Annadurai, Indian Bank Nominee;
4. K. Subramanian, HUDCO Nominee; and
5. A. Damodaran, Independent Director.

M.S. Sundara Rajan is the chairman of the board of directors and S. Annadurai is the managing director of Ind Bank Housing Limited.

The shareholding pattern of Ind Bank Housing Limited as of December 31, 2006 is as under:

Serial No.	Category	No. of shares held	% holding
A.	**Promoter's Holding**		
1.	**Promoters**		
	Indian Bank	5,100,000	51.00
	HUDCO	2,500,000	25.00
2.	**Persons Acting in Concert**	Nil	Nil
	Sub Total (a)	**7,600,000**	**76.00**
B.	**Non-Promoters holding**		
3.	**Institutional Investors**		
	a) Mutual Funds and UTI	Nil	Nil
	b) Banking, Financial institutions, Insurance Companies (Central/State Government Institutions, Non-Government Institutions)	200	0.00
	c) FIIs	Nil	Nil
	Sub Total (b)	**200**	**0.00**
4.	**Others**		
	a) Private Corporate bodies	184,339	1.84
	b) Indian public	2,210275	22.10
	c) NRIs/ OCBs	Nil	Nil
	d) Any other(clearing member)	5,186	0.05
	Sub Total (c)	**2,399,800**	**24.00**
	Grand Total (a+b+c)	**10,000,000**	**100.00**

Summary audited financial statements:

(Rs. in million except per share data)

Particulars	For the year ended		
	March 31, 2006	March 31, 2005	March 31, 2004
Capital	100.00	100.00	100.00
Reserves*	58.32	58.32	58.32
Accumulated Loss	912.51	879.50	895.40
Deposits from public	5.23	8.66	89.98
Loans and advances	154.59	181.09	223.93
Total Income	29.28	26.52	57.35
Total Expenses	105.65	79.13	126.83
Retrieval provisions	43.36	10.77	12.70
Waiver of NHB refinance loan	-	57.74	-
Profit After Tax	(33.01)	15.90	(56.78)
Earning per share (Rs.)	(3.30)	1.59	(5.68)
Net Asset Value (Book value per share) (Rs.)#	(75.42)	(72.12)	(73.71)

** Excluding revaluation reserves*

 # Face value of Rs. 10 each

Information about share price:

The equity shares of Ind Bank Housing Limited are listed on the Madras Stock Exchange and the BSE. The equity shares have not been traded on the Madras Stock Exchange since the last five years.

The highest and lowest prices quoted on the BSE in the last six months:

Month	High (in Rs.)	Low (in Rs.)
July 2006	7.48	5.53
August 2006	8.15	6.25
September 2006	9.89	6.08
October 2006	10.36	10.36
November 2006	14.53	11.05
December 2006	11.60	11.58

The closing price on the BSE as of December 29, 2006 was Rs. 11.05.

The market capitalization on the BSE as of December 29, 2006 was Rs. 110.50 million

Promise versus performance:

Ind Bank Housing Limited made an initial public issue of equity shares of face value Rs. 10 each on October 7, 1991 at par. The objects of the issue were to meet the funds requirement for the lending operations of Ind Bank Housing Limited. While there were no specific future projections, the objects of this issue were achieved. Additionally, dividend was declared for the years 1992-93, 1993-94 and 1994-95 at 7%, 10% and 15% respectively.

Ind Bank Housing Limited has not completed any public or rights issue in the three years preceding this Red Herring Prospectus. The provisions of the SICA are not applicable to Ind Bank Housing Limited. Ind Bank Housing Limited is not under winding up.

The Bank is exploring the possibility of disposing of its housing finance business by hiving off Ind Bank Housing Limited.

2. **Indbank Merchant Banking Services Limited**

Indbank Merchant Banking Services Limited was incorporated on August 11, 1989. The main business of Indbank Merchant Banking Services Limited is to provide merchant banking and other allied services. Indbank Merchant Banking Services Limited is a SEBI recognised Category I merchant banker, institutional member of Madras Stock Exchange, member of the NSE (under equity and debt market segments), member of the Over The Counter Exchange of India and a depository participant registered with NSDL.

The registered office of Indbank Merchant Banking Services Limited is at:

1st Floor, Khivraj Complex 1
No. 480, Anna Salai, Nandanam
Chennai 600 035, India

The directors of Indbank Merchant Banking Services Limited are:

1. M.S. Sundara Rajan, Indian Bank Nominee;
2. Dr. Raja J. Chelliah, Independent Director;
3. M.K. Narayanan, Independent Director;
4. T.M. Nagarajan, Independent Director;
5. S.K. Bandyopadhyay, Indian Bank Nominee;
6. V. Ganesan, Indian Bank Nominee; and
7. S. Annadurai, Indian Bank Nominee

S Annadurai is the president and whole time director on the board of IndBank Merchant Banking Services Limited.

The shareholding pattern of Indbank Merchant Banking Services Limited as of December 31, 2006 is as under:

Serial No.	Category	No. of shares held	% holding
A.	**Promoter's Holding**		
1.	**Promoters**		
	Indian Bank	28,773,800	64.84
2.	**Persons Acting in Concert**	Nil	Nil
	Sub Total (a)	**28,773,800**	**64.84**
B.	**Non-Promoters holding**		
3.	**Institutional Investors**		
	a) Mutual Funds and UTI	558,000	1.26
	b) Banking, Financial institutions, Insurance Companies (Central/State Government Institutions, Non-Government Institutions)	50,000	0.11
	c) FIIs	2,700	0.01
	Sub Total (b)	**610,700**	**1.38**
4.	**Others**		
	a) Private Corporate bodies	3,062,034	6.94
	b) Indian public	11,738,469	26.45
	c) NRIs/ OCBs	Nil	Nil
	d) Any other (Clearing member)	175,197	0.39
	Sub Total (c)	**14,993,700**	**33.78**
	Grand Total (a+b+c)	**44,378,200**	**100.00**

Summary audited financial statements:

(Rs. In million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital	443.94	443.94	443.94
Reserves & Surplus*	666.07	666.07	666.07
Total Income	87.17	85.85	110.96
Total Expenditure	52.24	55.27	70.70
Profit After Tax	20.43	15.67	24.10
Earning per share (Rs.)	0.46	0.35	0.55
Net Asset Value/ Book value per share (Rs.)#	3.45	2.99	2.64

** Excluding revaluation reserves*

 # Face value of Rs. 10 each

Information about share price:

The equity shares of Indbank Merchant Banking Services Limited are listed on the BSE.

The highest and lowest prices quoted on the BSE in the last six months:

Month	**High (Rs.)**	**Low (Rs.)**
July 2006	7.95	5.68
August 2006	7.72	5.90
September 2006	11.99	6.41
October 2006	13.60	10.30
November 2006	21.80	9.07
December 2006	21.25	16.10

Closing price on the BSE as of December 29, 2006 was Rs. 18.95.

Market capitalization on the BSE as of November 14, 2006 was Rs. 840.97 million.

Promise versus performance:

Indbank Merchant Banking Services Limited made an initial public issue of 14,410,000 equity shares of Rs. 10 each at an issue price of Rs. 25 per share for cash aggregating Rs. 360.25 million in March 1994. The objects of the issue were to fund leasing and hire purchase operations and augment the long term resources of Indbank Merchant Banking Services Limited. Indbank Merchant Banking Services Limited ceased to carry on the operations of leasing and hire purchase from 1998. The actual performance achieved by Indbank Merchant Banking Services Limited is given below:

(Rs. In million except per share data)

	Year ended March 31									
	1994		1995		1996		1997		1998	
Particulars	**Projections**	**Actuals**	**Projections**	**Actuals**	**Projections**	**Actuals**	**Projections**	**Actuals**	**Projections**	**Actuals**
Capital	150.00	150.00	294.10	343.43	294.10	443.80	294.10	443.84	294.10	443.84
Reserves & Surplus	105.00	117.16	387.70	512.63	442.50	769.10	526.60	781.94	642.60	795.72
Total income	502.30	511.13	410.50	562.00	549.40	708.27	722.10	772.88	925.90	750.21
Profit after tax	30.90	43.08	125.30	179.10	113.60	110.08	142.90	12.25	174.80	11.97
Book value per share (Rs.)	17.00	17.20	23.18	24.07	25.05	26.75	27.91	27.12	31.85	27.50
Earnings per share (Rs.)	4.51	2.87	6.61	5.21	7.49	2.48	10.25	0.28	13.36	0.26
Dividend %	15	15	20	20	20	10	20	Nil	20	Nil

The reasons for the variance in the actuals aganst the projections from fiscal 1994 to fiscal 1998 are:

1. On account of the non-recognition of income on NPAs in accordance with the prudential norms, the total income was lower than the projections in fiscal 1998;
2. On account of the non-recognition of income on NPAs in accordance with the prudential norms and the provisions required for NPAs and depreciation on investments, the profit after tax was lower than the projections in fiscal 1997 and 1998;
3. Consequent to further infusion of capital, the earnings per share were lower than the projections.

Indbank Merchant Banking Services Limited has not completed any public or rights issue in the three years preceding this Red Herring Prospectus. The provisions of the SICA are not applicable to Indbank Merchant Banking Services Limited. Indbank Merchant Banking Services Limited is not under winding up and does not have negative net worth.

3. Indfund Management Limited

Having received the approval of the RBI on December 3, 1993, for setting up of an Asset Management Company, Indfund Management Limited was incorporated on January 25, 1994 to carry on the business of managing the investments of Indian Bank Mutual Fund. Consequent to the cancellation of the certificate of registration granted to Indian Bank Mutual Fund, SEBI withdrew the approval granted to Indfund Management Limited and in terms of the letter dated March 8, 2002 from SEBI, Indfund Management Limited is not permitted to carry on the business of an assest management company. Upon maturity / hiving off of the schemes of Indian Bank Mutual Fund, Indfund Management Limited is now involved in managing the residual activities of the Indian Bank Mutual Fund, including, redemption of unredeemed units, attending to investor queries, recovery of non-performing assets and representing Indian Bank Mutual Fund.

The registered office of Indfund Management Limited is at:

1st Floor, City Ice Building
298, Perin Nariman Street
Fort, Mumbai 400 001, India

The directors of Indfund Management Limited are:

1. M.S. Sundara Rajan, Indian Bank Nominee;
2. Sadanand Misra, Managing Director, Indian Bank Nominee;
3. U.C. Saksena, Independent Director; and
4. S.K. Bandyopadhyay, Indian Bank Nominee.

The shareholding pattern of Indfund Management Limited as of December 31, 2006 is as under:

Shareholder	Number of Shares	Shareholding (in Percentage)
Indian Bank	48,710,000	100
Total	48,710,000	100

Summary audited financial statements:

(Rs. million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital	487.10	487.10	487.10
Reserves*	(209.37)	(239.25)	(260.53)
Total Income	37.18	28.16	26.14
Total Expenditure	5.68	5.31	5.11
Profit After Tax	29.88	21.18	19.61
Earning per share (Rs.)	0.61	0.43	0.40
Net Asset Value/ Book value per share (Rs.)#	5.70	5.09	4.65

** Excluding revaluation reserves and miscellaneous expenditure not written off*

 # Face value of Rs. 10 each

The equity shares of Indfund Management Limited are not listed on any stock exchange. Indfund Management Limited has not completed any public or rights issue in the preceding three years. The provisions of the SICA are not applicable to Indfund Management Limited. Indfund Management Limited is not under winding up and does not have negative net worth.

Common pursuits

Certain of our Subsidiaries are engaged in services that are similar to ours. The table below presents the common pursuits that our Subsidiaries have with us:

Name of the Subsidiary	Services
Ind Bank Housing Limited	Housing finance
Indbank Merchant Banking Services Limited	Project appraisal and syndication, depository participant services and distribution of mutual fund products

Our Associates

The Regional Rural Banks Act, 1976, as amended, (the “RRB Act”) provides for the incorporation, regulation and functioning of Regional Rural Banks with a view to develop the rural economy. In order to provide banking services in rural areas in pursuance of GoI policies, our Bank has sponsored the following two RRBs operating in the states of Andhra Pradesh and Tamil Nadu.

Saptagiri Grameena Bank; and

Pallavan Grama Bank.

The RRB Act, 1976 stipulates the limit of paid-up capital of an RRB and further stipulates that 50 per cent of such capital would be contributed by the GoI, 35 per cent by the Sponsor Bank and 15 per cent by the relevant State Government. Each of the RRBs is governed independently by a board of directors comprising of the following directors appointed in accordance with the Regional Rural Banks Act, 1976:

1. Chairman; who will be appointed by the Sponsor Bank
2. One director, who is an officer of the RBI and nominated by RBI;
3. One director, who is an officer of the NABARD and nominated by NABARD;
4. Two directors who are not officers of the GoI, the State Government, the RBI, NABARD, the Sponsor Bank or any other bank, and nominated by GoI;
5. Two directors, who are Officers of the relevant State Government and nominated by the relevant State Government; and
6. Two directors, who are officers of the Sponsor Bank and nominated by the Sponsor Bank.

Details of the RRBs sponsored by us are given below:

1. Saptagiri Grameena Bank

Saptagiri Grameena Bank was formed on June 30, 2006 pursuant to the merger of Sri Venkateswara Grameena Bank and Kanakadurga Grameena Bank in terms of the notification dated June 30, 2006 issued by the MoF, GoI. The operational area of Saptagiri Grameena Bank covers the districts of Chitoor and Krishna Districts in the State of Andhra Pradesh and it has 103 branches.

The head office of Saptagiri Grameena Bank is at:

Naidu Buildings
Durga Hotel Complex
Post Box No. 17
Chitoor 517 001, India

The directors of Saptagiri Grameena Bank are:

1. R.V. Chandrasekhar Rao, Chairman;
2. Giridhar, Government of Andhra Pradesh Nominee;
3. S.S. Rawat, Government of Andhra Pradesh Nominee;
4. P. Subrahmanyam, RBI Nominee;
5. Jayarama Sarma, NABARD Nominee;
6. Krishnamurthy Kota, Indian Bank Nominee; and
7. Ramachandra Rao, Indian Bank Nominee.

The shareholding pattern of Saptagiri Grameena Bank as of December 31, 2006:

Shareholder	**Number of Shares**	**Shareholding (%)**
Government of India	100,000	50
Indian Bank	70,000	35
Government of Andhra Pradesh	30,000	15
Total	**200,000**	**100**

Summary audited financial statements:

The summary financial statements of the merging entities, Sri Venkateswara Grameena Bank and Kanakadurga Grameena Bank are given below:

Sri Venkateswara Grameena Bank

(Rs. in million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital (including Share Capital deposit)	156.23	156.23	156.23
Reserves*	170.29	121.32	104.74
Sales & Income	486.39	454.98	426.29
Total Expenditure	437.31	438.4	385.85
Profit After Tax	48.97	16.58	40.44
Earning per share (Rs.)	489.70	165.81	404.40
Net Asset Value/ Book value per share (Rs.)#	1802.92	1313.22	1147.41

** Excluding revaluation reserves*

 # Face value of Rs. 100 each

Kanakadurga Grameena Bank

(Rs. in million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital	21.48	21.48	21.48
Reserves*	220.46	186.96	165.40
Sales & Income	150.92	131.31	126.34
Total Expenditure	117.42	109.76	105.14
Profit After Tax	33.50	21.55	21.20
Earning per share (Rs.)	335.05	215.54	211.18
Net Asset Value/ Book value per share (Rs.)#	2304.61	1969.01	1754.02

** Excluding revaluation reserves*

 # Face value of Rs. 100 each

2. Pallavan Grama Bank

Pallavan Grama Bank was formed on August 31, 2006 pursuant to the merger of Adhiyaman Grama Bank and Vallalar Grama Bank in terms of the notification dated August 31, 2006. The operational area of the Pallavan Grama Bank covers the districts of Dharmapuri, Krishnagiri, Erode, Namakkal, Kancheepuram, Vellore, Thiruvanamalai, Cuddalore, Villupuram, and Salem in the State of Tamil Nadu and it has 50 branches.

The head office of Pallavan Grama Bank is at:

6, Yercaud Road
Hasthampatti
Salem 636 007, India

The directors of Pallavan Grama Bank are:

1. K. Jeyabal, Chairman;
2. Dr. K. Satyagopal, Government of Tamil Nadu Nominee;

3. N. Mathivanan, Government of Tamil Nadu Nominee;
4. P.M. Rajagopal, RBI Nominee;
5. P. Manimekalai, NABARD Nominee;
6. Selvam Veeraraghavan, Indian Bank Nominee; and
7. M. Kathiresan, Indian Bank Nominee.

The shareholding pattern of Pallavan Grama Bank December 31, 2006:

Shareholder	Number of shares	Shareholding (%)
Government of India	100,000	50
Indian Bank	70,000	35
Government of Tamil Nadu	30,000	15
Total	**200,000**	**100**

Summary audited financial statements:

The summary audited financial statements of the merging entities, Adhiyaman Grama Bank and Vallalar Grama Bank are given below:

Adhiyaman Grama Bank

(Rs. in million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital	37.30	37.30	37.30
Reserves*	188.45	151.35	123.49
Sales & Income	157.36	128.92	125.24
Total Expenditure	120.26	101.06	95.18
Profit After Tax	37.10	27.86	30.06
Earning per share (Rs.)	370.91	278.62	300.61
Net Asset Value/ Book value per share (Rs.)#	1984.45	1613.48	1334.86

** Excluding revaluation reserves*

 # Face value of Rs. 100 each

Vallalar Grama Bank

(Rs. in million except per share data)

	For the year ended		
Particulars	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Capital	28.27	28.27	28.27
Reserves*	205.58	176.83	153.61
Sales & Income	106.01	87.80	81.81
Total Expenditure	77.26	64.58	63.61
Profit After Tax	28.74	23.22	18.20
Earning per share (Rs.)	287.42	232.20	182.01
Net Asset Value/ Book value per share (Rs.)#	2155.71	1868.29	1636.09

** Excluding revaluation reserves*

 # Face value of Rs. 100 each

Our Bank has not disassociated itself from any company during the last three financial years.

RELATED PARTY TRANSACTIONS

The Related party transactions are as under:

Remuneration to Key Management Personnel are as under:

Rs. in million

Name of the Party & Designation	**Remuneration**					
	2002-03	**2003-04**	**2004-05**	**2005-06**	**Sep-05**	**Sep-06**
Mrs.Ranjana Kumar, Chairperson & Managing Director(upto 21.11.2003)	0.56	0.46	—-	—-	—-	—-
Mr. M B N Rao, Executive Director (upto 03.12.2003) and Chairman & Managing Director (from 04.12.2003 and upto 09.06.2005)	0.50	0.54	0.57	0.12	0.12	—-
Mr. K C Chakrabarty, Chairman & Managing Director(from 10.06.2005)				0.46	0.18	0.31
Mr. B Sambamurthy, Executive Director (from 27.08.2004 and upto 31.03.2006)	—-	—-	0.31	0.53	0.27	0.28
The Credit exposure to the above Key Managerial Personnel and their Relatives	NIL	NIL	NIL	NIL	NIL	NIL

The subsidiaries and associates as at 31.03.06 are as under:

(a) Subsidiaries:
1. Ind Bank Housing Ltd.
2. Indbank Merchant Banking Services Ltd.
3. Indfund Management Ltd.

(b) Associates:
1. Kanagadurga Grameena Bank, Vijayawada
2. Venkateswara Grameena Bank, Chittoor
3. Vallalar Grama Bank, Cuddalore
4 Adhiyaman Grama Bank, Dharmapuri

The transactions with subsidiaries and associates have not been disclosed in view of Para 9 of AS-18 – Related Party Disclosure which exempts state controlled enterprises from making any disclosure pertaining to their transactions with other related parties which are also state controlled.

DIVIDEND POLICY

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, underwriting commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The GoI may exempt banks from this provision by issuing a notification on the recommendation of the RBI. The Bank has made an application dated October 7, 2006 to the Department of Economic Affairs (Banking Division), MoF, GoI seeking an exemption from the applicability of Section 13. In terms of the approval of the GoI dated November 28, 2006, the Bank's request for exemption from applicability of Sections 13 and 15 of the Banking Regulation Act has been approved, subject to a formal notification upon compliance with the provisions of Section 53 of the Banking Regulation Act. This exemption, once formally notified, will permit the Bank to pay commission, brokerage, discount or remuneration in any form in respect of any shares issued by it for any amount exceeding an aggregate of 2.5% of the paid up value of the shares and pay dividends, if any, to the shareholders in the Issue without writing off all its capitalized expenses. For further details on restrictions on dividend declaration, see the section titled "Regulations and Policies–Restrictions on Payment of Dividends" on page 95 of this Red Herring Prospectus.

The dividends declared by our Bank during the last five years have been presented below.

Year Ended	Capital Rs. million	No of Shares	Rate of Dividend (Percent)	Amount of Dividend Rs. Million
March 31, 2002	38,039.60	NA	-	-
March 31, 2003	45,739.60	NA	-	-
March 31, 2004	45,739.60	NA	-	-
March 31, 2005	45,739.60	NA	-	-
March 31, 2006	7,438.20	NA	20% of Net Profit	1,010.00

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

FINANCIAL STATEMENTS

"AUDITORS REPORT"

The Board of Directors

Indian Bank
Head Office,
66, Rajaji Salai,
Chennai – 600 001

Dear Sirs,

We have been engaged to examine and report on the financial information of Indian 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) on January 19, 2000 in pursuance of section 11 of the SEBI Act, 1992, (the SEBI Guidelines). The preparation and presentation of this financial information is the responsibility of Bank's management. We have reported on the above statements on the basis of information and explanations provided by the management, books & records produced to us, so as to obtain a reasonable assurance that such statements are free of material misstatements. These financial information are proposed to be included in the offer document of the Bank in connection with its proposed initial public offer of equity shares.

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

   a) The financial statements of the Bank for the financial years ended on March 31, 2002, 2003, 2004, 2005 and 2006 which were audited and reported upon by the respective auditors, names of whom and the year of their audit are furnished below:

Year	Name of Auditors
2001-02	M/s M M Nissim And Co., Mumbai M/s Manian & Rao, Bangalore M/s Joseph & Rajaram, Chennai M/s Chandra Gupta & Associates, New Delhi M/s Umamaheswara Rao & Co., Guntur M/s Kumar Sharma & Co., New Delhi
2002-03	M/s Singhi & Co., Kolkata M/s Manian & Rao, Bangalore M/s Joseph & Rajaram, Chennai M/s Chandra Gupta & Associates, New Delhi M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi
2003-04	M/s Singhi & Co., Kolkata M/s Manian & Rao, Bangalore M/s B Purushottam & Co., Chennai M/s Chandra Gupta & Associates, New Delhi M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi
2004-05	M/s Manian & Rao, Bangalore M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi M/s Singhi & Co., Kolkata M/s B Purushottam & Co., Chennai M/s J.P., Kapur & Uberai, New Delhi
2005-06	M/s B Purushottam & Co., Chennai M/s J.P., Kapur & Uberai, New Delhi M/s R Subramanian And Company, Chennai M/s Grandhy & Co., Visakhapatnam M/s R Gopal & Associates, Jamshedpur

   b) The financial statements of the Bank for the half-year ended September 30, 2006 were subject to a limited review by us. The aforesaid financial statements incorporated the relevant returns of 20 branches reviewed by us, 221 branches including 1 foreign branch reviewed by other auditors specifically appointed for this purpose and 6 branches reviewed by internal auditors of the bank and unreviewed returns in respect of 1159 branches. In the conduct of our review, we had taken note of the review reports in respect of non-performing assets received from the concurrent auditors of 220 branches, internal auditors of the Bank of 6 branches and other firm of auditors of 1 overseas branch appointed for this purpose. These review reports covered 54.53% of the advances portfolio of the Bank.

Since no financial statements have been reviewed subsequent to September 30, 2006 till date, prior to three months before the issue of the prospectus, the said financial statements of the Bank for the half-year ended September 30, 2006 have been incorporated.

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

3. The 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 statements as a whole. Accordingly, neither was an audit performed nor an opinion expressed.

4. We have performed such tests and procedures, which, in our opinion, were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached financial information with the Bank's audited financial statements for the years 2001-2002 to 2005-2006 and unaudited financial statements for the Half-year ended September 30, 2005 and September 30, 2006 as prepared by the Bank.

5. We report that the profits of the Bank as restated for the financial years ended March 31, 2002, 2003, 2004, 2005, 2006 & for the Half-year ended September 30, 2005 and September 30, 2006 are as set out in Annexure A. These profits have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are to be read with accounting policies and notes thereon furnished.

6. We report that the assets and liabilities of the Bank as restated as at March 31, 2002, 2003, 2004, 2005, 2006 and September 30, 2005 & September 30, 2006 are also as set out in Annexure A after making such adjustments and regroupings as in our opinion were appropriate and are to be read with the accounting policies and notes thereon.

7. The Annexure A as referred to in paragraphs 5 & 6 above consists of the following:

   a) Summary statement of Profit and Loss as restated. (Annexure A-I)

   b) Summary statement of Assets and Liabilities as restated. (Annexure A-II)

   c) Statement of Cash Flows as restated. (Annexure A-III)

   d) Significant accounting policies for the year ended March 31, 2006. (Annexure A-IV)

   e) Material notes on accounts. (Annexure A-V)

   f) Notes on adjustments carried out. (Annexure A-VI)

   g) Adjustments not carried out in the Statements of Profit & Loss and Assets and Liabilities. (Annexure A-VII)

   h) Related Party transactions for the year 2002-03,2003-04, 2004-05 and 2005-06. The Bank did not report related party transactions for the year 2001-02 since the relevant accounting standard was not mandatory for that year. (Annexure A-VIII)

   i) Segment Reporting for the year 2002-03. 2003-04, 2004-05, 2005-06 and the half-year ended September 30, 2005 and September 30, 2006. The Bank did not prepare segment reports for the year 2001-02 since the relevant accounting standard was not mandatory for that year. (Annexure A-IX)

8. We report that the dividends (subject to deduction of tax at source, wherever applicable) declared by the Bank for the five financial years ended March 31, 2006 are as set out in Annexure B.

9. In accordance with the SEBI Guidelines, attached are Annexures C, D, & E containing summary of financial statements of subsidiaries of the Bank for the five years ended March 31, 2006, as applicable and for the period ended September 30, 2005 and September 30, 2006.

10. The holdings of the Bank in each of the above subsidiaries are set out below:

Name of the subsidiary	**Percentage of holding as on March 31**				
	2002	2003	2004	2005	2006
Ind Bank Housing Ltd.	51.00%	51.00%	51.00%	51.00%	51.00%
Indbank Merchant Banking Services Ltd.	64.84%	64.84%	64.84%	64.84%	64.84%
Indfund Management Ltd.	100.00%	100.00%	100.00%	100.00%	100.00%

11. The summary of financial statements of following subsidiaries as per Annexure C, D & E are prepared based on the financial statements audited by their respective auditor's as mentioned below:

Name of the subsidiary	Year	Name of Auditor
Ind Bank Housing Ltd. (Annexure – C)	2001-02	M/s B Thiagarajan & Co., Chennai
	2002-03	M/s B Thiagarajan & Co., Chennai
	2003-04	M/s B Thiagarajan & Co., Chennai
	2004-05	M/s S Sonny Associates, Chennai
	2005-06	M/s S Sonny Associates, Chennai
Indbank Merchant Banking Services Ltd. (Annexure – D)	2001-02	M/s Ganesan and Company, Chennai
	2002-03	M/s Ganesan and Company, Chennai
	2003-04	M/s Ganesan and Company, Chennai
	2004-05	M/s Ganesan and Company, Chennai
	2005-06	M/s R G N Price & Co., Chennai
Indfund Management Ltd. (Annexure – E)	2001-02	M/s S Sadashiv & Co., Mumbai
	2002-03	M/s S Sadashiv & Co., Mumbai
	2003-04	M/s S Sadashiv & Co., Mumbai
	2004-05	M/s S Sadashiv & Co., Mumbai
	2005-06	M/s Surendra & Co., Mumbai

We have not carried out any audit for any of the subsidiaries. Annexures C to E are as per the audited financial statements of three subsidiaries referred to therein and furnished to us by the bank. These have not been audited, reviewed or subject to adjustments by us. The profits, losses, assets and liabilities as per Annexures C to E relate to the entire individual subsidiaries.

12. We set out the Annexure F a summary of the consolidated assets & liabilities(restated), income and expenditure (restated), cash flow statement(restated), significant accounting policies, and material notes on accounts of the Bank (as a group) for the years 2002-03, 2003-04, 2004-05, and 2005-2006 which is based on audited accounts for those years. The consolidated financial statements were audited and reported upon by the respective auditors as given below:

Year	Name of Auditors
2002-03	M/s Singhi & Co., Kolkata M/s Manian & Rao, Bangalore M/s Joseph & Rajaram, Chennai M/s Chandra Gupta & Associates, New Delhi M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi
2003-04	M/s Singhi & Co., Kolkata M/s Manian & Rao, Bangalore M/s B Purushottam & Co., Chennai M/s Chandra Gupta & Associates, New Delhi M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi
2004-05	M/s Manian & Rao, Bangalore M/s Karra & Co., Chennai M/s Kumar Sharma & Co., New Delhi M/s Singhi & Co., Kolkata M/s B Purushottam & Co., Chennai M/s J.P., Kapur & Uberai, New Delhi
2005-06	M/s B Purushottam & Co., Chennai M/s J.P., Kapur & Uberai, New Delhi M/s R Subramanian And Company, Chennai M/s Grandhy & Co., Visakhapatnam M/s R Gopal & Associates, Jamshedpur

The Bank did not prepare consolidated financial statements for the year 2001-2002, since the relevant accounting standard was not mandatory for that year and hence the same are not set out in the report.

13. We have also examined the following financial information relating to the Bank on a stand alone basis, proposed to be included in the offer documents, as prepared and approved by the Bank and annexed to this report:

    (i) Summary of accounting ratios based on the adjusted profits relating to earnings per share, net asset value and return on net worth as set out in Annexure G.

    (ii) Capitalization statement as at March 31, 2006 of the Bank as set out in Annexure H.

    (iii) Statement of tax shelter as set out in Annexure I.

    (iv) Statement of borrowings as set out in Annexure J.

14. a) In our opinion, the financial information of the Bank as stated in Annexure A above read with respective significant accounting policies, after making groupings and adjustments as were considered appropriate by us and *subject to non-adjustment of certain matters as stated in the said Annexure,* have been prepared in accordance with the SEBI Guidelines.

    b) In our opinion, the financial information as given in Annexures B to J have been properly extracted from bank's / subsidiaries audited financial statements for the year ended March 31, 2002, 2003, 2004, 2005, 2006 and as prepared by the Bank for the half-year ended September 30, 2005 and September 30, 2006 or have been correctly prepared from the financial information in Annexure A as applicable and in accordance with the SEBI guidelines *subject to consequential effect of adjustment not carried out as described in Annexure A-VI.*

15. This report is intended solely for your information and for inclusion in the offer document in connection with the public issue of the shares of the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

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

For B. Purushottam & Co.
Chartered Accountants

B.S.Purushotham
Partner
M.No.26785

For J.P., Kapur & Uberai
Chartered Accountants

Deepak Menon
Partner
M.No.84225

For RSubramanian And Company
Chartered Accountants

R Prakash
Partner
M.No. 205869

For Grandhy & Co.
Chartered Accountants

Naresh Chandra Gelli
Partner
M.No.201754

For R.Gopal & Associates
Chartered Accountants

G D Agarwala
Partner
M.No.51609

Place: Chennai

Date : 11.01.2007

SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

Annexure - A-I

(Rs. in Million)

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
A	**INCOME**							
1	**Interest Earned**	**22939.30**	**25319.10**	**26669.20**	**28706.60**	**33645.10**	**15790.70**	**19884.60**
1.1	Interest & Discount on advances / bills	10837.10	11365.00	11719.50	13818.80	17777.60	8088.30	11640.90
1.2	Income on Investment	11617.10	13564.60	14546.40	14413.30	15264.90	7410.60	8013.30
1.3	Interest on balance with RBI and other Inter Bank Lending	452.30	357.20	402.00	460.20	580.00	291.60	229.40
1.4	Interest on Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.5	Others	32.80	32.30	1.30	14.30	22.60	0.20	1.00
2	**OTHER INCOME**	**5019.30**	**5250.00**	**7473.30**	**5688.10**	**5314.80**	**2521.00**	**2810.10**
2.1	Commission, Exchange Brokerage	979.20	1068.70	1078.70	1157.00	1180.20	563.60	733.30
2.2	Profit on sale of investments (Net)	2262.70	2728.00	4654.70	2097.70	759.20	492.30	204.30
2.3	Profit on revaluation of investments(Net)	0.00	0.00	0.00	-36.25	0.00	0.00	0.00
2.4	Profit on sale of land, bldg. & other assets (Net)	47.80	7.10	1.20	-7.50	-12.80	-9.50	-7.00
2.5	Profit on exchange transaction (Net)	554.90	550.00	583.20	686.60	680.60	282.30	246.50
2.6	Income earned by way of dividends etc. from subsidiaries/ companies/ jt.Ventures in India	28.10	35.50	58.40	46.40	21.50	12.00	12.70
2.7	Miscellaneous Income	1146.60	860.70	1097.10	1744.15	2686.10	1180.30	1620.30
	TOTAL INCOME	**27958.60**	**30569.10**	**34142.50**	**34394.70**	**38959.90**	**18311.70**	**22694.70**
B	**EXPENDITURE**							
1	**Interest Expended**	**17628.80**	**17115.20**	**15498.60**	**15670.10**	**18543.40**	**8787.80**	**11253.80**
1.1	Interest on Deposits	16847.60	16624.90	15067.70	15076.60	17303.20	8424.50	10205.40
1.2	Interest on RBI/ Inter-Bank borrowings	473.60	277.10	283.20	339.20	727.00	282.00	931.40
1.3	Others	307.60	213.20	147.70	254.30	513.20	81.30	117.00
	Operating expenses	**7220.60**	**8130.70**	**9964.60**	**10041.80**	**11630.80**	**5953.40**	**6172.90**
1	Payment to & provision for employees	5592.70	6340.00	7972.30	7272.90	7886.10	4216.70	4050.40
2	Rent, Taxes & Lighting	479.10	512.70	572.50	648.10	688.70	320.10	381.10
3	Printing and Stationery	88.70	94.20	107.90	122.80	142.60	61.20	74.50
4	Advertisement and publicity	9.80	19.00	39.70	110.20	54.90	39.80	76.50
5	Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	311.80	348.80	307.50	308.20	513.40	205.90	320.40
6	Director's Fees, Allowances & Expenses	2.70	3.20	3.60	1.90	1.90	0.90	1.40
7	Auditor's Fees & Expenses	55.80	69.80	82.10	86.70	82.20	42.00	44.10
8	Law Charges	7.10	7.20	15.30	17.30	40.60	18.40	14.90
9	Postage, Telegrams, Telephones etc.	20.20	4.30	9.20	9.60	57.20	29.00	22.10
10	Repairs & Maintenance	136.70	144.50	162.70	195.00	259.10	125.10	107.90
11	Insurance	97.90	147.20	158.30	263.90	367.00	178.70	214.90
12	Other Expenditure	418.10	439.80	533.50	1005.20	1537.10	715.60	864.70
	TOTAL EXPENDITURE	**24849.40**	**25245.90**	**25463.20**	**25711.90**	**30174.20**	**14741.20**	**17426.70**

SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS ACCOUNT

Annexure - A-I (contd.)

(Rs. in Million)

Sr. No.		AUDITED FINANCIAL YEAR ENDED 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	2003	2004	2005	2006	Sep-05	Sep-06
	Operating Profit (before Provision & Contingencies)	**3109.20**	**5323.20**	**8679.30**	**8682.80**	**8785.70**	**3570.50**	**5268.00**
	Less: Provisions & Contingencies (Other than Provision for Tax)	2731.20	2991.60	3731.30	5266.10	3329.50	1016.60	1460.20
	Profit Before Tax	**378.00**	**2331.60**	**4948.00**	**3416.70**	**5456.20**	**2553.90**	**3807.80**
	Provision for Tax	8.10	87.10	235.80	229.70	562.20	207.90	467.80
	Net Profit after tax	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
	Add: Amount transferred from Investment Fluctuation Reserve							
	Net Profit for the Year/ quarter ended as per Financial Statements	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
a)	Statutory Reserve		400.00	1100.00	2890.80	1270.00	600.00	
b)	Capital Reserve				3.00	28.90	1.30	
c)	Revenue and Other Reserves							
i)	Investment Fluctuation Reserve		1400.00	2800.00	1141.00	-5569.90	1820.10	
ii)	General Reserve		21.00	30.00	50.00	7393.40		
iii)	Statutory Reserve (Foreign)							
d)	Dividend (including Dividend Tax)							
i)	Interim Dividend							
ii)	Proposed Dividend					1010.00		
	Tax on Dividend					141.70		
	Transfer to: Unallocated Profit	369.90	423.50	782.20	-897.80	619.90	-75.40	3340.00
	TOTAL	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
	Break up of Miscellaneous Income (*)							
	Incidental charges	83.20	82.00	110.90	180.20	224.10	89.10	130.90
	Recovery in bad debts w/o	632.80	361.00	519.80	1016.70	1814.70	861.90	1046.80
	Others	430.60	417.70	466.40	547.30	647.30	229.30	442.60
	Total Miscellaneous Income	**1146.60**	**860.70**	**1097.10**	**1744.20**	**2686.10**	**1180.30**	**1620.30**
	(*) Items listed here are generally of recurring nature.							
	Break-up of provisions and contingencies							
	Provision for Non Performing Advances	2051.10	1547.50	1665.50	1659.20	519.90	-17.30	137.00
	Floating Provision for NPAs (in addition to norms)			1750.00	330.00	400.00	620.00	
	Prov.for Inv. NPA	319.70	-334.60	1.00	51.60	26.00	124.80	
	Provision for Standard Advances	37.70	44.00	50.00	111.50	358.50	268.50	95.00
	Depreciation on Investments	-2.80	-76.80	13.10	1364.70	1326.70	-26.90	-126.20
	Provision for Restructured Standard Accounts	292.20	889.10	332.90	211.00	-747.90	50.00	300.00
	Others	353.00	268.10	254.40	1588.70	1420.70	96.30	929.60
	Provision & Contingencies (other than provision for tax)	**2731.20**	**2991.60**	**3731.30**	**5266.10**	**3329.50**	**1016.60**	**1460.20**
	Provisions for income tax	8.10	87.10	235.80	229.70	562.20	207.90	467.80
	TOTAL	**2739.30**	**3078.70**	**3967.10**	**5495.80**	**3891.70**	**1224.50**	**1928.00**

SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

Annexure A-II

(Rs. in million)

Sr. No.		AUDITED AS AT 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
(A)	**ASSETS**							
1	Cash in Hand	1025.80	868.10	792.90	877.00	905.50	947.60	1125.10
2	Balance with RBI	11817.60	18171.10	27644.60	18743.40	22124.40	22156.50	23287.20
3	Balance with Banks							
	- In India	399.30	5887.40	1291.20	2812.40	23117.00	3069.60	1535.20
	- Outside India	1689.70	1479.60	1696.70	3201.30	1849.20	3982.90	2582.50
4	Money at call and Short notice	78.70	2073.40	20.60	89.30	77.40	5102.70	2747.20
5	Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	- In India	121681.40	146140.30	165486.00	177580.90	188265.10	185203.70	198699.10
	- Outside India	2399.30	2249.80	1476.10	1629.00	1904.90	1592.30	3533.40
	TOTAL	**139091.80**	**176869.70**	**198408.10**	**204933.30**	**238243.50**	**222055.30**	**233509.70**
6	**Advances**							
	- In India	94268.50	109383.40	130418.40	173724.70	213448.10	192183.30	250073.80
	- Outside India	14815.10	13366.50	10842.40	10076.30	11398.30	9585.10	11851.20
7	Fixed Assets	4538.20	4238.60	4343.40	4493.90	5187.50	4716.80	5231.00
	Less: Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
	Net Fixed Assets	2107.50	1858.60	2015.50	2215.40	2950.40	2457.80	3015.80
8	Other Assets	11457.20	11540.50	9658.50	8163.80	8075.20	9648.30	9679.20
	Less Deferred Tax Asset (DTA)/ Deferred Revenue Exp.	2806.60	1871.00	935.40				
	Other Assets excl. DTA/DRE	8650.60	9669.50	8723.10	8163.80	8075.20	9648.30	9679.20
	TOTAL - (A)	**258933.50**	**311147.70**	**350407.50**	**399113.50**	**474115.55**	**435929.80**	**508129.70**
(B)	**LIABILITIES**							
1	**DEPOSITS**							
	Demand Deposits							
	- From Banks	611.80	357.40	679.10	354.50	386.80	373.30	297.90
	- From Others	17086.50	20949.00	22730.30	28228.50	31653.20	29054.30	33246.20
2	Saving Deposits	52847.90	65727.10	78683.80	92756.70	110027.20	101986.20	121337.50
3	Term Deposits from Banks	5807.00	4794.00	4971.90	4206.20	6908.00	4469.10	1759.80
	Term Deposits from Others	164035.20	178331.80	197378.80	222538.50	259080.00	243186.20	284595.10
4	**Borrowings**							
	- In India	2391.40	2696.90	1730.50	4542.40	13029.30	5184.90	16944.70
	- Outside India	1329.10	1795.20	1258.70	2703.50	5843.60	7642.40	860.20
5	Other Liabilities and Provisions	14858.90	25671.50	26302.80	20039.20	19701.20	18094.20	18262.10
6	Subordinate Debts	1809.40	1809.40	1809.40	4809.40	4809.40	4809.40	4809.40
	TOTAL - (B)	**260777.20**	**302132.30**	**335545.30**	**380178.90**	**451438.70**	**414800.00**	**482112.90**
(C)	**NET WORTH (C=A-B)**	**-1843.70**	**9015.40**	**14862.20**	**18934.60**	**22676.80**	**21129.80**	**26016.80**

SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

Annexure A-II (contd.)

(Rs. in million)

Sr. No.		AUDITED AS AT 31ST MARCH					LIMITED REVIEW Half year ended	
		2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
	Represented by:							
(D)	Share Capital	38039.60	45739.60	45739.60	45739.60	7438.20	45739.60	7438.20
(E)	Share Application Money							
(F)	**RESERVES AND SURPLUS**							
1	Statutory Reserve	674.10	1074.10	2174.10	5064.90	6334.90	5664.90	6334.90
2	Capital Reserve				3.00	31.90	4.40	31.90
3	Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
4	Investment Fluctuation Reserve	0.00	1400.00	4428.90	5569.90	0.00	7389.90	0.00
5	Revenue & Other Reserve	707.80	707.80	707.80	707.80	8101.20	707.80	8101.20
6	Deferred Tax Reserve							
7	Balance of Profit & Loss Account	-38458.60	-38035.10	-37252.80	-38150.60	770.60	-38376.80	4110.60
8	Share Premium							
	TOTAL	**-34646.00**	**-32473.20**	**-27614.00**	**-24526.50**	**17475.70**	**-22350.80**	**20793.80**
	Less: Revaluation Reserve	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
	Less Deferred Tax Asset (DTA)/ DRE	2806.60	1871.00	935.40				
	TOTAL - (F)	**-39883.30**	**-36724.20**	**-30877.40**	**-26805.00**	**15238.60**	**-24609.80**	**18578.60**
	NET WORTH (D+E+F)	**-1843.70**	**9015.40**	**14862.20**	**18934.60**	**22676.80**	**21129.80**	**26016.80**
(G)	**Contingent Liabilities**							
1	Claims ag. The Bank not acknowledged as debt	2075.20	1647.50	2069.50	2776.20	2673.90	2881.40	2640.70
2	Liability for partly paid investments	0.80	0.80	0.80	0.80	0.80	0.80	0.80
3	Liability on account of outstanding forward exchange contracts	48428.40	55117.00	28909.20	26249.00	66552.60	50955.70	41600.40
4	Guarantees given on behalf of constituents :	7348.10	9281.80	7868.30	12734.40	16212.40	13725.70	16590.00
5	Acceptances, Endorsements & other Obligations	7135.30	11427.30	11612.30	14268.90	16894.70	17629.00	18611.10
6	Other items for which the Bank is contingently liable	1907.50	1720.60	1912.00	2591.00	2069.20	2011.70	2516.40
	TOTAL - (G)	**66895.30**	**79195.00**	**52372.10**	**58620.30**	**104403.60**	**87204.30**	**81959.40**
	Bills for collection	12088.20	12278.00	12818.80	17350.40	15440.60	14939.40	14568.40

STATEMENT OF RESTATED CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2006

(ANNEXURE A–III)

Rs in Million

	2003	2004	2005	2006	Reviewed Half year ended	
					Sep-05	Sep-06
A. Cash flow from operating activities:						
Net Profit as per Profit and Loss account	2244.50	4712.20	3187.00	4894.00	2346.00	3340.00
Adjustments for:						
Depreciation on fixed assets	348.70	307.47	308.20	513.40	205.85	320.36
Amortisation of lease assets	0.00	0.00	0.00	0.00	0.00	0.00
Amortisation of expenses of VRS	897.80	897.90	897.80	150.80	75.40	0.00
Depreciation on investments (including on matured debentures)	-76.82	13.12	1364.70	1326.70	-26.86	-126.24
Loss on revaluation of Investment	0.00	0.00	36.30	0.00	0.00	0.00
Bad debts written-off/provision in respect of non-performing assets	1547.50	3415.55	1989.20	919.80	602.70	136.96
Provision for Standard Assets	44.00	50.00	111.50	358.50	268.50	95.00
Provision for Other items	1608.02	488.44	2030.40	1286.70	380.16	1822.18
Profit/(loss) on sale of fixed assets	7.10	1.22	-7.50	-12.80	-9.51	-6.98
Payment/provision for interest on subordinated debt(treated separately)						
Dividend received from subsidiaries/others (treated separately)	35.50	58.36	46.40	21.50	12.03	12.69
Sub total	6571.10	9825.10	9886.20	9441.20	3849.24	5582.56
Adjustments for:						
(Increase)/Decrease in investments	-24309.38	-18356.23	-12313.40	-11351.90	-7896.87	-11930.79
(Increase)/Decrease in advances	-13666.29	-17813.41	-39463.70	-41057.50	-17266.53	-37172.85
(increase)/Decrease in other assets	-54.20	2250.80	2071.30	37247.80	-2622.14	-1234.80
Increase/(Decrease)in borrowings	771.57	-1502.92	4256.70	11627.00	5581.36	-1068.08
Increase/(Decrease) in deposits	29770.85	34284.71	43640.40	59970.90	30984.73	33181.29
Increase/(Decrease) in other liabilities and provisions	6770.00	-5304.30	-16409.00	-4042.10	-2624.13	-2252.64
Payment towards VRS	0.00	0.00	0.00	0.00	0.00	0.00
Direct taxes paid (net of refund)	-27.90	-12.80	78.30	55.80	-24.06	-369.20
Net cash from operating activities (A)	5825.75	3370.95	-8253.20	61891.20	9981.60	-15264.51
Cash flow from investing activities						
Purchase of fixed assets	-92.69	-463.08	-515.80	-1261.20	-457.71	-392.72
Changes in Trade related investments (Subsidiaries & Others)	0.00	0.00	0.00	0.00	0.00	0.00
Dividend received from subsidiaries/others	35.50	58.40	46.40	21.50	12.00	12.70
Net cash from investing activities (B)	-57.19	-404.68	-469.40	-1239.70	-445.71	-380.02
C. Cash flow from financing activities:						
Share capital	7700.00	0.00	0.00	-38301.40	0.00	0.00
Share premium						
Unsecured Redeemable bonds	0.00	0.00	3000.00	0.00	0.00	0.00
Unsecured Subordinated Bonds						
Dividend (including Dividend Tax)	0.00	0.00	0.00	0.00	0.00	-1151.70
Interest paid / payable on unsecured redeemable bonds						
Net cash from financing activities (C)	7700.00	0.00	3000.00	-38301.40	0.00	-1151.70
Net increase in cash & cash equivalents (A)+(B)+(C)	13468.55	2966.27	-5722.60	22350.10	9535.89	-16796.23
Cash and cash equivalents-Opening	15011.07	28479.67	31446.00	25723.40	25723.40	48073.48
Cash and cash equivalents-Closing	28479.67	31445.96	25723.40	48073.50	35259.25	31277.22

A. SIGNIFICANT ACCOUNTING POLICIES AS AT 31st MARCH 2006.

1. ACCOUNTING CONVENTION

The financial statements are prepared by following the going concern concept on historical cost convention and conform to the statutory provisions and practices prevailing in India in respect of Indian branches and in respect of foreign branches as per statutory provisions and practices prevailing in the respective countries, unless otherwise stated.

2. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign Currency transactions of integral foreign operations and non-integral foreign operations are accounted for as per Accounting Standard-11 (AS-11) issued by the Institute of Chartered Accountants of India (ICAI).

2.1 Translation in respect of integral foreign operations

1. Indian branches having foreign currency transactions have been classified as “Integral foreign operations” and foreign exchange transactions at these branches have been recorded at the Weekly Average Rate (WAR) notified by Foreign Exchange Dealers Association of India(FEDAI)
2. Foreign currency assets and liabilities are translated at the closing rates notified by FEDAI at the year end
3. Acceptances, endorsements and other obligations and guarantees in foreign currency are carried at the closing rates notified by FEDAI at the year end.
4. Exchange differences arising on settlement and translation of foreign currency assets and liabilities at the end of the financial year are recognized as income or expenses in the period in which they arise.
5. Outstanding forward exchange contracts are disclosed at the Contracted rates, and revalued at FEDAI closing rates, and the Resultant effect is recognized through Profit and Loss account.

2.2 Translation in respect of non-integral foreign operations.

Foreign branches are classified non-integral foreign operations and the financial statements are translated as follows:

1. Assets and liabilities including contingent liabilities are translated at the closing rates notified by FEDAI at the year end.
2. Income and expenses are translated at the Quarterly Average Closing rate notified by FEDAI at the end of the respective quarter.
3. All resulting exchange differences are accumulated in a separate account “Exchange Fluctuation Fund” till the disposal of the net investments.

3. INVESTMENTS

3.1 The investment portfolio of the Bank is classified in accordance with the RBI guidelines into three categories viz.,

1. Held To Maturity (HTM)
2. Held For Trading (HFT)
3. Available For Sale (AFS)

The securities acquired with the intention to be held till maturity are classified under **“HTM”** category. The securities acquired with the intention to trade by taking advantage of short–term price/interest movements are classified as **“HFT”.** All other securities which do not fall under any of the two categories are classified under **“AFS”** category. Profit on sale of securities under HTM category are first taken to Profit and Loss account and thereafter appropriated to Capital Reserve account.

3.2 For the purpose of valuation of investments in India in terms of RBI guidelines, the following have been adopted.

Securities in **HTM** category are valued at acquisition cost except where the acquisition cost is higher than the face value, in which case, such excess of acquisition cost over the face value is amortised over the remaining period of maturity.

Any diminution, other than temporary, in value of investments in subsidiaries/joint ventures which are included under HTM category is recognized and provided. Such diminution is being determined and provided for each investment individually.

The individual scrips in the **HFT** category are marked to market at monthly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The Book Value of the individual securities in this category does not undergo any change.

Investments in **AFS** category are marked to market, scrip-wise and classification wise, at quarterly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The book value of the individual securities does not undergo any change after marking to market.

Securities in **AFS and HFT** categories are valued as under:

i) Central Government Securities are valued at market price on the basis of appropriate Yield To Maturity (YTM) rates as announced by Primary Dealers Association of India (PDAI), Fixed Income Money Market and Derivatives Association of India (FIMMDA) and Bloomberg.

ii) State Government and Other approved securities are valued applying the YTM method by marking up 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by PDAI, FIMMDA, and Bloomberg.

iii) Equity shares are valued at market price, if quoted. Unquoted equity shares are valued at break-up value (without considering revaluation reserves if any) as per the company's latest balance sheet (not more than one year prior to the date of valuation) otherwise, the shares are valued at Re. 1 per company.

iv) Preference shares are valued at market price, if quoted; otherwise at lower of the value determined based on the appropriate YTM rates or redemption value.

v) All debentures/bonds, other than those which are in the nature of advances, are valued on the YTM basis.

vi) Treasury bills, Certificate of deposits and Commercial papers are valued at carrying cost

vii) Units of Mutual Funds are valued at market price, if quoted; otherwise at lower of repurchase price or Net Asset Value (NAV). In case of funds with a lock-in period, where repurchase price / market quote is not available, units are valued at NAV, else valued at cost till the end of the lock-in period.

3.3 Investments by Foreign Branches are valued as per the practice prevailing in the respective countries.

3.4 Debentures and Bonds, where interest/principal is in arrears for more than 90 days are valued applying the prudential norms prescribed by RBI.

3.5 In the case of Government Securities and Other Approved Securities, brokerage and other service charges received on acquisition are deducted from the cost.

3.6 Interest Rate Swap transactions for hedging are accounted on accrual basis and transactions for trading are marked to market at fortnightly intervals, in line with the RBI guidelines.

3.7 For the purpose of valuation, the fair value of the total swaps is computed on the basis of the amount that would be received/receivable or paid/payable on termination of the swap agreements as on the balance sheet date. Losses arising there from, if any, are fully provided for, while the profit, if any, is ignored.

3.8 Gains or loss on termination of swaps is deferred and recognised over the shorter period of the remaining contractual life of the swap or the remaining life of the designated asset or liability.

3.9 Investments backed by guarantee of the Central Government though overdue are treated as Non Performing Asset (NPA) only when the Government repudiates its guarantee when invoked.

3.10 Investment in State Government guaranteed securities, which are not in the nature of 'deemed advances', are subjected to asset classification and provisioning norms if interest/instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.

4. ADVANCES

4.1 In accordance with the prudential norms issued by RBI:

Advances in India are classified into standard, sub-standard, doubtful and loss asset borrower-wise, provisions are made for loan losses, and general provision is made for standard advances.

4.2 In respect of foreign branches, income recognition, asset classification and provisioning for loan losses are made as per local requirement or as per RBI prudential norms, whichever is more stringent.

4.3 Advances disclosed are net of provisions made for non-performing assets, DICGC/ ECGC/ CGTSI claims received and held pending adjustment, repayments received and kept in sundries account, balance in interest realisable account, participation certificates and usance bills rediscounted.

5. FIXED ASSETS / DEPRECIATION

5.1 Premises and other fixed assets are stated at historical cost/ revalued amount.

Depreciation on buildings (including cost of land wherever inseparable/ not segregated) and other fixed assets (excluding computers) in India is provided for on the straight-line method at rates specified in Schedule XIV to the Companies Act, 1956.

5.2 Depreciation on computers is provided at the rate of 33.33% per annum on Straight Line Method (SLM) in terms of Reserve Bank of India guidelines.

Depreciation on fixed assets acquired during the year is charged at full rates on assets acquired on or before 30th September and at half rates on those acquired thereafter

Premium on leasehold land is capitalised in the year of acquisition and amortized over the period of lease.

Depreciation in respect of fixed assets at foreign branches is provided as per the practice prevailing in the respective countries.

In respect of Non Banking Assets (NBA) no depreciation is charged.

6. REVENUE RECOGNITION

Income and expenditure are generally accounted for on accrual basis, unless otherwise stated.

Income from non-performing assets, certain government guaranteed assets (where interest is not serviced regularly), dividend income, insurance claims, commission on letters of credit/ guarantees issued (other than those relating to project finance), additional interest/ overdue charges on bills purchased, locker rent, etc. are accounted for on realisation.

In case of overdue foreign bills, interest and other charges are recognised till the date of crystallisation as per FEDAI guidelines.

7. NET PROFIT / LOSS

The result disclosed in the Profit and Loss Account is after considering:

- Provision for Loan Losses
- General provision on Standard Advances
- Provision for Depreciation on Fixed Assets
- Provision for Depreciation on Investments
- Transfer to/ from Contingency Fund
- Provision for direct taxes in accordance with statutory requirements
- Usual or/and other necessary provisions

8. STAFF RETIREMENT BENEFITS

Annual contributions to Pension Fund and Gratuity Fund are determined and provided for:

(i) On the basis of actuarial valuation and contribution to approved Pension Fund and Gratuity Fund respectively in India, and

(ii) As per the local laws in respect of foreign branches.

Leave encashment benefit for employees is accounted for on actuarial basis.

9. CONTINGENT LIABILITIES AND PROVISIONS

Past events leading to, possible or present obligations are treated as contingent liability. Provision is recognised in case of present obligations where a reliable estimate can be made and where there are probable outflow of resources embodying forgoing of economic benefits to settle the obligations.

10. IMPAIRMENT OF ASSETS

Impairment losses (if any) are recognised in accordance with the Accounting Standard issued in this regard by the Institute of Chartered Accountants of India (ICAI).

11. TAXES ON INCOME

11.1 Current tax is measured at the amount expected to be paid to the taxation authorities, using the applicable tax rates, tax laws and favourable judicial pronouncements / legal opinion.

11.2 Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognised keeping in view the consideration of prudence in respect of deferred tax assets in accordance with Accounting Standard -22 (AS-22) issued by the Institute of Chartered Accountants of India (ICAI).

12. TREATMENT OF VRS EXPENDITURE (For the years 2001-02 to 2004-05)

In accordance with the guidelines issued by Reserve Bank of India, the expenditure incurred under Voluntary Retirement Scheme has been treated as Deferred Revenue Expenditure to be written off over a period of 5 years.

B) MATERIAL NOTES ON ACCOUNTS

YEAR ENDED 31ST MARCH, 2002

1. RECONCILIATION AND ADJUSTMENTS

a) Matching of entries for the purpose of reconciliation of inter-branch items is completed up to March, 2002. The Bank through various effective steps has achieved substantial reduction in the clearance of outstanding entries. Reconciliation and consequent adjustment of the remaining outstanding entries is in progress.

b) Old outstanding entries in drafts payable, clearing adjustment, sundries receivable, sundry deposit accounts, etc., and in bank reconciliation relating to Reserve Bank of India and other Banks are being regularly reviewed for appropriate adjustments.

c) In certain branches, balances in some of the accounts including advances have to be reconciled with subsidiary ledgers/registers. Significant improvement has been made as compared to the position at the end of the previous year.

2. PROVISION FOR ADVANCES

In respect of non-performing assets, the benefit of ECGC cover to the tune of Rs.297.80 million (previous year Rs.304.50 million) has been considered on the assumption, claims lodged will be recovered in full.

3. PROVISIONING – DELINQUENCY NORMS

In accordance with Reserve Bank of India guidelines for smooth transition from 180 days to 90 days delinquency norms for determination of NPA in respect of advances and investments, with effect from 31.03.2004, an ad hoc provision of Rs.50 million has been made in the accounts for the year under review

4. VOLUNTARY RETIREMENT SCHEME(VRS)

a) The liability of the bank for the previous year under Voluntary Retirement Scheme aggregating to Rs.3735.20 million is amortised equally over a period of five years. Accordingly, Rs.747.00 million has been charged to the current year's Profit and Loss account and balance unamortised amount of Rs.2241.20 million is included under "Other Assets" (Schedule – 11).

b) In respect of VRS optees relieved during the year, the total expenditure (comprising of ex-gratia and contribution to gratuity and pension fund) incurred aggregating to Rs.753.90 million has also been amortised so that it will co-terminate on 31st March, 2005. Hence, an amount of Rs.188.50 million being 25% of expenditure incurred has been charged off during the year. This has resulted into profit for the year being lower by Rs.37.70 million. The balance unamortised amount of Rs.565.40 million is included under "Other Assets" (Schedule 11).

c) In accordance with the cash basis of accounting followed for the accounting of leave encashment benefit, the amount paid under VRS amounting to Rs.47.00 million (Previous year Rs.213.10 million) has been fully charged to the Profit and Loss account during the year.

5. OTHERS

a) Provision for taxation is not considered necessary in respect of disputed demands, contested in appeals amounting to Rs.1431.90 million (Previous year Rs.1596.40 million) based on various judicial decisions on such disputed issues. An amount of Rs.1197.10 million has been paid and included in "Disputed Taxes Paid/Tax Deducted at Source"(net of provision) in Other Assets (Schedule – 11).

b) The Government of India made further contribution of Rs.13000.00 million to the Capital of the Bank on 30.03.2002 to improve the financial strength and to enable it to meet the gap created by the application of the income recognition and provisioning norms and to strengthen its capital reckoned with reference to the risk weighted assets.

YEAR ENDED 31ST MARCH, 2003

1. RECONCILIATION AND ADJUSTMENTS

a) Matching of entries for the purpose of reconciliation of inter-branch items is completed up to March, 2003. The Bank through various effective steps has achieved substantial reduction in the clearance of outstanding entries. Reconciliation and consequent adjustment of the remaining outstanding entries is in progress.

b) Old outstanding entries in drafts payable, clearing adjustment, sundries receivable, sundry deposit accounts, etc., and in bank reconciliation relating to Reserve Bank of India and other Banks are being regularly reviewed for appropriate adjustments.

c) In certain branches, balances in some of the accounts including advances have to be reconciled with subsidiary ledgers/registers. Significant improvement has been made as compared to the position at the end of the previous year.

2. ACCOUNTING FOR RETIREMENT BENEFITS IN THE FINANCIAL STATEMENT OF EMPLOYERS(AS 15)

As per RBI guidelines on Accounting Standards, the current year liability arising out of leave encashment on retirement amounting to Rs.102.00 million has been charged to Profit & Loss account on the basis of actuarial valuation. The Aggregate unprovided liability for the previous years amounting to a sum of Rs.617.00 million will be provided over a period of following six years.

3. LEASES (AS19)

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent/lease rent are recognized on settlement or on renewal The amount of rent/ lease rent recognised in the Profit & Loss account for the year is Rs.308.20 million.

4. VOLUNTARY RETIREMENT SCHEME(VRS)

The liability of the bank under Voluntary Retirement Scheme aggregating to Rs.4489.20 million is amortised equally over a period of five years. Accordingly, a sum of Rs.1682.50 million has been already amortised and a sum of Rs.935.70 million charged to the current year's Profit and Loss account. The balance unamortised amount of Rs.1871.00 million is included under "Other Assets"(Schedule – 11). However this year, an amount of Rs.935.50 million has been provided to the debit of Provisions & Contingencies account and shown under Contingency Fund.

5. OTHERS

a) Provision for taxation is not considered necessary in respect of disputed demands, contested in appeals amounting to Rs.1380.30 million (Previous year Rs.1431.90 million) based on various judicial decisions on such disputed issues. An amount of Rs.1378.20 million has been paid and included in "Disputed Taxes Paid/Tax Deducted at Source"(net of provision) in Other Assets (Schedule – 11).

b) The Government of India made further contribution of Rs.7700.00 million to the Capital of the Bank on 07.02.2003 to improve the financial strength and to enable it to meet the gap created by the application of the income recognition and provisioning norms and to strengthen its capital reckoned with reference to the risk weighted assets.

YEAR ENDED 31ST MARCH, 2004

1. RECONCILIATION AND ADJUSTMENTS

a) Reconciliation of inter-branch items is completed up to 31.03.2004. The Bank through various effective steps has achieved substantial reduction in the clearance of outstanding entries. Reconciliation and consequent adjustment of the remaining outstanding entries is in progress.

b) Old outstanding entries in drafts payable, clearing adjustment, sundries receivable, sundry deposit accounts, etc., and in bank reconciliation relating to Reserve Bank of India and other Banks are being regularly reviewed for appropriate adjustments.

c) In certain branches, balances in some of the accounts including advances have to be reconciled with subsidiary ledgers/registers. Significant improvement has been made as compared to the position at the end of the previous year.

2. LEASES (AS19)

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent/lease rent are recognized on settlement or on renewal The amount of rent/ lease rent recognised in the Profit & Loss account for the year is Rs.178.70 million.

3. ACCOUNTING FOR RETIREMENT BENEFITS IN THE FINANCIAL STATEMENT OF EMPLOYERS(AS 15)

In respect of leave encashment, on the basis of actuarial valuation, the aggregate unprovided liability of earlier years amounting to Rs.617.00 million has been charged to profit and loss account of the current year.

4. VOLUNTARY RETIREMENT SCHEME(VRS)

The expenditure relating to Voluntary Retirement Scheme aggregating to Rs.4489.20 million is amortised over a period of 5 years. Accordingly, a sum of Rs.2618.20 million has already been written off and a sum of Rs.935.50 million is charged to the current year's Profit and Loss account. The balance of Rs.935.40 million has already been provided in earlier years and is lying under "Other Liabilities".

5. OTHERS

a) The disputed demand outstanding as at 31.03.2004 amounted to Rs.1380.30 million out of which Rs.1378.20 million has been paid/adjusted by the Department against Refund Orders. Considering the decisions of various Appellate Authorities on similar issues and based on the fact that approval has been granted by the COD to contest the matters, in our opinion no further provision is required.

b) The Reserve Bank of India, vide its Cir.No.DBOD.BP.BC.24/21.04.018/ 2003-2004 dt. 13.09.2003 has directed that all legal expense in the case of suit filed accounts be debited to Profit & Loss account of the current year. The Bank has provided a sum of Rs.495.80 million, being law charges incurred upto 31.03.2003 besides the law charges incurred during the year.

YEAR ENDED 31ST MARCH, 2005

1. RECONCILIATION AND ADJUSTMENTS

a) Reconciliation of inter-branch items is completed up to 31.03.2005. The Bank through various effective steps has achieved substantial reduction in the clearance of outstanding entries. Reconciliation and consequent adjustment of the remaining outstanding entries is in progress.

b) In view of net credit position in respect of unreconciled entries in the Inter Branch accounts outstanding for more than 6 months as on 31.03.2005, no provision is required.

c) Old outstanding entries in drafts payable, clearing adjustment, sundries receivable, sundry deposit accounts, etc., and in bank reconciliation relating to Reserve Bank of India and other Banks are being regularly reviewed for appropriate adjustments.

d) In certain branches, balances in some of the accounts including advances have to be reconciled with subsidiary ledgers/registers. Significant improvement has been made as compared to the position at the end of the previous year.

2. INVESTMENTS

a) During the year, the bank has transferred a portion of its Government Securities (SLR) held in the Available for Sale(AFS) category to the Held to Maturity(HTM) category at the least of cost/book value/market price pursuant to, enabling regulatory guidelines. The depreciation resulting from transfer of Rs.25524.70 million, which works out to Rs.1293.60 million has been taken to Profit & Loss account.

b) In case of Securities classified under HTM category, if acquisition cost is more than the face value, the premium is amortised over the remaining period to maturity. For the FY 2004-05, the premium of Rs.417.20 million is amortised and has been taken to Profit & Loss account.

3. LEASES (AS19)

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent/lease rent are recognized on settlement or on renewal. The amount of rent/lease rent recognised in the Profit & Loss account for the year is Rs.357.10 million.

4. OTHERS

a) The disputed demand outstanding as at 31.03.2005 amounted to Rs.1561.90 million out of which Rs.1378.20 million has been paid/adjusted by the Department against Refund Orders. Considering the decisions of various Appellate Authorities on similar issues and based on the fact that approval has been granted by the COD to contest the matters, in our opinion no further provision is required.

b) The Bank has provided an amount of Rs.1374.00 million during the FY 2004-05 towards impending wage settlement.

c) During the year, the Bank has raised Rs.3000.00 million as Tier II Bonds by issuance of unsecured redeemable non-convertible subordinated bonds at coupon rates of 6.15% and 6.25%.

d) The exposures taken by the Bank in all the accounts as on 31.03.2005 are within the prudential exposure ceilings fixed by the Board in line with RBI guidelines, except on Power Finance Corporation Ltd. The exposure taken with the approval of the Board on Power Finance Corporation Ltd. is 17.78% of Capital funds as at 30.09.2004. This exposure is above the normal exposure ceiling by 2.78% and the same is within the exceptional exposure ceiling approved by the Board in line with RBI guidelines.

In the case of exposures taken by the Bank in excess of the normal exposure ceilings during the nine month period upto 31.12.2004, the excess portions in all accounts (other than Power Finance Corporation Ltd.) have been phased out in February, 2005 on account of the increase in Capital Funds as on 30.09.2004 and the revised exposure ceiling fixed by the Board.

YEAR ENDED 31ST MARCH, 2006

1. RECONCILIATION AND ADJUSTMENTS

a) Reconciliation of inter-branch items is completed up to 31.03.2006. The Bank through various effective steps has achieved substantial reduction in the clearance of outstanding entries. Reconciliation and consequent adjustment of the remaining outstanding entries is in progress.

b) In view of net credit position in respect of unreconciled entries in the Inter Branch accounts outstanding for more than 6 months as on 31.03.2006, no provision is required.

c) Old outstanding entries in drafts payable, clearing adjustment, sundries receivable, sundry deposit accounts, etc., and in bank reconciliation relating to Reserve Bank of India and other Banks are being regularly reviewed for appropriate adjustments.

d) In certain branches, balances in some of the accounts including advances have to be reconciled with subsidiary ledgers/registers. Significant improvement has been made as compared to the position at the end of the previous year.

2. CAPITAL RESTRUCTURING

As of 31.03.2006, on the basis of approval of Government of India, the Bank has netted off the accumulated losses of Rs.38301.40 million against the Capital of Rs.45739.60 million and the balance of Rs.7438.20 million is carried over.

3. INVESTMENTS

a) During the year, the Bank had transferred a portion of its Government Securities (SLR) held in the Available for Sale(AFS) category to Held to Maturity(HTM) category at the least of cost/book value/market price pursuant to enabling regulatory guidelines. The depreciation resulting from transfer of Rs.8576.10 million (previous year Rs.25524.70 million) which works out to Rs.899.80 million (Previous year Rs.1293.60 million) has been taken to Profit & Loss account.

b) In case of Securities classified under HTM category, if acquisition cost is more than the face value, the premium is amortised over the remaining period to maturity. For the FY 2005-06, the premium of Rs.682.40 million (previous year Rs.417.20 million) is amortised and has been charged to Profit & Loss account.

4. FIXED ASSETS

Premises include properties costing Rs.108.70 million, the book value of which is Rs.87.90 million (previous year Rs.111.80 million and Rs.90.30 million respectively), for which registration formalities are in progress.

5. Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank.

The permissible level of single Borrower Exposure ceiling is Rs.3678.70 million under normal circumstances and Rs.4904.80 million for infrastructure sector / under exceptional circumstances with the approval of the Bank's Board of Directors. (15% / 20% respectively of capital funds as at 31.03.2005)

During the year ended 31.03.2006, the Bank has not exceeded the normal prudential exposure ceiling prescribed by the directives of RBI in any Single / Group / Infrastructure Sector Account except the additional exposures taken during the year in the accounts under exceptional circumstances as disclosed hereunder.

(Rs.in million)

Borrower Name	Additional Exposure	Total Highest Exposure	Percentage of additional Exposure	Percentage of Total Exposure
Indian Oil Corporation Ltd.,	117.30 (since reversed)	3796.00	0.48	15.48
Housing Urban Development Corporation Ltd.,	535.90	4214.60	2.19	17.19
ICICI Bank Ltd.,	545.50	4224.20	2.22	17.22
Power Finance Corporation Ltd	211.90 (since reversed)	3890.60	0.86	15.86

All the additional exposures taken are within the ceiling prescribed as per RBI guidelines for exceptional circumstances and with the approval of Board of Directors.

6. INCOME TAX

The disputed Income Tax demand outstanding as at 31.03.2006 amounted to Rs.1684.10 million (previous year Rs.1561.90 million), out of which Rs.1201.00 million (previous year Rs.1378.20 million) has been paid/adjusted by the Department against Refund Orders. Considering the decisions of various Appellate Authorities on similar issues and based on the fact that approval has been granted by the COD to contest the matters, in our opinion no further provision is considered necessary.

7. FOREIGN CURRENCY TRANSACTIONS (AS 11)

The Bank has revised its Accounting Policy on accounting for effect on changes in Foreign Currencies as per AS 11 issued by the Institute of Chartered Accountants of India. The change in the method of accounting has resulted in the net income of the Bank being higher by Rs.94.80 million.

8. LEASES (AS19)

The properties taken on lease/rental basis are renewable/cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent/lease rent are recognized on settlement or on renewal. The amount of rent/lease rent recognised in the Profit & Loss account for the year is Rs.366.60 million.

C. NOTES TO ADJUSTMENTS CARRIED OUT:

Adjustments resulting from audit qualifications, material amounts relating to adjustments for previous years and changes in accounting policies

(Rs. in million)

Particulars	31st March 2002	31st March 2003	31st March 2004	31st March 2005	31st March 2006	30th Sept 2005	30th Sept 2006
Net Profit as per the audited accounts	332.20	1888.30	4057.50	4084.80	5044.80	2421.40	3340.00
Adjustment for Accelerated Amortization of VRS Expenditure	37.70	37.70	37.70	37.70	-150.80	-75.40	0.00
Excess Provision for VRS Expenditure		935.50		-935.50			0.00
Provision for Leave Encashment		-617.00	617.00				0.00
Adjusted Net Profit	**369.90**	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**

BASIS FOR ADJUSTMENTS IN THE NET PROFIT FOR THE YEAR 2001-02 TO 2005-06

1. VRS EXPENDITURE

As per RBI guidelines amount incurred on VRS can be amortised over a period of five years. Accordingly, Bank has devised a policy of writing this expenditure over a period of five years. In accordance with the stated policy amount incurred during the year 2000-01 aggregating to Rs.3735.20 million was written off equally over a period of five years. However, the VRS expenditure incurred during the year 2001-02 aggregating to Rs.753.90 million was written off over a period of 4 years, in deviation to the stated policy. Also, during the year 2002-03, Bank has provided contingent provision towards VRS aggregating to Rs.935.50 million. In order to depict the financial results in accordance with the stated accounting policy, the following adjustments have been made to the profits.

(Rs. in million)

	2001-02	2002-03	2003-04	2004-05	2005-06
Amount to be written off as per stated policy (A)	897.80	897.80	897.80	897.90	150.80
Amount written off as per Audited Financial Statements	935.50	935.50	935.50		
Amount provided by way of contingent provisions	935.50				
(B)	935.50	1871.00	935.50		
Impact on restated financial statement	**(+) 37.70**	**(+)973.20**	**(+)37.70**	**(-)897.90**	**(-)150.80**

2. Non provision of accrued liability towards leave encashment aggregating to Rs.617.00 million in the year 2002-03 is given effect in the restated accounts.

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

A. Change in Accounting Policies:

Reserve Bank of India (RBI) has issued various guidelines on Income recognition, asset classification and provisioning in respect of non-performing advances, valuation of/depreciation on investments. The Bank has carried out necessary amendments in its accounting policies in the relevant years to be in conformity with the said RBI guidelines.

During the year 2005-06 the Bank has revised its Accounting Policy on Accounting for effect on changes in Foreign currencies as per AS 11 issued by the Institute of Chartered Accountants of India. The change in the method of accounting has resulted in the net income of the Bank being higher by Rs.94.80 million. However, the effect of this change in accounting policy is not given in the previous years, as the same is not ascertained.

B. Auditors' Qualifications:

1. Inter Branch/Bank Adjustments:(for the years 2001-02 to 2004-05)

The effect of adjustments arising from reconciliation/adjustment/clearance of outstanding items in Inter Branch/Bank accounts/other accounts could not be carried out, the consequential impact of which is not ascertainable.

2. REVENUE RECOGNITION: (for the years 2001-02 to 2002-03)

Accounting of certain income on cash basis which is not in accordance with the Accounting Standard (AS 9) issued by the Institute of Chartered Accountants of India on "Revenue Recognition". The effect of it is not ascertainable.

3. ACCOUNTING STANDARD (AS) 15 (For the H Y E 30.09.2006)

Though the Accounting Standard (AS) 15 which deals with employee benefits became effective from 1st April, 2006, pending Reserve Bank of India guidelines, the Bank has made provision for employee benefits, viz., pension, gratuity, leave encashment, etc., on an estimated basis.

Annexure A-VIII

E. RELATED PARTY TRANSACTIONS:

The Related party transactions are as under:

Remuneration to Key Management Personnel are as under:

(Rs. in million)

Name of the Party & Designation	Remuneration					
	2002-03	2003-04	2004-05	2005-06	Sep-05	Sep-06
Mrs.Ranjana Kumar, Chairperson & Managing Director (upto 21.11.2003)	0.56	0.46	—-	—-	—-	—-
Mr. M B N Rao, Executive Director (upto 03.12.2003) and Chairman & Managing Director (from 04.12.2003 and upto 09.06.2005)	0.50	0.54	0.57	0.12	0.12	—-
Mr. K C Chakrabarty, Chairman & Managing Director (from 10.06.2005)				0.46	0.18	0.31
Mr. B Sambamurthy, Executive Director (from 27.08.2004 and upto 31.03.2006)	—-	—-	0.31	0.53	0.27	0.28
The Credit exposure to the above Key Managerial Personnel and their Relatives	NIL	NIL	NIL	NIL	NIL	NIL

The subsidiaries and associates as at 31.03.06 are as under:

(a) Subsidiaries:
1. Ind Bank Housing Ltd.
2. Indbank Merchant Banking Services Ltd.
3. Indfund Management Ltd.

(b) Associates:
1. Kanagadurga Grameena Bank, Vijayawada
2. Venkateswara Grameena Bank, Chittoor
3. Vallalar Grama Bank, Cuddalore
4 Adhiyaman Grama Bank, Dharmapuri

The transactions with subsidiaries and associates have not been disclosed in view of Para 9 of AS-18 – Related Party Disclosure which exempts state controlled enterprises from making any disclosure pertaining to their transactions with other related parties which are also state controlled.

F. RESTATED SEGMENT REPORTING: -INDIAN BANK

ANNEXURE - A-IX

Part A - Business Segments

(Rs. in million)

Sr. No.	Particulars	Year Ended 31.03.03	Year Ended 31.03.04	Year Ended 31.03.05	Year Ended 31.03.06	Period Ended 30.09.05	Period Ended 30.09.06
1	**Segment Revenue**						
	(a) Treasury Operations	16685.30	19661.50	17017.60	16625.60	8206.50	8459.60
	(b) Other Banking Operations	13883.80	14481.00	17377.10	22334.30	10105.20	14235.00
	Total	**30569.10**	**34142.50**	**34394.70**	**38959.90**	**18311.70**	**22694.60**
2	**Segment Results**						
	(a) Treasury Operations	3045.20	5801.70	3776.90	2300.00	1629.20	681.60
	(b) Other Banking Operations	2278.00	2877.60	4905.90	6485.70	1941.30	4586.40
	Total	**5323.20**	**8679.30**	**8682.80**	**8785.70**	**3570.50**	**5268.00**
	Unallocated expenditure	2991.60	3731.30	5266.10	3329.50	1016.60	1460.20
	Profit before Tax	2331.60	4948.00	3416.70	5456.20	2553.90	3807.80
	Provision for Tax	87.10	235.80	229.70	562.20	207.90	467.80
	Net Profit	**2244.50**	**4712.20**	**3187.00**	**4894.00**	**2346.00**	**3340.00**
3	**Other Information**						
	Segment Assets						
	(a) Treasury Operations	168634.60	194627.30	198042.60	212371.80	214055.20	228266.90
	(b) Other Banking Operations	146764.00	159043.60	203349.40	263059.50	224133.60	277967.40
	Total	**315398.60**	**353670.90**	**401392.00**	**475431.30**	**438188.80**	**506234.30**
	Unallocated Assets	38035.10	37252.70	38150.60	770.60	38376.80	4110.60
	Total	**353433.70**	**390923.60**	**439542.60**	**476201.90**	**476565.60**	**510344.90**
	Segment Liabilities						
	(a) Treasury Operations	163239.20	182640.20	196067.70	214327.20	185076.60	215181.90
	(b) Other Banking Operations	138893.10	152905.10	184111.20	237111.50	229723.40	266931.00
	Total	**302132.30**	**335545.30**	**380178.90**	**451438.70**	**414800.00**	**482112.90**
	Unallocated Liabilities	51301.40	55378.30	59363.70	24763.20	61765.60	28232.00
	Total	**353433.70**	**390923.60**	**439542.60**	**476201.90**	**476565.60**	**510344.90**

Part- B : Geographic Segments

Sr. No.	Particulars	Year Ended 31.03.03	Year Ended 31.03.04	Year Ended 31.03.05	Year Ended 31.03.06	Period Ended 30.09.05	Period Ended 30.09.06
1	**Revenue**						
	(a) Domestic	29895.40	33601.40	33717.00	37960.60	17906.00	21972.80
	(b) International	673.70	541.10	677.70	999.30	405.70	721.80
	Total	**30569.10**	**34142.50**	**34394.70**	**38959.90**	**18311.70**	**22694.60**
2	**Assets**						
	(a) Domestic	336620.80	377891.20	427022.30	462043.90	464429.50	493990.00
	(b) International	16812.90	13032.40	12520.20	14158.00	12136.10	16354.90
	Total	**353433.70**	**390923.60**	**439542.60**	**476201.90**	**476565.60**	**510344.90**

Annexure – B

STATEMENT OF DIVIDENDS DECLARED BY THE BANK.

Year Ended	Equity Capital (Rs. in million)	No of Shares	Rate of Dividend (Percent)	Amount of Dividend (Rs. in million)
31.03.2002	38039.60	NA		
31.03.2003	45739.60	NA		
31.03.2004	45739.60	NA		
31.03.2005	45739.60	NA		
31.03.2006	7438.20	NA	20% of Net Profit	1010.00

Annexure C

Ind Bank Housing Ltd

SUMMARY STATEMENT OF ASSETS AND LIABITIES

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	2003	2004	2005	2006	LIMITED REVIEW 30.09.2005	LIMITED REVIEW 30.09.2006
(A)	**ASSETS**							
1	Cash in Hand	0.34	0.09	0.05	0.04	0.02	0.05	0.05
2	Balance With RBI							
3	Balance With Banks							
	a) In Current A/c	20.55	9.39	6.91	3.89	0.66	1.34	2.41
	b) In other Deposit A/cs	81.02	33.75	21.58	16.24	9.29	12.75	8.79
4	Money At Call & Short Notice							
5	Investments	92.37	92.71	24.07	11.83	1.10	11.69	1.10
6	Advances	663.94	301.83	223.93	181.09	154.59	170.18	142.29
7	Fixed Asset	1.65	1.16	0.59	0.42	0.32	0.38	0.31
	Less: Revaluation Reserve							
	Net Fixed Assets	**1.65**	**1.16**	**0.59**	**0.42**	**0.32**	**0.38**	**0.31**
8	Other Assets	113.25	96.75	38.37	35.23	33.48	36.68	35.70
	TOTAL (A)	**973.12**	**535.68**	**315.50**	**248.74**	**199.46**	**233.07**	**190.65**
(B)	**LIABITIES**							
1	**DEPOSITS**							
	Demand Deposits							
	From Bank							
	From Others	606.86	281.51	89.98	8.66	5.23	6.23	4.97
2	Saving Deposits							
3	Term Deposits From Banks							
	Term Deposits From Others							
4	Borrowing	889.32	864.84	944.94	943.63	927.86	924.44	863.88
5	Other Liabilities & Provisions	68.63	69.63	17.66	17.63	20.57	22.28	25.21
	TOTAL (B)	**1564.81**	**1215.98**	**1052.58**	**969.92**	**953.66**	**952.95**	**894.06**
(C)	Net Assets(C=A-B)	**(591.69)**	**(680.30)**	**(737.08)**	**(721.18)**	**(754.20)**	**(719.88)**	**(703.41)**
(D)	Share Capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00
(E)	Share Application Money							

Ind Bank Housing Ltd

SUMMARY STATEMENT OF ASSETS AND LIABITIES

ANNEXURE – C(CONTD.)

(Rs.in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
(F)	Reserve And Surplus							
1	Statutory Reserve	58.32	58.32	58.32	58.32	58.32	58.32	58.32
2	Capital Reserve							
	A) Revaluation Reserve							
3	Share Premium							
3	Investments Fluctuation Reserve							
5	Revenue & Other Reserve							
6	Balance In Profit & Loss A/c	(750.01)	(838.62)	(895.40)	(879.50)	(912.51)	(878.20)	(861.73)
	TOTAL							
	Less: Revaluation Reserve							
	TOTAL **(F)**	**(691.69)**	**(780.30)**	**(837.08)**	**(821.18)**	**(854.19)**	**(819.88)**	**(803.41)**
	TOTAL (D+E+F)	**(591.69)**	**(680.30)**	**(737.08)**	**(721.18)**	**(754.19)**	**(719.88)**	**(703.41)**
(G)	CONTINGENT LIABITIES							
1	Claim Against The Bank not Acknowledged Debt	21.83	24.36	26.80	36.30	65.03	26.80	65.03
2	Liabilities for Partly paid Investments							
3	Guarantees Given On behalf of Constituents							
4	Acceptances, Endorsements and Obligations							
	TOTAL (G)	**21.83**	**24.36**	**26.80**	**36.30**	**65.03**	**26.80**	**65.03**
	Bills of Collection							

Ind Bank Housing Ltd

SUMMARY STATEMENT OF PROFIT & LOSS

ANNEXURE – C (CONTD.)

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH 2002	2003	2004	2005	2006	LIMITED REVIEW 30.09.2005	LIMITED REVIEW 30.09.2006
A	**INCOME**							
1	**Interest Earned**							
1.1	Interest & Discount on Advances/ Bills	122.98	66.18	32.84	22.02	23.47	10.10	12.57
1.2	Income On Investment	18.51	14.27	6.70	3.43	3.42	2.73	0.27
1.3	Interest on Balances with R.B.I. And Other Inter Bank Placements							
1.4	Others							
2	**OTHER INCOME**							
2.1	Commission, Exchange And Brokerage							
2.2	Profit/Loss On Sale Of Investments			17.68	0.99	2.32	0.09	
2.3	Interest on Income Tax Refund							
2.4	Miscellaneous Income	0.32	0.23	0.13	0.08	0.07	0.01	0.00
	TOTAL INCOME	**141.81**	**80.68**	**57.35**	**26.52**	**29.28**	**12.93**	**12.84**
B	**EXPENDITURE**							
1	**INTEREST EXPENDED**							
1.1	Interest on Deposits	96.39	51.09	18.51	3.58	0.14	0.10	0.03
1.2	Interest On R.B.I/Inter Bank Borrowing	113.97	103.95	98.97	68.93	99.77	50.81	49.51
1.3	Others	0.67	0.21					
2	**OPERATING EXPENSES**							
2.1	Payments to And Provisions For Employees	6.80	6.29	5.88	4.63	3.13	1.91	1.30
2.2	Rent, Taxes And Lighting	1.87	1.83	1.54	0.70	0.69	0.35	0.34
2.3	Printing and Stationery	0.14	0.10	0.06	0.05	0.04	0.02	0.03
2.4	Advertisement and Publicity							
2.5	Depreciation on Bank's Property	0.45	0.33	0.20	0.11	0.08	0.04	0.04
2.6	Director's Fees ,Allowances and Expenses							
2.7	Auditors' Fees & Expenses (Including Branch Auditor's Fees & Expenses)	0.08	0.06	0.05	0.06	0.06	0.05	0.00
2.8	Law Charges							
2.9	Postage, Telegrams, Telephones,etc	0.39	0.36	0.28	0.10	0.11	0.05	0.06
2.10	Repair and Maintenance							
2.11	Insurance	0.06	0.05	0.01	0.02	0.01	0.00	0.00
2.12	Other Expenditure	2.52	1.55	1.33	0.95	1.62	0.42	0.48
	TOTAL EXPENDITURE	**223.34**	**165.82**	**126.83**	**79.13**	**105.65**	**53.75**	**51.79**

Ind Bank Housing Ltd

SUMMARY STATEMENT OF PROFIT & LOSS

ANNEXURE – C (CONTD.)

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	2003	2004	2005	2006	LIMITED REVIEW 30.09.2005	LIMITED REVIEW 30.09.2006
	Gross Profit before Provisions & Contingencies	**(81.53)**	**(85.14)**	**(69.48)**	**(52.61)**	**(76.37)**	**(40.82)**	**(38.95)**
	LESS: Provisions & Contingencies	12.53	3.47	(12.70)	(10.77)	(43.36)	(42.12)	(89.73)
	Profit after Provisions & Contingencies	**(94.06)**	**(88.61)**	**(56.78)**	**(41.84)**	**(33.01)**	**1.30**	**50.78**
	LESS: Short Provisions Relating to earlier Years							
	ADD: Excess Provisions of earlier years Write Back							
	Add: NHB Refinance Waiver				57.74			
	ADD: Profit B/F	(657.65)	(750.01)	(838.62)	(895.40)	(879.50)	(879.50)	(912.51)
	Profit Available for Appropriation	**(751.71)**	**(838.62)**	**(895.40)**	**(879.50)**	**(912.51)**	**(878.20)**	**(861.73)**
	APPROPRIATIONS							
	Transfer To:							
a)	Statutory Reserve							
b)	Revenue & Other Reserve:							
	a) Investment Fluctuation Reserve							
	b) Other Reserve	(1.70)						
c)	Proposed Dividend							
d)	Dividend Tax(including Surcharge)							
	Balances Carried Over To Balance Sheet	(750.01)	(838.62)	(895.40)	(879.50)	(912.51)	(878.20)	(861.73)
	TOTAL	**(751.71)**	**(838.62)**	**(895.40)**	**(879.50)**	**(912.51)**	**(878.20)**	**(861.73)**

Annexure D

Indbank Merchant Banking Services Ltd.,

SUMMARY STATEMENT OF ASSETS AND LIABITIES

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
(A)	**ASSETS**							
1	Cash in Hand	3.40	0.35	0.17	0.08	3.53	0.15	0.14
2	Balance With RBI	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Balance With Banks							
	a) In Current A/c	5.17	10.89	10.65	27.32	25.79	35.86	15.60
	b) In other Deposit A/cs	3.15	8.05	8.32	8.73	8.74	8.92	8.84
4	Money At Call & Short Notice	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Investments	200.59	177.45	152.09	134.55	133.73	131.43	136.62
6	Advances	144.88	94.48	64.93	45.43	31.17	90.67	29.64
7	Fixed Asset	190.36	155.60	108.92	105.96	105.20	105.74	104.37
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Net Fixed Assets	**190.36**	**155.60**	**108.92**	**105.96**	**105.20**	**105.74**	**104.37**
8	Other Assets	434.02	362.39	362.18	330.27	315.63	243.12	291.11
	TOTAL (A)	**981.57**	**809.21**	**707.26**	**652.34**	**623.79**	**615.89**	**586.32**
(B)	**LIABITIES**							
1	**DEPOSITS**							
	Demand Deposits							
	From Bank	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	From Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Saving Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Term Deposits From Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Term Deposits From Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Borrowing	806.47	677.58	523.44	464.31	420.83	447.46	384.24
5	Other Liabilities & Provisions	45.49	38.65	66.74	55.26	49.78	32.60	31.16
	TOTAL (B)	**851.96**	**716.23**	**590.18**	**519.57**	**470.61**	**480.06**	**415.40**
(C)	**Net Assets(C=A-B)**	**129.61**	**92.98**	**117.08**	**132.77**	**153.18**	**135.83**	**170.92**
(D)	Share Capital	443.86	443.94	443.94	443.94	443.94	443.94	443.94
(E)	Share Application Money	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(F)	Reserve And Surplus							
1	Statutory Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Capital Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	A) Revaluation Reserve							
3	Share Premium	666.15	666.07	666.07	666.07	666.07	666.07	666.07
3	Investments Fluctuation Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Revenue & Other Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Balance In Profit & Loss A/c	(980.40)	(1017.03)	(992.93)	(977.26)	(956.83)	(974.19)	(939.09)
	TOTAL	(314.25)	(350.96)	(326.86)	(311.19)	(290.76)	(308.12)	(273.02)
	Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	TOTAL (F)	**(314.25)**	**(350.96)**	**(326.86)**	**(311.19)**	**(290.76)**	**(308.12)**	**(273.02)**
	TOTAL (D+E+F)	**129.61**	**92.98**	**117.08**	**132.75**	**153.18**	**135.82**	**170.92**

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH 2002	2003	2004	2005	2006	LIMITED REVIEW 30.09.2005	LIMITED REVIEW 30.09.2006
(G)	CONTINGENT LIABITIES							
1	Claim Against The Bank not Acknowledged Debr	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Liabilities for Partly paid Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Guarantees Given On behalf of Constituents	20.00	20.02	20.02	20.02	20.02	20.02	20.02
4	Acceptances, Endorsements and Obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Other items for which the bank is contingently liable -for	66.76	77.91	277.56	64.53	191.60	64.53	64.50
	TOTAL (G)	86.76	97.93	297.58	84.55	211.62	84.55	84.52
	Bills of Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Indbank Merchant Banking Services Ltd.,

SUMMARY STATEMENT OF PROFIT & LOSS

ANNEXURE – D (CONTD.)

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH 2002	2003	2004	2005	2006	LIMITED REVIEW 30.09.2005	LIMITED REVIEW 30.09.2006
A	**INCOME**							
1	**Interest Earned**							
1.1	Interest & Discount on Advances/ Bills	31.12	11.67	3.98	2.60	1.96	1.24	0.44
1.2	Income On Investment	3.94	1.80	1.27	1.12	1.90	0.35	0.56
1.3	Interest on Balances with R.B.I. And Other Inter Bank Placements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.4	Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	**OTHER INCOME**							
2.1	Commission, Exchange And Brokerage	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2	Profit on sale of Land, Building, and other assets	0.00	3.25	1.09	0.00	0.00	0.00	0.00
2.3	Profit/Loss On Sale Of Investments	1.94	0.01	7.43	4.03	0.76	0.43	0.01
2.3	Interest on Income Tax Refund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Lease finance income	34.56	44.15	37.62	24.99	16.65	8.33	7.98
2.4	Miscellaneous Income	25.33	21.88	42.88	50.15	49.11	22.18	29.10
	TOTAL INCOME	**96.89**	**82.76**	**94.27**	**82.89**	**70.38**	**32.53**	**38.09**
B	**EXPINDITURE**							
1	**INTEREST EXPENDED**							
1.1	Interest on Deposits	12.21	3.32	0.00	0.00	0.00	0.00	0.00
1.2	Interest On R.B.I/Inter Bank Borrowing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3	Others	96.19	6.81	1.95	0.00	0.00	0.00	0.00
2	**OPERATING EXPENSES**							
2.1	Payments to And Provisions For Employees	17.29	15.71	13.56	11.58	13.30	6.79	5.96
2.2	Rent, Taxes And Lighting	7.02	5.15	3.39	3.13	3.04	1.81	1.42
2.3	Printing and Stationery	1.19	1.25	1.51	1.14	1.36	0.60	0.66
2.4	Advertisement and Publicity	0.11	0.14	0.05	0.11	0.23	0.03	0.18
2.5	Depreciation on Bank's Property	5.04	4.03	3.52	2.51	3.29	2.03	1.09
	Depreciation on Leased Assets	52.90	37.19	30.38	23.77	16.64	7.35	7.08
2.6	Director's Fees, Allowances and Expenses	0.07	0.06	0.04	0.02	0.01	0.01	0.02
2.7	Auditors' Fees & Expenses (Including Branch Auditor's Fees & Expenses)	0.17	0.20	0.18	0.18	0.18	0.00	0.00
2.8	Law Charges	1.67	2.28	1.10	1.46	0.46	0.28	0.20
2.9	Postage, Telegrams, Telephones, etc	2.34	1.64	1.48	1.81	3.44	0.77	1.78
2.10	Repair and Maintenance	2.70	2.17	1.83	1.61	2.15	1.07	1.07
2.11	Insurance	1.28	0.61	0.64	0.34	0.36	0.28	0.28
2.12	Other Expenditure	14.28	11.05	11.07	7.62	7.78	4.03	4.21
	TOTAL EXPENDITURE	**214.46**	**91.61**	**70.70**	**55.28**	**52.24**	**25.05**	**23.95**

ANNEXURE – D(CONTD.)

Indbank Merchant Banking Services Ltd.,

SUMMARY STATEMENT OF PROFIT & LOSS

(Rs.in Million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
	Gross Profit before Provisions & Contingencies	**(117.57)**	**(8.85)**	**23.57**	**27.61**	**18.14**	**7.48**	**14.14**
	LESS: Provisions & Contingencies	17.40	27.78	-0.53	11.94	-2.29	4.41	-3.60
	Profit after Provisions & Contingencies	**(134.97)**	**(36.63)**	**24.10**	**15.67**	**20.43**	**3.07**	**17.74**
	LESS: Short Provisions Relating to earlier Years	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	ADD: Excess Provisions of earlier years Write Back	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	ADD: Profit B/F	(845.43)	(980.40)	(1017.03)	(992.93)	(977.26)	(977.26)	(956.83)
	Profit Available for Appropriation	**(980.40)**	**(1017.03)**	**(992.93)**	**(977.26)**	**(956.83)**	**(974.19)**	**(939.09)**
	APPROPRIATIONS							
	Transfer To:							
a)	Statutory Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b)	Revenue & Other Reserve:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	a) Investment Fluctuation Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b) Other Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c)	Proposed Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d)	Dividend Tax (including Surcharge)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Balances Carried Over To Balance Sheet	**(980.40)**	**(1017.03)**	**(992.93)**	**(977.26)**	**(956.83)**	**(974.19)**	**(939.09)**
	TOTAL	**(980.40)**	**(1017.03)**	**(992.93)**	**(977.26)**	**(956.83)**	**(974.19)**	**(939.09)**

ANNEXURE - E

Indfund Management Limited

SUMMARY STATEMENT OF ASSETS AND LIABITIES

(Rs. in million)

		AUDITED FINANCIAL YEARS ENDED 31^{ST} MARCH						
Sr. No.		**2002**	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
(A)	**ASSETS**							
1	Cash in Hand	0.01	0.00	0.00	0.00	0.00	0.00	0.01
2	Balance With RBI	—-	—-	—-	—-	—-	—-	—-
3	Balance With Banks							
	a)In Current A/c	0.72	0.48	0.77	0.15	0.55	0.75	0.29
	b)In other Deposit A/cs	208.96	270.46	414.68	441.33	468.95	453.47	469.10
4	Money At Call & Short Notice	—-	—-	—-	—-	—-	—-	—-
5	Investments	39.49	33.22	20.93	28.11	25.01	27.23	23.32
6	Advances	6.26	9.85	0.23	17.12	25.14	20.88	41.72
7	Fixed Asset	1.00	0.85	0.62	0.94	0.42	0.89	0.39
	Less: Revaluation Reserve	—-	—-	—-	—-	—-	—-	—-
	Net Fixed Assets	**1.00**	**0.85**	**0.62**	**0.94**	**0.42**	**0.89**	**0.39**
8	Other Assets	0.85	0.19	26.50	—-	1.00	1.40	—-
	TOTAL (A)	**257.29**	**315.05**	**463.73**	**487.65**	**521.07**	**504.62**	**534.83**
(B)	**LIABITIES**							
1	**DEPOSITS**							
	Demand Deposits	**—-**	**—-**	**—-**	**—-**	**—-**	**——**	**—-**
	From Bank	—-	—-	—-	—-	—-	——	—-
	From Others	—-	—-	—-	—-	—-	——	—-
2	Saving Deposits	—-	—-	—-	—-	—-	——	—-
3	Term Deposits From Banks	—-	—-	—-	—-	—-	——	—-
	Term Deposits From Others	—-	—-	—-	—-	—-	——	—-
4	Borrowing	—-	—-	—-	—-	—-	——	—-
5	Other Liabilities & Provisions	67.18	107.67	237.16	239.80	243.34	230.26	243.32
	TOTAL (B)	**67.18**	**107.67**	**237.16**	**239.80**	**243.34**	**230.26**	**243.32**
(C)	Net Assets(C=A-B)	**190.11**	**207.38**	**226.57**	**247.85**	**277.73**	**274.36**	**291.51**
(D)	Share Capital	487.10	487.10	487.10	487.10	487.10	487.10	487.10
(E)	Share Application Money	—-	—-	—-	—-	—-	——	—-

ANNEXURE - E (CONTD.)

Indfund Management Limited

SUMMARY STATEMENT OF ASSETS AND LIABITIES

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
(F)	Reserve And Surplus	—-	—-	—-	—-	—-	—-	—-
1	Statutory Reserve	—-	—-	—-	—-	—-	—-	—-
2	Capital Reserve	—-	—-	—-	—-	—-	—-	—-
	A) Revaluation Reserve	—-	—-	—-	—-	—-	—-	—-
3	Share Premium	—-	—-	—-	—-	—-	—-	—-
3	Investments Fluctuation Reserve	—-	—-	—-	—-	—-	—-	—-
5	Revenue & Other Reserve	—-	—-	—-	—-	—-	—-	—-
6	Balance In Profit & Loss A/c	(296.99)	(279.72)	(260.53)	(239.25)	(209.37)	(223.20)	(195.59)
	TOTAL	(296.99)	(279.72)	(260.53)	(239.25)	(209.37)	(223.20)	(195.59)
	Less: Revaluation Reserve	—-	—-	—-	—-	—-	—-	—-
	TOTAL (F)	**(296.99)**	**(279.72)**	**(260.53)**	**(239.25)**	**(209.37)**	**(223.20)**	**(195.59)**
	TOTAL (D+E+F)	**190.11**	**207.38**	**226.57**	**247.85**	**277.73**	**263.90**	**291.51**
(G)	CONTINGENT LIABITIES							
1	Claim Against The Bank not Acknowledged Debt	—-	—-	—-	66.34	41.73	51.60	41.73
2	Liabilities for Partly paid Investments	—-	—-	—-	—-	—-	—-	—-
3	Guarantees Given On behalf of Constituents	—-	—-	—-	—-	—-	—-	—-
4	Acceptances, Endorsements and Obligations	—-	—-	—-	—-	—-	—-	—-
	TOTAL (G)	—-	—-	—-	—-	—-	—-	—-
	Bills of Collection	—-	—-	—-	—-	—-	—-	—-

Indfund Management Ltd.

SUMMARY STATEMENT OF PROFIT & LOSS

(Rs. in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
A	**INCOME**							
1	**Interest Earned**							
1.1	Interest & Discount on Advances/ Bills	—-	—-	—-	—-	—-	——	—-
1.2	Income On Investment	16.20	25.40	23.98	23.11	25.01	12.15	14.93
1.3	Interest on Balances with R.B.I. And Other Inter Bank Placements	—-	—-	—-	—-	—-	——	—-
1.4	Others	—-	—-	—-	—-	—-	——	—-
2	**OTHER INCOME**							
2.1	Commission, Exchange And Brokerage	—-	—-	—-	—-	—-	——	—-
2.2	Profit/Loss On Sale Of Investments	12.19	0.69	0.44	3.22	10.83	6.60	0.11
2.3	Interest on Income Tax Refund	—-	—-	—-	—-	—-	——	—-
2.4	Miscellaneous Income	4.14	1.57	1.72	1.83	1.34	0.49	0.48
	TOTAL INCOME	**32.53**	**27.66**	**26.14**	**28.16**	**37.18**	**19.24**	**15.52**
B	**EXPINDITURE**							
1	**INTEREST EXPENDED**							
1.1	Interest on Deposits	—-	—-	—-	—-	—-	——	—-
1.2	Interest On R.B.I/Inter Bank Borrowing	—-	—-	—-	—-	—-	——	—-
1.3	Others	—-	—-	—-	—-	—-	——	—-
2	**OPERATING EXPENSES**							
2.1	Payments to And Provisions For Employees	6.16	2.21	1.95	1.73	2.54	1.66	0.59
2.2	Rent, Taxes And Lighting	5.20	3.71	1.57	1.81	1.78	0.77	0.51
2.3	Printing and Stationery	0.23	0.08	0.05	0.05	0.06	0.03	0.02
2.4	Advertisement and Publicity	—-	—-	—-	—-	—-	——	—-
2.5	Depreciation on Bank's Property	0.48	0.27	0.14	0.09	0.06	0.05	0.03
2.6	Director's Fees ,Allowances and Expenses	0.03	0.03	0.03	0.03	0.03	0.02	0.14
2.7	Auditors' Fees & Expenses (Including Branch Auditor's Fees & Expenses)	0.11	0.05	0.05	0.05	0.05	0.00	0.00
2.8	Law Charges	0.33	0.10	0.01	0.04	0.03	——	—-
2.9	Postage, Telegrams, Telephones, etc	0.63	0.18	0.17	0.15	0.14	0.07	0.04
2.10	Repair and Maintenance	0.44	0.40	0.32	0.68	0.42	0.21	0.17
2.11	Insurance	0.06	0.05	0.03	0.03	0.03	—-	—-
2.12	Other Expenditure	3.37	1.95	0.79	0.64	0.54	0.38	0.24
	TOTAL EXPINDITURE	**17.04**	**9.03**	**5.11**	**5.30**	**5.68**	**3.19**	**1.74**

Indfund Management Ltd.

SUMMARY STATEMENT OF PROFIT & LOSS

(Rs.in million)

Sr. No.		AUDITED FINANCIAL YEARS ENDED 31ST MARCH						
		2002	**2003**	**2004**	**2005**	**2006**	**LIMITED REVIEW 30.09.2005**	**LIMITED REVIEW 30.09.2006**
	Gross Profit before Provisions & Contingencies	**15.49**	**18.63**	**21.03**	**22.85**	**31.50**	**16.05**	**13.78**
	LESS: Provisions & Contingencies	0.62	1.34	1.42	1.68	1.62	——	—-
	Profit after Provisions & Contingencies	**14.87**	**17.29**	**19.61**	**21.18**	**29.88**	**16.05**	**13.78**
	LESS: Short Provisions Relating to earlier Years	0.71	**0.02**	**0.42**	—-	—-	——	—-
	ADD: Excess Provisions of earlier years Write Back	1.51	**—-**	**—-**	0.10	—-	——	—-
	ADD: Profit B/F	(312.66)	**(296.99)**	(279.72)	(260.53)	(239.25)	(239.25)	(209.37)
	Profit Available for Appropriation	**(296.99)**	**(279.72)**	**(260.53)**	**(239.25)**	**(209.37)**	**(223.20)**	**(195.59)**
	APPROPRIATIONS							
	Transfer To:							
a)	Statutory Reserve	—-	—-	—-	—-	—-	——	—-
b)	Revenue & Other Reserve:	—-	—-	—-	—-	—-	——	—-
	a) Investment Fluctuation Reserve	—-	—-	—-	—-	—-	——	—-
	b) Other Reserve	—-	—-	—-	—-	—-	——	—-
c)	Proposed Dividend	—-	—-	—-	—-	—-	——	—-
d)	Dividend Tax (including Surcharge)	—-	—-	—-	—-	—-	——	—-
	Balances Carried Over To Balance Sheet	(296.99)	(279.72)	(260.53)	(239.25)	(209.37)	(223.20)	(195.59)
	TOTAL	**(296.99)**	**(279.72)**	**(260.53)**	**(239.25)**	**(209.37)**	**(223.20)**	**(195.59)**

Annexure – F

STATEMENT OF RESTATED CONSOLIDATED PROFIT AND LOSS
(INDIAN BANK AND ITS SUBSIDIARIES)

(Rs. in million)

		Mar-03	Mar-04	Mar-05	Mar-06	Sep-05	Sep-06
A	**INCOME**						
	Interest Earned	25402.50	26714.50	28735.60	33674.90	15804.30	19912.70
I	Interest / Discount on Advances/Bills	11426.90	11756.80	13842.70	17801.70	8099.00	11653.90
II	Income on Investments	13571.90	14554.40	14418.40	15270.60	7413.50	8028.40
III	Interest on Balances with Reserve Bank of India and other Inter-Bank Funds	357.20	402.00	460.20	580.00	291.60	229.40
IV	Others	46.50	1.30	14.30	22.60	0.20	1.00
	OTHER INCOME	5378.20	7579.30	5828.10	5392.90	2558.20	2847.30
I	Commission, Exchange and Brokerage	1089.60	1078.70	1157.00	1180.10	563.60	733.30
II	Profit on sale of Land, Buildings and Other Assets (Net)	10.40	2.30	-7.50	-12.80	-9.50	-7.00
III	Profit on Exchange Transactions (Net)	550.00	583.20	686.60	680.60	282.30	246.50
IV	Profit on sale of Investments (Net)	2728.70	4680.20	2069.70	773.10	499.40	204.90
V	Profit on revaluation of Investments (Net)	0.00	0.00	-36.25	0.00	0.00	0.00
VI	Income earned by way of dividends from subsidiaries/companies/and or joint ventures	37.40	58.40	46.40	21.50	12.00	12.70
VII	Miscellaneous Income	962.10	1176.50	1912.15	2750.40	1210.40	1656.90
	TOTAL INCOME – A	30780.70	34293.80	34563.70	39067.80	18362.50	22760.00
B	**EXPENDITURE**						
1	**Interest Expended**	17197.10	15530.70	15648.70	18517.20	8775.30	11253.60
I	Interest on Deposits	16656.50	15062.40	15056.30	17277.00	8412.00	10205.20
II	Interest on Reserve Bank of India/Inter-Bank Borrowings	277.10	283.20	339.20	727.00	282.00	931.40
III	Others	263.50	185.10	253.20	513.20	81.30	117.00

STATEMENT OF RESTATED CONSOLIDATED PROFIT AND LOSS
(INDIAN BANK AND ITS SUBSIDIARIES)

(Rs in million)

		Mar-03	Mar-04	Mar-05	Mar-06	Sep-05	Sep-06
	Operating Expenses	8227.70	10045.50	10106.60	11691.80	5983.10	6199.90
I	Payments to and Provisions for Employees	6364.00	7993.70	7290.70	7904.90	4227.00	4057.60
II	Rent, Taxes and Lighting	520.00	576.70	651.30	692.40	321.90	383.10
III	Printing and Stationery	95.60	109.60	124.10	144.00	61.80	75.20
IV	Advertisement and Publicity	19.10	39.80	110.30	55.10	39.80	76.70
V a)	Depreciation on Bank's Property other than Leased Assets	353.40	311.30	310.90	516.80	207.10	321.50
b)	Depreciation on Leased Assets	3.70	30.40	23.80	16.60	8.30	7.10
VI	Directors' Fees, Allowances and Expenses	4.20	4.40	1.90	1.90	0.90	1.60
VII	Auditors' Fees and Expenses (including Branch Auditors' Fees and Expenses)	70.20	82.30	87.00	82.60	42.10	44.10
VIII	Law Charges	9.60	16.50	18.90	41.10	18.60	15.10
IX	Postages, Telegrams, Telephones etc.	6.50	11.20	11.60	60.80	30.00	24.10
X	Repairs and Maintenance	147.10	164.80	197.20	261.70	126.20	109.00
XI	Insurance	147.90	159.00	264.20	367.40	179.00	215.20
XII	Other Expenditure	486.40	545.80	1014.70	1546.50	720.40	869.60
	TOTAL EXPENDITURE	25424.80	25576.20	25755.30	30209.00	14758.40	17453.50
	Gross Profit before provisions & contingencies	5355.90	8717.60	8808.40	8858.80	3604.10	5306.50
	Add: Share of earnings/losses in associates	0.00	0.00	0.00	0.00	0.00	0.00
	Less: Provisions & Contingencies	3158.70	3955.30	5498.60	3847.70	1186.80	1834.70
	Consolidated Net Profit before minorities interest	2197.20	4762.30	3309.80	5011.10	2417.30	3471.80
	Less: Minorities Interest	-12.90	8.30	5.50	7.20	1.10	6.20
	Consolidated Profit attributable to Group	2210.10	4754.00	3304.30	5003.90	2416.20	3465.60
	Less: Brought forward consolidated profit/loss attributable to group	-39438.50	-39049.40	-38225.40	-39005.90	-39005.90	25.30
	Less: Set off with Capital				38301.40		
	Profit available for Appropriation	-37228.40	-34295.40	-34921.10	4299.40	-36589.70	3490.90
	APPROPRIATIONS						
	Statutory Reserve	400.00	1100.00	2890.80	1270.00	600.00	0.00
	Capital Reserve	0.00	0.00	3.00	28.90	1.40	0.00
	Revenue and Other Reserves	1400.00	2800.00	1141.00	1823.50	1820.00	0.00
	Staff Welfare	21.00	30.00	50.00	0.00	0.00	0.00
	Proposed Dividend (including Dividend Tax)	0.00	0.00	0.00	1151.70	0.00	0.00
	Balance carried over to Consolidated Balance Sheet	-39049.40	-38225.40	-39005.90	25.30	-39011.10	3490.90
	TOTAL	-37228.40	-34295.40	-34921.10	4299.40	2416.20	3490.90

ANNEXURE – F (CONTD.)

STATEMENT OF RESTATED CONSOLIDATED ASSETS AND LIABILITIES
(INDIAN BANK AND ITS SUBSIDIARIES)

(Rs in million)

		Mar-03	Mar-04	Mar-05	Mar-06	Sep-05	Sep-06
(A)	**ASSETS**						
1	Cash in Hand	868.40	793.10	877.10	909.00	947.80	1125.20
2	Balance with RBI	18171.10	27644.60	18743.40	22124.40	22156.50	23287.20
3	Balance with Banks - In India	5888.00	1295.00	2818.60	23117.00	3087.80	1545.20
	- Outside India	1479.60	1696.60	3201.30	1849.20	3982.90	2582.50
4	Money at call and Short notice	2073.50	20.70	89.30	77.40	5102.60	2747.20
5	Investment - In India	146418.20	165655.90	177734.10	188399.00	185348.60	198834.20
	- Outside India	2249.80	1476.10	1629.00	1904.90	1592.30	3533.40
	TOTAL	177148.60	198582.00	205092.80	238380.90	222218.50	233654.90
6	**Advances**						
	- In India	108862.40	129912.20	172886.40	212727.90	191413.60	249489.90
	- Outside India	13366.50	10842.40	10076.30	11398.30	9585.10	11851.20
7	Fixed Assets	4396.30	4453.50	4601.10	5293.40	4823.80	5336.10
8	Other Assets	11961.40	9687.80	7597.10	8450.50	10138.50	10047.40
	TOTAL - (A)	315735.20	353477.90	400253.70	476251.00	438179.50	510379.50
(B)	**LIABILITIES**						
1	**DEPOSITS**						
	Demand Deposits From Banks	357.40	679.20	354.50	386.80	373.40	298.00
	Demand Deposits From Others	20928.90	22715.70	28203.30	31642.10	29034.20	33246.30
2	Saving Deposits	65727.10	78683.80	92756.60	110027.20	101986.20	121329.00
3	Term Deposits from Banks	4794.00	4971.90	4206.20	6908.00	4469.10	1759.80
	Term Deposits from Others	178301.20	197024.20	222080.90	258582.30	242717.50	284113.20
4	**Borrowings**						
	- In India	3064.30	2063.20	4542.40	13029.30	5184.90	16944.80
	- Outside India	1795.20	1258.70	2703.50	5843.60	7642.40	860.10
5	Other Liabilities and Provisions	25881.40	26286.30	19401.00	20014.80	18368.70	18561.60
6	Subordinate Debts	1809.40	1809.40	4809.40	4809.40	4809.40	4809.40
	TOTAL - (B)	302658.90	335492.40	379057.80	451243.50	414585.80	481922.20
(C)	**NET ASSETS (C=A-B)**	13076.30	17985.50	21195.90	25007.50	23593.70	28457.30
(D)	Share Capital	45739.60	45739.60	45739.60	7438.20	45739.60	7438.20
(E)	Minority Interest	32.70	41.00	46.50	53.70	47.60	59.90
(F)	Share Application money/Share Premium	0.00	0.00	0.00	0.00	0.00	0.00
(G)	**RESERVES AND SURPLUS**						
1	Statutory Reserve	1132.30	2232.30	5123.20	6393.20	5723.20	6393.20
2	Capital Reserve	2447.20	2395.20	2348.70	2336.20	2330.60	2314.30
3	Share Premium	666.10	666.10	666.10	666.10	666.10	666.10
	Other Reserves	1400.00	4428.90	5569.90	0.00	7389.90	7386.90
4	Revenue & Other Reserve	707.80	707.80	707.80	8094.80	707.80	707.80
5	Balance of Profit & Loss Account	-39049.40	-38225.40	-39005.90	25.30	-39011.10	3490.90
	TOTAL - (G)	-32696.00	-27795.10	-24590.20	17515.60	-22193.50	20959.20
(H)	**TOTAL (D to G)**	13076.30	17985.50	21195.90	25007.50	23593.70	28457.30

ANNEXURE – F (CONTD.)

SIGNIFICANT ACCOUNTING POLICIES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING CONVENTION

The financial statements are prepared by following the going concern concept on historical cost convention and conform to the statutory provisions and practices prevailing in India in respect of Indian branches and in respect of foreign branches as per statutory provisions and practices prevailing in the respective countries, unless otherwise stated.

2. CONSOLIDATION PROCEDURE

Consolidated financial statement of the group (parent and its subsidiaries) have been prepared on the basis of audited financial statements of Indian Bank (parent) and its subsidiaries viz. (1) Ind Bank Housing Ltd, (2) Ind Bank Merchant Banking Services Ltd. (3) Ind Fund Management Ltd after eliminating intra group transactions, and unrealised profit/ losses and making necessary adjustments wherever required to conform to the uniform accounting policies. The financial statements of the subsidiaries are drawn up to the same reporting date of the parent i.e 31^{st} March 2006.

The difference between the cost to the parent of its investment in subsidiary entity and the parent's portion of its equity in the subsidiary with reference to the date of acquisition is recognised in the financial statement as Capital Reserve. The parent's share of the post acquisition of profits/losses is adjusted against the revenue reserve.

The minority interests in the net result of the operation and the asset of the subsidiary, represent that part of profit and the net asset attributable to the minorities.

3. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign Currency transactions of integral foreign operations and non-integral foreign operations are accounted for as per Accounting Standard-11 (AS-11) issued by the Institute of Chartered Accountants of India (ICAI).

3.1 Translation in respect of integral foreign operations

1. Indian branches having foreign currency transactions have been classified as " Integral foreign operations" and foreign exchange transactions at these branches have been recorded at the Weekly Average Rate (WAR) notified by Foreign Exchange Dealers Association (FEDAI) Foreign currency assets and liabilities are translated at the closing rates notified by FEDAI at the year end
2. Acceptances, endorsements and other obligations and guarantees in foreign currency are carried at the closing rates notified by FEDAI at the year end.
3. Exchange differences arising on settlement and translation of foreign currency assets and liabilities at the end of the financial year are recognized as income or expenses in the period in which they arise.
4. Outstanding forward exchange contracts are disclosed at the Contracted rates, and revalued at FEDAI closing rates, and the Resultant effect is recognized through Profit and Loss account.

3.2 Translation in respect of non-integral foreign operations.

Foreign branches are classified non-integral foreign operations and the financial statements are translated as follows:

1. Assets and liabilities including contingent liabilities are translated at the closing rates notified by FEDAI at the year end.
2. Income and expenses are translated at the Quarterly Average Closing rate notified by FEDAI at the end of the respective quarter
3. All resulting exchange differences are accumulated in a separate account "Exchange Fluctuation Fund" till the disposal of the net investments

Subsidiary Company

Indbank Merchant Banking Services Ltd

Foreign Exchange Transactions - Income and expenditure & assets and liabilities in Foreign exchange are accounted at the rates prevailing as on the date of transaction. Any gain or loss on account of exchange differences either on settlement or on translation is recognised in the Profit and Loss Account.

4. INVESTMENTS

4.1 The investment portfolio of the Parent is classified in accordance with the RBI guidelines into three categories viz.,

1. Held To Maturity (HTM)

2. Held For Trading (HFT)

3. Available For Sale (AFS)

The securities acquired with the intention to be held till maturity are classified under **"HTM"** category. The securities acquired with the intention to trade by taking advantage of short –term price/interest movements are classified as **"HFT".** All other securities which do not fall under any of the two categories are classified under **"AFS"** category.

Profit on sale of securities under HTM category are first taken to Profit and Loss account and thereafter appropriated to Capital Reserve account.

4.2 For the purpose of valuation of investments in India in terms of RBI guidelines, the following have been adopted.

Securities in **HTM** category are valued at acquisition cost except where the acquisition cost is higher than the face value, in which case, such excess of acquisition cost over the face value is amortised over the remaining period of maturity.

Any diminution, other than temporary, in value of investments in subsidiaries/joint ventures, which are included under HTM category, is recognized and provided. Such diminution is being determined and provided for each investment individually.

Investments in **AFS** category are marked to market, scrip-wise and classification wise, at quarterly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The book value of the individual securities does not undergo any change after marking to market.

The individual scrips in the **HFT** category are marked to market at monthly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The Book Value of the individual securities in this category does not undergo any change.

Securities in **AFS and HFT** categories are valued as under:

a) Central Government Securities are valued at market price on the basis of appropriate Yield To Maturity (YTM) rates as announced by Primary Dealers Association of India (PDAI), Fixed Income Money Market and Derivatives Association of India (FIMMDA) and Bloomberg.

b) State Government and Other approved securities are valued applying the YTM method by marking up 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by PDAI, FIMMDA, and Bloomberg.

c) Equity shares are valued at market price, if quoted. Unquoted equity shares are valued at break-up value (without considering revaluation reserves if any) as per the company's latest balance sheet (not more than one year prior to the date of valuation) otherwise, the shares are valued at Re. 1 per company.

d) Preference shares are valued at market price, if quoted; otherwise at lower of the value determined based on the appropriate YTM rates or redemption value.

e) All debentures/bonds, other than those which are in the nature of advances, are valued on the YTM basis.

f) Treasury bills, Certificate of deposits and Commercial papers are valued at carrying cost.

g) Units of Mutual Funds are valued at market price, if quoted; otherwise at lower of repurchase price or Net Asset Value (NAV). In case of funds with a lock-in period, where repurchase price / market quote is not available, units are valued at NAV, else valued at cost till the end of the lock-in period.

Investments by Foreign Branches are valued as per the practice prevailing in the respective countries.

Debentures and Bonds, where interest/principal is in arrears for more than 90 days are valued applying the prudential norms prescribed by RBI.

In the case of Government Securities and Other Approved Securities, brokerage and other service charges received on acquisition are deducted from the cost.

Interest Rate Swap transactions for hedging are accounted on accrual basis and transactions for trading are marked to market at fortnightly intervals, in line with the RBI guidelines.

For the purpose of valuation, the fair value of the total swaps is computed on the basis of the amount that would be received/receivable or paid/payable on termination of the swap agreements as on the balance sheet date. Losses arising there from, if any, are fully provided for, while the profit, if any, is ignored.

Gains or loss on termination of swaps is deferred and recognised over the shorter period of the remaining contractual life of the swap or the remaining life of the designated asset or liability.

Investments backed by guarantee of the Central Government though overdue are treated as Non Performing Asset (NPA) only when the Government repudiates its guarantee when invoked.

Investment in State Government guaranteed securities, which are not in the nature of 'deemed advances', are subjected to asset classification and provisioning norms if interest/instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.

Subsidiary Company:

Ind Bank Housing Ltd:

Investments are classified into current investments and long-term investments. Investments are valued at lower of cost or Market value for each investment individually as per NHB guidelines in force.

Indbank Merchant Banking Services Ltd:

The investments held by the company are all long-term investments. Long term Investments are carried at cost less provision for diminution, other than temporary in nature. The company has reckoned diminution in value of shares / debentures as permanent in nature by relying on market value of quoted shares and book value/ fair value whichever is higher in respect of unquoted shares.

Indfund Management Ltd:

Investments are stated at cost including incidental charges, stamp duty and brokerage wherever applicable. However, 100% provision is made towards depreciation in the market value of the Equity investment as compared to the holding cost.

5. ADVANCES

5.1 In accordance with the prudential norms issued by RBI advances in India are classified into standard, sub-standard, doubtful and loss assets borrower-wise, provisions are made for loan losses, and general provision is made for standard advances.

5.2 In respect of foreign branches, income recognition, asset classification and provisioning for loan losses are made as per local requirement or as per RBI prudential norms, whichever is more stringent.

5.3 Advances disclosed are net of provisions made for non-performing assets, DICGC/ ECGC/ CGTSI claims received and held pending adjustment, repayments received and kept in sundries account, balance in interest realisable account, participation certificates and usance bills rediscounted.

6. FIXED ASSETS / DEPRECIATION

Premises and other fixed assets are stated at historical cost/ revalued amount.

Depreciation on buildings (including cost of land wherever inseparable/ not segregated) and other fixed assets (excluding computers) in India is provided for on the straight-line method at rates specified in Schedule XIV to the Companies Act, 1956.

Depreciation on computers is provided at the rate of 33.33% per annum on Straight Line Method (SLM) in terms of Reserve Bank of India guidelines.

Depreciation on fixed assets acquired during the year is charged at full rates on assets acquired on or before 30th September and at half rates on those acquired thereafter

Premium on leasehold land is capitalised in the year of acquisition and amortized over the period of lease.

Depreciation in respect of fixed assets at foreign branches is provided as per the practice prevailing in the respective countries.

In respect of Non Banking Assets (NBA) no depreciation is charged.

Subsidiary Company:

Indbank Merchant Banking Services Ltd -

Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation & provision for impairment (if any). Leased assets are further adjusted for the balance in Lease adjustment account.

Depreciation

On Assets other than leased assets, In respect of assets other than leased assets, the Company provides depreciation on the assets on the Straight Line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956, on pro-rata basis, the month in which the assets are installed taken as full month. Software costs are amortised on SLM over a period of three years, from the year of acquisition.

b) On Leased assets

In respect of leased assets, the Company provides depreciation on the assets in the WDV method at the rates prescribed in schedule XIV to the Companies Act 1956 on pro-rata basis, the month in which the assets are installed taken as full month. The cost of the Leased Assets are amortised fully during the Lease period in accordance with the Guidance note on Accounting for Leases (revised) issued by the Institute of Chartered Accountants of India. The difference between the statutory depreciation and the annual lease charge is adjusted through the Lease Equalisation, which is adjusted with the lease income.

Ind Bank Housing Ltd - Fixed Assets are capitalised at cost and are stated at cost less depreciation. Depreciation is calculated on written down value method at the rates prescribed in schedule XIV to the Companies Act, 1956.

Indfund Management Ltd –

FIXED ASSETS:

Fixed Assets are stated at original cost of acquisition plus incidental charges incurred in connection with the acquisition.

DEPRECIATION:

Depreciation has been provided on straight-line method in the manner and at the rates provided in schedule XIV of the Companies Act, 1956.

REVENUE RECOGNITION

Income and expenditure are generally accounted for on accrual basis, unless otherwise stated.

Income from non-performing assets, certain government guaranteed assets (where interest is not serviced regularly), dividend income, insurance claims, commission on letters of credit/ guarantees issued (other than those relating to project finance), additional interest/ overdue charges on bills purchased, locker rent, etc. are accounted for on realisation.

In case of overdue foreign bills, interest and other charges are recognised till the date of crystallisation as per FEDAI guidelines.

Subsidiary Company:

Ind Bank Housing Ltd -

The Company follows NHB's Prudential Norms for recognition of Income and Provisioning for Non Performing Assets, Repayment of housing loans is by way of Equated Monthly Installments (EMI's) comprising of principal and interest. Interest is calculated every half year on the opening balance at the beginning of the respective half year/year. EMI commence once the entire loan is disbursed. Pending commencement of EMI, pre EMI interest payable is recognized every month.

Indbank Merchant Banking Services Ltd

Issue Management Fee and fees for other managerial services - Considered on the completion of assignment.

Underwriting Commission and brokerage on distribution of financial products - Worked out on receipt of subscription particulars.

Brokerages under stock broking operations are accounted on completion of contract.

Finance charges in respect of Hire Purchase transactions are apportioned over the period of agreement by Capital Recovery Method on Reducing balance basis.

Lease rentals are considered on the due dates as per lease contracts.

Interest on Intercorporate deposits placed, which have accrued, but not due has been reckoned on a quarterly basis in accordance with the terms of placement.

Interest on overdue lease rentals and hire purchase installments accounted for on receipt basis.

Indfund Management Ltd

a) Investment Management and Advisory Fees are accounted on accrual basis in respect of redeemed schemes of Indian Bank Mutual Fund @ 0.5% of the unclaimed redemption proceeds, payable quarterly, based on outstanding amount at the beginning of each calendar quarter.

b) Dividend on Equity shares is accounted on cash basis.

c) Interest on performing debentures is accounted for on accrual basis. Interest on non-performing debentures is accounted for on cash basis.

8. NET PROFIT / LOSS

The result disclosed in the Profit and Loss Account is after considering:

- Provision for Loan Losses
- General provision on Standard Advances
- Provision for Depreciation on Fixed Assets
- Provision for Depreciation on Investments
- Transfer to/ from Contingency Fund
- Provision for direct taxes in accordance with statutory requirements
- Usual or/and other necessary provisions

9. STAFF RETIREMENT BENEFITS

Annual contributions to Pension Fund and Gratuity Fund are determined and provided for:

(i) On the basis of actuarial valuation and contribution to approved Pension Fund and Gratuity Fund respectively in India, and

(ii) As per the local laws in respect of foreign branches.

Leave encashment benefit for employees is accounted for on actuarial basis.

Indbank Housing Ltd

Contribution to Provident Funds is made to the Regional Provident Fund Commissioner

The Gratuity liability is covered by Trust formed under the Group Gratuity Scheme. The trust has purchased a Group Gratuity policy from LIC and the annual premium is paid through the Trust. Liability for leave encashment is provided for on actuarial basis.

Indbank Merchant Banking Services Ltd

The liability to staff on deputation from Indian Bank towards retirement benefits is borne by Indian Bank.

Gratuity - The Company's liability towards gratuity to the employees other than those deputed by Indian Bank is covered by a Group Gratuity Policy with Life Insurance Corporation of India.

Leave encashment - The eligible Leave encashment liability to the employees other than those deputed by Indian Bank has been provided for on the basis of actuarial valuation.

Indfund Management Ltd

The staff of the company are on deputation from Indian Bank. Liability towards Gratuity and leave encashment payable at the time of retirement of deputed employees is not provided for since the entire retirement benefits are paid by the Parent.

10. AMORTISATION OF BROKERAGE EXPENDITURE

In respect of Ind Bank Housing Ltd - Brokerage paid on deposit is being deferred over the period of deposit. If deposits are preclosed, the entire brokerage paid is recovered and credited to profit and loss account in the year of preclosure.

11. BORROWING COSTS

In respect of Indbank Merchant Banking Services Ltd. - Borrowing costs are capitalised as part of the cost of a qualifying asset when it will result in future economic benefits to the Company. Other borrowing costs are recognised as an expense in the period in which they are incurred.

12. CONTINGENT LIABILITIES AND PROVISIONS

Past events leading to, possible or present obligations are treated as contingent liability. Provision is recognised in case of present obligations where a reliable estimate can be made and where there are probable outflow of resources embodying forgoing of economic benefits to settle the obligations.

13. IMPAIRMENT OF ASSETS

Impairment losses (if any) are recognised in accordance with the Accounting Standard issued in this regard by the Institute of Chartered Accountants of India (ICAI).

14. TAXES ON INCOME

14.1 Current tax is measured at the amount expected to be paid to the taxation authorities, using the applicable tax rates, tax laws and favourable judicial pronouncements / legal opinion.

14.2 Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognised keeping in view the consideration of prudence in respect of deferred tax assets in accordance with Accounting Standard -22 (AS-22) issued by the Institute of Chartered Accountants of India (ICAI).

MATERIAL NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS:

The Consolidated Financial Statement (CFS) comprises the results of the Bank (Parent) and the following **subsidiaries**:

Sl. No.	Name of the Subsidiary	Country of Incorporation	Proportion of Ownership
1.	Ind Bank Housing Ltd	India	51.00%
2.	Indbank Merchant Banking Services Ltd	India	64.84%
3.	Ind Fund Management Ltd	India	100.00%

The following are the **Associates** of Indian Bank.

Name of the Associates	Shareholding pattern	Investmentby Bank (Rs. in million)
a) Kanagadurga Grameena Bank, Vijayawada	35%	7.52
b) Venkateswara Grameena Bank, Chittoor	35%	54.68
c) Vallalar Grama Bank, Cuddalore	35%	9.90
d) Adhiyaman Grama Bank, Dharmapuri	35%	13.05

The above associates have not been considered for consolidation in line with AS 23 as no profit has been transferred by these associates and the Bank does not foresee any transfer in the near future in view of the impediment on restriction of transfer of profit unless NABARD approves the same. The investments in RRBs are valued at cost.

YEAR ENDED 31ST MARCH, 2003

The consolidated Financial Statement are prepared in compliance with the guidelines issued by RBI vide their Circular No. DBOD.BPBC.72/21.04.018/2002-03 dated 25/02/2003 and the Accounting Standard 21, 23 and 27 issued by the Institute of Chartered Accountants of India.

ACCOUNTING FOR RETIREMENT BENEFITS IN THE FINANCIAL STATEMENT OF EMPLOYERS – (AS 15)

In case of Indian Bank, the current year liability arising out of Leave Encashment on Retirement amounting to Rs.102.00 million has been charged to Profit & Loss Account on the basis of Actuarial Valuation. The Aggregate unprovided liability for the previous years amounting to a sum of Rs.617.00 million will be provided over the period of following six years.

VOLUNTARY RETIREMENT SCHEME (VRS)

The liability of the Bank under Voluntary Retirement Scheme aggregating to Rs.4489.20 million is amortized equally over a period of five years. Accordingly, a sum of Rs.1682.50 million has been already amortized and a sum of Rs.935.70 million charged to the current year's Profit & Loss Account. The balance unamortised amount of Rs.1871.00 million is included under "Other Assets" (Schedule 11). However, this year an amount of Rs.935.50 million has been provided to the debit of "Provisions & Contingencies" Account and shown under Contingency Fund.

The Government of India made further contribution of Rs.7700.00 million to the Capital of the Bank on 07.02.2003 to improve the financial strength and to enable it to meet the gap created by the application of the Income Recognition and Provisioning norms and to strengthen its Capital reckoned with reference to the Risk Weighted Assets.

In case of Ind Bank Merchant Banking Services Ltd, has accumulated losses of Rs.1017.00 million as at 31.03.2003. This along with the future plans and projections of the Management, does not warrant concern as regard the "Going Concern" ability of the Company and hence these accounts have been prepared accordingly.

YEAR ENDED 31ST MARCH, 2004

1. **LEASES(AS 19)**

   The properties taken on lease / rental basis are renewable / cancellable at the option of the Bank. The Bank's liabilities in respect of disputes pertaining to additional rent / lease rent are recognized on settlement or on renewal. The amount of rent / lease rent recognized in the Profit & Loss account for the year is Rs.178.70 million.

2. **VOLUNTARY RETIREMENT SCHEME (VRS):**

   The expenditure relating to Voluntary Retirement Scheme aggregating to Rs. 4489.20 million is amortised over a period of five years. Accordingly, a sum of Rs.2618.20 million has already been written off and a sum of Rs.935.50 million is charged to the current year's Profit and Loss Account. The balance of Rs.935.40 million has already been provided in earlier years and is lying under "Other liabilities".

3. **OTHERS:**

   The Reserve Bank of India vide its circular No. DBOD.BP.BC.24/21.04.018/2003-2004 dt.13/09/2003, has directed that all legal expenses in the case of suit filed accounts, be debited to the Profit & Loss Account of the current year. The Bank has provided a sum of Rs.495.80 million, being law charges incurred upto 31.03.2003 besides the law charges incurred during the year.

YEAR ENDED 31ST MARCH, 2005

1. **Accounting for Retirement Benefits in The Financial Statement of Employees (AS 15)**

   In respect of leave encashment, on the basis of actuarial valuation, an amount of Rs.60.50 million has been charged to profit and loss account of the current year.

YEAR ENDED 31ST MARCH, 2006

1. **CAPITAL RESTRUCTURING**

   As of 31.03.2006, on the basis of approval of Government of India, the Parent has netted off the accumulated loss of Rs. 38301.40 million against the Capital of Rs.45739.60 million, and the balance of Rs.7438.20 million is carried over.

2. **FIXED ASSETS**

   Premises of Parent include properties costing Rs.108.70 million, the book value of which is Rs.87.90 million (previous year Rs.111.80 million and Rs.90.30 million respectively), for which registration formalities are in progress.

3. **ACCOUNTING FOR TAXES ON INCOME (AS 22)**

   In accordance with Accounting Standard 22, as a matter of prudence, it is not considered necessary to recognise deferred tax asset in the financial statements of Parent and its subsidiaries.

   However, provision for taxation is made in respect of the subsidiary, Indbank Merchant Banking Services Ltd after considering the effect of Deferred Tax Assets/Liabilities. The provision for deferred tax (net) for the year is Rs.14.26 million (Previous year Rs.14.89 million) which has been charged to profit & loss account. The cumulative deferred tax asset (net) upto 31.03.2006 is Rs.176.00 million (Previous year Rs.190.26 million) The major components of deferred tax asset/liability are as below:

(Rs in million)

	Deferred Tax			
	As on 31.3.2006		**As on 31.3.2005**	
	Asset	**Liability**	**Asset**	**Liability**
i) Difference between book depreciation and depreciation under Income Tax Act 1961		79.22		83.68
ii) Unabsorbed depreciation	189.59		219.71	
iii) Business loss to the extent considered realisable	0.00		16.92	
iv) Provision for Bad debts and NPAs	65.20		36.87	
v) Others	0.43		0.44	

Disclosure requirements under AS 24 – Discontinued operations

The subsidiary Indbank Merchant Banking Services Limited had discontinued fund-based activities consequent to SEBI regulations coming into force with effect from December 1997 and had decided to undertake only fee-based activities. The existing fund based exposures as on December 1997 are continued to run down to their contracted period. The Company had obtained cancellation of registration as NBFC from RBI consequent to repayment of fixed deposits and transfer of unclaimed fixed deposits to an escrow account with a nationalised bank for repayment as and when claimed. The Company is now governed only by SEBI regulations.

(Rs. in million)

Particulars	2005-06				2004-05			
	Continuing Operations-Fee based	Discontinued Operations – Fund based	Un-Allocated	Total	Continuing Operations-Fee based	Discontinued Operations – Fund based	Un-Allocated	Total
Income from Operations	46.60	23.78	0.00	70.38	49.46	33.43	0.00	82.89
Reversal of Provisions	1.76	15.03	0.00	16.79	0.00	2.96	0.00	2.96
Total Expenses	48.36	38.81	0.00	87.17	49.46	36.39	0.00	85.85
Administration & Other exp	26.34	5.96	0.00	32.30	24.99	4.00	0.00	28.99
Depreciation	3.29	16.65	0.00	19.94	2.29	24.00	0.00	26.29
Total – Expenses	29.63	22.61	0.00	52.24	27.28	28.00	0.00	55.28

(Rs. in million)

Particulars	2005-06				2004-05			
	Continuing Operations-Fee based	Discontinued Operations – Fund based	Un-Allocated	Total	Continuing Operations-Fee based	Discontinued Operations – Fund based	Un-Allocated	Total
Profit/(Loss) before Tax	18.72	16.20	0.00	34.93	22.18	8.38	0.00	30.56
Provision for tax – Deferred	0.00	0.00	-14.26	-14.26	0.00	0.00	14.89	14.89
Provision for tax – FBT	0.00	0.00	-0.24	-0.24	0.00	0.00	0.00	0.00
Profit/(Loss) after Tax	18.73	16.20	-14.50	20.43	22.18	8.38	-14.89	15.67
Total Assets	165.43	230.21	1184.98	1580.62	159.18	246.26	252.71	658.15
Total liabilities	42.78	7.00	420.82	470.61	44.44	6.93	468.19	519.56
Net Cash flow from operating activities	27.07	20.02	-0.24	46.85	33.42	22.38	6.48	62.28
Net Cash flow from Investment activities	-0.95	-0.36	0.00	-1.31	-5.76	18.61	4.16	17.01
Net Cash flow from financing activities	0.00	0.00	-43.49	-43.49	-2.72	-42.20	-14.21	-59.13

ANNEXURE – F (CONTD.)

Restated Segment Reporting: (CONSOLIDATED – INDIAN BANK AND ITS SUBSIDIARIES)

(Rs.in million)

Part A - Business Segments

Sr. No.	Particulars	Y.E. 31.03.03	Y.E. 31.03.04	Y.E. 31.03.05	Y.E. 31.03.06	H.Y.E. 30.09.05	H.Y.E. 30.09.06
1	**Segment Revenue**						
	(a) Treasury Operations	16685.30	19661.50	17017.60	16625.60	8206.50	8459.60
	(b) Other Banking Operations	13883.80	14481.00	17377.10	22334.30	10105.20	14235.00
	(c) Others	211.60	151.30	169.00	107.90	50.80	65.40
	Total	**30780.70**	**34293.80**	**34563.70**	**39067.80**	**18362.50**	**22760.00**
2	**Segment Results**						
	(a) Treasury Operations	3045.20	5801.70	3776.90	2300.00	1629.20	681.60
	(b) Other Banking Operations	2278.00	2877.60	4905.90	6485.70	1941.30	4586.40
	(c) Others	32.70	38.30	125.60	73.10	33.60	38.50
	Total	**5355.90**	**8717.60**	**8808.40**	**8858.80**	**3604.10**	**5306.50**
	Unallocated expenditure	3070.30	3719.50	5254.10	3269.60	970.30	1378.20
	Profit before Tax	2285.60	4998.10	3554.30	5589.20	2633.80	3928.30
	Provision for Tax	88.40	235.80	244.50	578.10	216.50	456.50
	Net Profit	**2197.20**	**4762.30**	**3309.80**	**5011.10**	**2417.30**	**3471.80**
3	**Other Information**						
	Segment Assets						
	(a) Treasury Operations	168634.60	194627.30	198042.60	212371.80	214055.20	228266.90
	(b) Other Banking Operations	146764.00	159043.60	203349.40	263059.50	224133.60	277967.40
	(c) Others						
	Total	**315398.60**	**353670.90**	**401392.00**	**475431.30**	**438188.80**	**506234.30**
	Unallocated Assets	39386.00	38032.40	37867.60	819.70	39001.80	4145.20
	Total	**354784.60**	**391703.30**	**439259.60**	**476251.00**	**477190.60**	**510379.50**
	Segment Liabilities						
	(a) Treasury Operations	163239.20	182642.20	196067.70	214327.20	185076.60	215181.90
	(b) Other Banking Operations	138893.10	152905.10	184111.20	237111.50	229723.40	266931.00
	(c) Others						
	Total	**302132.30**	**335545.30**	**380178.90**	**451438.70**	**414800.00**	**482112.90**
	Unallocated Liabilities	52652.30	56158.00	59080.70	24812.30	62390.60	28266.60
	Total	**354784.60**	**391703.30**	**439259.60**	**476251.00**	**477190.60**	**510379.50**

Part- B : Geographic Segments

Sr. No.	Particulars	Y.E. 31.03.03	Y.E. 31.03.04	Y.E. 31.03.05	Y.E. 31.03.06	H.Y.E. 30.09.05	H.Y.E. 30.09.06
1	**Revenue**						
	(a) Domestic	30107.00	33752.70	33886.00	38068.50	17956.80	22038.20
	(b) International	673.70	541.10	677.70	999.30	405.70	721.80
	Total	**30780.70**	**34293.80**	**34563.70**	**39067.80**	**18362.50**	**22760.00**
2	**Assets**						
	(a) Domestic	337971.70	378670.90	426739.40	462047.40	465054.50	494024.60
	(b) International	16812.90	13032.40	12520.20	14158.00	12166.10	16354.90
	Total	**354784.60**	**391703.30**	**439259.60**	**476251.00**	**477190.60**	**510379.50**

Notes :

(a) Others represents activities relating to subsidiaries.

(b) In determining the segment results, the funds transfer pricing mechanism followed by the Parent has been used.

(c) Segment revenue represents revenue from external customers.

ANNEXURE – F (CONTD.)

STATEMENT OF RESTATED CONSOLIDATED CASH FLOW

FOR THE YEAR ENDED 31ST MARCH, 2006

(INDIAN BANK AND ITS SUBSIDIARIES)

(Rs in million)

	Y.E. 31.03.2003	Y.E. 31.03.2004	Y.E. 31.03.2005	Y.E. 31.03.2006	H.Y.E. 30.09.2005	H.Y.E. 30.09.2006
A. Cash flow from operating activities:						
Net Profit as per Profit & Loss Account	2197.20	4762.30	3309.80	5011.10	2417.30	3471.80
Adjustments for:						
Depreciation on fixed assets	357.10	341.70	334.70	533.40	215.40	328.60
Amortisation of lease assets						
Amortisation of expenses of VRS	897.80	897.90	897.80	150.80	75.40	0.00
Depreciation on investments (including on matured debentures)	-76.82	13.12	1364.70	-2.60	-26.86	-12.62
Bad debts written-off/provision in respect of non-performing assets	1553.18	3415.55	1989.20	919.80	602.70	136.96
Provision for Standard Assets	44.00	50.00	111.50	358.50	268.50	95.00
Provision for Other items	702.84	476.64	2033.20	2572.00	900.96	1615.36
Profit/(loss) on sale of fixed assets	-10.40	-2.30	7.50	12.80	9.50	7.00
Payment/provision for interest on subordinated debt(treated separately)	0.00	0.00	0.00	0.00	0.00	0.00
Dividend received from subsidiaries/others (treated separately)	-37.40	-58.40	-46.40	-21.50	-12.00	-12.70
Sub total	**5627.50**	**9896.30**	**10002.00**	**9534.30**	**4450.90**	**5629.40**
Adjustments for:						
(Increase)/Decrease in investments	-24283.90	-18464.00	-12231.10	-10940.80	-7577.80	-12063.70
(Increase)/Decrease in advances	-13765.40	-18525.70	-42208.10	-41163.50	-18036.00	-37214.90
(increase)/Decrease in other assets	9.60	1388.70	1114.60	37241.40	-2592.74	-1227.70
Increase/(Decrease)in borrowings	760.20	-1537.60	3924.00	11627.00	5581.40	-1068.00
Increase/(Decrease) in deposits	29416.00	33966.20	43526.70	59944.90	30972.90	33199.90
Increase/(Decrease) in other liabilities and provisions	7706.70	-3351.50	-12433.90	-4385.60	-2777.60	-2277.90
Direct taxes paid	-27.90	-12.80	78.30	55.80	-24.06	-369.20
Net cash from operating activities (A)	**5442.80**	**3359.60**	**-8227.50**	**61913.50**	**9997.00**	**-15392.10**
B. Cash flow from investing activities:						
Purchase of fixed assets	-30.90	-448.60	-539.20	-1286.30	-461.10	-400.30
Sale of Fixed Assets						
Dividend received from subsidiaries/others	37.40	58.40	46.40	21.50	12.00	12.70
Net cash from investing activities (B)	**6.50**	**-390.20**	**-492.80**	**-1264.80**	**-449.10**	**-387.60**
C. Cash flow from financing activities:						
Share capital	7700.00	0.00	0.00	-38301.40	0.00	0.00
Share premium						
Unsecured Redeemable bonds						
Dividend	0.00	0.00	0.00	0.00	0.00	-1010.00
Unsecured Redeemable bonds	0.00	0.00	3000.00	0.00	0.00	0.00
Interest paid / payable on unsecured redeemable bonds						
Net cash from financing activities (C)	**7700.00**	**0.00**	**3000.00**	**-38301.40**	**0.00**	**-1010.00**
Net increase in cash & cash equivalents (A)+(B)+(C)	**13149.30**	**2969.40**	**-5720.30**	**22347.30**	**9547.90**	**-16789.70**
Cash and cash equivalents-Opening	15331.30	28480.60	31450.00	25729.70	25729.70	48077.00
Cash and cash equivalents-Closing	28480.60	31450.00	25729.70	48077.00	35277.60	31287.30

Annexure – G

Summary of Accounting Ratios:

All values are in terms of Rs in million except otherwise stated

Year ended 31st March		2002	2003	2004	2005	2006	Sep-05	Sep-06
1	**Earnings per Share**							
	Profit after Tax	369.90	2244.50	4712.20	3187.00	4894.80	2346.00	3340.00
	Weighted Average number of equity shares (No.)	-	-	343820000	343820000	343820000	343820000	343820000
	Earning per Share (Rs.)	-	-	13.71	9.27	14.24	6.82	9.72
2	**Net Asset Value**							
	Share Capital	38039.60	45739.60	45739.60	45739.60	7438.20	45739.60	3438.20
	Total Reserves & Surplus	3812.60	5561.90	9638.80	13624.10	17475.70	16026.00	20793.80
	Less: Revaluation Reserves	2430.70	2380.00	2328.00	2278.50	2237.10	2259.00	2215.20
	Intangible Assets/ Dr.Balance in Profit & Loss a/c	41265.20	39906.10	38188.20	38150.60	0.00	38376.80	0.00
	Deferred Tax Assets	0	0	0	0	0	0	0
	Net Worth	-1843.70	9015.40	14862.20	18934.60	22676.80	21129.80	22016.80
3	**Return on Net Worth (%)**	**——**	**31.30**	**39.46**	**18.86**	**23.52**	**23.42**	**27.43**
	No of Shares	-	343820000	343820000	343820000	343820000	343820000	343820000
4	Book Value per Share (NAV)	—-	14.59	31.59	41.78	54.32	49.82	64.03
	(Net Worth / No of Shares)							

Note: I) Netting off of accumulated unabsorbed losses amounting Rs. 38,301.40 million as at 31.03.2006 has been given effect to for the prior periods also to arrive at Earnings Per Share and Book Value per share.

II) Coversion to preference share capital amounting to Rs. 4,000 million as at 30.09.2006 has been given effect to for the prior periods also to arrive at Earnings Per Share and Book Value per share.

III) Earnings per share for the year ended 31.03.2002 and 31.03.2003 and Book value per share as at 31.03.2002 has not been computed, as the effect of the adjustments (I) and (II) on the No. of Shares is negative.

Annexure G (CONTD.)

Key Financial Indicators

S. No.	Particulars (In Percentage)	31.03.02	31.03.03	31.03.04	31.03.05	31.03.06	30.09.05	30.09.06
1	Interest Income / Average Working Funds (AWF)	8.60	8.34	7.93	7.34	7.75	7.46	7.91
2	Interest expenses / AWF	6.63	5.65	4.61	4.01	4.27	4.15	4.48
3	Interest spread / AWF	1.97	2.69	3.32	3.33	3.48	3.31	3.43
4	Non-Interest Income / AWF	1.87	1.72	2.22	1.45	1.22	1.19	1.12
5	Operating expenses / AWF	2.68	2.48	3.16	2.34	2.64	2.78	2.45
6	Cost Income Ratio	70.27	56.13	56.96	48.83	56.23	61.72	53.95
7	Gross (Operating) profit / AWF	1.14	1.93	2.39	2.45	2.06	1.72	2.10
8	Net profit / AWF	0.12	0.62	1.21	1.04	1.16	1.14	1.33
9	Return on Net Worth	——	31.30	39.46	18.86	23.52	23.42	27.43
10	Return on Assets	0.13	0.65	1.21	1.08	1.16	1.16	1.33
11	Return on Average Assets	0.13	0.65	1.21	1.08	1.16	1.16	1.33
12	Yield on Advances	9.45	9.09	8.83	8.33	8.66	8.38	9.02
13	Cost of Deposits	7.28	6.42	5.41	4.73	4.76	4.76	4.95
14	Dividend payout Ratio (including Corporate Dividend Tax)	0.00	0.00	0.00	0.00	0.20	0.00	0.00
15	Credit – Deposit Ratio	45.38	45.44	46.40	52.80	55.10	53.22	59.36
16	Credit + Non SLR Investment (excluding Investments in Subsidiaries) — Deposit Ratio	52.86	52.08	53.54	58.64	61.44	59.40	67.19
17	Capital Adequacy Ratio	1.70	10.85	12.82	14.14	13.19	14.08	12.02
	Tier – I	0.85	7.51	7.66	7.60	10.29	7.06	9.84
	Tier – II	0.85	3.34	5.16	6.54	2.90	7.02	2.18

Key Financial Indicators

No.	Other Key Financial Ratios	31.03.02	31.03.03	31.03.04	31.03.05	31.03.06	30.09.05	30.09.06
1	Employees (number)	22412	22162	21908	21663	21394	21562	21161
2	Branches (number)	1397	1378	1378	1382	1402	1396	1410
3	Business per employee (Rs. in million)	15.90	17.90	20.40	24.60	29.50	27.00	33.40
4	Average Business per employee (Rs in million)	15.60	17.40	18.90	22.70	25.60	26.30	31.80
5	Gross Profit per employee (Rs. in million)	0.137	0.266	0.366	0.442	0.418	0.338	0.498
6	Net Profit per employee (Rs. in million)	0.015	0.085	0.185	0.187	0.236	0.225	0.316
7	Business per branch (Rs. in million)	253.50	282.00	312.90	356.90	391.00	394.90	498.70
8	Gross Profit per branch (Rs. in million)	2.20	4.30	5.80	6.90	6.40	6.00	7.50
9	Net Profit per branch (Rs. in million)	0.20	1.40	2.90	3.00	3.60	1.70	2.40
10	Earnings per share (Rupees)	-	-	13.71	9.27	14.24	6.82	9.72
11	Book Value per share (Rupees)	—-	14.59	31.59	41.87	54.32	49.82	64.03

Annexure – H

Capitalisation Statement:

(Rs. in million)

Borrowing:	**Sep-06**	**Post Issue****
Short Term Debt	12903.70	——
Long Term Debt	9710.60	——
Total Debt	22614.30	——
Share Holders Funds		
Equity Share Capital	3438.20	——
Add: Forfeited Shares	0.00	
Total Share Capital	3438.20	——
Preference Shares	4000.00	4000.00
Share Premium	0.00	——
Reserves & Surplus	18578.70	——
Total Share Holders' Funds	26016.90	——
Long Term Debt Equity Ratio	37.32%	——

Notes:

1. Reserves and Surplus are after excluding revaluation reserve, intangible assets and deferred tax assets

** As this is an issue by way of book building process, post issue figures are not possible to be ascertained and therefore not given.

<u>Annexure I</u>

TAX SHELTER STATEMENT FOR FIVE CONSECUTIVE

FINANCIAL YEARS ENDED 31-03-2006

(Rs. in million)

As at March 31st	**2002**	**2003**	**2004**	**2005**	**2006**
Tax Rate (in%)	35.70	36.75	35.88	36.59	33.66
Income Tax	119.00	863.30	1416.80	1498.90	1652.10
Adjustments					
Permanent Differences					
Income exempt u/s 10					
Dividend Income	28.00	35.50	58.30	46.40	21.50
Income from Mutual Funds	16.60	7.00	52.60	57.00	120.50
Income from House property-Net	1.60	1.50	(0.40)	0.10	1.90
Profit/Loss on sale of Fixed Assets	44.90	7.10	18.30	6.70	(7.40)
Interest on staff welfare Net	1.20	1.10	0.20	(0.70)	(2.40)
Expenditure not allowed u/s 14A	0.00	0.00	0.00	0.00	(30.00)
Provisions - for taxation	(8.20)	(85.00)	(87.10)	(229.70)	(562.20)
- for other contingencies	(347.00)	(1369.60)	(419.20)	(352.10)	(928.20)
TOTAL (A)	**(262.90)**	**(1402.40)**	**(377.30)**	**(472.30)**	**(1386.30)**
Timing Difference					
Difference between Tax & Book depreciation	79.20	(52.40)	4.80	80.40	116.80
Net Provision for Bad & doubtful debts	2470.70	5840.60	2279.00	4983.00	1019.20
Expenditure allowed only on payment u/s 43B	(1.50)	(1.70)	(0.60)	(0.50)	(0.60)
Others	(3.20)	(936.90)	0.00	117.70	(19.90)
Interest on Govt.Securities assessable on due basis	622.50	814.20	(322.80)	(669.00)	350.00
Disallowances u/s 40(a)(ia)(net)	(0.30)	(11.90)			
Deduction u/s35DDA	(37.70)	(37.70)	(37.70)	897.90	675.30
TOTAL (B)	**3129.30**	**5626.10**	**1922.70**	**5409.20**	**2128.90**
Net Adjustments (A) + (B)	2866.40	4223.70	1545.40	4936.90	742.60
Tax Saving thereon	**1023.31**	**1552.21**	**554.49**	**1806.42**	**249.96**

Note:

1) Figures in brackets indicate increasing of tax liability
2) The above figures have been computed based on the Returns filed

<u>Annexure – J</u>

(Rs. in million)

Statement of Borrowings:	**Financial year ended 31st March**					**Quarter Ended**	
	2002	**2003**	**2004**	**2005**	**2006**	**Sep-05**	**Sep-06**
Reserve Bank of India – Export Refinance	372.50	0.00	0.00	0.00	0.00	0.00	0.00
Other Banks	249.50	219.30	5.40	2414.30	13.60	0.00	11.50
IDBI Refinance	0.10	0.10	0.00	0.00	0.00	0.00	0.00
SIDBI Refinance	198.40	105.60	42.40	9.40	28.60	6.40	45.10
STL from SIDBI	0.00	0.00	0.00	0.00	4000.00	0.00	7000.00
NABARD Refinance	1555.60	2353.90	1682.70	2118.70	3987.10	2178.50	4888.20
NHB Refinance	15.30	18.00	0.00	0.00	5000.00	3000.00	5000.00
Other Institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Borrowings Outside India	1329.10	1795.20	1258.70	2703.50	5843.60	7642.40	860.10
Sub Total	**3720.50**	**4492.10**	**2989.20**	**7245.90**	**18872.90**	**12827.30**	**17804.90**
Sub-ordinated Debts	1809.40	1809.40	1809.40	1809.40	1809.40	1809.40	1809.40
Tier II Bonds	**0.00**	**0.00**	**0.00**	**3000.00**	**3000.00**	**3000.00**	**3000.00**
Total	**5529.90**	**6301.50**	**4798.60**	**12055.30**	**23682.30**	**17636.70**	**22614.30**

* Sub-ordinated debts included in other Liabilities Schedule -5 to the Balance sheet.

* NABARD Refinance in 31.03.04 NOSTRO Balances are wrongly deducted from NABARD REFINANCE INSTEAD Other Banks now corrected.

SELECTED STATISTICAL INFORMATION

The following information should be read together with our financial statements included in this Red Herring Prospectus as well as the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The amounts presented in this section are based on our financial statements prepared in accordance with Indian GAAP and internally generated statistical data. These amounts do not give effect to the adjustment to our net profits as a result of the restatement of our 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 fortnightly average of balances outstanding, as reported to the RBI on Form A. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances in the table below include gross non-performing assets.

(Rs. in millions, except percentages)

	Fiscal year								
		2004			2005			2006	
	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	132750.00	11719.50	8.83%	165890.00	13818.80	8.33%	201795.50	17478.40	8.66%
Investments	157869.60	14546.40	9.21%	166886.30	14413.30	8.64%	184133.90	15265.00	8.29%
Others	15391.90	403.30	2.62%	27532.20	474.50	1.72%	30535.30	901.70	2.95%
Total interest earning assets	**306011.50**	**26669.20**	**8.72%**	**360308.50**	**28706.60**	**7.97%**	**416464.70**	**33645.10**	**8.08%**
Fixed assets	4070.60			4199.90			4979.60		
Other assets	26242.10			26667.00			12499.10		
Total assets	**336324.20**	**26669.20**	**7.93%**	**391175.40**	**28706.60**	**7.34%**	**433943.40**	**33645.10**	**7.75%**
Liabilities:									
Deposits	278513.00	15067.60	5.41%	318733.61	15076.50	4.73%	366480.60	17451.00	4.76%
Demand deposits	20395.00	0.00		24492.70	0.00		27346.20	0.00	
Savings deposits	71465.30	2084.30	2.92%	85204.60	2477.60	2.91%	100807.70	3035.80	3.01%
Term deposits	186652.70	12983.30	6.96%	209036.31	12598.90	6.03%	238326.70	14415.20	6.05%
Borrowings	10371.00	431.00	4.16%	9185.60	593.60	6.46%	20403.70	1092.30	5.35%
Unsecured subordinated bonds ("Tier II bonds")	0.00	0.00	0.00%	2250.00	92.40	4.11%	3000.00	185.40	6.18%
Other borrowings	10371.00	431.00	4.16%	6935.60	501.20	7.23%	17403.70	906.90	5.21%
Total interest bearing liabilities	**288884.00**	**15498.60**	**5.36%**	**327919.21**	**15670.10**	**4.78%**	**386884.30**	**18543.30**	**4.79%**

(Rs. in millions, except percentages)

	Fiscal year								
	2004			2005			2006		
	Average Balance	Interest Income/ expense	Average yield/ Cost	Average balance	Interest income/ expense	Average yield/ Cost	Average balance	Interest income/ expense	Average yield/ cost
Capital and reserves	14974.65			19069.60			22988.13		
Other Liabilities	32465.55			44186.59			24070.97		
Total liabilities	**336324.20**	**15498.60**	**4.61%**	**391175.40**	**15670.10**	**4.01%**	**433943.40**	**18543.30**	**4.27%**
Net interest income		**11170.60**			**13036.50**			**15101.80**	
Net Interest Margin (2)…….			**3.65%**			**3.62%**			**3.63%**

1. Capital Reserve = Average of Opening & Closing Equity Capital + Reserves & Surplus.
2. Net Interest Margin = Net interest Income / Average Interest Earning Assets

(Rs. in millions, except percentages)

	Sep-05			Sep-06		
	Average Balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ Cost
Assets:						
Advances	191758.80	8029.90	8.38%	252247.80	11381.50	9.02%
Investments	180733.30	7410.60	8.20%	193774.50	8013.30	8.27%
Others	28795.10	350.10	2.43%	34314.20	489.70	2.85%
Total interest earning assets	**401287.20**	**15790.60**	**7.87%**	**480336.50**	**19884.50**	**8.28%**
Fixed assets	4527.30			5146.70		
Other assets	17395.20			17360.00		
Total assets	**423209.70**	**15790.60**	**7.46%**	**502843.20**	**19884.50**	**7.91%**
Liabilities:						
Deposits	354632.60	8439.50	**4.76%**	414732.90	10254.60	**4.95%**
Demand deposits	25397.90	0.00	**0.00%**	30927.30	0.00	**0.00%**
Savings deposits	97169.10	1432.40	**2.95%**	115714.70	1723.50	**2.98%**
Term deposits	232065.60	7007.10	**6.04%**	268090.90	8531.10	**6.36%**
Borrowings	15182.10	348.50	**4.59%**	31044.70	999.10	**6.44%**
Unsecured subordinated bonds (“Tier II bonds”)	3000.00	46.30	**3.09%**	3000.00	92.70	**6.18%**
Other borrowings	12182.00	302.20	**4.96%**	28044.70	906.40	**6.46%**
Total interest bearing liabilities	**369814.70**	**8788.00**	**4.75%**	**445777.60**	**11253.70**	**5.05%**
Capital and reserves	23498.70			26565.70		
Other Liabilities	29896.30			30499.90		
Total liabilities	**423209.70**	**8788.00**	**4.15%**	**502843.20**	**11253.70**	**4.48%**
Net interest income		**7002.60**			**8630.80**	
Net Interest Margin (2)…….			**3.49%**			**3.59%**

1. Capital Reserve = Average of Opening & Closing Equity Capital + Reserves & Surplus.

2. Net Interest Margin = Net interest Income / Average Interest Earning Assets

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

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

	Fiscal 2005 vs. Fiscal 2004			Fiscal 2006 vs. Fiscal 2005			First 6 months of Fiscal 2007 vs. First 6 months of Fiscal 2006		
	Net change in interest income or expense	**Change due to change in average volume(1)**	**Change due to change in average rate(2)**	**Net change in interest income or expense**	**Change due to change in average volume(1) (Rs in Millions)**	**Change due to change in average rate(2)**	**Net change in interest income or expense**	**Change due to change in average volume(1)**	**Change due to change in average rate(2)**
Interest income:									
Advances	2099.30	2926.26	(826.96)	3659.60	2990.93	668.67	3351.60	506.90	2844.70
Investments	(133.10)	830.44	(963.54)	851.70	1490.19	(638.49)	602.70	106.94	495.76
Others	71.20	318.08	(246.88)	427.20	51.65	375.55	139.60	8.28	131.32
Total interest earning assets	**2037.40**	**4074.78**	**(2037.38)**	**4938.50**	**4532.77**	**405.73**	**4093.90**	**622.12**	**3471.78**
Interest expense									
Deposits	8.90	2175.94	(2167.04)	2374.50	2258.43	116.07	1815.10	286.08	1529.02
Demand deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings deposits	393.30	401.19	(7.89)	558.20	454.05	104.15	291.10	54.71	236.39
Term deposits	(384.40)	1557.90	(1942.30)	1816.30	1766.21	50.09	1524.00	231.37	1292.63
Borrowings	162.60	(49.31)	211.91	498.70	724.69	-225.99	650.60	72.81	577.79
Unsecured Subordinated Bond	92.40	0.00	92.40	93.00	30.83	62.18	46.40	0.00	46.40
Other borrowings	70.20	(142.91)	213.11	405.70	756.84	-351.14	604.20	72.81	531.39
Total interest bearing liabilities	**171.50**	**2126.62**	**(1955.12)**	**2873.20**	**2983.12**	**(109.92)**	**2465.70**	**358.89**	**2106.81**
Net interest income	**1865.90**	**1948.15**	**(82.25)**	**2065.30**	**1549.65**	**515.65**	**1628.20**	**263.23**	**1364.97**

Yields, Spreads and Margins

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

		Fiscal					First 6 months of fiscal year	
		2002	2003	2004	2005	2006	2007	2006
		(Rs. In millions except percentages)						
1	Interest income	22939.30	25319.10	26669.20	28706.60	33645.20	19884.50	15790.60
1(a)	Of Which Interest Income on Rupee Assets	22311.70	24992.00	26443.00	28503.10	33204.70	19552.00	15696.70
2	Average interest-earning assets	240370.50	277866.20	306011.50	360308.50	416464.70	480336.50	401287.20
2(a)	Of Which Average Interest earning Rupee Assets	216510.50	258204.90	289768.70	342808.50	404056.90	464398.00	391021.30
3	Interest expense	17628.80	17115.20	15498.50	15670.00	18543.30	11253.70	8788.00
3(a)	Of which interest expenses on Rupee Liabilities	17246.10	16945.80	15423.00	15661.20	18336.20	11103.60	8795.00
4	Average interest -bearing liabilities	247117.30	262601.20	285974.00	326999.90	386884.30	445777.60	369814.70
4(a)	Of which Average Interest Bearing Rupee Liabilities	233818.70	253097.30	277109.10	319506.00	376107.30	433066.70	360895.90
5	Net interest income (1-3)	5310.50	8203.90	11170.70	13036.60	15101.90	8630.80	7002.60
6	Average total assets	270340.00	305530.00	336324.20	391175.40	433943.40	502843.20	423209.70
7	Average interest-earning assets as a percentage of average total assets (2/6)	88.91	90.95	90.99	92.11	95.97	95.52	94.82
8	Average interest-bearing liabilities as a percentage of average total assets (4/6)	91.41	85.95	85.03	83.59	89.16	88.65	87.38
9	Average interest-earning assets as a percentage of average interest-bearing liabilities (2/4)	97.27	105.81	107.01	110.19	107.65	107.75	108.51
10	Average interest-earning rupee assets as a percentage of average interest- bearing rupee liabilities [2(a)/4(a)]	92.60	102.02	104.57	107.29	107.43	107.23	108.35
11	Yield (1/2)	9.54	9.11	8.72	7.97	8.08	8.28	7.87
	Of which Yield on Rupee Interest Earning Assets [1(a)/2(a)]	10.31	9.68	9.13	8.31	8.22	8.42	8.03
12	Cost (3/4)	7.13	6.52	5.42	4.79	4.79	5.05	4.75
	Of which cost of Rupee Interest bearing Liabilities [3(a)/4(a)]	7.38	6.70	5.57	4.90	4.88	5.13	4.87
13	Spread (11 - 12)	2.41	2.59	3.30	3.18	3.29	3.23	3.12
14	Net interest margin (5/2)	2.21	2.95	3.65	3.62	3.63	3.59	3.49

Returns on Equity and Assets

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

(Rs. in million except percentages)

	Fiscal					First 6 months offiscal year	
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2006**
Net Profit after tax	332.20	1888.30	4057.50	4084.90	5044.80	3340.00	2421.40
Average total assets	270340.00	305530.00	336324.20	391175.40	433943.40	502843.20	423209.70
Average shareholders' funds	925.10	10492.50	14748.90	18783.80	22676.90	26016.80	21205.20
Net Profit after tax as a percentage of average total assets	0.12%	0.62%	1.21%	1.04%	1.16%	1.33%	1.14%
Net Profit after tax as a percentage of average shareholders' funds	35.91%	18.00%	27.51%	21.75%	22.25%	25.68%	22.84%
Average shareholders' funds as a percentage of average total assets	0.34%	3.43%	4.39%	4.80%	5.23%	5.17%	5.01%

The following table sets forth, as of March 31, 2006, an analysis of the residual maturity profile of our investments in coupon-bearing securities. The amounts indicate the book value (i.e. the acquisition cost) of the securities and are gross of depreciation.

(Rs. in millions, except for percentages)

	As of March 31, 2006					
	Up to one year	**One to five years**	**Five to ten years**	**More than ten years**	**Total**	
	Amount	**Amount**	**Amount**	**Amount**	**Amount**	**Yield**
Government and other approved securities(excluding recap/ special bonds)	3461.21	40717.91	48488.67	23383.19	116050.98	8.51%
Other debt securities (including recap/ special bonds)	8291.91	9952.02	2377.67	46096.14**	66717.74	8.83%
Total coupon-bearing securities	11753.12	50669.93	50866.34	69479.34	182768.72	8.63%
Total market value of coupon-bearing securities	11797.73	52300.74	48606.71	68275.10	180980.28	

** Special securities & Recap Bonds Rs.45649.60 million included in > 10 year bucket

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 2.92 % in fiscal 2004, 2.91 % in fiscal 2005 and [3.01] % in fiscal 2006. The average cost of term deposits was 7.07% in fiscal 2004, 6.12% in fiscal 2005 and [6.05] % in fiscal 2006. Demand deposits do not bear interest, and are therefore carried at zero cost. The following table sets forth, as of the dates indicated our outstanding deposits and the percentage composition by each category of deposits.

(Rs. In million, except for percentages)

	31-Mar-04		31-Mar-05		31-Mar-06		30-Sep-06	
	Balance outstanding	% of total	Balance outstanding	% of total	Balance outstanding	% of total	Balance outstanding	% of total
Demand deposits	**23409.48**	**7.69**	**28583.03**	**8.21**	**32040.02**	**7.85**	**33544.29**	**7.60**
From Banks	679.19	0.22	354.48	0.10	386.83	0.09	297.95	0.07
From Others	22730.29	7.47	28228.55	8.11	31653.19	7.76	33246.34	7.53
Savings deposits	**78683.85**	**25.85**	**92756.64**	**26.65**	**110027.21**	**26.97**	**121337.44**	**27.50**
Term deposits	**202350.66**	**66.46**	**226744.68**	**65.14**	**265988.02**	**65.18**	**286354.81**	**64.90**
From banks	4971.87	1.63	4206.16	1.21	6908.03	1.69	1759.76	0.40
From Others	197378.79	64.83	222538.52	63.93	259079.99	63.49	284595.05	64.50
Total deposits	**304443.99**	**100.00**	**348084.35**	**100.00**	**408055.25**	**100.00**	**441236.54**	**100.00**

Total Borrowings

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

(Rs. In million except percentages)

	Fiscal 2004			Fiscal 2005			Fiscal 2006			Fiscal 2007		
	Average balance	Interest Expense	Average cost	Average balance	Interest Expense	Average cost	Average balance	Interest Expense	Average cost	Average balance	Interest Expense	Average cost
Borrowings (excluding Tier II Bonds)	10371.00	431.00	4.16%	6935.6	501.2	7.23%	17403.70	907.00	5.21%	28044.70	906.40	6.46%
Tier II bonds	0.00	0.00	0.00%	2250.00	92.40	4.11%	3000.00	185.40	6.18%	3000.00	92.70	6.18%
Total borrowings	**10371.00**	**431.00**	**4.16%**	**9185.6**	**593.6**	**6.46%**	**20403.70**	**1092.40**	**5.35%**	**31044.70**	**999.10**	**6.44%**

Asset-Liability Gap

The following tables set forth our asset-liability gap position as of March 31, 2004, March 31 2005 and March 31, 2006

Asset Liability Gap Position as on 31/03/2004

(Rs. in million, except for percentages)

	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 mts to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
OUTFLOWS									
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45739.60	45739.60
Reserves & Surplus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9638.70	9638.70
Deposits	28806.00	9546.50	24136.40	21958.30	35027.60	148850.00	15039.80	12967.20	296331.80
Borrowings	901.00	90.00	101.00	401.40	399.40	660.70	328.60	105.50	2987.60
Other Liabilities & Provisions	3400.10	525.70	690.70	928.70	346.00	3233.70	578.60	14107.10	23810.60
SWAPS (Buy/Sell)* Maturing Forwards	3111.20	2627.50	2822.50	7573.20	2755.10	0.00	0.00	0.00	18889.50
Unavailed portion of Cash Credit/Overdraft/ Demand Loan component of Working Capital	125.00	125.00	500.00	750.00	1500.00	0.00	0.00	0.00	3000.00
LC/Guarantee likely to be invoked	35.00	35.00	140.00	210.00	430.00	0.00	0.00	0.00	850.00
A. Total Outflows	**36378.30**	**12949.70**	**28390.60**	**31821.60**	**40458.10**	**152744.40**	**15947.00**	**82558.10**	**401247.80**
B. Cumulative Outflows	36378.30	49328.00	77718.60	109540.20	149998.30	302742.70	318689.70	401247.80	401247.80
INFLOWS									
Cash	751.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	751.60
Balance with RBI	15901.50	419.00	1059.50	963.90	1537.50	6533.80	660.20	569.20	27644.60
Balance with Other Banks	1191.90	0.00	0.00	0.00	0.00	1403.20	0.00	0.00	2595.10
Investments (Performing)	21940.10	3476.40	7283.70	5390.80	9214.60	54475.90	16604.80	47099.70	165486.00
Advances (Performing)	23537.10	7314.80	3640.40	9449.40	15047.20	45005.70	9816.50	12898.40	126709.50
Net NPAs	0.00	0.00	0.00	0.00	0.00	0.00	3357.60	351.30	3708.90
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4124.80	4124.80
Other Assets	1189.60	526.00	2047.60	1297.90	40.90	2105.10	0.00	40280.70	47487.80
Swaps (sell/buy) /Maturing forwards	2223.50	2587.00	2170.00	3932.50	2587.10	0.00	0.00	0.00	13500.10
C. Total Inflows	**66735.30**	**14323.20**	**16201.20**	**21034.50**	**28427.30**	**109523.70**	**30439.10**	**105324.10**	**392008.40**
D. Asset /Liability Gap (C-A)**	30357.00	1373.50	-12189.40	-10787.10	-12030.80	-43220.70	14492.10	22766.00	-9239.40
E % Asset Liability Gap (D as a % of A)	83.45	10.61	-42.93	-33.90	-29.74	-28.30	90.88	27.58	-2.30
F. Cumulative Asset Liability Gap (D Cumulative)	30357.00	31730.50	19541.10	8754.00	-3276.80	-46497.50	-32005.40	-9239.40	-9239.40
G. % Cumulative Asset/Lilability Gap (F as a % of B)	83.45	64.33	25.14	7.99	-2.18	-15.36	-10.04	-2.30	-2.30

* Outflows excluding Swaps, Unavailed portion of Cash Credit etc., and LC/Gurantee likely to be invoked is Rs.378508.30 million and Inflows after excluding Swaps are Rs.378508.30 in million.

** All the Gaps are within the prudential Limits Fixed by the Board

Asset Liability Gap Position as on 31/03/2005

(Rs. in million, except for percentages)

	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 mts to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
OUTFLOWS									
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	45739.60	45739.60
Reserves & Surplus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13624.10	13624.10
Deposits	28044.90	8884.00	29748.20	38236.30	42080.00	145866.50	9407.10	38543.20	340810.20
Borrowings	226.80	0.00	1886.70	472.90	175.20	3235.10	234.80	3035.20	9266.70
Other Liabilities & Provisions	4704.20	483.20	908.00	686.40	304.20	3873.00	181.00	6264.80	17404.80
SWAPS (Buy/Sell) Maturing Forwards*	3411.50	4200.50	13336.30	1858.70	422.40	0.00	0.00	0.00	23229.40
Unavailed portion of Cash Credit/Overdraft/ Demand Loan component of Working Capital	180.00	180.00	715.00	1075.00	2150.00	0.00	0.00	0.00	4300.00
LC/Guarantee likely to be invoked	100.00	100.00	420.00	560.00	0.00	0.00	0.00	0.00	1180.00
A. Total Outflows	**36667.40**	**13847.70**	**47014.20**	**42889.30**	**45131.80**	**152974.60**	**9822.90**	**107206.90**	**455554.80**
B. Cumulative Outflows	36667.40	50515.10	97529.30	140418.60	185550.40	338525.00	348347.90	455554.80	455554.80
INFLOWS									
Cash	836.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	836.30
Balance with RBI	2995.60	447.30	1497.80	1925.20	2118.70	7344.40	473.70	1940.70	18743.40
Balance with Other Banks	144.80	3197.40	2755.60	0.00	0.00	820.40	0.00	0.00	6918.20
Investments (Performing)	11978.20	6129.10	22750.40	10053.80	10802.30	45916.70	5512.00	64438.40	177580.90
Advances (Performing)	15479.20	7477.80	5593.20	16214.40	37585.40	57833.10	15469.80	15636.00	171288.90
Net NPAs	0.00	0.00	0.00	0.00	0.00	0.00	1287.40	1148.50	2435.90
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4275.00	4275.00
Other Assets	2898.30	875.60	786.30	728.90	308.50	352.90	262.50	38553.80	44766.80
Swaps (sell/buy)/ Maturing forwards	4795.90	385.10	10082.00	1569.90	434.10	0.00	0.00	0.00	17267.00
C. Total Inflows	**39128.30**	**18512.30**	**43465.30**	**30492.20**	**51249.00**	**112267.50**	**23005.40**	**125992.40**	**444112.40**
D. Asset /Liability Gap (C-A)**	2460.90	4664.60	-3548.90	-12397.10	6117.20	-40707.10	13182.50	18785.50	-11442.40
E % Asset Liability Gap (D as a % of A)	6.71	33.69	-7.55	-28.90	13.55	-26.61	134.20	17.52	-2.51
F. Cumulative Asset Liability Gap (D Cumulative)	2460.90	7125.50	3576.60	-8820.50	-2703.30	-43410.40	-30227.90	-11442.40	-11442.40
G. % Cumulative Asset/Lilability Gap (F as a % of B)	6.71	14.11	3.67	-6.28	-1.46	-12.82	-8.68	-2.51	-2.51

* Outflows excluding Swaps, Unavailed portion of Cash Credit etc., and LC/Gurantee likely to be invoked is Rs.426845.40 million and Inflows after excluding Swaps are Rs.426845.40 in million.

** All the Gaps are within the prudential Limits Fixed by the Board

Asset Liability Gap Position as on 31/03/2006

(Rs. in million, except for percentages)

	1 to 14 days	15 to 28 days	29 days to 3 months	Over 3 mts to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
OUTFLOWS									
Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7438.20	7438.20
Reserves & Surplus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17475.80	17475.80
Deposits	23995.20	15366.30	42352.80	28704.20	71481.50	158583.30	12558.80	38149.90	391192.00
Borrowings	32.70	0.00	877.20	4001.70	1888.90	7224.90	740.10	3060.10	17825.60
Other Liabilities & Provisions	1468.00	469.00	894.50	581.40	397.40	4717.20	258.90	7329.50	16115.90
SWAPS (Buy/Sell) Maturing Forwards*	13758.80	7542.50	2545.40	9895.90	7971.80	0.00	0.00	0.00	41714.40
Unavailed portion of Cash Credit/Overdraft/ Demand Loan component of Working Capital	180.00	180.00	715.00	1075.00	2150.00	0.00	0.00	0.00	4300.00
LC/Guarantee likely to be invoked	100.00	100.00	420.00	560.00	0.00	0.00	0.00	0.00	1180.00
A. Total Outflows	**39534.70**	**23657.80**	**47804.90**	**44818.20**	**83889.60**	**170525.40**	**13557.80**	**73453.50**	**497241.90**
B. Cumulative Outflows	39534.70	63192.50	110997.40	155815.60	239705.20	410230.60	423788.40	497241.90	497241.90
INFLOWS									0.00
Cash	874.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	874.30
Balance with RBI	3163.30	790.10	2177.40	1475.60	3674.70	8226.10	645.30	1971.80	22124.30
Balance with Other Banks	2109.70	850.00	5450.00	0.00	0.00	194.30	0.00	0.00	8604.00
Investments (Performing)	12484.30	6134.40	24945.50	8255.30	19827.00	46715.10	7661.40	62242.10	188265.10
Advances (Performing)	25866.30	3622.90	11164.10	16503.90	27567.30	72851.60	27144.20	23847.70	208568.00
Net NPAs	0.00	0.00	0.00	0.00	0.00	0.00	1209.50	463.90	1673.40
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4976.90	4976.90
Other Assets	10675.80	772.40	686.60	727.30	360.20	898.80	229.80	610.60	14961.50
Swaps (sell/buy)/ Maturing forwards	25017.00	12385.00	2378.40	8151.10	7275.90	0.00	0.00	0.00	55207.40
C. Total Inflows	**80190.70**	**24554.80**	**46802.00**	**35113.20**	**58705.10**	**128885.90**	**36890.20**	**94113.00**	**505254.90**
D. Asset /Liability Gap (C-A)**	40656.00	897.00	-1002.90	-9705.00	-25184.50	-41639.50	23332.40	20659.50	8013.00
E % Asset Liability Gap (D as a % of A)	102.84	3.79	-2.10	-21.65	-30.02	-24.42	172.10	28.13	1.61
F. Cumulative Asset Liability Gap (D Cumulative)	40656.00	41553.00	40550.10	30845.10	5660.60	-35978.90	-12646.50	8013.00	8013.00
G. % Cumulative Asset/Lilability Gap (F as a % of B)	102.84	65.76	36.53	19.80	2.36	-8.77	-2.98	1.61	1.61

* Outflows excluding Swaps, Unavailed portion of Cash Credit etc., and LC/Gurantee likely to be invoked is Rs.450047.50 million and Inflows after excluding Swaps are Rs.450047.50 in million.

** All the Gaps are within the prudential Limits Fixed by the Board

Assumptions made in respect of Asset Liability Management Gap Statement

1. Capital Reserves and Surplus have been shown in over five years bucket
2. Savings bank deposits have been distributed in various time buckets on the basis of behavioral Studies on Volatility & Core portion of these deposits. In respect of Current Account, 15% is classified as volatile portion and 85% as core portion under 1-3 years.
3. In case of term deposits the maturity pattern has been taken on the basis of data received from the branches, considering roll over of retails term deposits at 75%.
4. Borrowings have been allocated as per actual re-payment schedule
5. In case of bills payable, the core portion has been shown in 1-3 years time bucket and the remaining portion has been shown in 1-14 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. In respect of Investments, SLR Portion is classified as per the maturity profile of DTL. Excess SLR Portion is distributed proportionately in the first three buckets. Other Investments 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 on the basis of Behavioral Studies
12. In case of bills purchased and discounted and term loans, maturity period have been taken on the basis of data collected from branches.
13. Substandard NPAs have been distributed in 3-5 years and Doubtful Category in over 5 years time bucket
14. Fixed assets have been shown in over 5 years time bucket

Loan Portfolio

As of September 30, 2006, our total outstanding loan portfolio was Rs. 261925.00 Million. The following table sets forth, for the dated indicated, our loan portfolio classified by product group.

(Rs. In millions, except percentages)

	Mar 31,2004		Mar 31,2005		Mar 31,2006		Sept 30, 2006	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Bills Purchased/ Discounted	4730	3.35	6536	3.56	6323	2.81	7081	2.70
Cash Credit, Overdrafts and others	77235	54.67	84742	46.10	98946	44.01	100542	38.39
Term Loans	59296	41.98	92523	50.34	119577	53.18	154302	58.91
Total	**141261**	**100**	**183801**	**100**	**224846**	**100**	**261925**	**100**

The following table presents our outstanding loans by sector and the proportion of these loans to our outstanding total loans, as of the dates indicated:

(Rs. In millions, except for percentages)

DOMESTIC	**March 31, 2004**		**March 31, 2005**		**March 31, 2006**		**Sep. 30, 2006**		**Sep.30, 2005**	
Sector	**Loans**	**% of Total**	**Loans**	**% of Total**	**Loans**	**% of Total**	**Loans**	**% of Total**	**Loans**	**% of Total**
Corporate and Commercial	76587	58.72	95601	55.03	**113434**	**53.14**	136006	54.39	102172	53.16
Housing & Retail	33179	25.44	47179	27.16	58499	27.41	65118	26.04	52802	27.47
Agriculture	20652	15.84	30945	17.81	**41515**	**19.45**	48946	19.57	37210	19.36
Total outstanding loans	**130418**	**100.00**	**173725**	**100.00**	**213448**	**100.00**	**250070**	**100.00**	**192183**	**100.00**

Concentration of Loans and Credit Substitutes

Under the RBI guidelines, our exposure to individual borrowers must not exceed 15% of capital funds comprising Tier I and Tier II capital. Exposure to individual borrowers may exceed the exposure norm of 15% of capital funds by an additional 5% (i.e., up to 20%) 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% of capital funds unless the exposure is in respect of an infrastructure project in which case the ceiling is 50%. In addition to the above said exposure limits, in exceptional circumstances, with the approval the Board, Bank may consider enhancement of the exposure upto a further 5% of capital funds in each of the above category.

On September 30, 2006, our largest exposure to a single borrower was 14.03% of our capital funds, and our largest group exposure was 21.97% of our capital funds; all these borrowers are currently performing according to the terms of our contracts with them.Our policy with respect to our maximum exposure to a particular industry is set forth as follows:

(Rs. in Million)

S.No	Industry	Exposure Fixed for 2006 - 07
1	Diamond	750
2	Infrastructure	
	a) Power	40000
	b) Ports & Roads	14000
	c) Telecom	10000
	d) Alternate Energy Sources	2500
	e) Hospital & Health Care	4000
	f) Educational Institutions	7000
	g) Other Infrastructure	20000
3	Petroleum & Petroleum Products	18000
4	Textiles	20000
5	Sugar	5000
6	Iron & Steel	15000
7	All Engineering	10000
8	Chemicals	3500
9	Food Processing	
	I) Sea Food	400
	ii) Cashew	7000
	iii) Other Food Processing	1500
10	Colliery & Mining	1200
11	Fertilizer	4000
12	Cement	5000
13	Leather & Leather Products	1500
14	Electronics & Electrical (consumer goods)	6000
15	Computer Hardware & Software	3000
16	Pharmaceuticals	5000
17	Tea	1350
18	Turnkey Projects / Construction contractors	18000
19	Tyre	4000
20	Automobiles/Auto parts	4000
21	Hotels	4500

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

Sector	
Sensitive Sectors:	
- Commodity Sector	5% of total outstanding advances as at the end of the previous year.
- Capital Markets	5% of total outstanding advances as at the end of the previous year.
- Real Estate	
(a) Home Loan and other structured Loan Products (b) Other Real Estate Exposure.	(a) 25% of the total advances as on previous year end (b) 10% of the total advances as on previous year end.

The following table sets forth, for the dates indicated, our 10 largest single exposures in descending order as determined by the RBI guidelines, which includes funded exposure, non funded exposure along with adjustments if any, which ever is higher.

(Rs. in millions, except percentage)

	March 31, 2006				September 30, 2006				
Name of the borrower	Exposure	% of Total outstanding exposure	% of capital funds	Classification	Name of the borrower	% of Total Exposure	outstanding exposure	% of capital funds	Classification
Borrower 1	4214.60	1.87	17.19	Std.	Borrower 1	4073.10	1.56	14.03	Std.
Borrower 2	4071.30	1.81	16.60	Std.	Borrower 2	3534.70	1.35	12.17	Std.
Borrower 3	3505.70	1.56	14.29	Std.	Borrower 3	3315.20	1.27	11.42	Std.
Borrower 4	3250.00	1.44	13.25	Std.	Borrower 4	3042.40	1.16	10.48	Std.
Borrower 5	3163.90	1.41	12.90	Std.	Borrower 5	3009.00	1.15	10.36	Std.
Borrower 6	3094.90	1.38	12.62	Std.	Borrower 6	3000.00	1.15	10.33	Std.
Borrower 7	3088.00	1.37	12.59	Std.	Borrower 7	2681.70	1.02	9.24	Std.
Borrower 8	2884.40	1.28	11.76	Std.	Borrower 8	2557.90	0.98	8.81	Std.
Borrower 9	2795.00	1.24	11.40	Std.	Borrower 9	2500.00	0.95	8.61	Std.
Borrower 10	2557.90	1.14	10.43	Std.	Borrower 10	2500.00	0.95	8.61	Std.

The following table sets forth, for the dates indicated, our 10 largest group exposures in descending order as determined by the RBI guidelines, which includes funded exposure, non funded exposure along with adjustments if any, which ever is higher.

(Rs. in millions, except percentage)

	March 31, 2006				September 30, 2006				
Name of the Group	Exposure	% of Total outstanding exposure	% of capital funds	Classification	Name of the Group	Exposure	% of Total outstanding exposure	% of capital funds	Classification
Group 1	3918.70	1.74	15.98	Std.	Group 1	6380.00	2.44	21.97	Std.
Group 2	3244.60	1.44	13.23	Std.	Group 2	5353.40	2.04	18.44	Std.
Group 3	2999.90	1.33	12.23	Std.	Group 3	4500.00	1.72	15.50	Std.
Group 4	2991.80	1.33	12.20	Std.	Group 4	4307.30	1.64	14.83	Std.
Group 5	2484.30	1.10	10.13	Std.	Group 5	4250.00	1.62	14.64	Std.
Group 6	2424.00	1.08	9.88	Std.	Group 6	3750.70	1.43	12.92	Std.
Group 7	2343.40	1.04	9.56	Std.	Group 7	3457.40	1.32	11.91	Std.
Group 8	2120.10	0.94	8.65	Std.	Group 8	3310.20	1.26	11.40	Std.
Group 9	1370.70	0.61	5.59	Std.	Group 9	2600.60	0.99	8.96	Std.
Group 10	1359.50	0.60	5.54	Std.	Group 10	2601.00	0.99	8.96	Std.

Total outstanding of top ten customers in the industry as a percentage of total outstanding to the industry

The following table sets forth, as of September 30, 2006, the total outstanding of top ten customers in the industry as a percentage of the total outstandinf to the industry:

(Rs. In millions except percentages)

			As at September 30, 2006	
	Industry	**Funded outstanding**	**Funded outstanding to top 10 companies in the Industry**	**Funded outstanding to top 10 companies as a % of outstanding to the Industry**
1.	Coal	120	115	96%
2.	Mining	170	71.5	42%
3.	Iron & Steel	8290	6831.1	82%
4.	Other Metal & Metal Products	2970	2470.6	83%
5.	All Engineering	6090	2523.2	41%
6.	Textiles	10840	4789.9	44%
7.	Sugar	1840	1561.6	85%
8.	Tea	130	0	0%
9.	Food Processing	2290	1860.9	81%
10.	Vegetable Oils (including Vanaspati)	120	23.1	19%
11.	Tobacco & Tobacco Products	30	0	0%
12.	Paper & Paper Products	1100	445.6	41%
13.	Rubber & Rubber Products	990	868.3	88%
14.	Chemicals, Dyes,Paints,Drugs & Pharmaceuticals	5170	4702	91%
15.	Cement	3340	2356.3	71%
16.	Leather & Leather Products	1060	381.1	36%
17.	Gems & Jewellery	350	312.4	89%
18.	Construction	1410	1243.1	88%
19.	Petroleum	9210	8815.8	96%
20.	Automobiles including Trucks	1120	1090.2	97%
21.	Computer Software	1040	996.3	96%
22.	Infrastructure	17370	14126.1	81%
23.	Other Industries	11860	4347.1	37%
	Industry (Total of Small Scale, Medium & Large Scale)	86910	59931.2	69%

Security

The table below shows the amount of our net advances as on fiscal 2004, 2005 and 2006 which are secured or covered by guarantees or unsecured.

Classification of Net Advances **(Rs. In millions, except percentages)**

	Mar 31,2004		Mar 31,2005		Mar 31,2006		Sept 30, 2006	
	Amount	% of advances	Amount	% of advances	Amount	% of advances	Amount	% of advances
Secured by tangible assets (including advances against book debts)	105340	74.57	133585	72.68	163893	72.89	193486	73.87
Covered by bank or Government guarantees	17922	12.69	27425	14.92	20152	8.96	29853	11.40
Unsecured	17999	12.74	22791	12.40	40801	18.15	38586	14.73
Total	**141261**	**100**	**183801**	**100**	**224846**	**100**	**261925**	**100**

Non-Performing Assets

As of March 31, 2006, our gross non-performing assets as a percentage of gross advances was ***2.91*** **%** and our net non-performing assets as a percentage of net advances was ***0.79*** *%.* We define net NPAs as gross NPAs less our loan loss provision, Deposit Insurance and Credit Guarantee Corporation/Export Credit Guarantee Corporation (DICGC/ECGC) claims received and held and any partial payments received and held. We have made such provisions for ***73.59*** % of our gross non-performing loans. As of March 31, 2006***, 5.21*** % of our gross priority sector advances were classified as NPAs.

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

Gross NPA to Net NPA Movement

(Rs. in Millions except percentages)

	2002			2003			2004		
	Amount	NPAs	NPAs as % of Adv	Amount	NPAs	NPAs as % of Adv	Amount	NPAs	NPAs as % of Adv
Gross Advances	121801.20	21753.50	17.86	131498.50	16298.20	12.39	149346.60	11917.80	7.98
Interest Suspense	143.9	143.90		128.10	128.10		129.70	129.70	
DICGC/ECGC claims received and held	585.30	585.30		583.40	583.40		630.10	630.10	
Sundry deposits held	166.90	166.90		183.50	183.50		98.00	98.00	
Provisions (as per RBI)	11821.60	11821.60		7853.70	7853.70		5477.90	5477.90	
Other adjustments	0	0.00		0.00	0.00		0.00	0.00	
Floating Provisions	0	0.00		0.00	0.00		1750.00	1750.00	
Total Deductions	12717.70	12717.70		8748.70	8748.70		8085.70	8085.70	
Net Advances (for Net NPA %)	109083.50	9035.80	8.28	122749.80	7549.50	6.15	141260.90	3832.10	2.71
Unapplied Interest (Domestic NPAs)		30608.70		0.00	33029.30		0.00	36302.80	

Recovery

Gross NPA to Net NPA Movement

(Rs. In Millions except percentages)

	2005			2006			Sept. 30, 2006		
	Amount	**NPAs**	**NPAs as % of Adv**	**Amount**	**NPAs**	**NPAs as % of Adv**	**Amount**	**NPAs**	**NPAs as % of Adv**
Gross Advances	188810.30	7483.50	3.96	229769.70	6689.90	2.91	266995.00	6250.00	2.34
Interest Suspense	125.90	125.90		115.20	115.20		100.40	100.40	
DICGC/ECGC claims received and held	640.00	640.00		516.50	516.50		598.60	598.60	
Sundry deposits held	63.00	63.00		99.10	99.10		84.10	84.10	
Provisions (as per RBI)	3652.60	3652.60		3264.70	3264.70		3359.10	3359.10	
Other adjustments	0.00	0.00		0.00	0.00		0.00	0.00	
Floating Provisions	527.80	527.80		927.80	927.80		927.80	927.80	
Total Deductions	5009.30	5009.30		4923.30	4923.30		5070.00	5070.00	
Net Advances (for Net NPA %)	183801.00	2474.20	1.35	224846.40	1766.60	0.79	261925.00	1180.00	0.45
Unapplied Interest (Domestic NPAs)		39048.70			46918.80			174238.70	

Classification of Assets

We classify and account for our assets in accordance with the RBI guidelines. Under these guidelines, term loans are regarded as non-performing if any amount of interest or principal remains overdue for more than 90 days; overdrafts and cash credits are regarded as non-performing if the account balance remains out of order for a period of 90 days; and bills are regarded as non-performing if the account remains overdue for more than 90 days. Prior to fiscal 2004, these assets were deemed non-performing if the irregularity continued for 180 days. Prior periods have not been restated to reflect this. In respect of agricultural loans, the loan is classified as non-performing if any installment of principal or interest thereon remains overdue for two crop seasons for short duration crops or one crop season for long duration crops. Crops with a crop season longer than one year are long duration crops, and other crops are treated as short duration crops.

Our assets are classified as described below:

Standard assets	Assets that do not disclose any problems or which do not carry more than the normal risk attached to the business of the borrower.
Sub-standard assets	Assets that are non-performing for a period not exceeding 12 months (or 18 months for fiscal 2004 and prior periods).
Doubtful assets	Assets that are non-performing for more than 12 months (or 18 months for fiscal 2004 and prior periods).
Loss assets	Assets (i) with identified losses or (ii) that are considered uncollectible.

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

Break up of Gross Advances (GLOBAL)

(Rs. In Millions except percentages)

	March 31,										September 30,	
	2002		2003		2004		2005		2006		2006	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Asset Classification												
Standard Assets	100047.70	82.14	115200.30	87.61	137428.80	92.02	181326.80	96.04	223079.80	97.09	260745.00	97.66
Non-Performing Assets	21753.50	17.86	16298.20	12.39	11917.80	7.98	7483.50	3.96	6689.90	2.91	6250.00	2.34
Of which:	0.00		0.00		0.00		0.00		0.00		0.00	
Sub standard Assets	3665.80	3.01	2214.00	1.68	2003.40	1.34	1452.30	0.77	1563.90	0.68	1480.40	0.55
Doubtful Assets	14422.10	11.84	11769.60	8.95	8597.10	5.76	4381.30	2.32	3990.40	1.74	3723.10	1.40
Loss Assets	3665.60	3.01	2314.60	1.76	1317.30	0.88	1649.90	0.87	1135.60	0.49	1046.50	0.39
Total Loan Assets	121801.20	100.00	131498.50	100.00	149346.60	100.00	188810.30	100.00	229769.70	100.00	266995.00	100.00

Restructured Assets

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

In order to create an institutional mechanism for the restructuring of corporate debt, the RBI has also created a corporate debt restructuring (CDR) system in 2001. The objective of this framework is to provide a more timely and transparent mechanism for the restructuring of corporate debts of viable entities facing financial difficulties. This system has led to the approval of restructuring program for a large number of companies, which has resulted in an increase in the level of restructured assets in the Indian financial system, including an increase in our restructured assets.

Following table presents our assets restructured during the periods indicated:

(Rs. in Millions)

	Fiscal				
	Mar 31,2004	**Mar 31,2005**	**Mar 31,2006**	**Six months ended September 30, 2006**	**Six months ended September 30, 2005**
CDR restructured assets					
Standard Assets	1821.60	998.40	0.00	0.00	0.00
Sub-standard assets	96.20	53.50	0.00	0.00	0.00
Doubtful assets	0.00	0.00	0.00	0.00	0.00
Loss assets	0.00	0.00	0.00	0.00	0.00
Total CDR restructured assets	**1917.80**	**1051.90**	**0.00**	**0.00**	**0.00**
Other restructured assets					
Standard Assets	1620.00	1821.70	422.30	541.90	214.90
Sub-standard assets	232.00	168.80	13.70	2.50	2.20

	Fiscal				
	Mar 31,2004	Mar 31,2005	Mar 31,2006	Six months ended September 30, 2006	Six months ended September 30, 2005
Doubtful assets	0.00	0.00	72.50	65.90	47.50
Total other restructured assets	**1852.00**	**1990.50**	**508.50**	**610.30**	**264.60**
Total restructured assets	**3769.80**	**3042.40**	**508.50**	**610.30**	**264.60**

Provisioning and Write-offs

PROVISION MOVEMENT

(Rs. In Millions)

	2002	2003	2004	2005	2006	Sep, 2006
Opening Balance	12910.30	11821.60	7853.70	7227.80	4180.40	4192.50
Add: Provisions made during the year (including float provisions)	2035.50	1547.50	3423.40	1989.20	919.90	140.30
Less: Write off / write back during the year	3124.20	5515.40	4049.30	5036.60	907.80	45.90
Closing Balance	11821.60	7853.70	7227.80	4180.40	4192.50	4286.90

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

In accordance with the RBI guidelines, interest income from advances for NPAs is recognized upon realization, rather than on an accrual basis as with all other assets. Recovery in respect of non-performing advances is allocated first toward principal and thereafter against interest.

Sector-wise Analysis of Gross Non-Performing Assets

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

(Rs. In Million except percentages)

	March 31,2002			March 31,2003			March 31,2004		
INDUSTRY	**NPA**	**%NPA to tot. Ind. O/s.**	**Provision**	**NPA**	**%NPA to tot.Ind.O/s**	**Provision**	**NPA**	**%NPA to tot. Ind. O/s**	**Provision**
Coal	0.00	0.00	0.00	0.00	0.00	0.00	1.30	92.86	1.00
Mining	45.50	36.81	30.70	65.40	41.08	40.90	0.60	0.81	0.60
Iron & Steel	1444.40	48.93	797.00	1262.30	45.45	802.40	62.00	3.81	35.90
Metals & MetaL Prod	584.50	58.83	487.30	298.60	32.14	241.70	88.20	8.80	50.90
ALL Engineering	1703.50	38.50	899.40	1416.60	42.05	815.50	320.30	9.60	237.80
Electricity	165.00	49.08	130.90	163.80	40.99	131.00	122.20	80.66	93.00
Cotton textiles	955.40	40.00	393.10	1067.90	39.98	469.20	461.30	20.34	207.80
Jute Textiles	47.80	88.03	16.40	56.40	89.24	33.90	28.90	72.43	27.80
Other Textiles	997.70	49.82	573.10	1058.60	48.85	488.90	288.90	19.84	146.90
Sugar	111.00	10.63	0.30	101.50	9.58	65.50	61.30	6.59	16.60
Tea	6.00	6.05	1.70	161.70	28.32	82.40	104.40	28.45	35.80
Food Processing	256.50	40.51	73.60	246.40	19.57	86.20	299.60	42.08	162.30
Veg Oils & Vanasp	24.30	22.03	15.80	34.00	41.67	19.50	18.20	42.82	6.10
Tobacco & Products	15.60	98.73	4.80	3.70	1.19	0.60	10.40	7.40	7.00
Paper & Products	193.60	24.12	118.30	229.40	30.04	152.90	59.90	14.30	37.90
Rubber & Prod	185.50	30.79	117.60	212.80	36.18	115.90	57.30	4.99	27.00
Chemicals, Dyes paints, Fertilisers, Pharma	1286.10	38.11	1019.20	1214.80	34.61	753.00	203.20	6.12	110.10
Cement	419.20	28.23	14.40	406.80	24.06	216.50	134.50	13.99	73.20
Leather & Prod	805.30	57.94	527.20	678.30	49.52	416.10	98.10	17.52	40.70
Gems & Jewellery	168.20	21.73	18.90	185.30	20.19	87.70	69.10	50.66	23.70
Construction	59.60	21.26	33.10	114.50	11.58	69.80	62.50	7.63	35.70
Petroleum	5.50	0.53	3.10	5.30	0.47	2.30	16.10	3.00	8.10
Automobiles	18.40	8.11	14.10	18.10	7.55	13.60	22.20	11.77	14.00
Computer Software	65.20	16.26	56.80	187.20	55.85	61.70	18.60	6.35	5.00
Infrastructure	172.30	4.26	103.70	226.50	4.18	114.70	146.00	3.90	135.90
Other Industries	3614.60	40.66	2231.30	3083.70	25.74	1572.00	1725.40	12.01	756.60
Total	**13350.70**	**34.28**	**7681.80**	**12499.60**	**27.81**	**6853.90**	**4480.50**	**11.59**	**2297.40**

(Rs. In Million)

	March 31,2002			March 31,2003			March 31,2004		
INDUSTRY	**NPA**	**%NPA to total Ind. O/s.**	**Provision**	**NPA**	**%NPA to total Ind. O/s**	**Provision**	**NPA**	**%NPA to total Ind. O/s**	**Provision**
Coal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mining	0.00	0.00	0.00	6.00	14.25	1.60	4.10	2.41	2.90
Iron & Steel	9.50	0.51	1.00	11.20	0.48	1.20	9.60	0.10	5.00
Metals & MetaL Prod	29.10	5.00	20.60	28.40	3.71	20.60	31.50	1.09	20.50
ALL Engineering	85.20	1.98	79.90	291.10	7.46	229.70	297.50	4.96	232.00
Electricity	51.50	4.39	34.00	50.60	2.27	33.70	0.00	0.00	0.00
Cotton textiles	200.40	5.06	47.60	210.10	5.43	50.30	137.50	1.53	52.50
Jute Textiles	14.30	100.00	14.20	14.30	100.00	14.20	8.70	17.40	7.80
Other Textiles	273.80	17.69	176.00	248.80	11.85	155.40	244.00	12.20	166.00
Sugar	0.00	0.00	0.00	6.70	0.45	5.00	11.00	0.92	11.00
Tea 0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Food Processing	156.90	8.27	78.60	139.90	6.61	75.90	129.00	6.07	71.10
Veg Oils & Vanasp	11.00	18.18	6.60	11.00	5.93	6.60	10.00	8.00	6.00
Tobacco & Products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Paper & Products	52.10	7.23	40.90	52.10	8.23	40.90	48.80	5.11	40.80
Rubber & Prod	52.90	4.56	27.10	54.10	5.09	19.90	49.30	5.03	19.10
Chemicals, Dyes paints, Fertilisers, Pharma	124.60	4.18	100.70	167.50	6.21	106.30	171.00	3.11	116.50
Cement	75.80	38.58	64.00	72.50	23.20	64.00	72.00	3.60	65.70
Leather & Prod	65.50	9.84	49.50	63.90	7.95	49.50	36.00	3.43	29.60
Gems & Jewellery	1.80	0.44	1.80	1.80	0.32	1.80	1.50	3.00	1.50
Construction	55.60	3.48	40.60	56.30	3.82	40.50	42.00	2.80	28.50
Petroleum	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Automobiles	19.70	12.56	12.20	19.70	13.12	12.20	21.00	3.00	13.20
Computer Software	20.40	5.84	11.80	75.60	13.69	11.90	76.10	6.92	21.90
Infrastructure	145.80	3.19	134.00	141.80	3.10	131.30	1.20	0.02	0.60
Other Industries	1573.40	10.55	1081.30	1494.00	5.31	1082.20	1435.00	12.01	1124.50
Total	**3019.30**	**6.55**	**2022.40**	**3217.40**	**5.23**	**2154.70**	**2836.80**	**3.93**	**2036.70**

The following table sets forth our 10 largest gross non-performing assets as of September 30, 2006. Together, these borrowers constitute 6.87% of our gross NPAs as of September 30, 2006.

(Rs. in millions)

	Gross NPA	De-recognized Income	Provision	Net NPA	Realisable value of collateral	Industry
Borrower 1	68.01	37.51	0.00	68.01	0.00	Hardware
Borrower 2	67.92	9.93	6.81	61.12	346.35	Diary
Borrower 3	66.18	613.16	0.00	66.18	62.82	Export
Borrower 4	44.03	334.40	0.00	44.03	0.00	Food Processing
Borrower 5	43.31	150.93	0.00	43.31	0.00	Food Processing
Borrower 6	38.69	3.82	8.35	30.33	78.57	Textiles
Borrower 7	29.65	644.98	0.00	29.65	27.81	Food Processing
Borrower 8	27.29	698.98	0.00	27.29	3.70	Electronics
Borrower 9	22.33	63.58	0.00	22.33	44.49	Food Processing
Borrower 10	22.01	129.91	0.00	22.01	46.65	Leather
Total	**429.41**	**2687.19**	**15.16**	**414.25**	**610.39**	

Interest in Suspense

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

(Rs. in millions)

			Fiscal			Six months ended September 30,
	2002	**2003**	**2004**	**2005**	**2006**	**2006**
Interest in suspense	30608.7	33029.3	36302.8	39048.7	46918.8	174238.7

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 Red Herring Prospectus, along with the section titled "Selected Statistical Information" beginning on page 182 *of this Red Herring Prospectus, which presents important statistical information about our Bank's business. You should also read the section titled "Risk Factors" beginning on page* xi *of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. This discussion also contains forward looking statements and you should refer to the section "Forward-Looking Statements" on page* x *of this Red Herring Prospectus. The following discussion relates to the Bank and is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the RBI guidelines and the SEBI guidelines. The following discussion is also based on internally prepared statistical information and on information publicly available from the RBI and other sources.*

Introduction

Overview

We are a public sector banking institution in India. As at September 30, 2006, we had 1,408 branches and 103 extension counters in India spread over 26 states and three union territories and two overseas branches, all serving approximately 18.1 million customers.

Our business is principally divided into four main areas: corporate financial services, retail financial services, small and medium sized enterprise (SME) services and agricultural financial services, along with other allied services. In addition, we also provide various fee-based services, including distribution of third party products.

As at September 30, 2006, the corporate financial services, retail financial services and agricultural financial services accounted for 51.93%, 24.86% and 18.67%, respectively, of our total outstanding advances. We have recently carved out SMEs as a separate segment and as at September 30, 2006, it accounted for 19.76% of our total outstanding advances.

With the permission of the MoF, we restructured our capital base on September 30, 2006 which included the netting off of Rs. 38,301.40 million accumulated unabsorbed losses against our paid-up share capital of Rs. 45,739.60 as of March 31, 2006. As a result, our share capital is Rs. 7,438.20 million as of September 30, 2006 which is comprised of Rs. 4,000 million in perpetual non-cumulative preference share capital and Rs. 3,438.2 million in equity share capital.

In Fiscal 2006, we made a net profit of Rs. 4,894.00 million. As of March 31, 2006, we had assets of Rs. 474,115.55 million and a net worth of Rs. 22,676.80 million. Our net profit for the six months ended September 30, 2006 was Rs. 3,340.00 million. As at September 30, 2006, we had assets of Rs. 508,129.70 million and a net worth of Rs. 26,016.80 million. Our deposits and net advances have grown at a compound annual rate during the last three fiscal years of 15.77% and 26.16%, respectively.

Revenue

Our revenue, which is referred to herein and in our financial statements as our total income, consists of interest income and other income.

Interest income consists of interest on advances (including discounts on bills) and income on investments. Income on investments consists of interest and dividends from securities and our other investments. We also earn interest income from inter-bank loans, cash deposits that we keep with the RBI and foreign banks in various currencies (primarily in US dollars). Our securities portfolio consists primarily of GoI and state government securities. We meet SLR ratio requirements through investments in these and other approved securities. We also hold debentures and bonds issued by public sector undertakings and other corporations, commercial paper, equity shares and mutual fund units. Our interest income is affected by fluctuations in interest rates as well as the volume of activity.

Our other income consists principally of fee-based income, such as commission, exchange income, net profit on sales of investments and gains or losses on foreign exchange transactions, and miscellaneous income, including recovery in written off accounts, incidental charges, such as account keeping fees and sundry charges. Fee-based income includes charges for services, such as cash management services and credit-related transactional services, service charges and processing fees chargeable on customers' accounts and fees for remittance services, documentary credits, letters of credit and issuance of guarantees. It also includes income from our treasury activities, commissions on sales of service products, such as debit cards, demat services and distribution of insurance and mutual funds products, commission on sale of gold coins and bars and commission on collections on behalf of the Government. We also generate income from dividends received from subsidiaries and joint ventures.

Expenses

Our interest expense consists of the interest we pay on deposits as well as borrowings. Our interest expense is affected by fluctuations in interest rates, deposit mix and volumes.

Our non-interest expense consists principally of operating expenses, including expenses for wages and employee benefits, rent and related expenses such as electricity charges paid on premises, amortization of investments, depreciation on fixed assets, insurance, repairs and maintenance, printing and stationery, advertising and publicity, directors and professional fees and expenses, postage and telecommunications and other expenses. Our provisioning for non-performing assets, depreciation on investments and income tax are included in our expenses for provisions and contingencies and do not affect our operating profit.

Financial Performance Indicators

We use a variety of indicators to measure our performance. These indicators are presented in tabular form in the section titled "Selected Statistical Information" on page 182 of this Red Herring Prospectus. Our net interest income (or Spread) represents our total interest income net of total interest expense. Net interest margin represents the ratio of net interest income to the average of total interest earning assets. We calculate average yield on the average of advances and average yield on the average of investments, as well as the average cost of the average of deposits and average cost of the average of borrowings. Our cost of funds is the average of the average cost of the average of interest bearing liabilities. For the purposes of these averages and ratios only, the interest cost of the unsecured subordinated bonds that we issued for Tier II capital adequacy purposes ("Tier II Bonds") is included in our cost of interest bearing liabilities. In our financial statements, these bonds are accounted for as "other liabilities and provisions" and their interest cost is accounted for under "other interest expenses".

The Indian Economy

Our financial condition and results of operations are influenced largely by general economic conditions prevailing in India. The Indian economy has grown steadily over the past four fiscal years. GDP growth was 4.0% in Fiscal 2003, 8.5% in Fiscal 2004, 6.9% in Fiscal 2005 and 8.4% in Fiscal 2006. The real GDP growth in 2005-06 was contributed by the recovery in agriculture and sustained expansion in industry and services.

Industrial growth was 6.2%, 6.6%, 8.4% and 8.2% in Fiscal 2003, 2004, 2005 and 2006, respectively. The annual rate of inflation, as measured by variations in the wholesale price index (WPI), on a point-to-point basis was 6.5% in Fiscal 2003, 4.6% in Fiscal 2004, 6.0% in Fiscal 2005 and 4.1% in Fiscal 2006.

In its Mid-term Review of the Annual Policy Statement for 2006-2007, the RBI forecast GDP growth for Fiscal 2007 at 8.0% and has given an inflation rate forecast of 5.0-5.5%. The average exchange rate of the Indian Rupee to one U.S. Dollar was Rs. 48.27 in Fiscal 2003, Rs. 45.83 in Fiscal 2004, Rs. 44.89 in Fiscal 2005, Rs. 44.31 in Fiscal 2006 and Rs. 46.07 for the six months ended September 30, 2006. Foreign exchange reserves were US$167.12 billion as of November 16, 2006.

Financial markets generally remained orderly during Fiscal 2006 and through the first six months of Fiscal 2007 although interest rates firmed up across the spectrum in the second half of Fiscal 2006. Liquidity conditions were generally comfortable, except for some tightness in the last quarter of Fiscal 2006 due to redemption of India Millenium Deposits, amidst sustained credit growth and build up of cash balances by the Government. Following the general trend of interest rates in the economy, deposit rates and lending rates in the banking industry also displayed an upward movement.

The following table sets forth the bank rate, reverse repo rate and prime lending rate of Scheduled Commercial Banks as of the dates indicated.

(as percentages)

As of	Bank rate	Reverse Repo rate	Prime lending rate for 5 major banks
March 31, 2005	6.00	4.75	10.25-10.75
September 30, 2005	6.00	5.00	10.25-10.75
March 31, 2006	6.00	5.50	10.25-10.75
September 30, 2006	6.00	6.00	11.00-11.50

Source: Reserve Bank of India statistical data.

Our business is affected by seasonal trends in the Indian economy that affect the overall banking industry. The period from October to March is the busy period in India for economic activity and, accordingly, we generally experience higher volumes of business during this period. From April to September when economic activity typically decreases, our business volumes experience a corresponding decrease.

A. SIGNIFICANT ACCOUNTING POLICIES AS AT 31st MARCH 2006.

1. ACCOUNTING CONVENTION

The financial statements are prepared by following the going concern concept on historical cost convention and conform to the statutory provisions and practices prevailing in India in respect of Indian branches and in respect of foreign branches as per statutory provisions and practices prevailing in the respective countries, unless otherwise stated.

2. TRANSACTIONS INVOLVING FOREIGN EXCHANGE

Foreign Currency transactions of integral foreign operations and non-integral foreign operations are accounted for as per Accounting Standard-11 (AS-11) issued by the Institute of Chartered Accountants of India (ICAI).

2.1 Translation in respect of integral foreign operations

1. Indian branches having foreign currency transactions have been classified as "Integral foreign operations" and foreign exchange transactions at these branches have been recorded at the Weekly Average Rate (WAR) notified by Foreign Exchange Dealers Association of India(FEDAI)
2. Foreign currency assets and liabilities are translated at the closing rates notified by FEDAI at the year end
3. Acceptances, endorsements and other obligations and guarantees in foreign currency are carried at the closing rates notified by FEDAI at the year end.
4. Exchange differences arising on settlement and translation of foreign currency assets and liabilities at the end of the financial year are recognized as income or expenses in the period in which they arise.
5. Outstanding forward exchange contracts are disclosed at the Contracted rates, and revalued at FEDAI closing rates, and the Resultant effect is recognized through Profit and Loss account.

2.2 Translation in respect of non-integral foreign operations.

Foreign branches are classified non-integral foreign operations and the financial statements are translated as follows:

1. Assets and liabilities including contingent liabilities are translated at the closing rates notified by FEDAI at the year end.
2. Income and expenses are translated at the Quarterly Average Closing rate notified by FEDAI at the end of the respective quarter.
3. All resulting exchange differences are accumulated in a separate account "Exchange Fluctuation Fund" till the disposal of the net investments.

3. *INVESTMENTS*

3.1 The investment portfolio of the Bank is classified in accordance with the RBI guidelines into three categories viz.,

1. Held To Maturity (HTM)
2. Held For Trading (HFT)
3. Available For Sale (AFS)

The securities acquired with the intention to be held till maturity are classified under **"HTM"** category. The securities acquired with the intention to trade by taking advantage of short–term price/interest movements are classified as **"HFT".** All other securities which do not fall under any of the two categories are classified under **"AFS"** category. Profit on sale of securities under HTM category are first taken to Profit and Loss account and thereafter appropriated to Capital Reserve account.

3.2 For the purpose of valuation of investments in India in terms of RBI guidelines, the following have been adopted.

Securities in **HTM** category are valued at acquisition cost except where the acquisition cost is higher than the face value, in which case, such excess of acquisition cost over the face value is amortised over the remaining period of maturity.

Any diminution, other than temporary, in value of investments in subsidiaries/joint ventures which are included under HTM category is recognized and provided. Such diminution is being determined and provided for each investment individually.

The individual scrips in the **HFT** category are marked to market at monthly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The Book Value of the individual securities in this category does not undergo any change.

Investments in **AFS** category are marked to market, scrip-wise and classification wise, at quarterly intervals. Net depreciation, if any, is provided for in the Profit and Loss account while net appreciation, if any, is ignored. The book value of the individual securities does not undergo any change after marking to market.

Securities in **AFS and HFT** categories are valued as under:

i) Central Government Securities are valued at market price on the basis of appropriate Yield To Maturity (YTM) rates as announced by Primary Dealers Association of India (PDAI), Fixed Income Money Market and Derivatives Association of India (FIMMDA) and Bloomberg.

ii) State Government and Other approved securities are valued applying the YTM method by marking up 25 basis points above the yields of the Central Government Securities of equivalent maturity put out by PDAI, FIMMDA, and Bloomberg.

iii) Equity shares are valued at market price, if quoted. Unquoted equity shares are valued at break-up value (without considering revaluation reserves if any) as per the company's latest balance sheet (not more than one year prior to the date of valuation) otherwise, the shares are valued at Re. 1 per company.

iv) Preference shares are valued at market price, if quoted; otherwise at lower of the value determined based on the appropriate YTM rates or redemption value.

v) All debentures/bonds, other than those which are in the nature of advances, are valued on the YTM basis.

vi) Treasury bills, Certificate of deposits and Commercial papers are valued at carrying cost.

vii) Units of Mutual Funds are valued at market price, if quoted; otherwise at lower of repurchase price or Net Asset Value (NAV). In case of funds with a lock-in period, where repurchase price / market quote is not available, units are valued at NAV, else valued at cost till the end of the lock-in period.

3.3 Investments by Foreign Branches are valued as per the practice prevailing in the respective countries.

3.4 Debentures and Bonds, where interest/principal is in arrears for more than 90 days are valued applying the prudential norms prescribed by RBI.

3.5 In the case of Government Securities and Other Approved Securities, brokerage and other service charges received on acquisition are deducted from the cost.

3.6 Interest Rate Swap transactions for hedging are accounted on accrual basis and transactions for trading are marked to market at fortnightly intervals, in line with the RBI guidelines.

3.7 For the purpose of valuation, the fair value of the total swaps is computed on the basis of the amount that would be received/receivable or paid/payable on termination of the swap agreements as on the balance sheet date. Losses arising there from, if any, are fully provided for, while the profit, if any, is ignored.

3.8 Gains or loss on termination of swaps is deferred and recognised over the shorter period of the remaining contractual life of the swap or the remaining life of the designated asset or liability.

3.9 Investments backed by guarantee of the Central Government though overdue are treated as Non Performing Asset (NPA) only when the Government repudiates its guarantee when invoked.

3.10 Investment in State Government guaranteed securities, which are not in the nature of 'deemed advances', are subjected to asset classification and provisioning norms if interest/instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days.

4. *ADVANCES*

4.1 In accordance with the prudential norms issued by RBI:

Advances in India are classified into standard, sub-standard, doubtful and loss asset borrower-wise, provisions are made for loan losses, and general provision is made for standard advances.

4.2 In respect of foreign branches, income recognition, asset classification and provisioning for loan losses are made as per local requirement or as per RBI prudential norms, whichever is more stringent.

4.3 Advances disclosed are net of provisions made for non-performing assets, DICGC/ ECGC/ CGTSI claims received and held pending adjustment, repayments received and kept in sundries account, balance in interest realisable account, participation certificates and usance bills rediscounted.

5. *FIXED ASSETS / DEPRECIATION*

5.1 Premises and other fixed assets are stated at historical cost/ revalued amount.

Depreciation on buildings (including cost of land wherever inseparable/ not segregated) and other fixed assets (excluding computers) in India is provided for on the straight-line method at rates specified in Schedule XIV to the Companies Act, 1956.

5.2 Depreciation on computers is provided at the rate of 33.33% per annum on Straight Line Method (SLM) in terms of Reserve Bank of India guidelines.

Depreciation on fixed assets acquired during the year is charged at full rates on assets acquired on or before 30th September and at half rates on those acquired thereafter

Premium on leasehold land is capitalised in the year of acquisition and amortized over the period of lease.

Depreciation in respect of fixed assets at foreign branches is provided as per the practice prevailing in the respective countries.

In respect of Non Banking Assets (NBA) no depreciation is charged.

6. *REVENUE RECOGNITION*

Income and expenditure are generally accounted for on accrual basis, unless otherwise stated.

Income from non-performing assets, certain government guaranteed assets (where interest is not serviced regularly), dividend income, insurance claims, commission on letters of credit/ guarantees issued (other than those relating to project finance), additional interest/ overdue charges on bills purchased, locker rent, etc. are accounted for on realisation.

In case of overdue foreign bills, interest and other charges are recognised till the date of crystallisation as per FEDAI guidelines.

7. *NET PROFIT / LOSS*

The result disclosed in the Profit and Loss Account is after considering:

- Provision for Loan Losses

- General provision on Standard Advances

- Provision for Depreciation on Fixed Assets

- Provision for Depreciation on Investments

- Transfer to/ from Contingency Fund

- Provision for direct taxes in accordance with statutory requirements

- Usual or/and other necessary provisions

8. *STAFF RETIREMENT BENEFITS*

Annual contributions to Pension Fund and Gratuity Fund are determined and provided for:

(i) On the basis of actuarial valuation and contribution to approved Pension Fund and Gratuity Fund respectively in India, and

(ii) As per the local laws in respect of foreign branches.

Leave encashment benefit for employees is accounted for on actuarial basis.

9. *CONTINGENT LIABILITIES AND PROVISIONS*

Past events leading to, possible or present obligations are treated as contingent liability. Provision is recognised in case of present obligations where a reliable estimate can be made and where there are probable outflow of resources embodying forgoing of economic benefits to settle the obligations.

10. *IMPAIRMENT OF ASSETS*

Impairment losses (if any) are recognised in accordance with the Accounting Standard issued in this regard by the Institute of Chartered Accountants of India (ICAI).

11. ***TAXES ON INCOME***

11.1 Current tax is measured at the amount expected to be paid to the taxation authorities, using the applicable tax rates, tax laws and favourable judicial pronouncements / legal opinion.

11.2 Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognised keeping in view the consideration of prudence in respect of deferred tax assets in accordance with Accounting Standard -22 (AS-22) issued by the Institute of Chartered Accountants of India (ICAI).

12. ***TREATMENT OF VRS EXPENDITURE (For the years 2001-02 to 2004-05)***

In accordance with the guidelines issued by Reserve Bank of India, the expenditure incurred under Voluntary Retirement Scheme has been treated as Deferred Revenue Expenditure to be written off over a period of 5 years.

Segment Reporting

In accordance with RBI guidelines on compliance with Accounting Standard 17 – "Segment Reporting" issued by the ICAI, we have recognised business segments as our primary reporting segment and geographical segments as our secondary segment. We report treasury operations and other banking operations as our two business segments.

Business Segments

For the six months ended September 30, 2006, revenue from our treasury operations and other banking operations contributed Rs. 8,459.60 million and Rs. 14,235.00 million, or 37.28% and 62.72%, of our total revenue, respectively. Set forth below is a table showing our revenue from our treasury operations and other banking operations and total revenue for Fiscal 2004, 2005 and 2006 and the six months ended September 30, 2005 and 2006.

(Rs. in million)

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**	**Six months ended September 30, 2005**	**Six months ended September 30, 2006**
Business Segment Revenue (1)					
Treasury Operations	19,661.50	17,017.60	16,625.60	8,206.50	8,459.60
Other Banking Operations	14,481.00	17,377.10	22,334.30	10,105.20	14,235.00
Total Revenue	**34,142.50**	**34,394.70**	**38,959.90**	**18,311.70**	**22,694.60**

Notes:

1. *Segment revenue represents revenue from external customers.*

Geographic Segments

For the six months ended September 30, 2006, revenue from our Domestic Operations and our International Operations contributed Rs. 21,972.80 million and Rs. 721.80 million, or 96.82% and 3.18%, of our total revenue, respectively. Set forth below is a table showing our revenue from Domestic Operations and International Operations and total revenue for Fiscal 2004, 2005 and 2006 and the six months ended September 30, 2005 and 2006.

(Rs. in million)

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**	**Six months ended September 30, 2005**	**Six months ended September 30, 2006**
Geographic Segment Revenue(1)					
(a) Domestic	33,601.40	33,717.00	37,960.60	17,906.00	21,972.80
(b) International	541.10	677.70	999.30	405.70	721.80
Total	**34,142.50**	**34,394.70**	**38,959.90**	**18,311.70**	**22,694.60**

Notes:

1. *Segment revenue represents revenue from external customers.*

Results of Operations

Six months ended September 30, 2006 compared with the six months ended September 30, 2005

Our total income increased by 23.94% from Rs. 18,311.70 million in the six months ended September 30, 2005 to Rs. 22,694.70 million in the six months ended September 30, 2006. Our total expenditure increased by 18.22% from Rs. 14,741.20 million in the six months ended September 30, 2005 to Rs. 17,426.70 million in the six months ended September 30, 2006. Our operating profit increased by 47.54% from Rs. 3,570.50 million in the six months ended September 30, 2005 to Rs. 5,268.00 million in the six months ended September 30, 2006. The operating profit and total income increased mainly due to a 31.54% increase in our average advances from Rs. 191,759.00 million in the six months ended September 30, 2005 to Rs. 252,248.00 million in the six months ended September 30, 2006, and due to increase in average yield from 8.38% to 9.02%. Our net profit increased by 42.37% from Rs. 2,346.00 million in the six months ended September 30, 2005 to Rs. 3,340.00 million in the six months ended September 30, 2006 due to an increase in net interest income and recovery of NPAs and a decrease in the growth rate in operating expenses.

Net Interest Income

Our net interest income increased by 23.25% from Rs. 7,002.90 million in the six months ended September 30, 2005 to Rs. 8,630.80 million in the six months ended September 30, 2006. The following table sets forth the components of our net interest income:

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Interest income	15,790.70	19,884.60
Interest expense	8,787.80	11,253.80
Net interest income	**7,002.90**	**8,630.80**

The increase in net interest income from the six months ended September 30, 2005 compared to the six months ended September 30, 2006 was primarily due to a 25.93% increase in total interest income from Rs. 15,790.70 million in the six months ended September 30, 2005 to Rs. 19,884.60 million in the six months ended September 30, 2006, which was partially offset by a 28.06% increase in interest expense.

Net interest margin increased slightly from 3.49% in the six months ended September 30, 2005 to 3.59% in the six months ended September 30, 2006.

Interest Income

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

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Interest on advances and discount on bills	8,088.30	11,640.90
Income on investment	7,410.60	8,013.30
Interest on balance with the RBI and other inter-bank lending	291.60	229.40
Interest on income tax refund	0.00	0.00
Others	0.20	1.00
Total interest income	**15,790.70**	**19,884.60**

Interest on advances and discount on bills increased by 43.92% from Rs. 8,088.30 million in the six months ended September 30, 2005 to Rs. 11,640.90 million in the six months ended September 30, 2006, due to a 31.54% increase in our average advances from Rs. 191,759 million in the six months ended September 30, 2005 to Rs. 252,248 million in the six months ended September 30, 2006, and an increase in average yield on advances from 8.38% to 9.02%. Income on investment increased by 8.13% from Rs. 7,410.60 million in the six months ended September 30, 2005 to Rs. 8,013.30 million in the six months ended September 30, 2006, due to a 7.21% increase in our average investments from Rs. 180,733 million in the six months ended September 30, 2005 to Rs. 193,775 million in the six months ended September 30, 2006. The average yield on investments increased from 8.20% in the six months ended September 30, 2005 to 8.27% in the six months ended September 30, 2006. The increase in yield was due to a Rs. 682.30 million amortisation on investments in March 2006 and a mark-to-market provision shifting to the HTM category in April 2006 in an amount of Rs. 778.50 million.

Interest on balances with the RBI and other inter-bank lending decreased by 21.33% from Rs. 291.60 million in the six months ended September 30, 2005 to Rs. 229.40 million in the six months ended September 30, 2006 because of withdrawal of payment of interest on CRR balance effective June 24, 2006 resulting in a decrease of Rs. 48.40 million from Rs. 124.20 million in the six months ended September 30, 2005 to Rs. 75.80 million in the six months ended September 30, 2006. The income earned from inter bank lending decreased from Rs. 167.40 million in the six months ended September 30, 2005 to Rs. 153.60 million in the six months ended September 30, 2006 due to a Rs. 736.20 million decrease in average call lending.

Interest Expense

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

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Interest on Deposits	8,424.50	10,205.40
Interest on RBI/ Inter-Bank borrowings	282.00	931.40
Others	81.30	117.00
Interest Expended	**8,787.80**	**11,253.80**

Our interest expense increased by 28.06% from Rs. 8,787.80 million in the six months ended September 30, 2005 to Rs. 11,253.80 million in the six months ended September 30, 2006, due to an increase in the average cost of funds from 4.15% in the six months ended September 30, 2005 to 4.48% in the six months ended September 30, 2006. This was due to an increase in the average cost of deposits from 4.76% in the six months ended September 30, 2005 to 4.95% in the six months ended September 30, 2006 as a result of the re-pricing of deposits offered during the period. Our borrowing cost increased from 4.59% in the six months ended September 30, 2005 to 6.44% in the six months ended September 30, 2006, which also contributed to the increase in interest expense. Deposits contributed 82.48% of our average funds in the six months ended September 30, 2006. Our average deposits increased by 16.95% from Rs. 354,633.00 million in the six months ended September 30, 2005 to Rs. 414,733.00 million in the six months ended September 30, 2006.

Our interest expense on RBI and other inter-bank borrowing increased by 230.28% from Rs. 282.00 million to Rs. 931.40 million. This was due to increases in interest paid in refinancing deals and a participation certificate amounting to Rs. 467.50 million.

Other Income

Our other income increased by 11.47% from Rs. 2,521.00 million in the six months ended September 30, 2005 to Rs. 2,810.10 million in the six months ended September 30, 2006. The following table sets forth the components of our other income:

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Commission, Exchange and Brokerage	563.60	733.30
Profit on sale of investments (Net)	492.30	204.30
Profit on revaluation of investments (Net)	0.00	0.00
Profit/(Loss) on sale of land, building and other assets (Net)	(9.50)	(7.00)
Profit on exchange transaction (Net)	282.30	246.50
Income earned by way of dividends etc. from subsidiaries/companies/ joint ventures in India	12.00	12.70
Miscellaneous Income	1,180.30	1,620.30
Total other income	**2,521.00**	**2,810.10**

Income from commissions, exchange and brokerage increased by 30.11% from Rs. 563.60 million in the six months ended September 30, 2005 to Rs. 733.30 million in the six months ended September 30, 2006. This increase was mainly due to an increase in guarantee commission, which increased by 90% from Rs. 104.80 million to Rs. 198.92 million, and an increase in income due to repricing of rent on lockers by 88% from Rs. 51.00 million to Rs. 96.00 million.

Profit on the sale of investments decreased by 58.5% from Rs. 492.30 million in the six months ended September 30, 2005 to Rs. 204.30 million in the six months ended September 30, 2006. The opportunity to cash in on appreciation was hindered due to an increase in yields on Government securities. During the six months ended September 30, 2005, the yields on ten year Government securities were in the range of 6.68% to 7.11%, but the yields increased to a range of 7.50% to 7.67% in the six months ended September 30, 2006.

Net profit from foreign exchange transactions decreased by 12.68% from Rs. 282.30 million in the six months ended September 30, 2005 to Rs. 246.50 million in the six months ended September 30, 2006, due to the impact of the implementation of AS-11, which required portfolios to be marked to market, resulting in a revaluation loss of Rs. 86.10 million. This loss was partially offset by an increase in profit on foreign exchange transactions amounting to Rs. 52.16 million.

Miscellaneous income includes recovery in written off accounts, incidental charges, such as account keeping fees, and sundry charges. Miscellaneous income increased by 37.28% from Rs. 1,180.30 million in the six months ended September 30, 2005 to Rs. 1,620.30 million in the six months ended September 30, 2006. This increase was primarily due to recovery in written off accounts amounting to Rs. 1,046.78 million, which was an increase from recoveries of Rs. 184.90 million during the comparable period in the previous year. Also, there was an increase of 49% in loan processing charges from Rs. 83.76 million to Rs. 124.52 million due to the increase in advances.

Operating Expenses

Total operating expenses increased by 3.69% from Rs. 5,953.40 million in the six months ended September 30, 2005 to Rs. 6,172.90 million in the six months ended September 30, 2006. As a percentage of our total income, operating expenses decreased to 27.20% in the six months ended September 30, 2006 compared with 32.51% in the six months ended September 30, 2005. The following table sets forth the components of our operating expenses:

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Payment to and provision for employees	4,216.70	4,050.40
Rent, taxes and lighting	320.10	381.10
Printing and stationery	61.20	74.50
Advertisement and publicity	39.80	76.50
Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	205.90	320.40
Director's fees, allowances and expenses	0.90	1.40
Auditor's fees and expenses	42.00	44.10
Law charges	18.40	14.90
Postage, telegrams, telephones etc.	29.00	22.10
Repairs and maintenance	125.10	107.90
Insurance	178.70	214.90
Other expenditure	715.60	864.70
Total Operating Expenses	**5,953.40**	**6,172.90**

The primary component of our operating expenses was payments to and provision for employees, which decreased by 3.94% from Rs. 4,216.70 million in the six months ended September 30, 2005 to Rs. 4,050.40 million in the six months ended September 30, 2006. This was primarily due to the payment of wage arrears amounting to Rs. 215.45 million during the six months ended September 30, 2005.

Depreciation on banks properties increased by 55.61% from Rs. 205.90 million in the six months ended September 30, 2005 to Rs. 320.40 million in the six months ended September 30, 2006. This was mainly due to investments in computer hardware in connection with the implementation of the Core Banking Solution, which resulted in an increase of net block from Rs. 4,716.80 million as of September 30, 2005 to Rs. 5,231.00 million as of September 30, 2006.

Our other expenditure includes, among others, amortisation of investments, travelling and conveyance expenses and stamp charges. Other expenditure increased by 20.84% from Rs. 715.60 million in the six months ended September 30, 2005 to Rs. 864.70 million in the six months ended September 30, 2006. This was primarily due to an increase in amortisation on investments from Rs. 343.10 million to Rs. 447.30 million, which resulted from an increase in securities in the HTM category from Rs. 103,210.70 million in the six months ended September 30, 2005 to Rs. 124,438.50 million in the six months ended September 30, 2006. In addition, there was an increase in expenditure on stamp duties incurred on certificate of deposits from Rs. 15.00 million in the six months ended September 30, 2005 to Rs. 58.60 million in the six months ended September 30, 2006.

Operating Profit

As a result of the foregoing factors, operating profit before provisions and contingencies increased by 47.54% from Rs. 3,570.50 million in the six months ended September 30, 2005 to Rs. 5,268.00 million in the six months ended September 30, 2006. As a percentage of total income, our operating profit increased from 19.50% in the six months ended September 30, 2005 to 23.21% in the six months ended September 30, 2006.

Provisions and Contingencies

Provisions and contingencies made in the six months ended September 30, 2006 increased by 57.45% to Rs. 1,928.00 million compared with Rs. 1,224.50 million in the six months ended September 30, 2005. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

	Six months ended September 30,	
	2005	**2006**
Provision for Non Performing Advances	(17.30)	137.00
Floating Provision for NPAs (in addition to norms)	620.00	-
Provision for Investment NPA	26.00	124.80
Provision for standard advances	268.50	95.00
Depreciation on investments	(26.90)	(126.20)
Provision for restructured standard accounts	50.00	300.00
Provisions for income tax	207.90	467.80
Others	96.30	929.60
Total provisions and contingencies	**1,224.50**	**1,928.00**

Our provisioning in respect of NPAs increased by Rs. 154.30 million from Rs. (17.30) million in the six months ended September 30, 2005 to Rs. 137.00 million in the six months ended September 30, 2006. During this period, there were technical write offs in 64 accounts amounting to Rs. 300.00 million, of which a provision of Rs. 167.48 million already existed, and an additional provision of Rs. 132.52 million was made. This contributed to a reduction in gross NPAs during the six months ended September 30, 2006 from Rs. 6,689.90 million to Rs. 6,250.00 million.

We did not make an additional floating provision for NPAs in the six months ended September 30, 2006, as we considered our floating provision balance of Rs. 927.80 million to be adequate.

Depreciation on investments decreased by Rs. 99.30 million, from Rs. (26.90) million in the six months ended September 30, 2005 to Rs. (126.20) million in the six months ended September 30, 2006 due to decrease in the duration of the AFS portfolio. Shifting of securities from AFS to HTM in January and April 2006 led to this decrease.

Provisioning for standard advances decreased by Rs. 173.50 million, from Rs. 268.50 million in the six months ended September 30, 2005 to Rs. 95.00 million in the six months ended September 30, 2006 primarily due to a one time increase in provisions on total standard advances from 0.25% to 0.40% in the six months ended September 30, 2005. This increase was due to compliance with a change in RBI policy.

Provisioning for restructured standard accounts increased by Rs. 250.00 million, from Rs. 50.00 million in the six months ended September 30, 2005 to Rs. 300.00 million in the six months ended September 30, 2006 primarily due to additional accounts taken for restructuring. The amount outstanding in restructured accounts increased from Rs. 264.60 million in the six months ended September 30, 2005 to Rs. 610.30 million in the six months ended September 30, 2006.

Our provision for income tax increased by Rs. 259.90 million from provisions of Rs. 207.90 million in the six months ended September 30, 2005 to Rs. 467.80 million in the six months ended September 30, 2006, which was primarily due to higher income earned and increase in MAT rates from 7.5% to 10.0%.

Other provisions increased significantly by Rs. 833.30 million from Rs. 96.30 million in the six months ended September 30, 2005 to Rs. 929.60 million in the six months ended September 30, 2006 as a cushion towards other general contingencies.

Net Profit

As a result of the foregoing factors our net profit increased by 42.37% from Rs. 2,346.00 million in the six months ended September 30, 2005 to Rs. 3,340.00 million in the six months ended September 30, 2006. As a percentage of total income, our net profit increased from 12.81% in the six months ended September 30, 2005 to 14.72% in the six months ended September 30, 2006.

Fiscal year ended March 31, 2006 compared with the fiscal year ended March 31, 2005

Our total income increased by 13.27% from Rs. 34,394.70 million in Fiscal 2005 to Rs. 38,959.90 million in Fiscal 2006 and our total expenditure increased by 17.35% from Rs. 25,711.90 million in Fiscal 2005 to Rs. 30,174.20 million in Fiscal 2006. Our operating profit increased by 1.18%% from Rs. 8,682.80 million in Fiscal 2005 to Rs. 8,785.70 million in Fiscal 2006. Our net profit increased by 53.56% from Rs. 3,187.00 million in Fiscal 2005 to Rs. 4,894.00 million in Fiscal 2006.

Our total income was higher in Fiscal 2006 mainly on account of a 28.65% increase in interest earned on advances (including discounts on bills) from Rs. 13,818.8 million in Fiscal 2005 to Rs. 17,777.60 million in Fiscal 2006. This was partially offset by our other income declining by 6.56%, from Rs. 5,688.10 million in Fiscal 2005 to Rs. 5,314.80 million in Fiscal 2006 mainly due to a 63.81% decline in net profit on sale of investments.

Net Interest Income

Our net interest income increased by 15.84% from Rs. 13,036.50 million in Fiscal 2005 to Rs. 15,101.70 million in Fiscal 2006. The following table sets forth the components of our net interest income:

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Interest income	28,706.60	33,645.10
Interest expense	15,670.10	18,543.40
Net interest income	**13,036.50**	**15,101.70**

The increase in net interest income was primarily due to a 17.20% increase in total interest income from Rs. 28,706.60 million in Fiscal 2005 to Rs. 33,645.10 million in Fiscal 2006, which was partially offset by a 18.34% increase in interest expense from Rs. 15,670.10 million in Fiscal 2005 to Rs. 18,543.40 million in Fiscal 2006. This increase was due to a 28.6% increase in interest on advances and discounts on bills from Rs. 13,818.80 million in Fiscal 2005 to Rs. 17,777.60 million in Fiscal 2006.

Our average interest-earning assets increased by 15.87% from Rs. 360,308.5 million in Fiscal 2005 to Rs. 417,500.00 million in Fiscal 2006. Our Spread increased from Rs. 13,036.50 million in Fiscal 2005 to Rs. 15,101.70 million in Fiscal 2006.

Interest Income

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

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Interest on advances and discount on bills	13,818.80	17,777.60
Income on investment	14,413.30	15,264.90
Interest on balance with the RBI and other inter-bank lending	460.20	580.00
Interest on income tax	0.00	0.00
Others	14.30	22.60
Total interest income	**28,706.60**	**33,645.10**

Interest on advances and discount on bills increased by 28.65% from Rs. 13,818.80 million in Fiscal 2005 to Rs. 17,777.60 million in Fiscal 2006, reflecting a 21.64% increase in average advances from Rs. 165,890.00 million in Fiscal 2005 to Rs. 201,795.50 million in Fiscal 2006. This was augmented by an increase in the average yield on advances from 8.33% in Fiscal 2005 to 8.66% in Fiscal 2006. The increase in average yield was due to an upward revision of interest rates on retail loans, which constituted 26.02% of our net bank credit. Increase in NPA recovery from Rs. 442.20 million to Rs. 924.20 million also contributed to the increase in yield.

Income from investments increased by 5.91% from Rs. 14,413.30 million in Fiscal 2005 to Rs. 15,264.90 million in Fiscal 2006. Our average volume of investments increased by 10.33% from Rs. 166,888.30 million in Fiscal 2005 to Rs. 184,133.90 million in Fiscal 2006. In addition, the average yield on our investments decreased from 8.64% in Fiscal 2005 to 8.29% in Fiscal 2006, principally due to redemption of high coupon securities.

Interest on balances with the RBI and other inter-bank lending increased by 26.03% from Rs. 460.20 million in Fiscal 2005 to Rs. 580.00 million in Fiscal 2006. This was principally due to increases in the average inter-bank lending rates from 4.96% in Fiscal 2005 to 5.67% in Fiscal 2006. In addition, the average volume of call lending increased from Rs. 2,807.00 million in Fiscal 2005 to Rs. 3,578.50 million in Fiscal 2006.

Interest Expense

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

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Interest on Deposits	15,076.60	17,303.20
Interest on RBI/ Inter-Bank borrowings	339.20	727.00
Others	254.30	513.20
Interest Expended	**15,670.10**	**18,543.40**

Our interest expense increased by 18.34% from Rs. 15,670.10 million in Fiscal 2005 to Rs. 18,543.40 million in Fiscal 2006. This increase was principally due to an increase in the average cost of funds from 4.01% in Fiscal 2005 to 4.27% in Fiscal 2006, which resulted from an increase in the average cost of deposits from 4.73% in Fiscal 2005 to 4.76% in Fiscal 2006 due to re-pricing of deposits offered during the period. Though our borrowing cost decreased from 6.46% in Fiscal 2005 to 5.35% in Fiscal 2006, the increase in average borrowings by Rs. 11,218.10 million contributed to the increase in interest expense. Deposits contributed 84.45% of our average funds in Fiscal 2006. Our average deposits increased from Rs. 318,733.60 million in Fiscal 2005 to Rs. 366,480.60 million in Fiscal 2006.

Our interest expense on RBI and other inter-bank borrowing increased by 114.33% from Rs. 339.20 million to Rs. 727.00 million primarily due to an increase in interest expense on refinancing and SIDBI term loans from Rs. 326.50 million in Fiscal 2005 to Rs. 646.40 million in Fiscal 2006.

Our other interest expense, which consists mainly of discounts paid on certificate of deposits, increased by 101.81% from Rs. 254.30 million in Fiscal 2005 to Rs. 513.20 million in Fiscal 2006, mainly due to a significant increase in certificates of deposits outstanding from Rs. 0.05 million in Fiscal 2005 to Rs. 13,700.00 million in Fiscal 2006.

Other Income

Our other income decreased by 6.56%, from Rs. 5,688.10 million in Fiscal 2005 to Rs. 5,314.80 million in Fiscal 2006. The following table sets forth the components of our other income:

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Commission, Exchange and Brokerage	1,157.00	1,180.20
Profit on sale of investments (Net)	2,097.70	759.20
Profit on revaluation of investments (Net)	(36.25)	0.00
Profit/(Loss) on sale of land, building and other assets (Net)	(7.50)	(12.80)
Profit on exchange transaction (Net)	686.60	680.60
Income earned by way of dividends etc. from subsidiaries/companies/ joint ventures in India	46.40	21.50
Miscellaneous Income	1,744.15	2,686.10
Total other income	**5,688.10**	**5,314.80**

Income from commissions, exchange and brokerage increased by 2.01% from Rs. 1,157.00 million in Fiscal 2005 to Rs. 1,180.20 million in Fiscal 2006. This increase was mainly due to increased business activity in this area.

Net profit on the sale of investments decreased substantially by 63.81% from Rs. 2,097.70 million in Fiscal 2005 to Rs. 759.20 million in Fiscal 2006. The opportunity to cash in on appreciation was hindered due to higher ten year yield levels for government securities, which increased from 6.68% in March 2005 to 7.52% in March 2006.

Net profit on exchange transactions decreased marginally from Rs. 686.60 million in Fiscal 2005 to Rs. 680.60 million in Fiscal 2006. In Fiscal 2006, there was a decrease in profit from exchange transactions amounting to Rs. 100.80 million, which was partially offset by a revaluation profit due to the implementation of AS-11 in an amount of Rs. 94.80 million.

Miscellaneous income includes recovery of bad debts previously written off, incidental charges, such as account keeping fees and sundry charges. Our miscellaneous income increased by 54.01% from Rs. 1,744.15 million in Fiscal 2005 to Rs. 2,686.10 million in Fiscal 2006. This was mainly due to recovery of bad debts amounting to Rs. 1,814.67 million in Fiscal 2006, which was an increase of Rs. 798.00 million in recoveries over the previous year.

Operating Expenses

Total operating expenses increased by 15.82% from Rs. 10,041.80 million in Fiscal 2005 to Rs. 11,630.80 million in Fiscal 2006. As a percentage of our total income, operating expenses increased slightly to 29.85% in Fiscal 2006 compared with 29.19% in Fiscal 2005. Set forth below are the details of our total operating expenses for Fiscal 2005 and Fiscal 2006.

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Payment to and provision for employees	7,272.90	7,886.10
Rent, taxes and lighting	648.10	688.70
Printing and stationery	122.80	142.60
Advertisement and publicity	110.20	54.90
Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	308.20	513.40
Director's fees, allowances and expenses	1.90	1.90
Auditor's fees and expenses	86.70	82.20
Law charges	17.30	40.60
Postage, telegrams, telephones etc.	9.60	57.20
Repairs and maintenance	195.00	259.10
Insurance	263.90	367.00
Other expenditure	1,005.20	1,537.10
Total Operating Expenses	**10,041.80**	**11,630.80**

The primary component of our operating expenses was payments to and provision for employees, which increased by 8.43%, from Rs. 7,272.90 million in Fiscal 2005 to Rs. 7,886.10 million in Fiscal 2006. This increase was primarily due to higher salary payments paid according to the new wage settlement with the employees union that became effective from November 1, 2002 in an amount of Rs. 1,360.20 million during Fiscal 2006, which was partially offset by VRS expenditure of Rs. 935.50 million in Fiscal 2005.

Depreciation expenses on our property (our fixed assets, including furniture, fixtures and computers) increased by 66.58% from Rs. 308.20 million in Fiscal 2005 to Rs. 513.40 million in Fiscal 2006 due to an increase of net block from Rs. 4,493.90 million to Rs. 5,187.50 million resulting from CBS implementation, furnishing of branches and acquisition of new ATMs.

Insurance expenses increased by 39.07% from Rs. 263.90 million in Fiscal 2005 to Rs. 367.00 million in Fiscal 2006, mainly due to an increase in premiums paid on deposit insurance with DICGC from 0.08% to 0.10% with effect from April 2005.

Other expenditure increased by 52.91% from Rs. 1,005.20 million in Fiscal 2005 to Rs. 1,537.10 million in Fiscal 2006. This was mainly due to increase of 63.55% in amortisation of investments from Rs. 417.20 million in Fiscal 2005 to Rs. 682.30 million in Fiscal 2006. The amount of securities held in the HTM category increased from Rs. 82,901.20 million in Fiscal 2005 to Rs. 111,832.00 million in Fiscal 2006.

Operating Profit

As a result of the foregoing factors, our operating profit before provisions and contingencies increased slightly from Rs. 8,682.80 million in Fiscal 2005 to Rs. 8,785.70 million in Fiscal 2006. As a percentage of total income, our operating profit decreased from 25.24% in Fiscal 2005 to 22.55% in Fiscal 2006.

Provisions and Contingencies

Provisions and contingencies made in Fiscal 2006 decreased by 29.19% from Rs. 5,495.80 million in Fiscal 2005 to Rs. 3,891.70 million in Fiscal 2006. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

	Year ended March 31,	
	2005	**2006**
Provision for Non Performing Advances	1,659.20	519.90
Floating Provision for NPAs (in addition to norms)	330.00	400.00
Provision for Investment NPA	1.00	51.60
Provision for standard advances	111.50	358.50
Depreciation on investments	1,364.70	1,326.70
Provision for restructured standard accounts	211.00	(747.90)
Provisions for income tax	229.70	562.20
Others	1,588.70	1,420.70
Total provisions and contingencies	**5,495.80**	**3,891.70**

Our provisioning in respect of non-performing assets decreased by 68.67% from Rs. 1,659.20 million in Fiscal 2005 to Rs. 519.90 million in Fiscal 2006. This was due to a decrease in gross NPAs from Rs. 7,483.50 million in Fiscal 2005 to Rs. 6,689.90 million in Fiscal 2006. The higher provision made in Fiscal 2005 was due to a change in RBI norms.

Our provisioning for depreciation on investments was Rs. 1,326.70 million in Fiscal 2006, compared with Rs. 1,364.70 million in Fiscal 2005. We shifted securities from AFS to HTM in January 2006 amounting to Rs. 8,576.10 million. Because of the decrease in the AFS portfolio, a lower provision for deprecation was required.

Our provisioning for restructured standard accounts decreased by Rs. 958.90 million from Rs. 211.00 million in Fiscal 2005 to Rs. (747.90) million in Fiscal 2006. We had excess provisions that were withdrawn during the year as the amount outstanding in restructured accounts decreased from Rs. 3,042.40 million in Fiscal 2005 to Rs. 508.50 million in Fiscal 2006.

In Fiscal 2005, our allocation towards provision for income tax was Rs. 229.70 million. In Fiscal 2006, we allocated an amount of Rs. 562.20 million towards provisions for income tax, which was primarily due to an increase in book profit and the introduction of fringe benefits tax, which became effective from April 1, 2005. A provision of Rs. 80.00 million was made for the fringe benefits tax.

Net Profit

As a result of the foregoing factors, our net profit increased by 53.56% from Rs. 3,187.00 million in Fiscal 2005 to Rs. 4,894.00 million in Fiscal 2006. As a percentage of total income, our net profit increased from 9.27% in Fiscal 2005 to 12.56% in Fiscal 2006.

Fiscal year ended March 31, 2005 compared with the fiscal year ended March 31, 2004

Our total income increased by 0.74% from Rs. 34,142.50 million in Fiscal 2004 to Rs. 34,394.70 million in Fiscal 2005, and our total expenditure increased slightly by 0.98% from Rs. 25,463.20 million in Fiscal 2004 to Rs. 25,711.90 million in Fiscal 2005. Our operating profit increased marginally from Rs. 8,679.30 million in Fiscal 2004 to Rs. 8,682.80 million in Fiscal 2005. Our net profit decreased by 32.37% from Rs. 4,712.20 million in Fiscal 2004 to Rs. 3,187.00 million in Fiscal 2005.

Our total income was higher in Fiscal 2005 primarily because of a 17.91% increase in interest income from advances from Rs. 11,719.50 million in Fiscal 2004 to Rs. 13,818.80 million in Fiscal 2005, which was partially offset by a 23.89% decline in other income from Rs. 7,473.30 million in Fiscal 2004 to Rs. 5,688.10 million in Fiscal 2005.

Net Interest Income

Our net interest income increased by 16.70% from Rs. 11,170.60 million in Fiscal 2004 to Rs. 13,036.50 million in Fiscal 2005. The following table sets forth the components of our net interest income:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest income	26,669.20	28,706.60
Interest expense	15,498.60	15,670.10
Net interest income	**11,170.60**	**13,036.50**

The increase in net interest income was primarily due to a 7.64% increase in total interest income from Rs. 26,669.20 million in Fiscal 2004 to Rs. 28,706.60 million in Fiscal 2005. This increase was due to a 17.91% increase in interest on advances and discount on bills from Rs. 11,719.50 million in Fiscal 2004 to Rs. 13,818.80 million in Fiscal 2005.

Our average interest earning assets increased by 17.74% from Rs. 306,011.50 million in Fiscal 2004 to Rs. 360,308.50 million in Fiscal 2005. As a result, our Spread increased from Rs. 11,170.60 million in Fiscal 2004 to Rs. 13,036.50 million in Fiscal 2005.

Interest Income

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

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest on advances and discount on bills	11,719.50	13,818.80
Income on investment	14,546.40	14,413.30
Interest on balance with RBI and other inter-bank lending	402.00	460.20
Interest on income tax	0.00	0.00
Others	1.30	14.30
Total interest income	**26,669.20**	**28,706.60**

Interest on advances and discount on bills increased by 17.91% from Rs. 11,719.50 million in Fiscal 2004 to Rs. 13,818.80 million in Fiscal 2005, reflecting a 24.96% increase in our average advances from Rs. 132,750.00 million in Fiscal 2004 to Rs. 165,890.00 million in Fiscal 2005. This increase was partially offset by a decrease in the average yield on our advances from 8.83% in Fiscal 2004 to 8.33% in Fiscal 2005.

Investment income decreased marginally by 0.92% from Rs. 14,546.40 million in Fiscal 2004 to Rs. 14,413.30 million in Fiscal 2005. This decrease was mainly due to the decrease in the average yield on our investments from 9.21% in Fiscal 2004 to 8.64% in Fiscal 2005, which resulted from the redemption/sale of high coupon securities. The decrease was partially offset by an increase in our average volume of investments by 5.71% from Rs. 157,869.60 million in Fiscal 2004 to Rs. 166,888.30 million in Fiscal 2005.

Interest on balances with the RBI and other inter-bank lending increased by 14.48% from Rs. 402.00 million in Fiscal 2004 to Rs. 460.20 million in Fiscal 2005, which was due to the average inter-bank lending rates increasing from 4.67% in Fiscal 2004 to 4.96% in Fiscal 2005. Additionally, the average volume of call lending increased from Rs. 1,157.50 million in Fiscal 2004 to Rs. 2,807.00 million in Fiscal 2005.

Interest Expense

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

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Interest on Deposits	15,067.70	15,076.60
Interest on RBI/inter-bank borrowings	283.20	339.20
Others	147.70	254.30
Interest Expended	**15,498.60**	**15,670.10**

Our interest expense increased from Rs. 15,498.60 million in Fiscal 2004 to Rs. 15,670.10 million in Fiscal 2005, mainly due to increases in interest paid on a growing deposit base from Rs. 15,067.70 million in Fiscal 2004 to Rs. 15,076.60 million in Fiscal 2005. Our average deposits increased by 14.44% from Rs. 278,513.00 million in Fiscal 2004 to Rs. 318,733.60 million in Fiscal 2005. This was partially offset by our average cost of deposits declining from 5.41% in Fiscal 2004 to 4.73% in Fiscal 2005 due to declining interest rates.

Our other interest expense increased by 72.17% from Rs. 147.70 million in Fiscal 2004 to Rs. 254.30 million in Fiscal 2005, which was principally due to our issuance of Rs. 3,000.00 million Tier-II bonds and the payment of Rs. 92.40 million in interest thereon.

Other Income

Our other income decreased by 23.89% from Rs. 7,473.30 million in Fiscal 2004 to Rs. 5,688.10 million in Fiscal 2005. The following table sets forth the components of our other income:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Commission, Exchange and Brokerage	1,078.70	1,157.00
Profit on sale of investments (Net)	4,654.70	2,097.70
Profit on revaluation of investments(Net)	0.00	(36.25)
Profit on sale of land, buildings & other assets (Net)	1.20	(7.50)
Profit on exchange transaction (Net)	583.20	686.60
Income earned by way of dividends etc. from subsidiaries/companies/ jt.Ventures in India	58.40	46.40
Miscellaneous Income	1,097.10	1,744.15
Total other income	**7,473.30**	**5,688.10**

Net profit on the sale of investments decreased by 54.93% from Rs. 4,654.70 million in Fiscal 2004 to Rs. 2,097.70 million in Fiscal 2005. The opportunity to cash in on appreciation was hindered due to higher ten year yield levels for government securities, which increased from 5.16% in March 2004 to 6.68% in March 2005.

Income from commissions, exchange and brokerage increased by 7.26% from Rs. 1,078.70 million in Fiscal 2004 to Rs. 1,157.00 million in Fiscal 2005, which was principally due to increased business activities in this area.

Net profit from foreign exchange transactions increased by 17.73% from Rs. 583.20 million in Fiscal 2004 to Rs. 686.60 million in Fiscal 2005. This increase was due to an increase in merchant turnover from Rs. 97,151.50 million in Fiscal 2004 to Rs. 119,896.50 million in Fiscal 2005.

Miscellaneous income increased by 58.98% from Rs. 1,097.10 million in Fiscal 2004 to Rs. 1,744.15 million in Fiscal 2005. This increase was mainly due to an increase in recovery of bad debts from Rs. 519.80 million in Fiscal 2004 to Rs. 1,016.70 million in Fiscal 2005 and increase in receipt of evaluation fees from Rs. 99.96 million to Rs. 169.36 million due to increase in advances .

Operating Expenses

Total operating expenses increased slightly by 0.77% from Rs. 9,964.60 million in Fiscal 2004 to Rs. 10,041.80 million in Fiscal 2005. As a percentage of our total income, operating expenses increased marginally to 29.20% in Fiscal 2005 compared with 29.19% in Fiscal 2004. The following table sets forth the components of our operating expenses:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Payment to and provision for employees	7,972.30	7,272.90
Rent, taxes and lighting	572.50	648.10
Printing and stationery	107.90	122.80
Advertisement and publicity	39.70	110.20
Depreciation on Banks Properties (net of amounts adjusted against revaluation reserve)	307.50	308.20

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Director's fees, allowances and expenses	3.60	1.90
Auditor's fees and expenses	82.10	86.70
Law charges	15.30	17.30
Postage, telegrams, telephones etc.	9.20	9.60
Repairs and maintenance	162.70	195.00
Insurance	158.30	263.90
Other expenditure	533.50	1,005.20
Total Operating Expenses	**9,964.60**	**10,041.80**

The primary component of our operating expenses was payments to and provision for employees, which decreased by 8.77% from Rs. 7,972.30 million in Fiscal 2004 to Rs. 7,272.90 million in Fiscal 2005, which was due to a reduced provision for leave encashment, gratuity and pension.

Expenses for insurance increased by 66.71% from Rs. 158.30 million in Fiscal 2004 to Rs. 263.90 million in Fiscal 2005. This increase was mainly due to an increase in the premium rate of deposit insurance with the DICGC from 0.05% per half year to 0.08% with effect from April 2004.

Other expenditure increased by 88.42% from Rs. 533.50 million in Fiscal 2004 to Rs. 1,005.20 million in Fiscal 2005. This was mainly due to amortisation of investments of Rs. 417.25 million in Fiscal 2005. The amount of securities held in the HTM category increased from Rs. 70,233.40 million in Fiscal 2004 to Rs. 82,901.20 million in Fiscal 2005.

Operating Profit

Due to the factors described above, operating profit before provisions and contingencies increased slightly by 0.04% from Rs. 8,679.30 million in Fiscal 2004 to Rs. 8,682.80 million in Fiscal 2005. As a percentage of total income, our operating profit decreased marginally from 25.42% in Fiscal 2004 to 25.24% in Fiscal 2005.

Provisions and Contingencies

Provisions and contingencies made in Fiscal 2005 increased by 38.54% to Rs. 5,495.80 million compared with Rs. 3,967.10 million in Fiscal 2004. The following table sets forth, for the periods indicated, the components of our provisions and contingencies:

(Rs. in million)

	Year ended March 31,	
	2004	**2005**
Provision for Non Performing Advances	1,665.50	1,659.20
Floating Provision for NPAs (in addition to norms)	1,750.00	330.00
Provision for Investment NPA	(334.60)	1.00
Provision for standard advances	50.00	111.50
Depreciation on investments	13.10	1,364.70
Provision for restructured standard accounts	332.90	211.00
Provisions for income tax	235.80	229.70
Others	254.40	1,588.70
Total provisions and contingencies	**3,967.10**	**5,495.80**

Our provisioning in respect of non-performing assets decreased by 0.38% from Rs. 1,665.50 million in Fiscal 2004 to Rs 1,659.20 million in Fiscal 2005 due to a decrease in gross NPAs from Rs. 11,917.80 million in Fiscal 2004 to Rs. 7,483.50 million in Fiscal 2005.

Depreciation on investments increased by Rs. 1,351.60 million, from Rs. 13.10 million in Fiscal 2004 to Rs. 1,364.70 million in Fiscal 2005 due to the yields on 10 year government securities increasing from 5.16% to 6.68%, which increased the provision required. In addition, our shifting of securities amounting to Rs. 25,524.80 million from the AFS to the HTM category during September 2004 also contributed to this increase.

Our other provisions increased by Rs. 1,334.30 million from Rs. 254.40 million in Fiscal 2004 to Rs. 1,588.70 million in Fiscal 2005. This increase was mainly on account of the provision for wage arrears for Rs. 1,374.00 million in Fiscal 2005.

Net Profit

As a result of the foregoing factors, our net profit decreased by 32.37% from Rs. 4,712.20 million in Fiscal 2004 to Rs. 3,187.00 million in Fiscal 2005. As a percentage of total income, our net profit increased from 13.81% in Fiscal 2004 to 9.27% in Fiscal 2005.

Liquidity and Capital Resources

Our growth over the fiscal years ended March 31, 2004, March 31, 2005 and March 31, 2006 and the six months ended September 30, 2006 has been financed by a combination of cash generated from operations and increases in our customer deposits and borrowings.

The table below sets forth our cash flows from operations, cash flows from investment activities, cash flows from financing activities and net changes in cash and cash equivalents for the periods indicated:

(Rs. in million)

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**	**Six months ended September 30, 2005**	**Six months ended September 30, 2006**
Cash Flow from Operations	3,370.95	(8,253.20)	61,891.20*	9,981.60	(15,264.51)
Cash Flow from Investing Activities	(404.68)	(469.40)	(1,239.70)	(445.71)	(380.02)
Cash Flow from Financing Activities	0.00	3,000.00	(38,301.40)#	0.00	(1,010.00)
Net Changes in Cash and Cash Equivalents	2,966.27	(5,722.60)	22,350.10	9,535.89	(16,796.23)

* Includes Rs. 38,301.40 million due to offsetting losses against capital.

\# Represents decline in share capital due to offsetting losses against capital.

Cash Flows from Operations

Our net cash from operating activities was Rs. 3,370.95 million, Rs. (8,253.20) million and Rs. 61,891.20 million in Fiscal 2004, 2005 and 2006, respectively, and Rs. 9,981.60 million and Rs. (15,264.51) million in the six months ended September 30, 2005 and 2006, respectively.

Our net cash from operating activities reflects interest received during the period from advances and investments and other income and non-cash charges such as depreciation and provisions (mainly for non-performing and standard assets) made during the period, as well as adjustments for cash charges. In addition, our net cash from operating activities reflects changes in operating assets and liabilities, including investments, advances, deposits and borrowings, as well as other assets and liabilities. Change in borrowings reflects only short-term borrowings and not Tier II Bonds, which are included in cash flows from financing activities. The table below sets cash flows from cash profits, deposits, investments and advances for the periods indicated. These line items are the most material in terms of changes in our cash flow from operations.

(Rs. in million)

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**	**Six months ended September 30, 2005**	**Six months ended September 30, 2006**
Net cash from operating activities	3,370.95	(8,253.20)	61,891.20	9,981.60	(15,264.51)
Increase/(Decrease) in deposits	34,284.71	43,640.40	59,970.90	30,984.73	33,181.29
(Increase)/Decrease in investments	(18,356.23)	(12,313.40)	(11,351.90)	(7,896.87)	(11,930.79)
(Increase)/Decrease in advances	(17,813.41)	(39,463.70)	(41,057.50)	(17,266.53)	(37,172.85)

We had negative cash flow from operating activities during Fiscal 2005 due to an increase in advances amounting to Rs. 39,463.70 million and a decrease in other liabilities and provisions by Rs. 16,409.00 million. The decrease in other liabilities and provision was due to a decrease in the NPA provision by Rs. 3,047.50 million and a decrease in the amount payable to the GoI by Rs. 8,337.90 million.

The cash flow from operating activities was Rs. 61,891.20 million during Fiscal 2006. The increase was primarily on account of setting off of accumulated loss against capital amounting to Rs. 38,301.40 million. Also, an increase in deposits by Rs. 59,970.90 million helped contribute to the increase.

For the six months ended September 30, 2006, cash flow from operating activities was Rs. (15,264.51) million due to the high growth of advances amounting to Rs. 37,172.80 million, which was Rs. 19,906.30 million higher than the six months ended September 30, 2005.

Cash Flows from Investing Activities

Our net cash flow from investing activities was Rs. (404.68) million, Rs. (469.40) million and Rs. (1,239.70) million in Fiscal 2004, 2005 and 2006, respectively. Net cash flow from investing activities was Rs. (445.71) million and Rs. (380.02) million in the six months ended September 30, 2005 and 2006, respectively.

Our net cash from investing activities reflects investments consisting of the purchase and sale of fixed assets and dividends received from subsidiaries and other companies. The net investment in fixed assets has been increasing in recent years, from Rs. 463.08 million in Fiscal 2004, to Rs. 515.80 million in Fiscal 2005 and to Rs. 1,261.20 million in Fiscal 2006; this is mainly on account of investment in CBS implementation (hardware and software), furnishing of branches and acquiring new ATMs. This was partially offset by dividends received from subsidiaries and other companies.

Cash Flows from Financing Activities

Our net cash from financing activities was Rs. 3,000.00 million and Rs. (38,301.40) million in Fiscal 2005 and 2006, respectively, and Rs. (1,157.70) million for the six months ended September 30, 2006. In Fiscal 2004 and six months ended September 30, 2005, our cash flow from financing activities was nil.

Our net cash from financing activities in Fiscal 2005 reflects cash received from the issuance of Tier II Bonds. We issued Rs. 3,000 million of Tier II Bonds in Fiscal 2005. In Fiscal 2006, our net cash from financing activities was affected due to setting off of accumulated loss against capital amounting to Rs. 38,301.40 million. During the six months ended September 30, 2006, we paid a dividend of Rs. 1,010.00 million for Fiscal 2006 to the GoI.

Capital

We are subject to the capital adequacy requirements of the RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of the Bank of International Settlements. We are required to maintain a minimum ratio of total capital to risk adjusted assets as determined by a specified formula of 9.0%, at least half of which must be Tier I capital.

Our regulatory capital and capital adequacy ratios, based on our restated financial statements, are as follows:

(Rs. in Million except percentages)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**	**September 30, 2006**
Tier I capital	10,282.20	13,176.10	22,651.00	25,991.00
Tier II capital	6,922.10	11,348.30	6,384.20	5,773.10
Total capital	17,204.30	24,524.40	29,035.20	31,764.10
Total risk weighted assets and contingents	134,166.60	173,431.70	220,052.90	264,204.10
Capital adequacy ratios:				
Tier I	7.66%	7.60%	10.29%	9.84%
Tier II	5.16%	6.54%	2.90%	2.18%
Total capital ratio	12.82%	14.14%	13.19%	12.02%
Minimum capital ratios required by the RBI:				
Tier I	4.50%	4.50%	4.50%	4.50%
Total capital ratio	9.00%	9.00%	9.00%	9.00%

As shown above, our total capital adequacy ratio ("CAR") was 12.82% as of March 31, 2004, 14.14% as of March 31, 2005, 13.19% as of March 31, 2006 and 12.02% as of September 30, 2006. Our CAR as of September 30, 2006 decreased due to an increase in risk-weighted assets. We have been able to maintain the required CAR prescribed by the RBI. During Fiscal 2005 and 2006, the CAR decreased mainly due to an increase in advances from Rs. 183,801.00 million as of March 31, 2005 to Rs. 224,846.40 million as of March 31, 2006. This led to an increase in risk-weighted assets from Rs. 173,431.70 million as of March 31, 2005 to Rs. 220,052.90 million as of March 31, 2006. We are constantly reviewing our portfolio mix to maximise our return as well as to maintain the required CAR.

Net Worth

Our net worth, which we define as our total assets less our total liabilities, increased by 27.40% from Rs. 14,862.20 million as of March 31, 2004 to Rs. 18,934.60 million as of March 31, 2005. As compared to March 31, 2005, our net worth increased by 19.76% to Rs. 22,676.80 million as of March 31, 2006. Our net worth as of September 30, 2006 was Rs. 26,016.80 million.

Assets

The following table sets forth the principal components of our assets as at March 31, 2004, March 31, 2005, March 31, 2006 and September 30, 2006, based on our restated financial statements:

(Rs. in million)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**	**September 30, 2006**
Cash in hand (including foreign currency notes)	792.90	877.00	905.50	1,125.10
Balance with the RBI	27,644.60	18,743.40	22,124.40	23,287.20
Balance with banks in India	1,291.20	2,812.40	23,117.00	1,535.20
Balance with banks outside India	1,696.70	3,201.30	1,849.20	2,582.50
Money at call and short notice	20.60	89.30	77.40	2,747.20
Investments (Net)	166,962.10	179,209.90	190,170.00	202,232.50
Total advances	141,260.80	183,801.00	224,846.40	261,925.00
Fixed Assets (net of revaluation reserve)	2,015.50	2,215.40	2,950.40	3,015.80
Other Assets	8,723.10	8,163.80	8,075.20	9,679.20
Total Assets	**350,407.50**	**399,113.50**	**474,115.55**	**508,129.70**

Our total assets increased by 13.90% from Rs. 350,407.50 million as of March 31, 2004 to Rs. 399,113.50 million as of March 31, 2005, and further increased by 18.79% to Rs. 474,115.55 million as of March 31, 2006. Our total assets as of September 30, 2006 were Rs. 508,129.70 million. The most significant elements of these changes were increases in investments and advances as a result of a general increase in our business activities.

Our net investments increased by 7.34% from Rs. 166,962.10 million as of March 31, 2004 to Rs. 179,209.90 million as of March 31, 2005, and increased by 6.12% to Rs. 190,170.00 million as of March 31, 2006. Our net investments as of September 30, 2006 were Rs. 202,232.50 million. Of our investment portfolio as of September 30, 2006, 80.81% consisted of securities issued by the GoI, state governments and foreign governments (including local authorities) compared with 83.49%, 85.56% and 84.98% as of March 31, 2004, 2005 and 2006, respectively.

Our advances increased by 30.11% from Rs. 141,260.80 million as of March 31, 2004 to Rs. 183,801.00 million as of March 31, 2005, and further increased by 22.33% to Rs. 224,846.40 million as of March 31, 2006. Our advances as of September 30, 2006 were Rs. 261,925.00 million. The reasons for these increases in our advances were improved credit off take in the market together with our focus on credit growth.

Other assets, which included interest accrued, tax paid, tax deducted at source, stationery and stamps and non banking assets acquired in satisfaction of claims, decreased by 6.41% from Rs. 8,723.10 million as of March 31, 2004 to Rs. 8,163.80 million as of March 31, 2005, and decreased by 1.09% to Rs. 8,075.20 million as of March 31, 2006. Our other assets as of September 30, 2006 were Rs. 9,679.20 million. Our gross non-performing assets decreased from Rs. 11,917.80 million as of March 31, 2004, to Rs. 7,483.50 million as of March 31, 2005, and decreased to Rs. 6,689.90 million as of March 31, 2006, or 7.98%, 3.96% and 2.91% of gross advances, respectively. Our gross non-performing assets as of September 30, 2006 were Rs. 6,250.00 million or 2.34% of gross advances. The reduction in gross NPAs was mainly due to accelerated efforts on recovery of NPAs.

Our net NPAs to net advances ratio was 2.71% as of March 31, 2004, 1.35% as of March 31, 2005, 0.79% as of March 31, 2006 and 0.45% as of September 30, 2006. Our provisions and reductions for NPAs were Rs. 8,085.70 million as of March 31, 2004, Rs. 5,009.30 million as of March 31, 2005, Rs. 4,923.30 million as of March 31, 2006 and Rs. 5,066.60 million as of September 30, 2006. Our net NPAs as of September 30, 2006 were Rs. 1,180.00 million.

See the section titled "Selected Statistical Information" on page 182 of this Red Herring Prospectus for a further discussion of our non-performing assets.

Liabilities

The following table sets forth the principal components of our liabilities as at March 31, 2004, March 31, 2005, March 31, 2006 and September 30, 2006:

(Rs. in Million)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**	**September 30, 2006**
Demand deposits from banks	679.10	354.50	386.80	297.90
Demand deposits from others	22,730.30	28,228.50	31,653.20	33,246.20
Savings deposits	78,683.80	92,756.70	110,027.20	121,337.50
Term deposits from banks	4,971.90	4,206.20	6,908.00	1,759.80
Term deposits from others	197,378.80	222,538.50	259,080.00	284,595.10
Total deposits	304,443.90	348,084.40	408,055.20	441,236.50
Borrowings	2,989.20	7,245.90	18,872.90	17,804.90
Other liabilities and provisions	26,302.80	20,039.20	19,701.20	18,262.10
Subordinate debts	1,809.40	4,809.40	4,809.40	4,809.40
Total liabilities	**335,545.30**	**380,178.90**	**451,438.70**	**482,112.90**

Our total liabilities increased by 13.3% from Rs. 335,545.30 million as of March 31, 2004 to Rs. 380,178.90 million as of March 31, 2005 and further increased by 18.74% to Rs. 451,438.70 million as of March 31, 2006. Our total liabilities as of September 30, 2006 were Rs. 482,112.90 million. Other liabilities and provisions include bills payable, interest accrued on deposits and borrowings, inter-office adjustments, our Tier II Bonds and provisions for standard advances and other provisions.

Our total deposits increased by 14.33% from Rs. 304,443.90 million as of March 31, 2004 to Rs. 348,084.40 million as of March 31, 2005, and further increased by 17.23% to Rs. 408,055.20 million as of March 31, 2006. Our total deposits as of September 30, 2006 were Rs. 441,236.50 million. Current deposits grew by 12.13% to Rs. 31,653.20 million in Fiscal 2006 as against a growth of 24.20% during Fiscal 2005. Term deposits grew by 16.42% to Rs. 259,080.80 million as against a growth of 12.75% in Fiscal 2005.

Off-Balance Sheet Arrangements and Financial Instruments

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as of March 31, 2004, March 31, 2005, March 31, 2006 and September 30, 2006:

(Rs. in Million)

	March 31, 2004	**March 31, 2005**	**March 31, 2006**	**September 30, 2006**
Contingent liabilities				
Claims against the Bank not acknowledged as debt	2,069.50	2,776.20	2,673.90	2,640.70
Liability for partly paid investments	0.80	0.80	0.80	0.80
Liability on account of outstanding forward exchange contracts	28,909.20	26,249.00	66,552.60	41,600.40
Guarantees given on behalf of constituents in India	7,868.30	12,734.40	16,212.40	16,590.00
Acceptances, endorsements and other obligations	11,612.30	14,268.90	16,894.70	18,611.10
Other items for which the Bank is contingently liable	1,912.00	2,591.00	2,069.20	2,516.40
Total	**52,372.10**	**58,620.30**	**104,403.60**	**81,959.40**

Contingent liabilities increased by 11.93% from Rs. 52,372.10 million as of March 31, 2004 to Rs. 58,620.30 million as of March 31, 2005 and increased by 78.10% to Rs. 104,403.60 million as of March 31, 2006. Our contingent liabilities as of September 30, 2006 were Rs. 81,959.40 million. These changes were primarily due to our increasing money market operations as part of integrated treasury operations and an increase in our non-funded business (e.g., letters of credit and guarantees).

The contingent liability on forward exchange contracts has increased by Rs. 40,303.60 million in Fiscal 2006 due to swapping of foreign currency funds as part of foreign currency resource management and for money market operations amounting to USD 477.50 million. These transactions matured and reversed during September 2006.

Foreign Exchange and Derivative Transactions

Our foreign exchange contracts arise out of spot and forward foreign exchange transactions with corporate and non-corporate customers and inter-bank counter parties. We earn profit on inter-bank and customer transactions by way of a spread between the purchase rate and the sale rate. Income from foreign exchange transactions is recorded as income from exchange transactions and income from derivatives transactions in the hedging book is recorded as interest income and income from the proprietary book is recorded as trading income.

The aggregate notional principal amount of our forward foreign exchange contracts was Rs. 28,909.20 million as of March 31, 2004, Rs. 26,249.00 million as of March 31, 2005, Rs. 66,552.60 million as of March 31, 2006 and Rs. 41,600.40 million as of September 30, 2006. Since these contracts are marked to market, their fair value as of those dates was the same as their notional value.

The aggregate notional principal amount of our interest rate swaps was Rs. 500 million as of March 31, 2004, Rs. 500 million as of March 31, 2005, Rs. 500 million as of March 31, 2006 and Rs. 250 million as of September 30, 2006.

Significant Developments after September 30, 2006

Except as stated elsewhere in this Red Herring Prospectus, to our knowledge no circumstances have arisen since September 30, 2006, which is the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Bank or the value of our assets or our ability to pay our liabilities.

FINANCIAL INDEBTEDNESS

Details of Tier II Capital of the Bank

(Rs. in million)

Issue Series	**Date of Issue**	**Amount Outstanding as of December 31, 2006**	**Date of Repayment**	**Coupon (%)**	**Security**
Bond Series I					
Option – 1	July 12, 2004	2,099	At par at the end of 84 months from the deemed date of , allotment i.e July 12, 2011	6.15 per cent p.a	Unsecured
Option – 2	July 12, 2004	901	At par at the end of 120 months from the deemed date of allotment, i.e., July 12, 2014	6.25 per cent p.a	Unsecured

* These bonds have been issued on a private placement basis on July 12, 2004 (the deemed date of allotment) and IDBI Trusteeship Services Limited is the trustee for the holders of the aforementioned bonds. Pursuant to an agreement dated July 12, 2004 with IDBI Trusteeship Services Limited in such private placement, the Bank is prohibited from declaring or paying any dividend unless it has paid all the dues to the bondholders/trustees up to the date on which the dividend is proposed to be declared or has paid or has made satisfactory provisions therefor have been made.

Investment by our Associates in our bond offering described above

In our Bond Series I issue, our Associates invested as detailed below:

(Rs. in million)

Sr. No.	**Name of the Associate**	**Amount**
1.	Sri Venkateswara Grameena Bank	14.00
2.	Kanakadurga Grameena Bank	10.00
3.	Adhiyaman Grama Bank	10.00
4.	Vallalar Grama Bank	10.00
	Total	**44.00**

Consequent to the amalgamation of Shri Venkateswara Grameena Bank and Kanakadurga Grameena Bank into Saptagiri Grameena Bank (vide GoI notification dated June 30, 2006), Rs. 24.00 million of Tier II Bonds are held by Saptagiri Grameena Bank.

Consequent to the amalgamation of Adhiyaman Grama Bank and Vallalar Grama Bank into Pallavan Grama Bank (August 31, 2006), Rs. 20.00 million of Tier II Bonds are held by Pallavan Grama Bank.

Details of Unsecured Liabilities

Set forth below is a brief summary of our aggregate unsecured borrowings as on December 31, 2006:

(Rs. in million)

Particulars	**Amount outstanding**
Term deposits from banks (inter bank borrowings)	1,330.00
Subordinated debts (including subordinated Tier II Bonds Series I)	3,000.00
Borrowings from other banks	0.00
Collateral borrowing and lending operations	199.81
Total	**4529.81**

Borrowings in India

Borrowings within India comprise borrowings from the RBI, borrowings from banks and other financial institutions and agencies. The Bank has availed of short term loans for an amount aggregating Rs. 7,000 million from the Small Industries Development Bank of India ("**SIDBI**"), the details of which are given below:

(Rs. In million)

Date of disbursement	**Amount**	**Interest rate (%) (payable quarterly)**	**Date of repayment[(1)]**	**Amount outstanding as of Security December 31, 2006**
May 29, 2006	3,900.00	7.40	May 29, 2007	3,900 See note (2)
June 29, 2006	1,100.00	7.80	June 29, 2007	1,100
August 7, 2006	2,000.00	8.00	August 7, 2007	2,000

(1) In terms of the loan agreements dated May 26, 2006 and August 5, 2006 with SIDBI, the Bank does not have the option to prepay the outstanding principal amount of the loan. Further, in case of default in payment of principal, interest and all other monies (except liquidated damages) the Bank will be liable to pay on the defaulted amounts, liquidated damages at the rate of 2 per cent p.a. for the defaulted period.

(2) These loans have been secured by all securities including movable and immovable assets, book debts, receivables, actionable claims, guarantees, assignments, bills of exchange and proceeds thereof as also all other securities as may be directly or indirectly obtained or to be obtained by the Bank from its borrowers to secure the financial assistance made available to its borrowers, i.e industrial concerns in the small scale sector and small road transport operators.

These borrowings are in the ordinary course of the Bank's business comprising money market operations.

Borrowings in Foreign Exchange

As of December 31, 2006, the Bank had no borrowings in foreign exchange.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigation, suits or civil proceedings, or criminal proceedings, or prosecutions or tax liabilities by or against our Bank or our Directors, Subsidiaries or our Associates, and there are no defaults, non-payment or overdues of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues payable to holders of any debentures, bonds, or fixed deposits, and arrears on preference shares issued by the Bank, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ and other offences (including past cases where penalty may or may not have been awarded) that would result in a material adverse effect on our business. None of the aforesaid persons/ companies/ banks is on RBI's list of wilful defaulters.

Litigation against the Bank

SEBI Orders

1. SEBI has issued directions dated November 30, 1999 under section 11B of the SEBI Act against Indian Bank Mutual Fund (IBMF) and the Bank (as the sponsor and principal trustee of IBMF). SEBI has directed IBMF to redeem Plan A of the Ind Prakash Scheme at prices as assured in terms of the offer document (aggregating Rs. 159 million) and in case of Plan B to pay the cumulative minimum value at the end of the scheme as on November 30, 1999 (aggregating Rs. 336.6 million, and together with Plan A, aggregating Rs. 495.6 million). SEBI also directed that if IBMF is not in a position to pay the investors assured returns as aforesaid, the shortfall is to be borne by Indian Bank. The Bank and IBMF preferred a joint appeal to the Appellate Authority, GoI which was rejected pursuant to order dated February 18, 2000; against which rejection Indian Bank and IBMF jointly filed an appeal on April 18, 2000 before the Delhi High Court under Section 15(z) of the SEBI Act 1992. The Delhi High Court stayed the order of the Appellate Authority. Subsequently the appeal was withdrawn and Civil Writ Petition No. 7463 of 2000 was filed on December 7, 2000 jointly by Indian Bank and IBMF praying for quashing of the order of the Appellate Authority. The Delhi High Court by its order and judgment dated July 13, 2006 has set aside the order of the Appellate Authority and has found that IBMF is not liable to pay returns to investors with respect to the Ind Prakash Scheme as directed by SEBI in its order. SEBI has filed a letters patent appeal before the Delhi High Court against the above order and the matter is to be listed on February 13, 2007. The Bank has filed a caveat application in the matter of the said appeal. With respect to the Ind Jyothi scheme, the Delhi High Court has passed an order on December 10, 2001 directing a sum of Rs. 1.48 million to be kept within a short term fixed deposit separately payable to the respondent in the event of the writ petition being dismissed.

Criminal Cases

1. Nexim Exports Private Limited and Mohan Murti Shandilya have filed two criminal complaints (No. 1763/1 of 2004 and No. 1764/1 of 2004) before the Additional Chief Metropolitan Magistrate, New Delhi on December 4, 2004 against the Bank, its Board, a former chairman and managing director and certain other officers of the Bank alleging that the Bank had misappropriated amounts lying to the credit of the accounts of the complainants. The Metropolitan Magistrate took cognisance of the offence and issued summons against the accused persons other than the Bank and the Board. Criminal revision petitions were filed before the Delhi High Court praying that the complaints and the order passed by the Metropolitan Magistrate be quashed. The Delhi High Court has stayed the proceedings of the trial court.

2. The Central Bureau of Investigation has filed 59 complaints against 74 employees of the Bank at various grades for offences such as fraud. A former chairman and managing director has been named as an accused in 28 of these cases. Wherever necessary, the sanction for prosecution has been accorded in these cases by the competent authority and the trial is pending in the CBI Court.

Civil Cases

There are approximately 199 civil cases filed against the Bank before various forums in respect of amounts aggregating approximately Rs. 2,877.24 million. These include the cases described below where the amount involved in each suit exceeds Rs. 10 million.

1. Mohan Murti Shandilya and Renu Shandilya have claimed a refund of an amount aggregating Rs. 600 million from the Bank before the DRT, Delhi. The Bank had filed three recovery applications before the DRT, Delhi against Gambro Nexim India Medical Limited, Nexim Exports Private Limited and Rexima Exports Private Limited and their guarantors, Mohan Murti Shandilya and Renu Murti Shandilya for the recovery of an amount aggregating Rs. 551.10 million with future interest and costs. The Bank also adjusted deposit amounts aggregating Rs. 88.00 million that were lying to the credit of the guarantors' account against the borrower's loan account. The guarantors have challenged this adjustment and made the aforesaid claim. The DRT passed an interim order dated June 7, 2004 directing the Bank to refund a sum of Rs. 450 million. The Bank filed appeals before the DRAT Delhi against this order dated June 7, 2004. The DRAT passed an order dated May 25, 2006 setting aside the order of the DRT and directing the DRT to adjudicate upon the matter afresh. The Bank has filed a writ petition before the Delhi High Court against the order of the DRAT directing DRT to adjudicate afresh. The matter is pending.

2. The Bank along with another bank had filed suit No. 986 of 1999 in the Bombay High Court against Laxmi Starch Limited in respect of an amount aggregating approximately Rs. 706.1 million (out of which the Bank's claim is for an amount aggregating approximately Rs. 282.44 million) that was allegedly payable to the banks in terms of loan documents between the banks and Laxmi Starch Limited. The suit was transferred to the Debt Recovery Tribunal, Bombay (numbered as Original Application No. 575 of 2001). Laxmi Starch Limited was declared sick and the BIFR ordered it's winding up, subsequent to which the official liquidator was substituted for Laxmi Starch Limited in the proceedings before the Debt Recovery Tribunal. The official liquidator has filed a counter claim in respect of an amount aggregating approximately Rs. 877.2 million (out of which the claim against the Bank is for an amount aggregating approximately Rs. 350.88 million) with interest thereon on the ground that due to the alleged non-performance and breach of contract on the part of the banks, Laxmi Starch Limited had been compelled to wind up its business. The banks have filed a their reply to the counter claim. The suit is pending.

3. Madhu Chimanlal Ganwani and others had filed suit No. 34/47 of 1998 before the Small Causes Court in Bandra, Mumbai against the Bank seeking possession of certain premises occupied by the Bank, compensation of approximately Rs. 33.30 million for wrongful use and occupation of the said premises from August , 1995 to August 30, 1998, compensation at the rate of Rs. 0.9 million per month from September 1, 1998 till the day Bank hands over possession, and payment of a sum of Rs. 0.7 million being arrears of municipal taxes and future municipal taxes till the possession is handed over. The premises were subsequently sold to Flamming Town Planners Private Limited who has been substituted as plaintiff in the suit. The court passed an interim order dated January 31, 2000 directing the Bank to deposit an amount aggregating Rs. 0.71 million in the court. Against this order dated January 31, 2000, the Bank preferred appeal No.76 of 2000 before the Bombay High Court. The appeal is pending.

4. Industrial Agencies Corporation has filed eviction petition No. 103/122 of 2005 before the Small Causes Court against the Bank in respect of certain premises occupied by the Bank. Industrial Agencies Corporation have also claimed arrears of compensation for an amount aggregating approximately Rs. 13.0 million towards taxes and mesne profit. The Bank has surrendered the possession of the premises and the suit is pending in respect of the claim for compensation.

5. ABS Marine Products Private Limited has filed a suit No. 7 of 1995 against the Bank in the Calcutta High Court in respect of an amount aggregating approximately Rs. 253.86 million as damages payable by the Bank for the alleged loss suffered by ABS Marine Products Private Limited on account of the alleged failure of the Bank to advance and issue guarantee. The suit is pending.

6. India Farmers (P) Limited has filed a suit No. 3848 of 1991 in the Bombay High Court for damages of an amount aggregating Rs. 50 million for allegedly not releasing the balance of loan amount. The Bombay High Court ordered transfer of the suit to the DRT, Mumbai to be tried along with the recovery application No. 2617 of 1999 filed by the Bank. The Bank has filed its written statement. Both the suits are pending.

7. Chidvee Exports has filed a counter claim to the Bank's recovery application No 522 of 1999 before the DRT, Chennai for an amount aggregating approximately Rs. 36.36 million with interest. The suit is pending.

8. Nisha Synthetics Limited has filed suit No. 1139 of 1996 in the Bombay High Court against the Bank in respect of an amount aggregating approximately Rs. 16.73 million with interest at the rate of 24 per cent p.a as damages for the loss suffered on account of the alleged non-release of timely funds. The suit is pending.

9. Vijay Pipe Industries Limited has filed suit No. 63 of 2006 against the Bank and others in the Madras High Court for an amount aggregating approximately Rs. 16.20 million with interest at the rate of 18 per cent p.a as damages for the loss suffered because the Bank did not sanction and release its loan in time and did not accept the rehabilitation package of Vijay Pipe Industries Limited. The matter is pending.

10. Hallo Biscuits Company filed suit No. 84 of 1995 against the Bank in the court of the Assistant Judge at Alipore for an amount aggregating approximately Rs.15 million as it had allegedly suffered loss and hardship on account of Bank's refusal to grant working capital facility. The matter is pending.

11. Alengar Construction and another have filed a counter claim to the Bank's recovery application No. 944 of 1999, before the DRT, Chennai for an amount aggregating approximately Rs. 305.39 million as the loss suffered due to the alleged non extension of availed banking facilities/freezing the account and non renewal of guarantee bonds by the Bank. The Bank has filed its reply to the counter claim. The matter is pending.

12. Anand Agencies has filed a counter claims to the Bank's recovery application No 491 of 1999 before the DRT, Chennai for an amount aggregating approximately Rs. 162.80 million as the alleged loss suffered on account of the alleged non-release of sanctioned funds by the Bank. The borrower has also alleged breach of trust on the part of the Bank. The Bank has filed its reply to the counter claim and the matter is pending.

13. State Bank of Hyderabad and State Bank of Travancore have filed recovery applications against M/s MVR Group and impleaded the Bank as a defendant in respect of an amount aggregating approximately Rs. 222.10 million. It has been alleged that Bank has breached a consortium agreement and has appropriated/realised proceeds from certain goods

hypothecated by the borrowers to the consortium, which it is liable to share with the other member of the consortium. It has also been alleged that the Bank has received in excess of what it is entitled to and is liable to refund the same. The matter is pending.

14. IDBI has filed two suits against the Bank (No. 274 of 2001 and No. 432 of 2002) before the DRT, Chennai in respect of an amount aggregating approximately Rs. 35. 80 million along with interest at the rate of 20.15%, as the amount payable by the Bank on certain bills that have been allegedly accepted by the Bank. The suits are pending.

15. Panchsheel Mercantile Co-operative Limited has filed a suit against the Bank and others for recovery of an amount aggregating approximately Rs. 12.80 million on the ground that the Bank had allegedly deposited a cheque drawn by Panchsheel Mercantile Co-operative Limited into the bank account of an entity that did not exist. The suit is pending.

16. Certain co-operative societies and banks have filed seven writ petitions before the Gujarat High Court for directions to the Bank to release deposit amounts aggregating approximately Rs. 51.78 million which they had invested with the Bank and availed advances against these deposits. The Bank had refused to release the deposits for the reason that the original receipts were already pledged with the Bank for the advances availed and the Income Tax Department had also issued orders freezing the said deposits. The Gujarat High Court appointed a committee to look into the claim of the societies/ banks and based on the findings of the committee, the High Court passed orders directing the bank to pay the disputed amount, in four cases. The Bank has filed a special leave petition before the Supreme Court, which is pending. The other three writ petitions are also pending.

17. The Central Bank of India has filed suit No. 312 of 1982 in the Bombay High Court against the Bank in respect of an amount aggregating approximately Rs. 11.71 million as the amount allegedly due from the Bank on account of certain telegraphic transfers discounted by the Bank. The Bank has filed its written statement. The suit is pending.

18. Abishek Agarwalla has filed suit No. 3475 of 1995 in the Bombay High Court against the Bank and others in respect of an amount aggregating approximately Rs. 38.52 million as the Bank had allegedly broken open a locker jointly in the name of Abhisek Agarwalla and his wife without following the prescribed procedure resulting in loss of valuables from the locker. The Bank has filed its written statement. The suit is pending.

19. Zen Global Finance Limited had filed a suit No. 336 of 1998 in the Madras High Court against the Bank and another in respect of an amount aggregating approximately Rs. 32.20 million together with future interest at the rate of 30% per annum and also for a declaration that the Bank is not right in treating its account as NPA. The suit is pending.

20. Infar (I) Limited and others have filed suit No. 375A of 1997 in the Calcutta High Court against Bank in respect of an amount aggregating approximately Rs. 29.86 million being the amount allegedly payable by the Bank for not accepting certain bill and for non-payment on a letter of credit. The Bank has filed its written statement and the matter is currently pending.

21. The State of Manipur, through the Joint Director, Manipur State Lotteries had filed suit No. 56 of 2000 in the court of the Civil Judge, Senior Division at Manipur against the Bank and another in respect of an amount aggregating approximately Rs. 27.36 million being the amount allegedly payable by the Bank on a guarantee issued by it. The court passed an order dismissing the suit. Aggrieved by this order of dismissal, the Joint Director, Manipur State Lotteries has preferred an appeal before the Guwahati High Court. The appeal was allowed and the suit was remanded back for fresh trial. The suit is pending.

22. Industrial Finance Corporation of India has filed suit No. 265 of 2004 before the DRT, Ernakulam against the Bank and another in respect of an amount aggregating approximately Rs 13.10 million being the amount allegedly payable by the Bank on a guarantee issued by it on behalf of Travancore Rayons Limited. The Bank has filed its written statement and the matter is pending.

23. The National Institute of Public Finance & Policy and others have filed suit No. 370 of 2004 in the Delhi High Court against the Bank in respect of an amount aggregating approximately Rs. 11.02 million along with 15% interest per annum and costs as the Bank has permitted unauthorised withdrawal of the amount from their account the basis of forged instruments. The Bank has filed its written statement. The suit is pending.

24. Vinitec Electronics has initiated arbitration proceedings against the Bank in respect of an amount aggregating approximately Rs. 7.52 million with interest being the amount allegedly payable by the Bank for the supply of UPS. For the performance obligation it issued Bank guarantees. The Bank invoked the guarantees claiming that the service support was not as per contract and system supplied did not provide the assured hours of power supply. Vinitec Electronics has obtained conditional stay order against the invocation of guarantee by the Bank. Meanwhile Vinitec Electronics has referred the dispute to arbitration, claiming a sum of Rs.7.52 million with interest. The Bank has made a counter claim of Rs.324.92 million by way of loss/damages caused, which was subsequently reduced to Rs. 53.43 million. The proceedings are pending for adjudication.

25. Punjab National Bank has filed suit No. 508 of 1996 against the Bank and another before the DRT, New Delhi for an amount aggregating approximately USD 6.95 million against a bank guarantee that is allegedly payable by the Bank. The matter is pending.

In addition, there are approximately 1,002 cases filed against the Bank where the financial impact cannot be quantified. These include two writ petitions filed by Penguin Textiles Limited ("**PTL**") relating to restoration applications to which the Bank is a party. The details of these writ petitions are given below:

1. The Bank had granted certain loan facilities to PTL in 1968. As security for repayment of the facilities, PTL mortgaged, in favour of the Bank, 46.87 acres of land allotted to PTL by the Government of Andhra Pradesh in 1964. In 1996, PTL was declared "sick" under the provisions of the Sick Industries Companies (Special Provisions) Act, 1985, as amended and a reference was made to the Board for Industrial and Financial Reconstruction (the "**BIFR**"). The reference is pending before the BIFR. The Bank was appointed as the "Operating Agency" with respect to the proceedings before the BIFR.

   In 1998, the Government of Andhra Pradesh, acting through the Andhra Pradesh Industrial Infrastructure Corporation (the "**APIIC**"), cancelled the allotment of 36.87 acres of land from PTL on the ground that PTL had failed to fulfill the conditions of allotment. PTL challenged the order of the APIIC through a writ petition filed before the High Court of Andhra Pradesh (W.P. No. 33733 of 1998). The said writ petition was dismissed on January 28, 2000. PTL filed an appeal against the dismissal order before a division bench of the High Court of Andhra Pradesh, on the basis of a memorandum of compromise, and the High Court issued a compromise decree dated September 23, 2002. In terms of a memorandum of compromise entered into between the promoters of PTL and the APIIC (the "Memorandum of Compromise"), the promoters of PTL agreed to return to the APIIC, 26.44 acres out of the total of 46.87 acres of land initially allotted to PTL, with the option to PTL to approach the APIIC for restoration of title to the land surrendered by PTL on fulfillment of the conditions of allotment.

   The Bank, which had first charge over the 46.87 acres of land, was aggrieved by the Memorandum of Compromise since PTL returned the land, which was mortgaged to the Bank, to the APIIC without the Bank's prior consent. Therefore, the Bank filed a Special Leave Petition No. 7244 of 2003 (the "SLP") before the Supreme Court of India against the order of the High Court of Andhra Pradesh.

   Meanwhile, the APIIC allotted 16 acres of the land returned by PTL to the Hyderabad Cricket Association (the "HCA"). Hence, the Bank impleaded the HCA in the SLP and obtained a stay, by way of interim relief, against the HCA from proceeding with the construction of a cricket stadium on the said land. The Supreme Court of India in its order dated March 12, 2004 directed the HCA to maintain the status quo.

   The HCA entered into an agreement with the Bank on March 6, 2004, under which the HCA paid Rs. 20 million to the Bank to proceed with the construction on the said land, without affecting the Bank's mortgage interest over any part of the land. Pursuant to this agreement, the Supreme Court of India in its order dated March 12, 2004 withdrew the stay order operating against the HCA, without affecting the Bank's mortgage interest. This SLP is still pending before the Supreme Court of India.

   In another matter, the Company filed Writ Petition No. 2888 of 2005 against the Appellate Authority for Industrial and Financial Reconstruction (the "**AAIFR**"), the BIFR and the Bank. This writ petition relates to an order passed by the AAIFR which has dismissed the restoration application filed by PTL before the BIFR and this restoration application does not affect the Bank's right over the land mortgaged by PTL. The Bank has been impleaded merely as a proper party in the writ petition and there is no specific prayer against the Bank.

The BIFR passed an order dated October 17, 2006, in which it observed as follows: "Both the parties shall file their objections in a comprehensive manner with supporting documents in a week's time for consideration of the Bench." The Bank filed its submissions to the BIFR on November 17, 2006 and December 4, 2006.

Consumer Cases

There are approximately 334 consumer complaints filed against the Bank before various consumer disputes redressal forums in respect of amounts aggregating approximately Rs. 328.43 million. These include the complaints described below where the amount involved in each complaint exceeds Rs. 10 million. In addition, there are approximately 41 consumer complaints filed against the Bank where the financial impact cannot be quantified.

1. Vishamber Sunderdas Badlani and another have filed complaint No. 24 of 2005 against the Bank and others before the National Consumer Disputes Redressal Commission in respect of an amount aggregating approximately Rs. 135.90 million as the Bank had allegedly been negligent in allowing operations against the complainants mandate relating to certain deposits placed by them with the Bank. The Bank filed a written statement challenging the exercise of summary jurisdiction by the National Consumer Disputes Redressal Commission ("**National Commission**"). The forum passed an order dated February 2, 2006 directing the Bank to release the admitted amount on obtaining a bank guarantee. The Bank filed a separate application dated March 13, 2006 challenging summary jurisdiction of the forum. The passed an order dated April 5, 2006 directing the parties to comply with the order dated February 2, 2006. The Bank filed civil appeal No. 2288 of 2006 in the Supreme Court against the order dated April 5, 2006. The appeal is currently pending. The Supreme

Court has stayed the impugned order dated April 5, 2006 of the forum and has allowed the Bank to amend the appeal memo to challenge the forum's order dated February 2, 2006.

2. MOH Leathers Limited has filed complaint No. 12 of 1999 before the National Commission against the Bank in respect of an amount aggregating approximately Rs. 81.60 million being the damages allegedly payable by the Bank on account of deficiencies in services. The Bank had allegedly failed to release funds under a rehabilitation package, resulting in losses to the complainant. The Bank has filed its reply to the complaint. The matter is pending.

3. R. Soundarajan has filed complaint No. 9 of 1999 against the Bank before the National Commission in respect of an amount aggregating approximately Rs. 18.10 million allegedly payable by the Bank on account of deficiencies in service. The Bank had allegedly failed to release certain loan facilities to the complainant resulting in losses to the complainant The matter is pending.

4. Kandimalla Raghavaiah & Company has filed complaints No. 97 of 1996 and No. 248 of 1997 before the National Commission against the Bank in respect of an amount aggregating approximately Rs. 13.50 million with interest allegedly payable by the Bank on account of deficiencies in service. The Bank allegedly failed to follow up certain claims with the insurers in respect of certain goods hypothecated by the complainant that were subsequently destroyed. The National Commission dismissed the complaints as barred by limitation. The complainant filed civil appeal No. 4962 of 2002 before the Supreme Court against the judgment of the National Commission. The matter is pending.

5. Bhagwanji Patel and another have filed complaint No. 217 of 2006 before the National Commission against the Bank and others in respect of an amount aggregating approximately Rs. 17.99 million with interest as well as compensation as the Bank had allegedly been negligent in allowing operations against the complainants mandate relating to certain deposits placed by them with the Bank. The matter is pending.

Tax cases

Income tax

1. The Bank filed its returns on November 25, 2003 for the assessment year 2003 – 2004 returning a loss of approximately Rs. 1,834 million. The Assessing Officer assessed income to be 'nil' adjusting against the brought forward losses. The Assistant Commissioner of Income Tax, Company Circle II (3), Chennai has issued a notice of demand dated March 31, 2006 under Section 156 of the Income Tax Act 1961 to the Bank for a sum aggregating approximately Rs. 480.99 million as the assessment under Section 115 JB. The Bank has preferred an appeal (ITA No. 353/ 2006-2007) before the Commissioner of Income Tax (Appeals) which is pending; contending *inter alia* that the assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme and this claim has been upheld by the CIT (A) in Bank's own case in previous assessment years; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, income from foreign branches are covered by the double tax treaties and bad debts written off are allowable deductions. The CIT (A) passed an order dated November 23, 2006 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 4,862.20 million and the tax outflow is nil due to adjustment of current year and brought forward losses. Additionally, there is a tax liability of approximately Rs. 480.99 million as per 115 JB computation. The matter is pending.

2. The Assistant Commissioner of Income Tax, Company Circle II (3), Chennai has issued a notice of demand dated March 31, 2005 under Section 156 of the Income Tax Act, 1961 to the Bank for an amount aggregating approximately Rs. 181.64 million for the assessment year 2002 – 2003. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) contending *inter alia* that the assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, income from foreign branches are covered by the relevant tax treaty, bad debts written off are allowable deductions; provisions made for 'provisions and contingencies' ought not to have been treated as 'reserves'. The CIT (A) passed an order dated December 28, 2005 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 3,017.00 million and the tax outflow is nil due to adjustment of current year and brought forward losses.

3. The Bank filed its return of income on October 29, 2001 for assessment year 2001-2002 declaring a total loss of approximately Rs. 8,367.31 million. The Assistant Commissioner of Income tax by his assessment order dated March 31, 2004 disallowed excess depreciation on investments, write-off of bad debts, adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be approximately Rs. 1,137.08 million. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) contending inter alia that assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount

is only revenue in nature, income from foreign branches are covered by relevant tax treaty, bad debts written off are allowable deductions and that unless a nexus is established between the earning of the tax-free income and the incurring of expenditure, no portion of the expenditure incurred can be notionally allotted as relatable to the earning of tax free income and that therefore the adding of expenditure attributable to income exempt was erroneous. The CIT (A) passed an order dated December 28, 2005 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 6,692.80 million and the tax outflow is nil due to current year and brought forward losses.

4. The Bank filed its return of income on November 30, 2000 for the assessment year 2000-2001 declaring a total loss of approximately Rs. 6,284.68 million. The Assistant Commissioner of Income tax in Assessment Order dated March 26, 2003, *inter alia* disallowed excess depreciation on investments, write-off of bad debts, adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be Rs. 2,357.96 million. The Bank preferred an appeal (ITA No.) before the Commissioner of Income Tax (Appeals) contending inter alia that assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, income from foreign branches are covered by the relevant tax treaty, bad debts written off are allowable deductions and that unless a nexus is established between the earning of the tax-free income and the incurring of expenditure, no portion of the expenditure incurred can be notionally allotted as relatable to the earning of tax free income and that therefore the adding of expenditure attributable to income exempt was erroneous. The CIT (A) passed an order dated December 28, 2005 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 2,924.30 million and the tax outflow is nil due to adjustment of current year and brought forward losses.

5. The Bank filed its return of income on December 30, 1999 for the AY 1999-2000 declaring a total loss of approximately Rs. 5,395.83 million. The Assistant Commissioner of Income Tax in Assessment Order dated January 31, 2002, *inter alia* disallowed excess depreciation on investments, write-off of bad debts, adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be approximately Rs. 4,808.31 million. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) contending *inter alia* that assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, income from foreign branches are covered by the relevant tax treaty, bad debts written off are allowable deductions and that unless a nexus is established between the earning of the tax-free income and the incurring of expenditure, no portion of the expenditure incurred can be notionally allotted as relatable to the earning of tax free income and that therefore the adding of expenditure attributable to income exempt was erroneous. The CIT (A) passed an order dated December 28, 2005 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 280.80 million and the tax outflow is nil due to adjustment of current year and brought forward losses.

6. The Bank filed its return of income on October 25, 1998 for the assessment year 1998-1999 declaring a total loss of approximately Rs. 4,031.10 million. The Assistant Commissioner of Income tax in Assessment Order dated January 31, 2002, *inter alia* disallowed excess depreciation on investments, write-off of bad debts, adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be approximately Rs. 2,186.34 million. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) contending *inter alia* that assessing officer erred in disallowing a portion of depreciation claimed as excess depreciation insofar as the assets had been taken over pursuant to a Government-agency approved scheme; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, income from foreign branches are covered by the relevant tax treaty, bad debts written off are allowable deductions and that unless a nexus is established between the earning of the tax-free income and the incurring of expenditure, no portion of the expenditure incurred can be notionally allotted as relatable to the earning of tax free income and that therefore the adding of expenditure attributable to income exempt was erroneous. The CIT (A) passed an order dated March 11, 2003 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred which is pending. The total amount involved in the dispute is Rs. 2,024.30 million and the tax outflow is nil due to adjustment of current year and brought forward losses.

7. The Bank filed its return of income on November 27, 1997 for the assessment year 1997-1998 declaring a total loss of approximately Rs. 2,702.16 million. Assessment was completed with a net loss of approximately Rs. 2,252.05 million. The Bank preferred an appeal before the CIT(A) which was partly allowed to the extent of foreign income and depreciation. A second appeal at the Income Tax Appellate Tribunal has been preferred in respect of broken period interest and disallowance under Section 14 A which is pending. The total amount involved in the dispute is Rs. 41.20 million and the tax outflow is nil due to adjustment of current year and brought forward losses.

8. The Bank filed its return of income on November 28, 1996 for the assessment year 1996-1997 declaring a total loss of approximately Rs. 7,950.10 million. The Deputy Commissioner of Income Tax in Assessment Order dated February 22, 2002, *inter alia* disallowed excess depreciation on investments, write-off of bad debts, adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be approximately Rs. 2,385.76 million. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) contending *inter alia* that revision of assessment made under Section 147 is barred by limitation and without jurisdiction; broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature, and that technical write off in the Head Office book of the Bank are allowable deductions under S. 36 (1) (vii). The CIT (A) passed an order dated December 28, 2005 partly allowing the appeal. The Order held the reopening of assessment as valid; disallowed broken period interest in respect of permanent securities held as investment and allowed the broken period interest in respect of current securities held as stock-in-trade; confirmed the disallowance of technical write-off as conditions stipulated in S. 36 (1) (vii) read with S. 36 (2) are not satisfied. A second appeal at the Income Tax Appellate Tribunal has been preferred against the above order which is pending. The total amount involved in the dispute is 4,362.30 million, however the tax outflow is nil due to adjustment of current year losses, brought-forward losses and depreciation.

9. The Bank filed its return of income on November 29, 1995 for the assessment year 1995-1996 declaring a total loss of approximately Rs. 629.31 million. The Deputy Commissioner of Income Tax in Assessment Order dated March 30, 1998 *inter alia* disallowed excess depreciation on assets taken over from the Bank of Tanjore, disallowed depreciation on properties acquired pending registration, disallowed depreciation on investments (stock in trade), adding back of broken period interest, income from foreign branches, adding of expenditure attributable to income exempt, and determined the loss to be Rs. 172.85 million. The Bank preferred an appeal before the Commissioner of Income Tax (Appeals) The CIT (A) passed an order dated July 5, 2004 partly allowing the appeal. A second appeal at the Income Tax Appellate Tribunal has been preferred against the above order which is pending. The total amount involved in the dispute is Rs. 98.90 million, however the tax outflow is nil because of adjustment of brought-forward losses and depreciation.

10. The Bank filed its return of income on November 30, 1994 for the assessment year 1994-1995 declaring a loss of approximately Rs. 388.82 million. Assessment was finalized on March 4, 1997 under Section 143 (3) on a total loss of approximately Rs. 87. 08 million. Appeal filed by the Bank against this order is pending. Subsequently a Demand Notice under Section 148 was issued for alleged 'escaped income' of approximately Rs. 14.70 million. Assessment Order was issued on February 27, 2002 whereby the loss has been assessed as approximately Rs. 72.38 million. An appeal was preferred to the CIT which passed an order dated December 28, 2005 partly allowing the appeal. The Order held the reopening of assessment as valid; disallowed broken period interest in respect of permanent securities held as investment and allowed the broken period interest in respect of current securities held as stock-in-trade. An appeal has been preferred to the ITAT, which is pending. The total amount involved in this dispute is Rs. 29.80 million and tax outflow is nil.

11. The Deputy Commissioner of Income Tax has issued a notice of demand dated February 27, 2002 for approximately Rs. 8.35 million under Section 156 of the Income Tax Act 1961 to the Bank for the assessment year 1993-1994. The Bank preferred an appeal to the Commissioner of Income Tax (Appeals) arguing the validity of the notice under S. 147 read with S. 148 of the Income Tax Act and that broken period interest paid and received is in the regular course of business activity and as the investments are in the nature of stock-in-trade, the entire amount is only revenue in nature. The CIT (A) issued an order dated December 28, 2005 by which the first ground of appeal was dismissed and the second partly allowed as the result of which the appeal was partly allowed. An appeal has been preferred to the ITAT which is pending. The total amount involved in this dispute is Rs. 901.50 million and the tax outflow is Rs. 466.40 million.

12. The Bank filed its return of income on December 31, 1992 for assessment year 1992-1993 declaring a total income of Rs. 51.79 million before setting off earlier year losses. Assessment was finalized under S. 143(3) on March 20, 1995 on a total income of approximately Rs. 677.85 million and a demand of approximately Rs. 362.86 million was made. Revision Order was passed dated February 27, 2002 with accompanying Demand Notice for an amount aggregating approximately Rs. 90.73 million. Appeal was preferred to the CIT (A) which was partly allowed on certain grounds pursuant to an order dated March 17, 2003. Appeal has been preferred to the ITAT which is pending. There is also a demand notice dated February 27, 2002 for an amount of approximately Rs. 90.73 million due to reopening of assessment. Appeal filed with the CIT was partly allowed. Appeal has also been filed with the ITAT. The total amount involved in this dispute is Rs. 235.10 million and tax outflow is Rs. 121.50 million

13. The Bank filed its return of income on December 31, 1991 for assessment year 1991-1992 declaring a total income of approximately Rs. 230.95 million before setting off earlier year losses. Assessment was finalized under S. 143(3) on March 30, 1994 on a total income of Rs. 746.37 million and a demand of Rs. 391.40 million was made. Subsequently a notice under Section 148 was issued on the ground that there is reason to believe that certain income has escaped assessment in the form of allowing notional loss on account of depreciation on investment amounting to Rs. 261.02 million. Assessment Order was passed dated February 27, 2002 with accompanying demand notice for Rs. 135.66 million. Appeal was preferred to the CIT (A) which was partly allowed on certain grounds pursuant to an order dated March 17, 2003. Appeal has been preferred to the ITAT which is pending. There is also a demand notice dated February 27, 2002 for

an amount of Rs. 135.66 million due to reopening of assessment. Appeal filed with the CIT was partly allowed. Appeal has also been filed with the ITAT. The total amount involved in this dispute is 638.70 million and the tax outflow is Rs. 293.70 million.

14. The Bank filed its return of income on December 31, 1990 for assessment year 1990-1991 admitting a loss of Rs. 234.77 million. Assessment was completed with nil income after adjusting the brought forward losses and depreciation of Rs. 64.15 million. Assessment was reopened for addition of broken period interest and depreciation on investments and a demand of Rs. 41.77 million was raised. Appeal was preferred to the CIT (A) which was allowed and the demand deleted. The Bank's appeal before the ITAT in respect of foreign income, appreciation in the value of securities an disallowance under S. 14 A, addition made under other sources, additional tax paid are pending. The total amount involved in the dispute is Rs. 357.80 million and the tax outflow was Rs. 31.70 million.

15. The Bank filed its return of income for the assessment year 1989-1990 on December 28, 1989 admitting a loss of Rs. 36.97 million under normal computation. The Assessing Officer computed total income to be Rs. 4.57 million after adjusting brought forward losses and unabsorbed depreciation of Rs. 58.61 million. No demand was raised in view of setting off of losses. Appeal to the Commissioner of Income Tax (Appeals) preferred by the Bank has been allowed. The Deputy Commissioner of Income Tax has filed and appeal with the ITAT with the Bank as a cross-objector, objecting to the reopening of assessment. The matter is pending. The total amount involved in the dispute is Rs. 89.30 million and the tax outflow was Rs. 9.00 million.

16. The Bank filed its return of income for the assessment year 1988-1989 on September 30, 1988 admitting an income of Rs. 105.19 million under normal computation. The Assessing Officer on February 15, 1991 computed total income to be Rs. 140.99 million which resulted in nil demand after adjusting brought forward losses. The Assessing Officer assessed a total income of Rs. 224.43 million under S. 115 J and assessed a tax liability of Rs. 67.32 million which was adjusted against the pre-paid taxes of the Bank and the balance was refunded. In addition the assessment was reopened with respect to bad debts written off, disallowance under S. 14 A. provision for bad and doubtful debts disallowed under S. 115 J (h). Appeal to the Commissioner of Income Tax (Appeals) preferred by the Bank has been partly allowed. The Bank has filed an appeal with the ITAT. The matter is pending. The total amount involved in the dispute is Rs. 48.40 million, however the tax outflow is nil because of adjustment of brought forward losses and unabsorbed depreciation.

17. The Bank filed its return of income for the AY 1987-1988 on September 30, 1987 admitting a income of Rs. 38.73 million under normal computation. The Assessing Officer pursuant to an order dated March 19, 1993 computed total income to be Rs. 332.95 million, against which brought-forward losses and unabsorbed depreciation were set off. Nil demand was raised. Appeal to the Commissioner of Income Tax (Appeals) preferred by the Bank has been allowed. In addition, the assessment was reopened on January 29, 1999 by adding depreciation on investments, bad debts disallowed and appreciation on the value of securities and broken period interest and a demand notice for a sum of Rs. 229.36 million for the AY 1987-1988. The Deputy Commissioner of Income Tax has filed appeal with the ITAT with the Bank as a cross-objector, objecting to the reopening of assessment. The matter is pending. The total amount involved in the dispute is Rs. 208.90 million, and the tax outflow is Rs. 120.70 million.

Labour Cases

There are 207 labour related claims against the Bank before various forums in respect of amounts aggregating approximately Rs. 9.00 million. These include:

1. 31 pension related matters before various High Courts and the Supreme Court in respect of an amount aggregating approximately Rs. 1.04 million.

2. 25 disputes pertaining to pay and allowances before various forums in respect of an amount aggregating Rs. 0.48 million.

3. Six disputes pertaining to appointment, absorption, refusal to sanction leave and other miscellaneous claims. The financial impact of these claims aggregates to approximately Rs. 0.30 million

4. 144 complaints filed by retirees under the voluntary retirement scheme implemented by the bank, claiming interest for delayed payment of commuted pension. The Bank has preferred an appeal before the State Consumer Redressal Commission, Chennai.The financial impact of these claims aggregates approximately Rs. 6.00 million.

5. One claim for pension of Rs. 1.19 million from a former chairman and managing director.

In addition, there are 99 labour related claims filed against the Bank where the financial impact cannot be quantified. These include:

1. 38 claims by present and former employees of the Bank filed in various High Courts challenging their dismissal, compulsory retirement and departmental proceedings, including punishment in departmental proceedings.

2. 51 matters pending before various High Courts and tribunals against the Bank in connection with regularisation/absorption of services of casual and temporary workers.

3. There are 10 writ petitions filed before various High Courts by the legal heirs of the deceased employees seeking compassionate appointment. There is no scheme of compassionate appointment in the Bank.

Other Cases

1. There are seven complaints against the Bank pending before the Banking Ombudsman in respect of an amount aggregating approximately Rs. 2.28 million.

Cases filed by the Bank

1. There are 14,770 suits filed by the Bank before various forums in India in respect of recovery of dues aggregating approximately to Rs. 19,759.85 million with interest and costs. These include an original suit on December 30, 2002 filed by the Bank before the Debt Recovery Tribunal, Hyderabad against PTL and the guarantors for recovery of the amount due to the Bank. This case does not have a material adverse effect on the Bank's financial position.
2. There are 27 suits filed by our Singapore branch in various forums in respect of recovery of dues aggregating to Rs. 2,552.51 million.
3. There are 14 suits filed by our Colombo branch in various forums in respect of recovery of dues aggregating to Rs. 805.31 million.

Cases against Subsidiaries

Ind Bank Housing Limited

Contingent liabilities not provided for (as of December 31, 2006)

Particulars	Amount (Rs. in million)
Claim against the company not acknowledged as debt	74.02

Indbank Merchant Banking Services Limited

Contingent liabilities not provided for (as of December 31, 2006)

Particulars	Amount (Rs. in million)
Counter guarantees issued to the Bank	20.02
Income tax demand disputed in appeal	291.73
Interest tax demand disputed in appeal	14.22
Sales tax demand disputed in appeal	8.93
Total	**334.90**

Indfund Management Limited

Contingent liabilities not provided for (as of December 31, 2006)

Particulars	Amount (Rs. in million)
Claim against the company not acknowledged as debt	41.73
Income tax demand received and disputed	69.27
Total	**111.00**

Litigation

- There are two criminal cases against Indfund Management Limited in respect of non receipt of redemption amount.
- There are 21 consumer cases against Indian Bank Mutual Fund (Indfund Management Limited is the asset management company of Indian Bank Mutual Fund) pending in different forums in respect of an amount aggregating approximately Rs.0.79 million.
- There are three income tax dispute involving Indfund Management Limited in respect of an amount aggregating approximately Rs. 120.97 million.

LICENSES AND APPROVALS

On the basis of the indicative list of approvals provided below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority/RBI are required to continue these activities. It must be distinctly understood that, in granting these licenses, the Government of India and/or RBI does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

Approvals for the Issue

1. Letter no. F. No. 11/30/2004 - BOA dated November 28, 2006, from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), granting its approval for an issue of up to 85.95 million Equity Shares. The approval is valid till March 31, 2008. The GoI has advised the Bank to consider the appropriateness of the timing of the Issue keeping in view market conditions and certain other factors stated in the approval. Further, the Bank is required to keep the GoI informed about the timing and pricing of the Issue. The Board had approved the Issue on October 4, 2006. The Board met on December 22, 2006 to consider the Government's advice regarding the timing of the Issue. The Board has, by its resolution dated January 13, 2007, authorized the Chairman and Managing Director and the Executive Director to determine the Bid/ Issue Opening Date, such that the Bid/Issue Opening Date will fall on any day on or prior to February 28, 2007.

2. Letter No. FE/CO/FID/14030/10.78.019/2006-07 dated December 28, 2006, from the RBI, granting its approval for the issue of Equity Shares to non-residents including NRIs/FIIs such that the non-resident equity holding in the Bank does not exceed 20% of the post-Issue paid up capital of the Bank or any lower ceiling that may be specified by the GoI. The approval is subject to the conditions laid down in the letter dated November 28, 2006, from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) and also the conditions stipulated by SEBI in this regard.

Approvals for our Business

Appointment and remuneration of Directors

1. Notification No. F.No. 9/21/2003-BO-I dated June 9, 2005 issued by the MoF, GoI in terms of Section 9(3)(a) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clauses 3, 5, 6, 7, and 8(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 appointing Dr. K.C. Chakrabarty as Chairman and Managing Director of the Bank for a period of five years from the date of his taking charge or until further orders, whichever is earlier.

2. Notification No. F.No. 9/10/2006-BO-I dated March 29, 2006 issued by the MoF, GoI in terms of Section 9(3)(a) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clauses 3(1) and 8(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 appointing M.S. Sundara Rajan as a whole time Director (designated as the Executive Director) of the Bank from the date of his taking charge on or after April 1, 2006 and upto March 31, 2010, i.e., the date of his attaining the age of superannuation or until further orders, whichever is earlier.

3. Notification No. F.No. 9/11/2004-BO-I dated October 20, 2006 issued by the MoF, GoI in terms of Section 9(3)(b) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clause 3(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating V.S. Senthil as a Director of the Bank until further orders.

4. Notification No. F.No. 9/18/2000-BO-I dated October 3, 2005 issued by the MoF, GoI in terms of Section 9(3)(c) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clause 3(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 nominating S. Karuppasamy as a Director of the Bank until further orders.

5. Notification No. F.No. 9/26/2002-BO-I dated October 20, 2004 issued by the MoF, GoI in terms of Section 9(3)(f) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clauses 9(1) and 9(2)(a) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 nominating A.X. George as an employee Director of the Bank for period of three years and thereafter until his successor has been nominated or until he ceases to be an officer of the Bank or until further orders, whichever is earlier.

6. Notification No. F.No. 15/1/2000-IR dated December 9, 2004 issued by the MoF, GoI in terms of Section 9(3)(e) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clause 3(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 nominating Ashok Gupta as a workmen employee Director of the Bank for period of three years within effect from December 9, 2004 and thereafter until his successor is nominated or until he ceases to be a workman employee of the Bank or until further orders, whichever is earlier.

7. Notification No. F.No. 9/38/2005-BO-I dated February 1, 2006 issued by the MoF, GoI in terms of Sections 9(3)(h) and 9(3-A) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clause 3(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 nominating G. Charath Chandran as a part-time non-official Director of the Bank for period of three years or until his successor is nominated, whichever is earlier.

8. Notification No. F.No. 9/38/2005-BO-I dated April 4, 2006 issued by the MoF, GoI in terms of Sections 9(3)(h) and 9(3-A) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 read with clause 3(1) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 nominating Nafisa Ali Sodhi and Ponguleti Sudhakar Reddy as part-time non-official Directors of the Bank for period of three years or thereafter until their successors are nominated or until further orders, whichever is earlier.

9. Notification No. F.No. 9/30/2005-BO-I dated October 13, 2006 issued by the MoF, GoI in terms of Sections 9(3)(g) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 read with clause 9(2)(b) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970/1980 nominating Gundmi Sudhakar Rao as part-time non-official Director of the Bank under the Chartered Accountant category for period of three years or until further orders, whichever is earlier.

10. Letter No. F. No. 20/5/2004 – B0.1 dated July 11, 2005 issued by the MoF, GoI in terms of clause B(3) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme 1970 fixing the salary, allowances, fees, perquisites and other terms and conditions of appointment of Dr. K.C Chakrabarty, the Chairman and Managing Director.

11. Letter No. F. No. 26/2/2000-B.O.I dated January 15, 2004 from the MoF, GoI to the Chairmen and Managing Directors of Nationalised Banks revising the sitting fees payable to the Directors nominated under clauses (e), (f) ,(g), (h) and (i) of sub-section (3) of section 9 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 for attending Board meetings as Rs. 5,000 per meeting and for attending committee meetings at Rs. 2,500 per meeting.

Taxation

1. Permanent Account No. (PAN) AAACI1607G issued by the Department of Income Tax, GoI.

2. Tax deducted at source Account Number ("TAN") CHEI02054D issued by the Department of Income Tax, GoI to the Human Resources Management Department of the Bank.

3. TAN CHEH03670C issued by the Department of Income Tax, GoI to the Corporate Communications Department of the Bank.

4. TAN CHEI05283F issued by the Department of Income Tax, GoI to the Premises, Estate and Expenditure Department of the Bank.

5. Certificate of registration (Registration No. BF/DN.1/061/STC) dated September 28, 2004 issued by the Office of the Commissioner of Central Excise, GoI for payment of service tax on services of banking and financial services.

Licences and Approvals from the RBI

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

1. Letter no. DBOD.No.FSC.BC 27/24.01.018/2003-2004 dated September 22, 2003 issued by RBI to all scheduled commercial banks (excluding RRBs and LABs) permitting them to enter into insurance referral business without prior approval of RBI, subject to certain conditions including obtaining approval of the IRDA.

2. In-principle approval from the RBI vide letter No. DBOD.No. FSC.410/24.01.018/2002-03 dated December 27, 2002 to the Bank for acting as a 'corporate agent' to undertake distribution of insurance products on agency basis without any risk participation subject to certain conditions (such as compliance with IRDA regulations, reporting, non-transfer of risks from insurance business to banking business and a prohibition on the opening of offices for insurance purposes in towns where it has no banking presence).

3. Approval from the RBI vide letter DBOD No. 675/24.09.003/93-94 dated December 3, 1993 to Indian Bank for the setting up of a wholly owned subsidiary i.e., an Asset Management Company with a paid-up capital of Rs. 50 million for managing Indian Bank Mutual Fund subject to certain conditions such as confinement of the AMC's business to management of Indian Bank Mutual Fund only.

4. Approval from the RBI vide letter DBOD No. FSC.222/C.469-90/91 dated December 21, 1990 for setting up a housing finance company jointly with HUDCO with a start-up capital of Rs. 100 million with the Bank taking up 51% of the paid-up capital, subject to certain conditions such as confinement of operations to Tamil Nadu, Andhra Pradesh, Kerala, Karnataka and Pondicherry.

5. No-objection from the RBI vide letter DBOD No. BP. (FSC) 13/C.469-89 dated July 26, 1989 for the setting up of a wholly-owned subsidiary for undertaking equipment leasing, merchant banking business and activities incidental thereto with authorized and paid-up capitals of Rs. 250 million and Rs. 50 million respectively subject to certain terms and conditions.

6. Approval from the RBI vide letter DPSS No. 946/04/03/02/2005-2006 dated December 23, 2005 for admission for participation in the RBI NEFT system with effect from the date of the letter and requiring the Bank to comply with the technical and operational requirements as indicated in the Procedural Guidelines for RBI NEFT system.

We require prior approval from RBI for opening a new place of business in India or abroad. We have obtained the necessary approvals from the appropriate statutory and regulatory authorities for carrying out our business and operations through our branches and no further approvals are required from any Indian government authority / RBI to continue our business and operations. Except as disclosed hereunder, there are no approvals which have expired, or which have been applied for and have not been granted to the Indian branches of the Bank. We are not required to apply for any other approvals for the purposes of running our business and operations.

Registration with SEBI

1. Certificate of Registration dated December 13, 2006 granted by SEBI to the Bank for carrying on activities as banker to an issue under the SEBI (Bankers to an Issue) Regulations 1994 with the Registration Code INB100000053 valid until November 30, 2009.
2. Conditional Certificate of Registration dated May 5, 2006 granted by SEBI to the Bank for carrying on activities as a Participant under the SEBI (Depositories and Participants) Regulations 1996 with the Registration Code IN-DP-NSDL-258-2006 valid until May 4, 2011.
3. Certificate of Registration dated November 28, 2006 granted by SEBI to the Bank for carrying on activities as a debenture trustee under the SEBI (Debenture Trustee) Regulations 1993 with the Registration Code IND0000000017 valid until September 30, 2009.

Approvals granted by the Insurance Regulatory and Development Authority

1. License No. 1021602 dated January 2, 2006 issued by the IRDA in terms of the Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002 authorising the Bank to act as a corporate agent under the Insurance Act, 1938 for three years from February 6, 006.

Miscellaneous

1. RBI Letter No. DBOD. IBD 443/23.67 002/2006-07 dated September 28, 2006 renewing authorization granted to the Bank for import of gold until December 31, 2007 subject to the condition that the Bank should not carry out any activity not permitted under extant RBI instructions for importing and dealing in bullion and specie.
2. Letter No. 10/4/2006-BOA dated May 22, 2006 from the MoF, GoI advising the Bank that it may declare a dividend at the rate of 20% of Net Profits of the Bank for the year 2005-2006
3. Letter No. 11/30/2004-BOA dated September 29, 2006 from the MoF, GoI permitting the Bank to restructure its existing Equity Capital of Rs. 7,483.20 million –Rs. 4,000 million into perpetual non-cumulative Preference Share Capital at a provisional coupon rate of eight per cent p.a and Rs. 3438.20 million as Equity Capital.
4. Notification of the MoF, GoI dated June 30, 2006 providing for the amalgamation of Sri Venkateswara Grameena Bank and Kanakadurga Grameena Bank into a single RRB under the name Saptagiri Grameena Bank, subject to the duties and obligations specified in the notification.
5. Notification of the MoF, GoI dated August 31, 2006 providing for the amalgamation of Adhiyaman Grama Bank and Vallalar Grama Bank into a single RRB under the name Pallavan Grama Bank, subject to the duties and obligations specified in the notification.

Licenses and Approvals from Foreign Regulatory Authorities

1. Certificate of Registration of a Foreign Company (No. 1954) dated November 6, 1978 issued by the Registrar of Companies, Singapore to the Bank stating that Indian Bank which was formed or incorporated in Madras and registered in Singapore on October 3, 1969 did on November 6, 1978 comply with the provisions of S. 335 (1) (d) of the Singapore Companies Act.
2. Licence to Transact Banking Business dated March 20, 2006 issued by the Monetary Authority of Singapore for a period of one year with effect from April 1, 2006
3. Letter from the Central Bank of Sri Lanka dated September 16, 1988 authorizing the Bank to carry on domestic and offshore banking business as a Licensed Commercial Bank.
4. License dated December, 1989 issued by Secretary, Monetary Board of Central Bank of Sri Lanka to the Bank authorising it to carry on Domestic Banking Business including foreign banking business in Sri Lanka Off-shore banking business under the provisions of section 2(4) and the proviso to section 23 of the Sri Lankan Banking Act No. 30 of 1988.

Approvals applied for and pending approval

1. Application number 1504395 dated November 14, 2006 for registration of our logo as appearing on the cover page of this Red Herring Prospectus as a trademark in class 36 under the provisions of the Trade Marks Act, 1999

Licenses issued to subsidiaries of the Bank

IndBank Merchant Banking Services Limited

1. Certificate of Registration dated June 22, 2005 granted by SEBI renewing the registration from July 1, 2005 to June 30, 2008 for carrying on activities as a merchant banker in Category I under the SEBI (Merchant Bankers) Regulations, 1992 with the Registration Code INM000001394.
2. Certificate of Registration dated May 20, 2003 granted by SEBI renewing the registration from May 20, 2003 to May 19, 2008 for carrying on activities as a participant under the SEBI (Depositories and Participants) Regulations,1996 with the Registration Code IN-DP-NSDL-54-98.
3. Certificate of Registration dated January 15, 1993 granted by for carrying on business as a stock broker of the Madras Stock Exchange under registration No. INB040475133 valid till it is suspended or cancelled.
4. Certificate of Registration dated May 27, 1993 granted by SEBI for carrying on business as a trading member of the NSE under registration No. INB230596837 valid till it is suspended or cancelled.
5. Certificate of Registration dated January 15, 1993 granted by SEBI for carrying on business as a member of the OTC Exchange of India under registration No. INB200475139 valid till it is suspended or cancelled.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board of Directors authorised a fresh issue of 85,955,000 Equity Shares pursuant to a resolution passed at its meeting held on October 4, 2006.

The Bank had, by its letter dated October 7, 2006 applied to the Government of India for its consent to a fresh issue of 85.955 million Equity Shares. The Department of Economic Affairs (Banking Division), Ministry of Finance, Government of India, has, by its letter dated November 28, 2006 granted its approval for an issue of up to 85.95 million Equity Shares. The approval is valid until March 31, 2008. The Government of India has advised the Bank to consider the appropriateness of the timing of the Issue keeping in view market conditions and certain other factors stated in the approval. Further, the Bank is required to keep the Government of India informed about the timing and pricing of the Issue. The Board had approved the Issue on October 4, 2006. The Board met on December 22, 2006 to consider the Government of India's advice regarding the timing of the Issue.The Board has, by its resolution dated January 13, 2007, authorized the Chairman and Managing Director and the Executive Director to determine the Bid/Issue Opening Date, such that the Bid/Issue Opening Date will fall on any day on or prior to February 28, 2007.

Our Bank had applied to the Chief General Manager, Foreign Exchange Department (Foreign Investment Division), RBI by letter dated November 7, 2006 seeking approval of the RBI to issue Equity Shares under this Issue to the public including NRIs and FIIs with repatriation benefits. The RBI, by its letter dated December 28, 2006, granted its approval for the issue of Equity Shares to non-residents including NRIs/FIIs such that the non-resident equity holding in the Bank does not exceed 20% of the post-Issue paid up capital of the Bank or any lower ceiling that may be specified by the GoI. The approval is subject to the conditions laid down in the letter dated November 28, 2006, from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division) and also the conditions stipulated by SEBI in this regard.

Prohibition by SEBI, RBI or governmental authorities

Neither we, nor our Directors or our Associates, nor companies with which our Directors are associated with as directors or promoters, nor our Subsidiaries have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

None of the Bank, its Directors, the Bank's Subsidiaries, the directors of the Subsidiaries and the companies in which the Bank's Directors are associated as directors, have been declared as a willful defaulter by the RBI or any other governmental authority and except as disclosed in this Red Herring Prospectus there has been no violation of any securities law committed by any them in the past and no such proceedings are pending against any of them.

Eligibility for the Issue

As a corresponding new bank set up under the Bank Acquisition Act, we are exempt under clause 2.4 of the SEBI Guidelines 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 forth 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")."

Therefore, on the basis of the above we are eligible to make this Issue.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY

ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 1, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

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

3. **WE CONFIRM THAT:**

   - **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

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

   - **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**

   - **BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**

   - **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."**

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

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

Note:

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

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated November 30, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be made available to a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at Bidding centres or elsewhere.

Neither we nor the BRLMs shall be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer from the Bank and the BRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Bank, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Bank and will not offer, sell, pledge, or transfer the Equity Shares of the Bank to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Bank. The Bank, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Bank.

Disclaimer in Respect of Jurisdiction

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

No action has been, or will be taken, to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations and SEBI is due to give its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer clause of the BSE

BSE has given vide its letter dated December 21, 2006, permission to us to use BSE's name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- Warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- Warrant that this Bank's securities will be listed or will continue to be listed on BSE; or
- Take any responsibility for the financial or other soundness of this Bank, its promoters, its management or any scheme or project of this Bank;

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

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given in its letter ref. NSE/ LIST/35327-B dated December 15, 2006, 2006, permission to us to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Bank, its promoters, its management or any scheme or project of this Bank.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus was filed with SEBI at Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India .

A copy of this Red Herring Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange and a copy of the Prospectus, along with the documents required to be filed under applicable law, will be delivered for registration to the Designated Stock Exchange.

Listing

Applications have been made to the NSE and BSE seeking permission for listing of the Equity Shares issued pursuant to this Issue. The NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Bank will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Bank becomes liable to repay it, i.e. from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Bank, and every Director of the Bank who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Bank shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven (7) working days of finalization of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

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

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary, the Compliance Officer, the Auditors, the Banker to the Issue; and (b) BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank, Banker to the Issue, Domestic Legal Counsel to the Bank, Domestic Legal Counsel to the BRLMs, International Legal Counsel to the BRLMs, to act in their respective capacities have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Designated Stock Exchange and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Designated Stock Exchange.

Our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for filing with the SEBI.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	**Expense**		
	(in Rs. Million)*	**(Percentage of total Issue expenses)***	**(Percentage of total Issue size)***
Lead management, underwriting commission	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
Registrars fee, legal fee, etc.	[•]	[•]	[•]
Others	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

* Will be incorporated after finalisation of Issue Price

Fees Payable to the BRLMs, Brokerage and Underwriting Commission

The total fees payable to the BRLMs including brokerage and underwriting commission for the Issue will be as per the engagement letter dated October 23, 2006 and the memorandum of understanding executed among the Bank and the BRLMs dated November 30, 2006, a copy of which is available for inspection at our Head Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated November 17, 2006, a copy of which is available for inspection at our Head Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post or speed post or under certificate of posting.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**[●]**
BID / ISSUE CLOSES ON	**[●]**

Bids and any revision in Bids shall be accepted **only between [%] a.m. and [%] 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 the NSE.

We reserve the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not exceed the floor of the Price Band by 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 this Red Herring Prospectus.

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

Designated Date and Allotment of Equity Shares

(a) We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders' depository account as well as the refund to unsuccessful Bidders within two working days of the date of Allotment.

(b) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation Allotment. We shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for the purpose shall be made available to the Registrar by us.

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

- Allotment shall be made only in dematerialised form within fifteen days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not despatched and/or demat credits are not made to Bidders within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the demat credit.

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

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

Companies under the Same Management

There are no companies under the same management.

Particulars Regarding Public Issues during the last Five Years

Our Bank has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Promise vs. Performance

Neither our Bank nor any associate or subsidiary company has made any previous rights or public issues except as mentioned in the section titled 'Our Promoter, Subsidiaries and Associates' beginning on page 116 of this Red Herring Prospectus.

Issues otherwise than for cash

Except as mentioned in the section titled "Capital Structure" on page 19 of this Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash in the last five years.

Remuneration Payable to the Directors

Please refer to the section titled "Our Management- Remuneration of Directors" on page 107 of this Red Herring Prospectus.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Red Herring Prospectus.

We have not purchased any property in which any Directors have any direct or indirect interest in any payment made thereof.

Servicing Behaviour

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

Mechanism for Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Cameo Corporate Services Limited, Subramanian Building, 1, Club House Road, Chennai 600 002, 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

The Bank estimates that the average time required by the Bank or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Bank will seek to redress these complaints as expeditiously as possible.

We have appointed V. Ganesan, Deputy General Manager, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account, refund orders, etc. He can be contacted at the following address: 66, Rajaji Salai, Chennai 600 001, India.

Changes in Auditors

Our auditors are appointed by the RBI from time to time and their remuneration, rights and duties are regulated by the Bank Acquisition Act.

Except as stated in the Auditor's Report on page 128 of this Red Herring Prospectus, there have been no changes in our auditors in the last three years.

Capitalisation of Reserves or Profits

We have not capitalised any reserves or profits during the last five financial years.

Revaluation of Assets

There has been no revaluation of assets in the last five years.

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Banking Regulation Act, Constitutional Documents, the terms of this Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RBI and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Constitutional Documents and shall rank pari passu with the existing Equity Shares of our Bank including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Bank after the date of Allotment.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares. The face value of the shares is Rs. 10 and the Floor Price is 7.7 times of the face value and the Cap Price is 9.1 times of the face value.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared. However, the declaration of dividend by the Bank is subject to certain restrictions. Please refer to the restrictions on the payment of dividend in the section titled "Regulation and Policies - Restrictions on Payment of Dividends" on page 95 of this Red Herring Prospectus;
- Right to attend general meetings and exercise voting powers, unless prohibited by law. The Bank Acquisition Act states that no shareholder of the Bank, other than the GoI shall be entitled to exercise voting rights in respect of the shares held by him in excess of one percent of the total voting rights of all the shareholders of the Bank. However, the power of shareholders to exercise voting rights is subject to certain restrictions. For information on restrictions on the power of shareholders to exercise voting rights, please refer to the section titled "Regulation and Policies - Restriction on Share Capital and Voting Rights" on page 95 of this Red Herring Prospectus;
- Right to vote on a poll either in person or by proxy;
- Right of free transferability shall be subject to the provisions of Section 3(2D) of the Bank Acquisition Act and Regulations 17 and 19 of the Bank Regulations. However, the right of free transferability is subject to certain restrictions. For information on these restrictions, please refer to section titled "Main Provisions of Constitutional Documents" on page 271 of this Red Herring Prospectus; and
- Such other rights, as may be available to a shareholder of a listed corresponding new bank under the Banking Regulation Act, our Constitutional Documents and under the listing agreement executed with the Stock Exchanges. However, please note that not all rights available to shareholders of a company are available to the shareholders of a corresponding new bank. For information on these rights, please see the section titled "Regulations and Policies – Comparative Table of Rights of Shareholders under the Companies Act, 1956 and under Regulations applicable to Corresponding New Banks" on page 68 of this Red Herring Prospectus.

For a detailed description of the main provisions of our Constitutional Documents relating to voting rights, dividend, forfeiture and lien, transfer and transmission, please refer to the section titled "Main Provisions of Constitutional Documents" on page 271 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 75 Equity Shares. For details of allocation and Allotment, see the section titled "Issue Procedure – Basis of Allotment" on page 264 of this Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, India.

Nomination Facility to Investor

In terms of Regulation 20 of the Indian Bank (Shares and Meetings) Regulations, 1999, the executors or administrators of a deceased shareholder in respect of an Equity Share, or the holder of a letter of probate or letters of administration with or without the will annexed or a succession certificate issued under Part X of the Indian Succession Act, 1925, or the holder of any legal representation or a person in whose favour a valid instrument of transfer was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by the Bank as having title to such Equity Share. In the case of Equity Shares registered in the name of two or more shareholders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of letters of probate or letters of administration with or without the will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the Equity Shares or a person in whose favour a valid instrument of transfer of Equity Shares was executed by the deceased sole holder during the latter's lifetime shall be the only person who may be recognized by the Bank as having title to such Equity Share.

Notwithstanding the above, since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90% of the Issue less the Employee Reservation Portion, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Bank shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Bank becomes liable to pay the amount, our Bank shall pay interest prescribed under Section 73 of the Companies Act.

Subscription by Eligible Non Residents

There is no reservation for any Non Residents including NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

The shareholding of Non Residents in the Bank cannot exceed 20% of the paid up capital of the Bank in terms of Section 3(2D) of the Bank Acquisition Act. For public sector banks, RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring, RBI has fixed cut off points lower than the actual ceilings which is 18% for public sector banks. Once the aggregate net purchase of Equity Shares reaches the cut off points further acquisition of Equity Shares by FIIs/NRIs/PIOs require approval of the RBI. Accordingly, absent prior approval of the RBI, the shareholding of Non-Residents in the Bank cannot exceed 18% of the paid-up capital of the Bank. In addition, the provisions of the SEBI Takeover Regulations apply and must be complied with. Further Bank Regulations also regulates the manner of transfer of shares consolidation and sub-division of the Equity Shares of the Bank. For further details, please refer to the section "Main Provisions of Constitutional Documents" on page 271 of this Red Herring Prospectus.

Our Bank had applied to the Chief General Manager, Exchange Control Department, RBI, through our letter dated November 7, 2006, seeking approval of the RBI to issue Equity Shares under this Issue to the Non-Residents including NRIs and FIIs with repatriation benefits. However, absent specific approval of the RBI, the shareholding of Non Residents in the Bank cannot exceed 18% of the paid up capital of the Bank.

As per RBI regulations, OCBs cannot participate in the Issue.

Withdrawal of the Issue

Our Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime including after the Bid Closing Date, until final Allotment of the Equity Shares in the Issue, without assigning any reason therefor. Notwithstanding the following, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Bank shall apply for after the date of final Allotment of the Equity Shares in the Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined Rule 144A of the Securities Act, in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 85,950,000 Equity Shares Rs. 10 each, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**	**Employee Reservation Portion**
Number of Equity Shares*	At least 46,413,000 Equity Shares	Not less than 7,735,500 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders available for allocation, subject to valid Bids being received at or above the Issue Price	Not less than 23,206,500 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders available for allocation, subject to valid Bids being received at or above the Issue Price	8,595,000 Equity Shares
Percentage of Issue Size available for Allotment/allocation	At least 60% of Net Issue shall be allocated to QIBs However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than 10% of Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	Not less than 30% of Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	10% of the Issue or the Issue less Net Issue.
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows:(a) 2,320,650 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and(b) 44,092,350 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 75 Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares in multiples of 75 Equity Shares that the Bid Amount exceeds Rs. 100,000.	75 Equity Shares.	75 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 75 Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits.	Such number of Equity Shares in multiples of 75 Equity Shares so that the Bid does not exceed the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000 in value.	5,000 Equity Shares.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/Allotment Lot	75 Equity Shares in multiples of 75 Equity Shares	75 Equity Shares in multiples of 75 Equity Shares	75 Equity Shares in multiples of 75 Equity Shares	75 Equity Shares in multiples of 75 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	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.	Eligible Employees as defined in the section "Definitions and Abbreviations" on page i of this Red Herring Prospectus
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	100% of Bid Amount	100% of Bid Amount	100% of Bid Amount

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spillover from any other categories at the discretion of the Bank in consultation with the BRLMs. If at least 60% of the Net Issue cannot be Allotted to QIBs, then the entire application money will be refunded. A total of 10% of the Issue, i.e., 8,595,000 Equity Shares has been reserved for allocation to Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Any under subscription in the

Employee Reservation Portion would be treated as part of the Net Issue. The maximum Bid under the Employee Reservation Portion cannot exceed 5,000 Equity Shares.

Allotment in the manner detailed hereinabove shall be subject to the condition that the Non Resident shareholding in the Bank immediately after the Allotment shall not exceed a maximum of 20% of its post Issue paid up capital.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Bidding/ Issue Programme

BID/ISSUE OPENS ON	**February 5, 2007**
BID/ISSUE CLOSES ON	**February 9, 2007**

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

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

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB portion shall be available for allocation to Mutual Funds only and the remaining QIB portion shall be available for allocation to all the QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further 8,595,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Members. In case of QIB Bidders, the Bank in consultation with the BRLMs may reject Bids at the time of acceptance of the Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Bank would have a right to reject the Bids only on technical grounds.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialized 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 the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the Designated Stock Exchange, the Bid cum Application Form shall be considered as the application form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Bank to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the Designated Stock Exchange and as would be required by the Designated Stock Exchange after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, and Eligible NRIs applying on a non repatriation basis	White
Non-Residents, including Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;

- Foreign Venture Capital Investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines, and approvals in this Issue.
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis, or a non-repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines, and approvals in this Issue.
- FIIs registered with SEBI on a repatriation basis, subject to compliance with applicable laws, rules, regulations, guidelines, and approvals in this Issue.
- Scientific and/or Industrial Research Organisations authorised under their constitution to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions; and
- Eligible Employees (as defined in the section titled “Definitions and Abbreviations” beginning on page i of this Red Herring Prospectus.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Note: The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

The information below is given for the benefit of the Bidders. The Bank and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for or that can be owned by them do not exceed the applicable limits under laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 2,320,650 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

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.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which the application is being made.

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Bids by Eligible Non Residents

Foreign investment in a corresponding new bank is regulated by the provisions of the Bank Acquisition Act as applicable to the Bank. Under Section 3(2D) of the Bank Acquisition Act, foreign investment in a corresponding new bank is subject to an overall statutory limit of 20% of the paid up capital of the corresponding new bank. For corresponding new banks, the RBI monitors the ceilings on Non Resident investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceiling which is 18% for public sector banks. 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 until the limit is reached till 20% beyond which Non Residents cannot acquire further shares.

Bids by Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at our Head Office, members of the Syndicate and the Registrar to the Issue.

Eligible NRI applicants may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue paid-up capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only upto 33.33% of the investible funds by way of subscription to an initial public offer.

SEBI has issued a press release on June 26, 2006 stating that the shareholding of venture capital funds and foreign venture capital investors registered with SEBI in a company prior to making an initial public offering, would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing of the draft prospectus with SEBI.

Bids under Employee Reservation Portion by Eligible Employees

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form);
- Only Eligible Employees (as defined in the "Definitions" section on page ii of this Red Herring Prospectus) would be eligible to apply in this Issue under the Employee Reservation Portion;
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form;
- The sole/ first Bidder shall be the Eligible Employee as defined above;
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category;
- The Bids must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares thereafter. The allotment in the Employee Reservation portion will be on a proportional basis;
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000;
- The maximum bid under Employee Reservation Portion by an Eligible Employee cannot exceed 5,000 Equity Shares;
- Bid/ Application by Eligible Employees can also be made in the "Net Issue" portion and such Bids shall not be treated as multiple bids;
- If the aggregate demand in this category is less than or equal to 8,595,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue;

- If the aggregate demand in this category is greater than 8,595,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled "Basis of Allotment" on page 264 of this Red Herring Prospectus.
- Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Bank and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion; and
- This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

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 Price 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 Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 75 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor 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/ Issue Closing Date and is required to pay QIB Margin upon submission of the Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described in "Mode of making refunds" below.

Information for the Bidders:

(a) The Bank will file the Red Herring Prospectus with the Designated Stock Exchange at least 3 (three) days before the Bid/ Issue Opening Date.

(b) The Bank and the BRLMs shall declare the Bid/ Issue Opening Date, Bid/ Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in three widely circulated newspapers (one each in English, Hindi and Tamil). This advertisement, shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines.

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors and at the request of potential investors, copies of the Red Herring Prospectus.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Head Office or from any of the members of the Syndicate and should approach any of the BRLMs or Syndicate Member or their authorised agent(s) to register their bids.

(e) The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(f) 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.

(g) The Bidding/ Issue Period shall be for a minimum of 3 (three) working days and not exceeding 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding/ Issue Period will be published in two widely circulated national newspapers (one each in English and Hindi) and one Tamil newspaper and the Bidding/ Issue Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding/ Issue Period not exceeding 10 (ten) working days.

(h) The Price Band has been fixed at Rs. 77 to Rs.91 per Equity Share of Rs. 10 each, Rs. 77 being the lower end of the Price Band and Rs. 91 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (One).

(i) The Bank in consultation with the BRLMs, reserve the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) In case of revision in the Price Band, the Bidding/ Issue Period will be extended for 3 (three) additional days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Tamil newspaper, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

(k) The Bank, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 254 of this Red Herring Prospectus within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 254 of this Red Herring Prospectus.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (**"TRS"**), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 259 of this Red Herring Prospectus.

Bids at Different Price Levels and Revision of Bids

(a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.

(b) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion 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 and Eligible Employees under the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, 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 and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, if such 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 Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, such Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(e) 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 Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bidding/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(g) 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 revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) 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.

(i) 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.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) 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.**

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 NRIs and FIIs applying on repatriation basis and Pink colour for Eligible Employees bidding in the Employee Reservation Portion).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 75 Equity Shares and in multiples of 75 Equity Shares 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 Price exceeds or is equal to Rs. 100,000 and in multiples of 75 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) Bids by NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [%] Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.

(f) Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(g) For Eligible Employees bidding in the Employee Reservation Portion, the Bid must be for a minimum of 75 Equity Shares and in multiple of 75 Equity Shares thereafter subject to a maximum of up to 5,000 Equity Shares.

(h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding/ Issue Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid /Issue Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding/ Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, Eligible NRI, FII, or Mutual Fund, FVCIs, QIBs etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Alloted either by the members of the Syndicate or our Bank.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, Bids would not be rejected except on the technical grounds listed on page 261.

(h) It is to be distinctly understood that permission given by the BSE and the NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank and/or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the 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 the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

(j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

(b) Read all the instructions carefully and complete the applicable Bid cum Application Form;

(c) Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in the dematerialised form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that the Bid is within the Price Band 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) Where Bid(s) is/ are for Rs. 50,000/- or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof. In case neither the PAN nor the GIR number has been allotted, mention "Not Allotted" in the appropriate place;

(h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects; and

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid Price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted the Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). Since the Issue is being made entirely

in the dematerialised form, the Bank Account details used for giving refunds to the Bidders to whom an electronic refund is being made will also be taken from the data provided by such Bidder to the Depository Participant. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar or the Escrow Collection Banks nor the Bank shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/allocation advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders not receiving refunds through electronic transfer of funds, 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, the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay to pay any interest for such delay. In case of Bidders receiving refunds through electronic modes as detailed on page 267 of this Red Herring Prospectus, Bidders may note that refunds may get delayed if Bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parametres, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Bank in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Bank will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, eligible corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be submitted 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, 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 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, 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 by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, the Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The Bank in its absolute discretion, reserves the right to relax the above condition of simultaneous submission of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Bank and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Bank and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the 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. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Bank, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, shall provide the applicable Margin Amount, and 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 paragraph titled "Terms of Payment and Payment into the Escrow Account" on page 259 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 247 of this Red Herring Prospectus. 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.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of Resident QIB Bidders: "Escrow Account – Indian Bank IPO – R"
   - In case of non-resident QIB Bidders: "Escrow Account – Indian Bank IPO – QIB – NR"
   - In case of Resident Bidders: "Escrow Account – Indian Bank IPO – R"
   - In case of Non Resident Bidders: "Escrow Account – Indian Bank IPO – NR"
   - In case of Eligible Employees: "Escrow Account – Indian Bank IPO – Employees"

4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In case of Bids by FIIs/ FVCIs registered with SEBI/ multilateral and bilateral financial institutions, 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.

6. Where a Bidder has been allocated/Allotted 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/ Allotted will be refunded to the Bidder from the Refund Account.

7. 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 Bankers to the Issue. No later than 15 days from the Bid/ Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

8. 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.

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 refund amounts will be made only in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids by Eligible Employees can also be made in the "Net Issue" and such Bids shall not be treated as multiple Bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN/ GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.

3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid cum Application Form and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, applications will finally be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Bank, in consultation with the BRLMs, reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/ are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B of the Income Tax Rules, 1962), 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 of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the 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.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/ quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore MAPIN is not required to be quoted with the Bids. At present, investors are required to provide a VIN.

GROUNDS FOR REJECTIONS

In case of QIB Bidders, the Bank in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees Bidding in the Employee Reservation Portion who Bid, the Bank has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Bank account details (for refund) are not given;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;

- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Eligible Employees bidding in the Employee Reservation Portion in excess of Rs. 100,000;
- Bids for number of Equity Shares which are not in multiples of 75 Equity Shares;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parametres namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by OCBs;
- Bids by US persons, other than "qualified institutional buyers" as defined in Rule 144 A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws or by any persons who are not eligible to acquire Equity Shares of the Bank in terms of all applicable laws, regulations, guidelines and approvals .

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Bank.

(b) The Bank, in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be Allotted and the allotment to successful Bidders in each investor category.

(c) The allocation to QIBs will be at least 60% of the Net Issue and the availability for allocation to Non-Institutional and Retail Individual Bidders will be not less 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. The allocation under the Employee Reservation Portion will be on a proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus in consultation with the Designated Stock Exchanges, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of the Bank in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 2,320,785 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Bank, in consultation with the BRLMs and the Designated Stock Exchange.

(e) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of the Bank and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

(f) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject applicable law and the terms and conditions stipulated by the RBI.

Signing of Underwriting Agreement and Filing with the Designated Stock Exchange

(a) The Bank, the BRLMs and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Bank would update and file the updated Red Herring Prospectus with the Designated Stock Exchange, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Bank will issue a statutory advertisement after the filing of the Prospectus with the Designated Stock Exchange. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

Subject to the section "Notice to QIBs: Allotment Reconciliation and Revised CANs":

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, 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. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Bidders, Non-Institutional Bidders and Eligible Employees bidding in the Employee Reservation Porton. However, investors should note that the Bank shall ensure that the demat credit of the Equity Shares to all investors in this Issue shall be on the same date.

(b) The BRLMs or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

(d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of the Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid cum Application Forms may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Bank will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, the Bank would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of Allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 23,207,850 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 23,207,850 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of 75 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 7,735,950 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 7,735,950 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 75 Equity Shares. For the method of proportionate Basis of Allotment refer below.

C. For Employee Reservation Portion

- The maximum Bid under the Employee Reservation Portion cannot exceed 8,595,500 Equity Shares.
- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 8,595,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 8,595,500 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 multiple of 75 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

(ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 46,415,700 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%) Of which:	120 million equity shares
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details Of QIB Bids

S. No.	Type of QIB bidders #	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. **Details of Allotment to QIB Bidders/ Applicants**

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.54	0
A2	20	0	4.62	0
A3	130	0	30.00	0
A4	50	0	11.54	0
A5	50	0	11.54	0
MF1	40	1.2	8.95	10.15
MF2	40	1.2	8.95	10.15
MF3	80	2.4	17.90	20.30
MF4	20	0.6	4.48	5.08
MF5	20	0.6	4.48	5.08
	500	**6**	**114**	**50.76**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 247.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 114/494
   - The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Bank shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs, and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than 75 Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder shall be Allotted a minimum of 75 Equity Shares.

e) 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.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Bank, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched “under certificate of posting” for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

The Bank shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Bank will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. The Bank shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the the requirements of the Stock Exchanges and the SEBI Guidelines, the Bank further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Bank shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI’s Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

UNDERTAKINGS BY THE BANK

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and
- That no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner shall be made until the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Bank shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue proceeds

The Bank shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

Withdrawal of the Issue

The Bank in consultation with the BRLMs reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Opening Date, without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

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 the Bank, the respective Depositories and the Registrar to the Issue:

a) Agreement dated December 27, 2006 with NSDL, the Bank and the Registrar to the Issue;

b) Agreement dated July 2, 2004 with CDSL, the Bank and the Registrar to the Issue. This agreement has been extended by letter dated November 18, 2006

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Bank would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refunds etc.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in corresponding new banks is regulated by the provisions of the Bank Acquisition Act. Under Section 3(2D) of the Bank Acquisition Act, foreign investment in corresponding new banks is subject to an overall statutory limit of 20% of the paid-up capital of the bank.

Section 3(2D) of the Bank Acquisition Act states as follows:

"(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India 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 until 20% under the automatic route. For public sector banks, the RBI monitors the ceilings on FII/NRI/PIO investments on a daily basis. For effective monitoring the RBI has fixed cut off points lower than the actual ceilings, which is 18% for public sector banks. Once the aggregate net purchase of Equity Shares reaches the cut off points, further acquisition of Equity Shares by FIIs/NRIs/PIOs requires prior approval of the RBI. Accordingly, absent prior approval of the RBI, the shareholding of Non Residents in the Bank cannot exceed 18 % of the paid up capital of the Bank.

MAIN PROVISIONS OF CONSTITUTIONAL DOCUMENTS

We were constituted as a "corresponding new bank" in 1970 under the provisions of the Bank Acquisition Act. We are not required to have memorandum and articles of association. Since we were constituted under the Bank Acquisition Act we have provided the salient terms thereof. Further since the Nationalised Banks Scheme and the Bank Regulations deal with the management of corporate affairs in our Bank, which are matters typically finding a place in the constitutional documents of a company incorporated under the Companies Act, the same have been profiled in this chapter.

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 was made by S.O. 3793 dated November 16, 1970 by the Central Government in consultation with the Reserve Bank of India in exercise of the powers conferred by Section 9 of the Bank Acquisition Act.

The Bank Regulations were formulated under Section 19 of the Bank Acquisition Act by our board of directors in consultation with the Reserve Bank of India, and with the previous sanction of the central government.

The Bank Acquisition Act amended Section 34A, 36AD and Section 51 of the Banking Regulation Act, 1949 and made these sections applicable to corresponding new banks constituted under the Bank Acquisition Act. For details of the applicability of the Banking Regulation Act to correspondent new bank like our Bank see the section titled "Regulations and Policies" on page 68 of this Red Herring Prospectus.

For more details, investors are advised to refer to the complete text of the Bank Acquisition Act, Banking Regulation Act, 1949, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the Indian Bank (Shares and Meetings) Regulations, 1999.

Shareholders and investors in the Bank may note that the rights available to shareholders of a corresponding new bank are more restricted than the rights available to the shareholders of a company incorporated under the Companies Act, 1956. For further details on the restrictions and their potential impact on shareholders of our Bank please refer to the section titled "Risk Factors – External Risk Factors" on page xxii of this Red Herring Prospectus.

The salient features of the same are as below.

Bank Acquisition Act

3. *Establishment of corresponding new banks and business thereof.*

(1) On the commencement of this Act, there shall be constituted such corresponding new banks as are specified in the First Schedule.

(2) The paid-up capital or every corresponding new bank constituted under sub-section (1) shall, until any provision is made in this behalf in any scheme made under section 9, be equal to paid-up capital of the existing bank in relation to which it is the corresponding new bank.

(2A) Subject to the provisions of this Act, the authorised capital of every corresponding new bank shall be one thousand five hundred crores of rupees divided into one hundred fifty crores fully paid-up shares of ten rupees each.

Provided that the Central Government may, after consultation with the Reserve Bank and by notification in the Official Gazette, increase or reduce the authorised capital as it thinks fit, so however that after such increase or reduction, the authorised capital shall not exceed three thousand crores or be less than one thousand five hundred crores, of rupees.

(2B) Notwithstanding anything contained in sub-section (2), the paid-up capital of every corresponding new bank constituted under sub-section (1) may from time to time be increased by:—

(a) such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, transfer from the reserve fund established by such bank to such paid-up capital;

(b) such amounts as the Central Government may, after consultation with the Reserve Bank, contribute to such paid-up capital;

(c) such amounts as the Board of Directors of the corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise whether by public issue or preferential allotment or private placement, of equity shares or preference shares in accordance with the procedure as may be prescribed, so, however, that the Central Government shall, at all times hold not less than fifty-one per cent. of the paid-up capital consisting of equity shares of each corresponding new bank:

Provided that the issue of preference shares shall be in accordance with the guidelines framed by the Reserve Bank specifying the class of preference shares, the extent of issue of each class of such preference shares (whether perpetual or irredeemable or redeemable) and the terms and conditions subject to which, each class of preference shares may be issued.

(2BB) Notwithstanding anything contained in sub-section (2), the paid-up capital of a corresponding new bank constituted under sub-section (1) may, from time to time and before any paid-up capital is raised by public issue or preferential allotment or private placement under clause (c) of sub-section (2B), be reduced by-

(a) the Central Government, after consultation with the Reserve Bank, by canceling any paid-up capital which is lost, or is unrepresented by available assets;

(b) the Board of Directors, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by paying off any paid-up capital which is in excess of the wants of the corresponding new bank.

Provided that in a case where such capital is lost, or is unrepresented by available assets because of amalgamation of another corresponding new bank or a corresponding new bank as defined in clause (b) of Section 2 of the Banking Companies (Acquisition arid Transfer of Undertakings) Act. 1970 (5 of 1970) with the corresponding new bank, such reduction may be done, either prospectively or retrospectively, but not from a date earlier than the date of such amalgamation.

(2BBA) (a) A corresponding new bank may from time to time and after any paid-up capital has been raised from public by public issue or preferential allotment or private placement under clause (c) of sub-section (2B), by resolution passed at an annual general meeting of the shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by the shareholders so entitled and voting, reduce its paid-up capital in any way.

(b) without prejudice to the generality of the foregoing power the paid-up capital may be reduced by:—-

(i) extinguishing or reducing the liability on any of its shares in respect of share capital not paid-up;

(ii) either with or without extinguishing or reducing liability on any of its paid-up shares, canceling any paid-up capital which is lost, or is unrepresented by available assets; or

(iii) either with or without extinguishing or reducing liability on any of its paid-up shares, paying off any paid share capital which is in excess of the wants of the corresponding new bank.

(2BBB) Notwithstanding anything contained in sub-section (2BB) or sub-section (2BBA), the paid-up capital of a corresponding new bank shall not be reduced at any time so as to render it below twenty-five per cent of the paid-up capital of that bank as on the date of commencement of the Banking Companies (Acquisition and Transfer of Undertakings) Amendment Act, 1995."

(2C) The entire paid-up capital of a corresponding new bank, except the paid-up capital raked by public issue under clause (c) of sub-section (2B), shall stand vested in and allotted to the Central Government.

(2D) The shares of every corresponding new bank not held by the Central Government shall be freely transferable:

Provided that no individual or company resident outside India or any company incorporated under any law not in force in India or any branch of such company, whether resident outside India or not, shall at any time hold or acquire by transfer or otherwise shares of the corresponding new bank so that such investment in aggregate exceed the percentage, not being more than twenty per cent of the paid-up capital as may be specified by the Central Government by notification in the Official Gazette.

Explanation— For the purposes of this clause "company" means any body corporate and includes a firm or other association of individuals.

(2E) No shareholder of the corresponding new bank, other than the Central Government, shall be entitled to exercise voting rights in respect of any shares held by him in excess of one per cent of the total voting rights of all the shareholders of the corresponding new bank.

Provided that the shareholder holding any preference share capital in the corresponding new bank shall, in respect of such capital, have a right to vote only on resolutions placed before such corresponding new bank which directly affects the rights attached to his preference shares:

Provided further that no preference shareholder shall be entitled to exercise voting rights in respect of preference shares held by him in excess of one per cent. of the total voting rights of all the shareholders holding preference share capital only.

(2F) Every corresponding new bank shall keep at its head office a register in one or more books, of the shareholders (in this Act referred to is the register) and shall enter therein the following particulars

(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(ii) the date on which each Person is so entered as a shareholder;

(iii) the date on which any Person ceases to be a shareholder; and

(iv) such other particulars as may be prescribed.

(2G) Notwithstanding anything contained in sub-section (2F), it shall be lawful for every corresponding new bank to keep the register in computer floppies or diskettes subject to such safeguards as may be prescribed.

(3) Notwithstanding anything contained in the Indian Evidence Act, 1872 (1 of 1872) a copy of, or extract from, the register, certified to be a true copy under the hand of an officer of the corresponding new bank authorised in this behalf by it, shall, in all legal proceedings, be admissible in evidence.

(4) Every corresponding new bank shall be a body corporate with perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold arid dispose of property, and to contract, and may sue and be sued in its name.

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

(6) Every corresponding new bank shall establish a reserve fund to which shall be transferred to share premiums arid the balance, if any, standing to the credit of the reserve fund of the existing bank in relation to which it is the corresponding new bank, and such further sums, if any, as may be transferred in accordance with the provisions of Section 17 of the Banking Regulation Act, 1949 (10 of 1949).

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

(a) paying, receiving, collecting and remitting money, bullion any securities on behalf of any Government in India; and

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

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

(iii) If no agreement can be reached on any matter referred to in clause (ii), or if a dispute arises between the corresponding new bank and the Reserve Bank as to the interpretation of any agreement - between them, the matter shall be referred to the Central Government and the decision of the Central Government thereon shall be final.

(iv) The corresponding new bank may transact any business or perform any functions entrusted to it under clause (a), by itself or through any agent approved by the Reserve Bank.)

7. Head office and management

(1) The head office of each corresponding new bank shall be at such place as the Central Government may, by notification in the Official Gazette, specify in this behalf, and, until any such place is so specified, shall be at such place at which the head office of the existing bank, in relation to which it is the corresponding new bank, is on the commencement of this Act, located.

(2) The general superintendence, direction and management of the affairs and business of a corresponding new bank shall vest in a Board of Directors which shall be entitled to exercise all such powers and do all such acts and things as the corresponding new bank is authorised to exercise and do.

(3) (a) As soon as may be after the appointed day, the Central Government shall, in consultation with the Reserve Bank, constitute the first Board of Directors of a corresponding new bank, consisting of not more than seven Persons, to be appointed by the Central Government, and every Director so appointed shall hold office until the Board of Directors of such corresponding new bank is constituted in accordance with the scheme made under Section 9:

Provided that the Central Government may, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, remove a Person from the Membership of the first Board of Directors and appoint any other Person in this place.

(b) Every Member of the first Board of Directors (not being an officer of the Central Government or of the Reserve Bank) shall receive such remuneration as is equal to the remuneration which a Member of the Board of Directors of the existing bank was entitled to receive immediately before the commencement of this Act.

(4) Until the first Board of Directors is appointed by the Central Government under sub-section (3), the general superintendence, direction and management of the affairs and business of a corresponding new hank shall vest in a Custodian, who shall be the Chief Executive Officer of that bank and may exercise all powers and do all acts things as may be exercised or done by that bank.

(5) The Chairman of an existing bank holding office as such immediately before the commencement of this Act, shall be the Custodian of the corresponding new bank and shall receive the same emolument as he was receiving immediately before such commencement:

Provided that the Central Government may, if the Chairman of an existing bank declines to become, or to continue to function as, a Custodian of the corresponding new bank, or, if it is of opinion that it is necessary in the interests of the corresponding new bank so to do, appoint any other Person as the Custodian of a corresponding new bank and the Custodian so appointed shall receive such emoluments as the Central Government may specify in this behalf.

(6) The Custodian shall hold office during the pleasure of the Central Government.

8. *Corresponding new banks to be guided by the Directions of the Central Government*

Every corresponding new bank shall, in the discharge of its functions, be guided by such directions in regard to matters of policy involving public interest as the Central Government may, after consultation with the Governor of the Reserve Bank, give.

9. *Power of Central Government to make scheme*

(1) The Central Government may, after consultation with the Reserve Bank, make a scheme for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, the said scheme may provide for all or any of the following matters, namely:—

(a) the capital structure of the corresponding new bank;

(b) the constitution of the Board of Directors, by whatever name called, of the corresponding new bank and all such matters in connection therewith or incidental thereto as the Central Government may consider to be necessary or expedient;

(c) the reconstitution of any corresponding new bank into two or more corporations, the amalgamation of arty corresponding new bank with any other corresponding new bank or with another banking institution, the transfer of the whole or any part of the undertaking of a corresponding new bank to any other corresponding new bank or banking institution or the transfer of the whole or any part of the undertaking of any other banking institution to a corresponding new bank;

(ca) the manner in which the excess number of directors shall retire under the second proviso to clause (i) of sub-section (3)

(d) such incidental, consequential and supplemental matters as may be necessary to carry out the provisions of this Act.

(3) Every Board of Director of a corresponding new bank constituted under any scheme made under sub-section (1), shall include—

(a) not more than four whole-time directors to be appointed by the Central Government after consultation with the Reserve Bank;

(b) one Director who is an official of the Central Government to be nominated by the Central Government: Provided that no such Director shall be a Director of any other corresponding new bank.

Explanation—For the purposes of this clause, the expression corresponding new bank" shall include a corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970);

(c) one director, possessing necessary expertise arid experience in matters relating to regulation or supervision of commercial banks, to be nominated by the Central Government on the recommendation of the Reserve Bank..

Explanation—For the purpose of this clause, “an Officer of the Reserve Bank” includes an officer of the Reserve Bank who is deputed by that Bank under Section 54AA of the Reserve Bank of India Act, 1934 (2 of 1934) to any institution referred to therein:

(d) [***];

(e) one Director, from among such of the employees of the corresponding new bank who are workmen under clause (s) of Section 2 of the Industrial Disputes Act. 1947 (14 of 1947) to be nominated by the Central Government in such manner as may be specified in a scheme made under this section;

(f) one Director, from among the employees of the corresponding new bank who are not workmen under clause (s) of Section 2 of the Industrial Disputes Act, 1947, (14 of 1947) to be nominated by the Central Government after consultation with the Reserve Bank;

(g) one Director who has been a Chartered Accountant for not less than fifteen years to be nominated by the Central Government after consultation with the Reserve Bank;

(h) subject to the provisions of clause (i), not more than six Directors to be nominated by the Central Government;

(i) where the capital issued under clause (c) of sub-section (2B) of Section (3) is—

(I) not more than sixteen per cent of the total paid-up capital, one Director.

(II) more than sixteen per cent but not more than thirty two per cent of the total paid-up capital, two Directors,

(III) more than thirty two per cent of the total paid-up capital, three Directors, to be elected by the shareholders, other than the Central Government from amongst themselves:

Provided that on the assumption of charge after election of any such Directors under this clause, equal number of Directors nominated under clause (h) shall retire in such manner as may be specified in the scheme.

Provided further that in case the number of directors elected, on or before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, in a corresponding new bank exceed the number of directors specified in sub-clause (I) or sub-clause (II) or sub-clause (III), as the case may be, such excess number of directors elected before such commencement shall retire in such manner as may be specified in the scheme and such directors shall not be entitled to claim any compensation for the premature retirement of their term of office.

(3A) The Directors to be nominated under clause (h) or to be elected under clause (1) of sub-section (3) shall—

(A) have special knowledge or practical experience in respect of one or more of the following matters namely:-

(i) agricultural and rural economy,

(ii) banking,

(iii) economics,

(iv) co-operation,

(v) finance,

(vi) law,

(vii) small-scale industry,

(viii) any other matter the special knowledge of, arid practical experience in, which would, in the opinion of the Reserve Bank, he useful to the corresponding new bank;

(B) represent the interests of depositors; or

(C) represent the interests of farmers, workers and artisans.

[(3AA) Without prejudice to the provisions of sub-section (3A) and notwithstanding anything to the contrary contained in this Act or in any other law for the time being in force, no person shall be eligible to be elected as director under clause (i) of sub-section (3) unless he is a person having fit and proper status based upon track record, integrity and such other criteria as the Reserve Bank may notify from time to time in this regard.

(3AB) The Reserve bank may also specify in the notification issued under sub-section (3AA), the authority to determine the fit and proper status, the manner of such determination, the procedure to be followed for such determination and such other matters as may be considered necessary or incidental thereto.

(3B) Where the Reserve Bank is of the opinion that any Director of a corresponding new bank elected under clause (1) of sub-section (3) does not fulfill the requirements of sub-section (3A), it may, after giving to such Director and the bank a reasonable opportunity of being heard, by order, remove such Director and on such removal, the Board of Directors shall co-opt any other person fulfilling the requirements of sub-section (3A) as a Director in place of the person so removed till a Director is duly elected by the shareholders of the corresponding new bank in the next annual general meeting and the person so, co-opted shall be deemed to have been duly elected by the shareholders of the corresponding new bank as a Director.

(4) The Central Government may, after consultation with the Reserve Bank, make a scheme to amend or vary any scheme made under sub-section (1).

(5) On and from the date of coming into operation of a scheme made under this section with respect to any of the matters referred to in clause (c) of sub-section (2) or any matters incidental, consequential and supplemental thereto,—

(a) the scheme shall be binding on the corresponding new bank or corporations or banking institutions, and also on the Members, if any, the depositors, and other creditors and employees of each of them and on any other persons having any right or liability in relation to any of them including the trustees or other persons, managing or in any other manner connected with any provident fund or other fund maintained by any of them;

(b) the properties and assets of the corresponding new bank, or as the case may be, of the banking institution shall, by virtue of and to the extent provided in the scheme, stand transferred to, and vested in, and the liabilities of the corresponding new bank, or, as the case may be, of the banking institution shall, by virtue of, and to the extent provided in the scheme, stand transferred to, and become the liabilities of, the corporation or corporations brought into existence by reconstitution of the banking institution or the corresponding new bank, as the case may be.

Explanation I— In this section, “banking institution” means ‘a banking company and includes the State Bank of India or a subsidiary bank.

Explanation II— For the purposes of this section, the expression “corresponding new bank” shall include a corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970).

(1) Every scheme made by the Central Government under this Act shall be laid as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the scheme or both Houses agree that the scheme should not be made, the scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that scheme.

9A. Power of Reserve Bank to appoint additional director

(1) If the Reserve Bank is of the opinion that in the interest of banking policy or in the public interest or in the interests of the corresponding new bank or its depositors, it is necessary so to do, it may, from time to time, by order in writing, appoint, with effect from such date as may be specified in the order, one or more persons to hold office as additional directors of the corresponding new bank.

(2) Any person appointed as an additional director in pursuance of this section—

(a) shall hold office during the pleasure of the Reserve Bank and subject thereto for a period not exceeding three years or such further periods not exceeding three years at a time as the Reserve Bank may specify;

(b) shall not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the execution of the duties of his office or in relation thereto; and

(c) shall not be required to hold qualification shares in the corresponding new bank.

10. Closure of accounts and disposal of profits

(1) Every corresponding new bank shall cause its books to be closed and balanced on the 31st day of December or such other date in each year as the Central Government may, by notification In the Official Gazette, specify and shall appoint, with the previous approval of the Reserve Bank, Auditors for the audit of the audit of its accounts:

Provided that with a view to facilitating the transition from one period of accounting to another period of accounting tinder this sub-section, the Central Government may, by order published in the Official Gazette, make such provisions as it considers necessary or expedient for the closing and balancing of. or for other matters relating to, the books in respect of the concerned years.

(2) Every Auditor of a corresponding new bank shall be a person who is qualified to -act as an Auditor of a company under Section 226 of the Companies Act, 1956 (1 of 1956) and shall receive such remuneration as the Reserve Bank may fix in consultation with the Central Government.

(3) Every Auditor shall be supplied with a copy of the annual balance sheet and profit and loss account and a list of all books kept by the corresponding new bank, and it shall be the duty of the Auditor to examine the balance-sheet and profit and loss account with the accounts and vouchers relating thereto, and in the performance of his duties, the Auditor—

   (a) shall have, at all reasonable times, access to the books, accounts and other documents of the corresponding new bank,

   (b) may, at the expense of the corresponding new bank, employee accountants or other persons to-assist him in investigating such accounts, and

   (c) may, in relation to such accounts, examine the Custodian or any Officer or Employee of the corresponding new bank.

(4) Every Auditor of a corresponding new bank shall make a report to the Central Government upon the annual balance sheet and accounts and in every such report shall state:

   (a) whether, in his opinion, the balance-sheet is a full and fair balance-sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the affairs of the corresponding new bank, and in case he had called for any explanation or information, whether it has been given and whether it is satisfactory;

   (b) whether or not the transactions of the corresponding new bank, which have come to his notice, have been within the powers of that bank;

   (c) whether or not the returns received from the offices and branches of the corresponding new bank have been found adequate for the purpose of his audit;

   (d) whether the profit and loss account shows a true balance of profit or loss for the period covered by such account; and

   (e) any other matter which he considers should be brought to the notice of the Central Government.

   Explanation I: For the purposes of this Act

   (i) the balance-sheet shall not be treated as not disclosing a true and fair view of the affairs of the corresponding new bank, and

   (ii) the profit and loss account shall not be treated as not showing a true balance of profit or loss for the period covered by such account,

   merely by reason of the fact that the balance-sheet or, as the case may be, the profit and loss account, does not disclose any matters which are by the provisions of the Banking Regulation Act 1949 (10 of 1949), read with the relevant provisions of this Act or any other Act, not required to be disclosed.

   Explanation II—For the purposes of this Act the accounts of the corresponding new bank shall not be deemed as having not been properly drawn up on the ground merely that they do not disclose certain matters if:

   (i) those matters are such as the corresponding new bank is, by virtue of any provision contained in the Banking Regulation Act, 1949 (1 of 1949), read with the relevant provisions of this Act, or any other Act, not required to disclose; and

   (ii) the provisions referred to in clause (i) are specified in the balance sheet and profit and loss account of the corresponding new bank or in the Auditor's report.

(5) The report of the Auditor shall be verified, signed and transmitted to the Central Government.

(6) The Auditor shall also forward a copy of the audit report to the corresponding new bank and to the Reserve Bank.

(7) After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds and all other matters for which provision is necessary under any law, or which are usually provided for by banking companies, a corresponding new bank may out of its net profits declare a dividend and retain the surplus if any.

(7A) Every corresponding new bank shall furnish to the Central Government to the Reserve Bank the annual balance sheet, the profit and loss account, and the Auditor's report and a report by its Board of Directors on the working and activities of the bank during the period covered by the accounts.

(8) The Central Government shall cause every Auditors report and report on the working and activities of each corresponding new bank to be laid as soon as may be after they are received before each House of Parliament.

(9) Without prejudice to the foregoing provisions, the Central Government may, at any time, appoint such number of Auditors as it thinks fit to examine and report on the accounts of a corresponding new bank and the Auditors so appointed shall have all the rights, privileges and authority it relation to the audit of the accounts of the corresponding new bank which an Auditor appointed by the corresponding new bank has under this section.

10A.Annual general meeting

(1) A general meeting (in this Act referred to as an annual general meeting) of every corresponding new bank which has issued capital under clause (c) of sub-section (2B) of Section 3 shall be held at the place of the head office of the bank in each year at such time as shall from time to time be specified by the Board of Directors:

Provided that such annual general meeting shall be held before the expiry of six weeks from the date on which the balance sheet, together with the profit and loss account and Auditor's report is under sub-section (7A) of Section 10, forwarded to the Central Government or to the Reserve Bank whichever date is earlier.

(2) The shareholders present at an annual general meeting shall be entitled to discuss, approve and adopt the balance-sheet and the profit and loss account of the corresponding new bank made up to the previous 31st day of March, the report of the Board of Directors on the working and activities of the corresponding new bank for the period covered by the accounts and the Auditor's report on the balance-sheet and accounts.

(3) Nothing contained in this section shall apply during the period for which the Board of Directors of a corresponding new bank had been superseded under sub-section (1) of section 18A:

Provided that the Administrator may, if he considers it appropriate in the interest of the corresponding new bank whose Board of Directors had been superseded, call annual general meeting in accordance with the provisions of this section.

10B. Transfer of unpaid or unclaimed dividend to Unpaid Dividend Account

Where, after the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, a dividend has been declared by a corresponding new bank but has not been paid or claimed within thirty days from the date of declaration, to, or by, any shareholder entitled to the payment of the dividend, the corresponding new bank shall, within seven days from the date of the expiry of such period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be called "Unpaid Dividend Account of ... (the name of the corresponding new bank)".

Explanation.—In this sub-section, the expression "dividend which remains unpaid" means any dividend the warrant in respect thereof has not been encashed or which has otherwise not been paid or claimed.

(2) Where the whole or any part of any dividend, declared by a corresponding new bank before the commencement of the Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Laws (Amendment) Act, 2006, remains unpaid at such commencement, the corresponding new bank shall, within a period of six months from such commencement, transfer such unpaid amount to the account referred to in sub-section (1).

(3) Any money transferred to the Unpaid Dividend Account of a corresponding new bank in pursuance of this section which remains Unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the corresponding new bank to the Investor Education and Protection Fund established under sub-section (1) of section 205C of the Companies Act, 1956(1 of 1956).

(4) The money transferred under sub-section (3) to the Investor Education and Protection Fund shall be utilised for the purposes and in the manner specified in section 205C of the Companies Act,1956(1 of 1956).

11. Corresponding new bank deemed to be an Indian company

For the purposes of the Income-tax Act, 1961 (43 of 1961), every corresponding new bank shall be deemed to be an Indian company and a company in which the public are substantially interested.

15. Certain defects not to invalidate acts of proceedings

(a) All acts done by the Custodian, acting in good faith, shall, notwithstanding any defect in his appointment or in the procedure, be valid.

(b) No act or proceeding of any Board of Directors or a local Board or Committee of a corresponding new bank shall be invalid merely on the ground of the existence of any vacancy in, or defect in the constitution of, such Board or the Committee, as the case may be.

(c) All acts done by a person acting in good faith as a Director or Member of a local Board or Committee of a corresponding new bank shall be valid notwithstanding that it may afterwards be discovered that his appointment was not invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained In any law for the time being in force:

Provided that nothing in this section shall be deemed to give validity to any act by a Director or Member of a local Board or Committee of a corresponding new bank after his appointment has been shown to the corresponding new bank to be invalid or to have terminated.

16A. Arrangement with corresponding new bank on appointment of Directors to prevail

(1) Where any arrangement entered into by a corresponding new bank with a company provides for the appointment by the corresponding new bank of one or more Directors of such Company, such appointment of Directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the Company, and any provision regarding share qualification, age limit, number of Directorship, removal from office of Directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any Director appointed by the corresponding new bank in pursuance of the arrangement as aforesaid.

(2) Any Director appointed as aforesaid shall—

(a) hold office during the pleasure of the corresponding new bank and may be removed or substituted by any person by order in writing of the corresponding new bank;

(b) and incur any obligation or liability by reason only of his being a Director or for anything done or omitted to be done in good faith in the discharge of his duties as a Director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of Directors liable to such retirement.

(d) Power to make regulations.

(3) The Board of Directors of a corresponding new bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, by notification in the Official Gazette make regulations, not inconsistent with the provisions of this Act or any scheme made thereunder, to provide for all matters for which provision is of a expedient for the purpose of giving effect to the provisions of this Act.

(4) Until any regulation is made under sub-section (1), the articles of association of the existing bank and every regulation, rule, bye-law or order made by the existing bank shall, if in force at the commencement of this Act, be deemed to be the regulations made under sub-section (1) and shall have effect accordingly and any reference therein to any authority of the existing bank shall be deemed to be a reference to the corresponding authority of the corresponding new bank and until any such corresponding authority is constituted under this Act, shall be deemed to refer to the Custodian.

(5) Every regulation shall, as soon as may be after it is made under this Act by the Board of Directors of a corresponding new bank, be forwarded to the Central Government and that Government shall cause a copy of the same to be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in the regulation or both Houses agree that the regulation should not be made, the regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that regulation.

17. Indemnity

(1) Every custodian of a corresponding new bank and every Officer of the Central Government or of the Reserve Bank and every Officer or other employee of a corresponding new bank, shall be indemnified by such bank against all losses and expenses incurred by him in or in relation to the discharge of his duties except such as have been caused by his own willful act or default.

(2) A Director or Member of a local Board or Committee of a corresponding new bank shall not be responsible for any loss or expense caused to such bank by the insufficiency or deficiency of the value of, or title to, any property or security acquired or taken on behalf of the corresponding new bank, or by the insolvency or wrongful act of any customer or debtor, or by anything done in or in relation to the execution of the duties of his office, unless such loss, expense, insufficiency or deficiency was due to any willful act or default on the part of such Director or Member.

18A. Supersession of Board in certain cases

(1) Where the Central Government, on the recommendation of the Reserve Bank, is satisfied that in the public interest or for preventing the affairs of any corresponding new bank being conducted in a manner detrimental to the interest of the depositors or the corresponding new bank or for securing the proper management of any corresponding new

bank, it is necessary so to do, the Central Government may, for reasons to be recorded in writing, by order, supersede the Board of Directors of such corresponding new bank for a period not exceeding six months as may be specified in the order:

Provided that the period of supersession of the Board of Directors may be extended from time to time, so, however, that the total period shall not exceed twelve months.

(2) The Central Government may, on supersession of the Board of Directors of the corresponding new bank under sub-section (1), appoint, in consultation with the Reserve Bank, for such period as it may determine, an Administrator (not being an officer of the Central Government or a State Government) who has experience in law, finance, banking, economics or accountancy.

(3) The Central Government may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of Directors of the corresponding new bank, notwithstanding anything contained in this Act,—

(a) the chairman, managing director and other directors shall, as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of Directors of such corresponding new bank, or by a resolution passed in general meeting of such corresponding new bank, shall, until the Board of Directors of such corresponding new bank is reconstituted, be exercised and discharged by the Administrator appointed by the Central Government under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of the corresponding new bank.

(5) The Central Government may constitute, in consultation with the Reserve Bank, a committee of three or more persons who have experience in law, finance, banking, economics or accountancy to assist the Administrator in the discharge of his duties

(6) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Central Government.

(7) The salary and allowances payable to the Administrator and the members of the committee constituted under sub-section (5) by the Central Government shall be such as may be specified by the Central Government and be payable by the concerned corresponding new bank.

(8) On and before the expiration of two months before expiry of the period of supersession of the Board of Directors as specified in the order issued under sub-section (1), the Administrator of the corresponding new bank, shall call the general meeting of the corresponding new bank to elect new directors and reconstitute its Board of Directors.

(9) Notwithstanding anything contained in any other law or in any contract, the memorandum or articles of association, no person shall be entitled to claim any compensation for the loss or termination of his office.

(10) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of Directors of the corresponding new bank has been reconstituted.

Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970

3. Constitution of the Board

(2) (i) The director referred to in Clause (e) of sub-section (3) of Section 9 of the Act, shall be nominated by the Central Government from out of a panel of three such employees furnished to it by the representative union, within a date to be specified by the Central Government, which date shall not be more than six weeks from the date of communication made by the Central Government, requiring the representative union to furnish the panel of names:

Provided that where the Central Government is of the opinion that owing to the delay which is likely to occur in the verification and certification of any union or federation as a representative union it is necessary in the interest of the Nationalised Bank so to do, it may nominate any employee of the Nationalised Bank, who is a workman, to be a director of that bank.

(ii) (a) Where there is no representative union, to represent the workman of a Nationalised Bank, or

(b) where such representative union being in existence omits or fails to furnish any panel of names within the specified date, or

(c) where all the persons specified in the panel furnished by the representative union are disqualified whether under item (iii) of this sub-clause or under Clause 10, the Central Government may, at its discretion appoint such workman of the Nationalised Bank, as it may think fit, to be a director of such bank.

(iii) A workman of a Nationalised Bank shall be disqualified for being nominated as a director unless—

(a) he is, and has been serving for a continuous period of not less than five years in the Nationalised Bank; and

(d) he is of such age that there is no likelihood of his attaining the age of superannuation during his term of office as director.

4. Manner of retirement of nominee directors

The director referred to in Clause (h) of sub-section (3) of Section 9 of the Act shall retire by rotation, when the elected directors assume charge, in such manner that the directors who have been longest in office since the last nomination, shall retire first and as between persons, who became directors on the same day, those who are to retire, shall, in default of or subject to any agreement among themselves, be decided by the Central Government.

5. Chairman

(1) The Central Government shall, after consultation with the Reserve Bank, appoint one of the Directors to be the Chairman of the Board.

(2) The Chairman shall preside over the meetings of the Board.

6. Managing Director

The Central Government shall, after consultation with the Reserve Bank, appoint one of the directors referred to in Clause (a) of sub-section (3) of Section 9 of the Act to be the Managing Director, who shall be the Chief Executive Officer of the Nationalised Bank and shall exercise the powers and discharge such duties as may be delegated to him by the Board.

7. Same person may hold office as Chairman and Managing Director

The Central Government may, after consultation with the Reserve Bank appoint the same person to hold, at the same time, both the office of the Chairman and the Managing Director.

8. Term of office and remuneration of a wholetime Director including Managing Director

(1) A wholetime Director, including the Managing Director shall devote his whole time to the affairs of the Nationalised Bank and shall hold office for such terms not exceeding five years as the Central Government may, after consultation with the Reserve Bank, specify and shall be eligible for re-appointment.

(1-A) Notwithstanding anything contained in sub-clause (1), the Central Government shall have the right to terminate the term of office of a whole-time Director, including the Managing Director, at any time before the expiry of the term specified under that sub-clause by giving to him a notice of not less than three months, in writing or three months salary and allowances in lieu of notice; and the whole-time Director, including the Managing Director, shall also have the right to relinquish his office at any time before the expiry of the term specified under that sub-clause by giving to the Central Government notice of not less than three months in writing.

(1-B) Any reference to a whole-time Director, including the Managing Director, in sub-clause (1-A) shall be construed as including a reference to the person holding office as such at the commencement of the Nationalised Banks (Management and Miscellaneous Provision (Second Amendment) Scheme, 1976.

(2) A whole-time Director, including the Managing director shall receive from the Nationalised Bank such salary, allowance, fees and perquisites and be governed by such terms and conditions as the Central Government may determine, after consultation with the Reserve Bank.

(3) If a whole-time Director including the Managing Director is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his office, the Central Government may, after consultation with the Reserve Bank, appoint another person to act in his place during his absence.

(4) The Central Government may, if it is satisfied that it is expedient in the interests of the nationalized bank so to do, remove a whole-time Director including the Managing Director from office:

Provided that no such removal shall be made except after—

(a) consultation with the Board, and

(b) giving a reasonable opportunity to the whole-time Director including the Managing director, of showing cause against the proposed action.

9. Term of office of other directors

(1) A director other than a director referred to in Clause (a) and Clause (i) of sub-section (3) of Section 9 of the Act shall hold office during the pleasure of the Central Government.

(2) Subject to the provisions of sub-clause (1),

(a) a director referred to in Clause (e), Clause (f), Clause (g) and Clause (h) of sub-section (3) of Section 9 of the Act shall hold office for such term not exceeding three years as the Central Government may specify at the time of his nomination and thereafter until his successor has been nominated and shall be eligible for re-nomination:

(b) a director referred to in Clause (g) and Clause (h) of sub-section (3) of Section 9 of the Act shall hold office for such term not exceeding three years as the Government may specify at the time of his nomination and thereafter and shall be eligible for re-nomination:

Provided that no such director shall hold office continuously for a period exceeding six years.

(3) Without prejudice to the provisions of sub-clauses (1) and (2), a director referred to in Clause (b) of sub-section (3) of Section 9 of the Act shall retire in the manner specified in Clause 4.

(4) An elected director shall hold office for three years and thereafter until his successor shall have been duly elected and shall be eligible for re-election:

Provided that no such director shall hold office continuously for a period exceeding six years.

10. Disqualification of Directors

A person shall be disqualified for being appointed as, and for being, a director—

(a) if he has at any time been adjudicated an insolvent or has suspended payment or has compounded with his creditors; or

(b) if he has been found to be of unsound mind and stands so declared by a competent Court; or

(c) if he has been convicted by a Criminal Court of an offence which involves moral turpitude.

11. Vacation of office of Directors, etc.

(1) If a director becomes subject to any of the disqualifications specified in Clause 10 or is absent without leave of the Board for more than three consecutive meetings thereof he shall be deemed to have vacated his office as such and thereupon his office shall become vacant.

(2) The Chairman or whole-time director including the Managing Director or a director referred to in Clause (b) or Clause (c) or Clause (d) of sub-section (3) of Section 9 of the Act may resign his office by giving notice thereof in writing to the Central Government and on such resignation being accepted by that Government shall be deemed to have vacated his office; any other director may resign his office by giving notice thereof in writing to the Central Government and such resignation shall take effect on the receipt of the communication of the resignation by the Central Government.

(3) Without prejudice to the provisions of the foregoing sub-clause, the office of a director referred to in Clause (e) or Clause (f) of sub-section (3) of Section 9 of the Act shall become vacant as soon as the director ceases to be a workman or an employee, other than a workman of the nationalized bank of which he is a director.

(4) Where any vacancy occurs in the office of a director, other than an elected director, it shall be filled in accordance with sub-section (3) of Section 9 of the Act.

11-A.Removal from office of an elected director

The shareholders other than the Central Government, may, by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one half of the share capital held by all such shareholders, remove any director elected under Clause (i) of sub-section (3) of Section 9 and elect in his stead another person to fill the vacancy.

11-B. Filling of vacancy in the office of an elected director

(1) Where any vacancy occurs before the expiry of the term of office of an elected director, the vacancy shall be filled in by election:

Provided that where the duration of vacancy is likely to be less than six months, the vacancy may be filled in by the remaining directors.

(2) A person elected or cooperated, as the case may be, under sub-clause (1) shall hold office for the unexpired portion of the term of his predecessor.

12. Meetings of the Board

(1) Meetings of the Board shall ordinarily be held at least six times in a year and at least once in each quarter.

(2) A meeting of the Board shall be held at the head office of the nationalised bank or such other place as the Board may decide.

(3) Ordinarily, not less than fifteen days' notice shall be given of any meeting of the Board and such notice shall be sent to every director at the address specified by him in this behalf.

(4) No business, other than that for which the meeting was convened shall be transacted at a meeting of the Board except with the consent of the Chairman of the meeting and a majority of the directors present, unless one week's notice of such business has been given in writing to the Chairman.

(5) The quorum of a meeting of the Board shall be one-third of the number of directors holding office as such directors of the Board on the day of the meeting, subject to a minimum of three directors, two of whom shall be directors referred to in Clause (b) or Clause (c) or Clause (d) or Clause (h) of sub-section (3) of Section 9 of the Act.

(6) If, for any reason, the Chairman is unable to attend a meeting of the Board, the Managing Director shall preside over that meeting and in the absence of the Managing Director or in the event of the Chairman and the Managing Director being the same person, any other director elected by the directors present at the meeting from among themselves shall preside at the meeting.

(7) All questions at the meeting shall be decided by a majority of the votes of the directors present and voting and in the case of equality of votes, the person presiding shall have a second or a casting vote.

(8) A director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the nationalized bank shall, as soon as possible after the relevant circumstances have come to his knowledge, disclose the nature of his interest to the Board and shall not be present at the meeting of the Board when any such contract, loan, arrangement or proposal is discussed unless his presence is required by the other directors for the purpose of eliciting information and no director so required to be present shall vote on any such contract, loan, arrangement or proposal:

Provided that nothing contained in this sub-clause shall apply to such director by reason only of his being—

(i) a shareholder (other than a director) holding not more than two per cent of the paid-up capital in any public company as defined in the Companies Act, 1956 (1 of 1956), or any corporation established by or under any law for the time being in force in India or any co-operative society, with which or to which the Nationalised Bank has entered into or made or proposed to enter into or make, a contract, loan, arrangement or proposal, or

(ii) an officer or other employee of the nationalized bank, if he is a director referred to in Clause (e) or Clause (f) of sub-section (3) of Section 9 of the Act.

(9) A copy of the proceedings of each meeting of the Board shall be circulated as soon as possible after the meeting for other information of the directors and shall be signed by the Chairman of that or the next succeeding meeting.

(10) No act or proceeding of the Board shall be invalid on the ground merely of the existence of any vacancy in or any defect in the constitution of the Board.

13. Management Committee

(1) There shall be a Management Committee of the Board.

(2) The Management Committee shall consist of—

(a) The Chairman

(b) The Managing Director

(c) The Executive Directors

(d) The Directors referred to in Clauses (b), (c) and (g) of sub-section (3) of Section 9 of the Act.

(e) One Director nominated by the Board from amongst, the directors referred to in Clause (d) of sub-section (3) of Section 9 of the Act;

(f) One Director nominated by the Board from amongst the Directors referred to in Clauses (e), (f), (h) and (i) of sub-section (3) of Section 9 of the Act:

Provided that the Directors nominated by the Board shall hold office for not more than six months at a time.

(3) The Management Committee shall exercise such powers of the Board including the powers with regard to credit proposals, as may be delegated to it by the Board with the approval of the Central Government and such approval shall be given by the Central Government after consultation with the Reserve Bank of India.

(4) The meetings of the Management Committee may be called by the Chairman of the Management Committee as often as he feels necessary.

(5) Four members shall be the quorum for a meeting of the Management Committee.

(6) The minutes of a meeting of the Management Committee shall be laid before the Board as soon as possible after the meeting.

(7) Save as otherwise provided in sub-clauses (4), (5) and (6) the meetings and proceedings of the Management Committee shall be governed by the provisions contained in this Scheme for regulating the meetings and proceedings of the Board so far as the same are applicable thereto.

(8) Where the Chairman of the Management Committee is of opinion that in view of urgency in any matter, it should be dealt with expeditiously, he may circulate a resolution to that effect to the members of the Management Committee, and such resolution shall be deemed to be the resolution passed by the Management Committee when it is approved by a majority of the Members but shall have effect from the date it is signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Management Committee:

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Management Committee, the resolution shall not be deemed to be valid and effectual as aforesaid unless the same is passed at such meeting.

Explanation— For the purpose of sub-clause (2), “Executive Director” means the whole-time Director, not being the Managing Director, appointed under sub-clause (a) of Clause 3 and designated as such.

18. *Resolution without meeting of the Board valid*

A resolution in writing signed by the majority of the members of the Board shall be valid and effectual and shall be deemed to be the resolution passed by the Board on the date it was signed by the last signatory to the resolution:

Provided that any resolution passed as aforesaid shall be placed before the next meeting of the Board.

Provided further that if any dissenting member requires in writing that any resolution so passed shall be placed before a meeting of the Board, the resolution shall not be deemed valid and effectual as aforesaid unless the same is passed at such meeting.

20. *Increase of paid-up capital*

The paid-up capital of a Nationalised Bank may be increased from time to time as in sub-clause (a) or sub-clause (b) or sub-clause (c) below or in combination with any of them:

(a) the Board of Directors of a Nationalised Bank may, after consultation with the Reserve Bank and with the previous sanction of the Central Government transfer to its capital a specified amount from the reserve fund establishment by such bank under sub-section (6) of Section 3 of the Act;

(b) the Central Government may, in consultation with the Reserve Bank, make contribution of any specified amount to the paid-up capital of a Nationalised Bank;

(c) the Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, raise the paid-up capital by public issue of shares in such manner as may be prescribed; so however, that the Central Government shall at all times hold not less than fifty-one per cent of the paid-up capital of each Nationalised Bank.

Indian Bank (Shares and Meetings) Regulations, 1999

3. NATURE OF SHARES

The shares of Indian Bank shall be movable property, transferable in the manner provided under these regulations

4. KINDS OF SHARE CAPITAL

(i) Preference Share Capital means that part of share capital of Indian Bank which fulfils both the following conditions:

A) as respects dividends, it carries a preferential right to be paid a fixed amount or an amount calculated at fixed rate, which may be either free of or subject to income tax and

B) as respect capital, it carries or will carry, on winding up repayment of capital, a preferential right to be repaid the amount of the capital paid up or deemed to have been paid up, whether or not there is preferential right to the payment of either or both of the following amounts, namely,

(a) any money remaining unpaid in respect of the amounts specified in clause (A) up to the date of winding up or repayment of capital, and

(b) any fixed premium or premium on any fixed scale, specified by the Board with previous consent of the Central Government.

(ii) "Equity Share Capital" means all share capital, which is not preference share capital.

(iii) The expressions "Preference Share" and "Equity Share" shall be construed accordingly.

5. PARTICULARS TO BE ENTERED IN THE REGISTER:

(i) A share register shall be kept, maintained and updated in accordance with Sub-section 2(F) of Section 3 of the Act.

(ii) In addition to the particulars specified in Sub-Section 2(F) of Section 3 of the Act, such other particulars as the Board may specify shall be entered in the register.

(iii) In the case of joint holders of any share, their names and other particulars required by sub-regulations (i) shall be grouped under the name of the first of such joint holders.

(iv) Subject to the proviso of sub-section 2(D) of Section 3 of the Act, a shareholder resident outside India may furnish to the Bank an address in India, and any such address shall be entered in the register and be deemed to be his registered address for the purposes of the Act and these regulations.

5A. (i) The Bank shall, unless the register is in such form as in itself to constitute an index, keep an index, which may be in form of a card index of the names of shareholders and shall, within fourteen days after the date on which any alteration is made in the register of shareholders, make the necessary alteration in the index.

(ii) The index shall be kept with the register of shareholders.

6. CONTROL OVER SHARES AND REGISTERS:

Subject to the provisions of the Act and these regulations, and such directions as the Board may issue from time to time, the register shall be kept and maintained at the Head Office of Indian Bank and be under the Control of the Board and the decision of the Board as to whether or not a person is entitled to be registered as a shareholder in respect of any share shall be final.

7. PARTIES WHO MAY NOT BE REGISTERED AS SHAREHOLDERS:

i) Except as otherwise provided by these regulations, all persons who are not competent to contract shall not be entitled to be registered as a shareholder and the decision of the board in this regard shall be conclusive and final.

ii) In case of partnership firms, shares may be registered in the names of the individual partners and no firm, as such, shall be entitled to be registered as a shareholder.

8. MAINTENANCE OF SHARE REGISTER IN COMPUTER SYSTEM, ETC.

i) The particulars required to be entered in the share register under Sub-section 2(F) of Section 3 of the Act, read with those mentioned in Regulation 5, shall be maintained under Sub-section 2 (G) of Section 3 of the Act, in the form of data stored in magnetic/ optical/ magneto – optical media by way of diskettes, floppies, cartridges or otherwise (hereinafter referred to as the 'media') in computers to be maintained at the Head Office and the back up at such location as may be decided from time to time by the Chairman and Managing Director or any other official not below the rank of the General Manager designated in this behalf by the Chairman and Managing Director (hereinafter referred to as 'the designated official'.)

ii) Particulars required to be entered in the share register under Section 3(B) of the Act read with Section 11 of the Depositories Act, 1996 shall be maintained in the electronic form in the manner and in the form as prescribed therein.

iii) The register in electronic form shall be maintained subject to such safeguards as stipulated for securing electronic records under the Information Technology Act, 2000 (21 of 2000).

9. SAFEGUARDS FOR PROTECTION OF COMPUTER SYSTEM:

i) The access to the system set out in Regulation 8(i) in which data is stored shall be restricted to such persons including Registrars to an issue and/ or share transfer agents as may be authorized in this behalf by the Chairman and Managing Director or the designated official and the passwords if any, and the electronic security control systems shall be kept confidential under the custody of the said persons.

ii) The access by the authorized persons shall be recorded in logs by the computer system and such logs shall be preserved with the officials/ persons designated in this behalf by the Chairman and Managing Director or the designated official.

iii) Copies of the back-ups shall be taken on removable media at intervals as may be specified from time to time by the Chairman and Managing Director or the designated official, incorporating the changes made in the register of shareholders. Atleast one of these copies shall be stored in a location other than the premises in which processing is being done. This copy shall be stored in a fire-proof environment with locking arrangement and at the requisite temperature. The access to the Back-ups in both the locations shall be restricted to persons authorized in this behalf by the Chairman and Managing Director or the designated official. The persons so authorized shall record the access in a manual register kept at the location.

iv) It shall be the duty of the authorized persons to compare the data on the back-ups with that on the computer system by using appropriate software to ensure correctness of the back-up. The result of this operation shall be recorded in the register maintained for the purpose.

v) It shall be competent for the Chairman and Managing Director, by special or general order, to add or modify the instructions, stipulations in regard to the safeguards to be observed in maintaining the register of the shareholders in the computer system with due regard to the advancement of technology, and/or in the exigencies of situation or for any other relevant consideration.

10. EXERCISE OF RIGHTS OF JOINT HOLDERS:

If any share stands in the names of two or more persons, the person first named in the register shall, as regards voting, receipt of dividends, service of notices and all or any other matters connected with the Bank except the transfer of shares, be deemed to be sole holder thereof.

11. INSPECTION OF REGISTER:

i) The register shall, except when closed under Regulation 12, be open to inspection of any shareholder, free of charge, at the place where it is maintained during business hours subject to such reasonable restrictions as the Board may impose, but so that not less than two hours in each working day shall be allowed for inspection.

ii) Any shareholder may make extracts of any entry in the register or computer prints free of charge or if he requires a copy or computer prints of the register or any part thereof, the same will be supplied to him on pre-payment at the rate of Rs.5/- or at such rate as the Board may decide for every 1000 words or fractional part thereof required to be copied.

iii) Not withstanding 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.

12. CLOSING OF THE REGISTER:

The Bank may, after ensuring compliance of the applicable guidelines and the listing agreement with the Stock Exchanges, and after giving not less than seven days previous notice by advertisement in at least two newspapers circulating in India, close the register of shareholders for any period or periods not exceeding in the aggregate forty- five days in each year, but not exceeding thirty days at any one time as may in its opinion, be necessary

13. SHARE CERTIFICATES:

i) Each share certificate shall bear share certificate number, a distinctive number, the number of shares in respect of which it is issued and the names of the shareholder to whom it is issued and it shall be in such form as may be specified by the Board.

ii) Every share certificate shall be issued under the common seal of the Bank in pursuance of a resolution of the Board and shall be signed by two directors and some other officer not below the rank of Scale II or the Company Secretary for the purpose.

Provided that the signature of the directors may be printed, engraved, lithographed or impressed by such other mechanical process as the Board may direct.

(iii) A signature so printed, engraved, lithographed or otherwise impressed shall be as valid as a signature in the proper handwriting of the signatory himself.

(iv) No share certificate shall be valid unless and until it is so signed. Share Certificates so signed shall be valid and binding notwithstanding that, before the issue thereof, any person whose signature appears thereon may have ceased to be a person authorized to sign share certificates on behalf of the Bank.

14. ISSUE OF SHARE CERTIFICATES:

    i) While issuing share certificates to any shareholder, it shall be competent for the Board to issue the certificates on the basis of one certificate for every hundred shares or multiples thereof registered in his name on any one occasion and one additional share certificate for the number of shares in excess thereof but which are less than hundred.

    ii) If the number of shares to be registered is less than hundred, one certificate shall be issued for all the shares.

    iii) In respect of any share or shares held jointly by several persons, the bank shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

15. ISSUE OF NEW OR DUPLICATE SHARE CERTIFICATE:

    i) If any share certificate is worn out or defaced, the Board or the Committee designated by it on production of such certificate may order the same to be cancelled and have a new certificate issued in lieu thereof.

    ii) If any share certificate is alleged to be lost or destroyed, the Board or the Committee designated by it on such indemnity with or without surety as the Board or the Committee thinks fit, and on publication in two newspapers and on payment to the Bank of its costs, charges and expenses, a duplicate certificate in lieu thereof may be given to the person entitled to such lost or destroyed certificate.

16. CONSOLIDATION AND SUB-DIVISION OF SHARES:

    On a written application made by the shareholder(s), the Board or the committee designated by it may consolidate or sub-divide the shares submitted to it for consolidation/ sub-division as the case may be and issue a new certificate(s) in lieu thereof on payment to the Bank of its costs, charges and expenses of and incidental to the matter.

17. TRANSFER OF SHARES:

    i) Every transfer of the shares of the Bank shall be by an instrument of transfer in form ‘A’ annexed hereto or in such other form as may be approved by the Bank from time to time and shall be duly stamped, dated and executed by or on behalf of the transferor and the transferee alongwith the relative share certificate.

    ii) The instrument of transfer alongwith the share certificate shall be submitted to the Bank at its Head Office and the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the share register in respect thereof.

    iii) Upon receipt by the Bank of an instrument of transfer along with a share certificate with a request to register the transfer, the Board or the Committee designated by the Board shall forward the said instrument of transfer along with share certificate to the Registrar or Share Transfer Agent for the purposes of verification that the technical requirements are complied with in their entirety. The Registrar or share Transfer Agent shall return the instrument of transfer along with the share certificate, if any, to the transferee for resubmission unless the instrument of transfer is presented to the bank, duly stamped and properly executed for registration and is accompanied by the certificate of the shares to which it relates and such other evidence as the Board may require to show the title of the transferor to make such transfer.

       Explanation: - “Technical requirements” means

       a) Transfer deed shall be duly stamped;

       b) Certificate number or distinctive number mentioned in the transfer deed shall tally with the share certificate;

       c) Transferor’s signature shall tally;

       d) Transfer deed shall be witnessed.

    (iv) The Board or the Committee designated by the Board shall, unless it refuses to register the transfer under regulation 19 hereinafter, cause the transfer to be registered.

    (v) Unless the transfer of shares is refused under regulation 19, the share certificate duly transferred shall be delivered to the transferee within sixty days from the date of lodging of the instrument of transfer.

18. POWER TO SUSPEND TRANSFERS:

    The Board or the Committee designated by the Board shall not register any transfer during any period in which the register is closed.

19. BOARD’S RIGHT TO REFUSE REGISTRATION OF TRANSFER OF SHARES:

    i) The Board or Committee may refuse transfer of any shares in the name of transferee on any one or more of the following grounds, and on no other ground:

a) The transfer of shares is in contravention of the provisions of the Act or regulations made there under or any other Law or that any other requirement under the law relating to registration of such transfer has not been complied with;

b) The transfer of shares, in the opinion of the Board, is prejudicial to the interest of the Bank or to public interest;

c) The transfer of shares is prohibited by an order of Court, Tribunal or any other authority under any law for the time being in force.

d) An individual or company resident outside India or any company incorporated under any law not in force in India or any Branch of such company whether resident outside India or not will on the transfer being allowed hold or acquire as a result thereof, shares of the Bank and such investment in the aggregate will exceed the percentage being more than 20% (twenty) of the paid up capital or as may be specified by the Central Government by notification in the Official Gazette.

ii) The Board or Committee shall, after the instrument of transfer of shares of the Bank is lodged with it for the purpose of registration of such transfer from its opinion as to whether such registration ought or ought not to be refused on any of the grounds referred to in such regulation (i) -

a) If it has formed the opinion that such registration ought not to be so refused, effect such registration; and

b) If it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub regulation (i) intimate the same to the Transferor and the Transferee by notice in writing giving reasons for such refusal within 60 days from the receipt of transfer form or within such period as may be laid down in the Listing Agreement with the concerned Stock Exchange

20. TRANSMISSION OF SHARES IN THE EVENT OF DEATH, INSOLVENCY ETC.:

i) The executors or administrators of a deceased share holder in respect of a share, or the holder of letter of probate or letters of administration with or without the will annexed or succession certificate issued under Part X of the Indian Succession Act, 1925 or the holder of any legal representation or a person in whose favour a valid instrument of transfer was executed by the deceased sole holder during the latter's life time shall be the only person who may be recognized by Indian Bank as having any title to such share.

ii) In the case of shares registered in the name of two or more share holders, the survivor or survivors and on the death of the last survivor, his executors or administrators or any person who is the holder of letters of probate or letters of administration with or without will annexed or a succession certificate or any other legal representation in respect of such survivor's interest in the share or a person in whose favour a valid instrument of transfer of share was executed by such person and such last survivor during the latter' s life time, shall be the only person who may be recognized by Indian Bank as having any title to such share.

iii) Indian Bank shall not be bound to recognize such executors or administrators unless they shall have obtained probate or letters of administration or succession certificate, as the case may be, from a Court of competent jurisdiction.

Provided, however, that in a case where the Board in its discretion thinks fit, it shall be lawful for the Board to dispense with the production of probate or letters of administration of succession certificate or such other legal representation, upon such terms as to indemnity or otherwise as it may think fit.

iv) Any such person becoming entitled to share in consequence of death of a share holder and any person becoming entitled to a share in consequence of the insolvency, Bankruptcy or liquidation of a share holder shall upon production of such evidence, as the Board may require, have the right –

a) to be registered as a shareholder in respect of such share

b) to make such transfer of such share as the person from whom he derives title could have made.

21. SHAREHOLDER CEASING TO BE QUALIFIED FOR REGISTRATION:

It shall be the duty of any person registered as a shareholder, whether solely or jointly with another or others forthwith upon ceasing to be qualified to be so registered in respect of any share to give intimation thereof to the Board in this regard.

Explanation- For the purposes of this regulation, a shareholder may cease to be qualified for registration:-

(a) If he is a guardian of minor, on the minor attaining the majority;

(b) If he is holding shares as a Karta, on his ceasing to be a Karta.

22. CALLS ON SHARES:

The Board may, from time to time, make such calls as it thinks fit upon the share holders in respect of all moneys remaining unpaid on the shares held by them, which are by the conditions of allotment not made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the person and at the time and place appointed by the Board. A call may be payable by instalments.

23. CALLS TO DATE FROM RESOLUTION:

A call shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed and may be made payable by the shareholders on the register on such date or at the discretion of the Board on such subsequent date as may be fixed by the Board.

24. NOTICE OF CALL:

A notice of not less than thirty days of every call shall be given specifying the time of payment provided that before the time for payment of such call the Board may by notice in writing to the shareholders revoke the same.

25. EXTENSION OF TIME FOR PAYMENT OF CALL:

The Board may, from time to time and at its discretion, extend the time fixed for the payment of any call to all or any of the shareholders having regard to distance of their residence or some other sufficient cause, but no shareholder shall be entitled to such extension as a matter of right.

26. LIABILITIES OF JOINT HOLDERS:

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

27. AMOUNT PAYABLE AT FIXED TIME OR BY INSTALMENTS AS CALLS:

If by the terms of issue of any share or otherwise any amount is payable at any fixed time or by instalments at fixed times, every such amount or instalment shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of the calls shall relate to such amount or instalment accordingly.

28. WHEN INTEREST ON CALL OR INSTALMENT PAYABLE:

If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share in respect of which a call shall have been made, or the instalment shall be due, shall pay interest on such sum at such rate as the Board may fix from time to time, from the day appointed for the payment thereof to the time of actual payment, but the Board may at its discretion waive payment of such interest wholly or in part.

29. NON-PAYMENT OF CALLS BY SHAREHOLDER:

No shareholder shall be entitled to receive any dividend or to exercise any right of a shareholder until he shall have paid all calls for the time being due and payable on every share held by him, whether singly or jointly with any person, together with interest and expenses, as may be levied or charged.

30. NOTICE ON NON-PAYMENT OF CALL OR INSTALMENT:

If any shareholder fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Bank may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such shareholder or on the person (if any) entitled to the share by transmission, requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been paid or incurred by Indian Bank by reason of such non-payment.

31. NOTICE OF FORFEITURE:

The notice of forfeiture shall name a day not being less than fourteen days from the date of the notice and the place or places on and at which such call or instalment or such part or other monies and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the time and at the place appointed, the share in respect of which the call was made or instalment is payable will be liable to be forfeited.

32. SHARES TO BE FORFEITED ON DEFAULT:

If the requirements of any such notice as aforesaid are not complied with, any of the shares in respect of which such notice has been given may at any time thereafter for non-payment of all calls or instalments, interest and expenses or the money due in respect thereof, be forfeited by a resolution of the Board to that effect at its next meeting to be held after the expiry of the notice of forfeiture under regulation 31at that effect. Such forfeiture shall include all dividends declared in respect of forfeited shares and not actually paid before the forfeiture.

33. ENTRY OF FORFEITURE IN THE REGISTER:

When any share has been forfeited under Regulation 32, an entry of the forfeiture with the date thereof shall be made in the register.

34. FORFEITED SHARES TO BE PROPERTY OF INDIAN BANK AND MAY BE SOLD:

Any share so forfeited shall be deemed to be the property of the Bank and may be sold, reallotted or otherwise disposed of to any person upon such terms and in such manner as the Board may decide.

35. POWER TO ANNUAL FORFEITURE:

The Board may, at any time, before any share so forfeited under Regulation 32 shall have been sold, reallotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it may think fit.

36. SHAREHOLDER LIABLE TO PAY MONEY OWING AT THE TIME OF FORFEITURE AND INTEREST:

Any shareholder whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to Indian Bank all calls, instalments, interest, expenses and other moneys owing upon or in respect of such shares at the time of forfeiture with interest thereon from the time of forfeiture until payment at such rate as may be specified by the Board and the Board may enforce the payment of the whole or a portion thereof.

37. PARTIAL PAYMENT NOT TO PRECLUDE FORFEITURE:

Neither a judgement nor a decree in favour of Indian Bank for calls or other monies due in respect of any shares nor any payment or satisfaction thereunder nor a receipt by Indian Bank of a portion of any money which shall be due from any shareholder from time to time in respect of any shares either by way of principal or interest nor any indulgence granted by Indian Bank in respect of payment of any money shall preclude the forfeiture of such shares under these regulations.

38. FORFEITURE OF SHARES EXTINGUISHES ALL CLAIMS AGAINST BANK:

The forfeiture of a share shall involve extension, at the time of forfeiture, of all interest in and all claims and demands against the Bank, in respect of the share and all other rights incidental to the share, except only such of those rights as by these presents expressly waived.

39. ORIGINAL SHARES NULL AND VOID ON SALE, RE-ISSUE, RE-ALLOTMENT OR DISPOSAL ON BEING FORFEITED:

Upon any sale, reissue, reallotment or other disposal under the provisions of the preceding regulations, the certificate(s) originally issued in respect of the relative shares shall (unless the same shall on demand by the Bank have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, the Board shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

40. APPLICATION OF FORFEITURE PROVISIONS:

The provisions of these regulations as to the forfeiture shall apply in the case of non-payment of any sum which by terms of issue of a share become payable at a fixed time, whether on account of nominal value of the shares or by way of premium as if the same had been payable by virtue of a call duly made.

41. LIEN ON SHARES:

i) The Bank shall have a first and paramount lien -

a) on every share (not being a fully paid share), for all moneys (whether presently payable or not) called, or payable at a fixed time, in respect of that share;

b) on all shares (not being fully-paid shares) standing registered in the name of a single person, for all moneys presently payable by him or his estate to the Bank;

c) upon all the shares registered in the name of each person (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts; liabilities and engagements, solely or jointly with any other person to or with the Bank, whether the period for the payment, fulfilment, or discharge thereof shall have actually arrived or not and no equitable interest in any share shall be recognized by the Bank over its lien.

Provided that the Board may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

ii) The Bank's lien, if any, on a share shall extend to all dividends payable thereon.

42. ENFORCING LIEN BY SALE OF SHARES:

i) The Bank may sell, in such manner as the Board thinks fit, any shares on which the Bank has a lien;

a) if a sum in respect of which the lien exists is presently payable and

b) after the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

ii) to give effect to any such sale, the Board may authorize some officer to transfer the shares sold to the purchaser thereof.

43. APPLICATION OF PROCEEDS OF SALE OF SHARES:

The net proceeds of any sale of shares under Regulation 42 after deduction of costs of such sale, shall be applied in or towards the satisfaction of the debt or liability in respect whereof the lien exists so far as the same is presently payable and the residue, if any, be paid to the shareholders or the person, if any, entitled by transmission to the shares so sold.

44. CERTIFICATE OF FORFEITURE:

A certificate in writing under the hands of any director, Company Secretary or any other Officer of the Bank not below the rank of Scale II of Indian Bank duly authorized in this behalf, that the call in respect of a share was made and that the forfeiture of the share was made by a resolution of the Board to that effect, shall be conclusive evidence of the fact stated therein as against all persons entitled to such shares.

45. TITLE OF PURCHASER AND ALLOTTEE OF FORFEITED SHARE:

Indian Bank may receive the consideration, if any, given for the share on any sale, reallotment or other disposition thereof and the person to whom such share is sold, reallotted or disposed of may be registered as the holder of the share and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, reallotment or other disposal of the share and the remedy of any person aggrieved by the sale shall be in damages only and against Indian Bank exclusively.

46. SERVICE OF A NOTICE OR DOCUMENT TO SHAREHOLDERS:

i) The Bank may serve a notice or a document on any shareholder either personally, or by ordinary post at his registered address or if he has no registered address in India, at the address, if any within India supplied by him to the Bank for giving of notice to him.

ii) Where a document or notice is sent by post, the service of such document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice:

Provided that where a shareholder has intimated to the Bank in advance that documents should be sent to him under a certificate of posting or by registered post, with or without acknowledgement due or by courier service or in an electronic mode and has deposited with the Bank a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the shareholder. And such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration of forty eight hours after the letter containing the same is posted, and in any other case, at the time at which the letter would have been delivered in the ordinary course of post or electronic media, as the case may be.

iii) A notice or a document advertised in a newspaper widely circulated in India shall be deemed to be duly served on the day on which the advertisement appears on every shareholder of the Bank who has no registered address in India and has not supplied to the Bank an address within India for giving of notice to him.

iv) A notice or document may be served by the Bank on the joint holder of a share by effecting service on the joint holder named first in the register in respect of the share and notice so given shall be sufficient notice to all the holders of the said shares.

v) A notice or a document may be served by the Bank on the persons entitled to a share upon death or in consequence of the insolvency of a shareholder by sending it through post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, if any, in India supplied for the purpose by the persons, claiming to be so entitled, or until such an address has been so supplied, by serving the document in any manner in which it might have been served if the death or insolvency had not occurred.

vi) The signature to any notice to be given by Indian Bank may be written or printed.

CHAPTER III

SECURITIES OF THE BANK HELD IN A DEPOSITORY

47. AGREEMENT BETWEEN A DEPOSITORY AND THE BANK:

The Bank may enter into an agreement with one or more depository as defined in section 2(e) of the Depositories Act, 1996 to avail of its services in respect of securities issued by the Bank.

CHAPTER IV

MEETINGS OF SHAREHOLDERS

48. NOTICE CONVENING AN ANNUAL GENERAL MEETING:

i) A notice convening an Annual General Meeting of the shareholders signed by the Chairman and Managing Director or Executive Director or any officer not below the rank of Scale VII or Company Secretary of Indian 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 state the time, date and place of such meeting and also the business that shall be transacted at that meeting.

iii) The time and date of such meeting shall be as specified by the Board. The meeting shall be held at the place of Head Office of Indian Bank.

49. 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 the shareholders.

ii) The requisition referred in sub-regulation (i) shall state the purpose for which the Extra Ordinary General Meeting is required to be convened, but may consist of several documents in like form each signed by one or more of the requisitionists.

iii) Where two or more persons hold any shares jointly, the requisition or a notice calling a meeting, signed by one or some of them shall, for the purpose of this regulation have the same force and effect as if it had been signed by all of them.

iv) The time, date and place of the Extra Ordinary General Meeting shall be decided by the Board.

Provided that the Extra Ordinary General Meeting convened on the requisition by the Central Government or other shareholder shall be convened not later than 45 days of the receipt of the requisition.

v) If the Chairman and Managing Director or in his absence the Executive Director, as the case may be, does not convene a meeting as required by sub-regulation (i), within the period stipulated in the proviso to sub-regulation (iv), the meeting may be called by the requisitionist themselves within three months from the date of the requisition;

Provided that nothing in this sub-regulation shall be deemed to prevent a meeting duly convened before the expiry of the period of three months aforesaid, from being adjourned to some day after the expiry of that period.

vi) A meeting called under sub-regulation (v) by the requisitionist shall be called in the same manner, as nearly as possible as that in which the other general meetings are called by the Board.

50. QUORUM OF GENERAL MEETING:

i) No business shall be transacted at any meeting of the shareholders unless a quorum of at least five shareholders entitled to vote at such meeting in person are present at the commencement of such business.

ii) If within half an hour after the time appointed for the holding of a meeting, a quorum is not present, in the case of a meeting called by a requisition of shareholders other than the Central Government, the meeting shall stand dissolved.

iii) In any other case if within half an hour after the time appointed for the holding of a meeting, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and such other time and place as the Chairman may determine. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the shareholders who are present in person or by proxy or by duly authorized representative at such adjourned meeting shall be quorum and may transact the business for which the meeting was called:

Provided that no Annual General Meeting shall be adjourned to a date later than the date within which such Annual General Meeting shall be held in terms of Section 10A(1) of the Act and if adjournment of the meeting to the same day in the following week would have this effect, the Annual General Meeting shall not be adjourned but the business of the meeting shall be commenced within one hour from the time appointed for the meeting if the quorum is present or immediately after the expiry of one hour from that time and those shareholders who are present in person or by proxy or by duly authorized representative at such time shall form the quorum.

51. CHAIRMAN AT GENERAL MEETING:

i) The Chairman and Managing Director or in his absence, the Executive Director or in his absence such one of the Directors as may be generally or in relation to a particular meeting be authorized by the Chairman and Managing Director or in his absence, the Executive Director in this behalf, shall be the Chairman of the meeting and if the Chairman and Managing Director or the Executive Director or any other Director authorized in this behalf is not present, the meeting may elect any other Director present to be the Chairman of the meeting.

ii) The Chairman of the General Meeting shall regulate the procedure at General Meetings and in particular shall have power to decide the order in which the shareholders may address the meeting to fix a time limit for speeches, to apply the closure, when in his opinion, any matter has been sufficiently discussed and to adjourn the meeting.

52. PERSONS ENTITLED TO ATTEND GENERAL MEETINGS:

i) All Directors and all shareholders of Indian Bank shall, subject to the provisions of Sub-Regulation (ii) be entitled to attend the General Meeting.

ii) A shareholder (not being the Central Government) or a Director, attending a General Meeting shall for the purpose of identification and to determine his voting rights, be required to sign and deliver to the Bank a form to be specified by the Chairman containing particulars relating to:

a) his full name and registered address,

b) the distinctive numbers of his shares,

c) whether he is entitled to vote and the number of votes to which he is entitled in person or by proxy or as a duly authorized representative.

53. VOTING AT GENERAL MEETINGS:

i) At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded be decided on a show of hands.

ii) Save as otherwise provided in the Act every matter submitted to a General Meeting shall be decided by a majority of votes.

iii) Unless a poll is demanded under Sub-Regulation (i), a declaration by the Chairman of the meeting that a resolution on show of hands has or has not been carried either unanimously or by a particular majority and an entry to that effect in the books containing the minutes of the proceedings, shall be conclusive evidence of the fact, without proof of the number of proportion of the votes cast in favour or, or against, such resolution.

iv) Before or on the declaration of the result of the voting or any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion, and shall be ordered to be taken by him on demand made in that behalf by any shareholder or shareholders present in person or by proxy and holding shares in the Bank which confer a power to vote on the resolution not being less than one fifth of the total voting power in respect of the resolution.

v) The demand for the poll may be withdrawn at any time by the person or persons who made the demand.

vi) The poll demanded on a question of adjournment or election of Chairman of the meeting shall be taken forthwith.

vii) A poll demanded on any other question shall be taken at such time not being later than forty eight hours from the time when the demand was made, as the Chairman of the meeting may direct.

viii) The decision of the Chairman of the meeting as to the qualification of any person to vote, and also in the case of poll, as to the number of votes any person is competent to exercise shall be final.

53A. SCRUTINEERS AT POLL.

i) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the votes given on the poll and to report thereon to him.

ii) The Chairman of the meeting shall have the power, at any time before the result of the poll is declared, to remove a scrutineer from the office and to fill the vacancy in the office of the scrutineers arising from such removal or from any other cause.

iii) Of the two scrutineers appointed under this regulation one shall always be a shareholder (not being an Officer or employee of the Bank) present at the meeting: provided that such a shareholder is available and willing to be appointed.

53B. MANNER OF TAKING POLL AND RESULT THEREOF.

i) The Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.

ii) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

54. MINUTES OF GENERAL MEETINGS:

i) Indian Bank shall cause the minutes of all proceedings to be maintained in the books kept for the purpose.

ii) Any such minutes, if purporting to be signed by the Chairman of the meeting at which the proceedings were held, or by the Chairman of the next succeeding meeting, shall be evidence of the proceedings.

iii) Until the contrary is proved, every General Meeting in respect of the proceedings hereof minutes have been so made shall be deemed to have been duly called and held, and all proceedings held thereat to have been duly held.

iv) On written request made by a shareholder for inspection of the minute book or for a copy of the minute of a specified meeting, the Bank shall allow the inspection or furnish the copy of the minute, as the case may be, to the shareholder

CHAPTER V

ELECTION OF DIRECTORS

55. DIRECTORS TO BE ELECTED AT GENERAL MEETING:

i) A Director under Clause (i) of Sub-Section (3) of Section 9 of the Act shall be elected by the Shareholders on the register, other than the Central Government, from amongst themselves in the General Meeting of Indian 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.

56. LIST OF SHAREHOLDERS:

i) For the purpose of election of a Director under Sub-Regulation (i) of Regulation 63 of these regulations, a list shall be prepared of shareholders on the register by whom the Director is to be elected.

ii) The list shall contain the names of the shareholders, their registered addresses, the number and denoting numbers of shares held by them with the dates on which the shares were registered and the number of votes to which they will be entitled on the date fixed for the meeting at which the election will take place and copies of the list shall be available for purchases atleast three weeks before the date fixed for the meeting at a price to be fixed by the Board or the Management Committee, on application at the Head Office.

57. NOMINATION OF CANDIDATES FOR ELECTION:

i) 'No nomination of a candidate for election as a Director shall be valid unless,

   a) he is a shareholder holding not less than 100 (one hundred) shares in Indian Bank

   b) he is on the last date for receipt of nomination, not disqualified to be a director under the Act or under the Scheme;

   c) he has paid all calls in respect of the shares of the Bank held by him, whether alone or jointly with others, on or before the last date fixed for the payment of the call;

   d) the nomination is in writing signed by at least one hundred shareholders entitled to elect directors under the Act or by their duly constituted attorney, provided that a nomination by a shareholder who is a company may be made by a resolution of the Directors of the said company and where it is so made, a copy of the resolution certified to be a true copy by the Chairman of the meeting at which it was passed shall be dispatched to the Head Office of the Bank and such copy shall be deemed to be a nomination on behalf of such company;

   e) the nomination accompanies or contains a declaration signed by the candidate before a Judge, Magistrate, Registrar or Sub-registrar of Assurances or other Gazetted Officer or any officer of the Reserve Bank of India or any nationalized bank, that he accepts the nomination and is willing to stand for election, and that he is not disqualified either under the Act or the scheme or these regulations from being a Director.

ii) No nomination shall be valid unless it is received with all the connected documents complete in all respects and received, at the Head Office of Indian Bank on a working day not less than fourteen days before the date fixed for the meeting.

58. SCRUTINY OF NOMINATIONS:

i) Nominations shall be scrutinized on the first working day following the date fixed for receipt of the nominations and in case any nomination is not found to be valid, the same shall be rejected after recording the reason therefore. If there is only one valid nomination for any particular vacancy to be filled by election, the candidate so nominated shall be deemed to be elected forthwith and his name and address shall be published as so elected. In such an event there shall not be any election at the meeting convened for the purpose and if the meeting had been called solely for the purpose of the aforesaid election, it shall stand cancelled.

ii) In the event of an election being held, if valid nominations are more than the number of directors to be elected, the candidate polling the majority of votes shall be deemed to have been elected.

iii) A director elected to fill an existing vacancy shall be deemed to have assumed office from the date following that on which he is, or is deemed to be elected.

59. ELECTION DISPUTES:

i) If any doubt or dispute shall arise as to the qualification or disqualification of a person deemed, or declared to be elected, or as to the validity of the election of a director, any person interested, being a candidate or shareholder entitled to vote at such election, may, within seven days of the date of the declaration of the result of such election, give intimation in writing thereof to the Chairman and Managing Director of the Bank and shall in the said intimation give full particulars of the grounds upon which he doubts or disputes the validity of the election.

ii) On receipt of an intimation under Sub-regulation (i), the Chairman and Managing Director or in his absence, the Executive Director of the Bank shall forthwith refer such doubt or dispute for the decision of a committee consisting of the Chairman and Managing Director or in his absence, the Executive Director and any two of the Directors nominated under Clause (b) and (c) of sub-section (3) of Section 9 of the Act.

iii) The committee referred to in Sub-Regulation (ii) shall make such enquiry as it deems necessary and if it finds that the election was a valid election, it shall confirm the declared result of the election or, if it finds that the election was not a valid election, it shall, within 30 days of the commencement of the enquiry, make such order and give such directions including the holding of a fresh election as shall in the circumstances appear just to the committee.

iv) An order and direction of such committee in pursuance of this regulation shall be conclusive.

CHAPTER VI

VOTING RIGHTS OF SHAREHOLDERS

60. DETERMINATION OF VOTING RIGHTS:

i) Subject to the provisions contained in Section 3(2E) of the Act, each shareholder who has been registered as a shareholder on the date of closure of the register prior to the date of a General Meeting shall, at such meeting, have one vote on show of hands and in case of a poll shall have one vote for each share held by him.

ii) Subject to the provisions contained in Section 3(2E) of the Act, every shareholder entitled to vote as aforesaid who, not being a company, is present in person or by proxy or who being a company is present by a duly authorised representative, or by proxy shall have one vote on a show of hands and in case of a poll shall have one vote for each share held by him as stated hereinabove in sub-regulation (i)

Explanation – for this Chapter, “ Company” means any body corporate.

iii) Shareholders of the Bank entitled to attend and vote at a general meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting.

61. VOTING BY DULY AUTHORISED REPRESENTATIVE:

i) A shareholder, being the Central Government or a company, may by a resolution, as the case may be, authorize any of its officials or any other person to act as its representative at any General Meeting of the shareholders and the person so authorized (referred to as a ‘duly authorized representative’ in these regulations) shall be entitled to exercise the same powers on behalf of the Central Government or company which he represents, as if he were an individual shareholder of the Bank. The authorization so given may be in favour of two persons in the alternative and in such a case any one of such persons may act as a duly authorized representative of the Central Government/ Company.

ii) No person shall attend or vote at any meeting of the shareholders of the Bank as the duly authorized representative of a company unless a copy of the resolution appointing him a duly authorized representative certified to be a true copy by the Chairman of the meeting at which it was passed shall have been deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting.

62. PROXIES:

i) No instrument of proxy shall be valid unless, in the case of an individual shareholder, it is signed by him or by his attorney duly authorized in writing or in the case of joint holders, it is signed by the shareholder first named in the register or his attorney duly authorized in writing or in the case of the body corporate signed by its officer or an attorney duly authorized in writing;

Provided that an instrument of proxy shall be sufficiently signed by any shareholder, who is, for any reason, unable to write his name, if his mark is affixed thereto and attested by a Judge, Magistrate, Registrar or Sub-Registrar of Assurances or other Government Gazetted officer or an Officer of the Bank.

ii) No proxy shall be valid unless it is duly stamped and a copy thereof deposited at the Head Office of the Bank not less than four days before the date fixed for the meeting, together with the power of attorney or other authority (if any) under which it is signed or a copy of that power of attorney or other authority certified as a true copy by a Notary Public or a Magistrate unless such a power of attorney or the other authority is previously deposited and registered with the Bank.

iii) No instrument of proxy shall be valid unless it is in Form ‘B’.

iv) An instrument of proxy deposited with the Bank shall be irrevocable and final.

v) In the case of an instrument of proxy granted in favour of two grantees in the alternative, not more than one form shall be executed.

vi) The grantor of an instrument of proxy under this regulation shall not be entitled to vote in person at the meeting to which such instrument relates.

vii) No person shall be appointed as duly authorized representative or a proxy who is an officer or an employee of Indian Bank.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Bank. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Designated Stock Exchange for registration and also the documents for inspection referred to hereunder, may be inspected at the Head Office of our Bank between 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid /Issue Closing Date.

Material Contracts

1. Letters of appointment dated October 23, 2006 to SBI Caps, Enam, I-Sec and KMCC from our Bank appointing them as BRLMs.
2. Memorandum of Understanding among the Bank and the BRLMs dated November 30, 2006.
4. Memorandum of Understanding executed between our Bank and the Registrar to the Issue dated November 17, 2006
5. Escrow Agreement dated [●] among the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
6. Syndicate Agreement dated [●] among the Bank, the BRLMs and the Syndicate Members.
7. Underwriting Agreement dated [●] among the Bank, the BRLMs and the Syndicate Members.

Material Documents

1. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, as amended.
2. Indian Bank (Shares and Meetings) Regulations, 1999, as amended.
3. Board Resolutions dated October 4, 2006, December 22, 2006 and January 13, 2007 in relation to this Issue and other related matters.
4. Letter no. F.No. 11/30/2004-BOA dated November 28, 2006 from the GoI, Ministry of Finance, Department of Economic Affairs (Banking Division), granting its approval for the Issue.
5. Letter No. FE/CO/FID/14030/10.78.019/2006-07 dated December 28, 2006, from the RBI, granting its approval for the issue of Equity Shares to non-residents including NRIs/FIIs.
6. Reports of the Auditors dated November 10, 2006 prepared as per Indian GAAP and disclosed elsewhere in this Red Herring Prospectus.
7. Copies of annual reports of our Bank for the last five financial years.
8. Consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
9. Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
10. Consents of BRLMs, Advisors to the Issue, Syndicate Members, Registrar to the Issue, Banker to the Issue, Domestic Legal Counsel to the Bank, Domestic Legal Counsel to the BRLMs, International Legal Counsel to the BRLMs, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. In-principle listing applications dated December 1, 2006 and December 4, 2006 filed with the NSE and the BSE respectively.
12. Tripartite agreement between NSDL, our Bank and the Registrar to the Issue dated December 27, 2006.
13. Tripartite agreement between CDSL, our Bank and the Registrar to the Issue dated July 2, 2004, and the letter of extension dated November 18, 2006.
14. Due diligence certificate dated December 1, 2006 to SEBI from the BRLMs.
15. SEBI observation letter No. CFD/DIL/ISSUES/V/83932/2007 dated January 9, 2007.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

We, the Directors of the Bank, hereby declare that all the relevant provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and subsequent amendments made thereto, Indian Bank (Shares and Meetings) Regulations,1999, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and subsequent amendments made thereto, Indian Bank (Shares and Meetings) Regulations, 1999, Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. All legal requirements applicable until the filing of the Red Herring Prospectus with the Stock Exchanges have been complied with. We further certify that all statements and disclosures in this Red Herring Prospectus are true and fair.

SIGNED BY ALL DIRECTORS

Sd/-	Sd/-	Sd/-
Dr. K.C. Chakrabarty Chairman & Managing Director	Mr. M.S. Sundara Rajan Executive Director	Mr. V.S. Senthil
Sd/-	Sd/-	Sd/-
Mr. S. Karuppasamy	Mr. A.X. George	Mr. Ashok Gupta
Sd/-	Sd/-	Sd/-
Mr. G. Charath Chandran	Ms. Nafisa Ali Sodhi	Mr. Ponguleti Sudhakar Reddy

Sd/-

Dr. Gundmi Sudhakar Rao

Sd/-

Mr. Shyamal Kumar Bandyopadhyay
General Manager, Financial Products, International Banking and Treasury

Date: January 15, 2007

Place: Chennai